

ECONOMICS, RECESSIONS, AND PARTY DECLINE:
AMERICAN PARTIES IN THE FISCAL STATE

by

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ABSTRACT

Party decline is explained as a result of both policy and policy-making structure. Some policy areas are more suitable for strong parties than are others. And the structure of the state can make parties central actors or can effectively place parties at the margins. Before the 1930s, both trade policy and the structure of trade policy-making in the state were conducive to strong parties. The fiscal-policy-based party competition after the 1930s was conducive to weaker parties. The "fiscal state" inaugurated during the 1930s placed a set of structural and policy-oriented constraints on the parties; explaining decline requires an examination of the links between the nature of the state's economic management and the condition of the parties. The thesis focuses on the congressional parties as the linchpin for the party system and argues that analysts need to move away from a compartmentalized, tripartite view of parties to an integrated understanding of how the different components of parties interact. The connections between parties, the fiscal state, and economic conditions are examined through analyses of the founding of the fiscal state, party behavior in budget-related roll-call votes from 1947 to 1986, and party responses to three recessions. Recessions should find the fiscal state's structure at its most plastic and subject to renegotiation and redefinition. But the obstacles to the parties are not normally overcome during recessions. Instead, the parties converge on a narrow range of solutions and few structural reforms are broached. Only when the Keynesian logic underlying the fiscal state comes into serious question do the congressional parties diverge during recessions and begin to resurge. But most of the components of the fiscal state remain intact, so there are reasons to be skeptical that this party resurgence will spread to other levels of party. Without broad-based changes in the state-economy relationship and the structure of the state, party resurgence will be partial and confined to some levels of parties while other party levels, most notably voters, continue to decline.

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Contents

Abstract	2
Acknowledgments	6
1. THE PAST AND PRESENT OF POLITICAL PARTIES IN AMERICAN POLITICS	10
Problems in the Theory of American Parties	18
A Less Pressing Problem: Responsible and Functional Parties	19
A More Pressing Problem: The Tripartite Party Model	23
What are American Political Parties?	29
When are American Parties "Strong"?	33
From the Old Deal to the New: The Demise of Partisan Trade Politics	38
Conclusion	58
2. EXPLANATIONS OF PARTY DECLINE AND ITS REVERSAL: BRINGING THE STATE BACK IN	61
Theories of Party Decline	62
The Breakdown of Confidence	63
Realignment Theory	67
Institutional Displacement	80
Keynesianism and the Politics of Growth	92
The State and Political Parties	98
The Fiscal State	103
Fiscal State Limits on Parties	107
Explaining Party Decline	113
3. PLACING PARTIES IN THE FISCAL STATE, 1937-1946	120
From the Old to the New Deal: The Rise of the Politics of Economic Management	124
The Recession of 1937: The Partial Legitimation of Fiscal Policy	126
Executive Reorganization and the Power of Congress	137
On Controlling the Budget	148
Back to Reorganization	154
Postwar Planning	157
Reorganizing the Legislature	159
Conclusion: The Employment Act of 1946 and the Building of the Fiscal State	170

4. COHESION AND DISSIMILARITY IN THE POSTWAR HOUSE OF REPRESENTATIVES	175
Data Set	176
Dependent Variables	183
Cyclical Tendencies in Cohesion and Dissimilarity	198
Independent Variables	208
5. ECONOMIC CONDITIONS AND PARTY ROLL CALL VOTING IN THE HOUSE OF REPRESENTATIVES	214
Political Models of Cohesion and Dissimilarity	216
Economics, Politics, and Parties: Building an Alternative Model of Cohesion and Dissimilarity	224
Building an Economic-Political Model: The Limits of Politics-only and Economics-only Explanations	233
Political Models	234
Economics Models	240
Economics, Politics, and Parties: Estimating the Economic-Political Model	248
Party Cohesion	249
Party Dissimilarity	259
Conclusion	265
6. POLICIES, REGIONS, AND INTERDEPENDENCE IN THE CONGRESSIONAL RESPONSE TO ECONOMIC CONDITIONS	271
Dissimilarity and Cohesion as a System	272
Appropriations and Authorizations: A Dime's Worth of Difference?	279
Explaining Cohesion	282
Explaining Dissimilarity	288
The Democratic North-South Divide and the Roll-Call Response to Economic Conditions	292
Intraparty Cohesion and Dissimilarity	297
Differences Between Democratic Regional Sections and the Republicans	304
Conclusion	309

7. RESPONDING TO RECESSION: PARTY REACTIONS AND POLICY MAKING DURING ECONOMIC DOWNTURNS .	313
The Recession of 1957-1958	319
Fighting Over Fighting Inflation	320
Turning to Recession: 1958	324
Ending the Politics of Recession	341
The Recession of 1974-1975	345
The Displacement of Inflation Politics	347
Tax Cuts	353
Public Works and Public Sector Jobs	361
Unemployment Insurance	372
Housing	374
Tax Cuts Revisited	376
Other Remedies to Recession	380
The Recession of 1980	382
Focusing on Inflation, Worrying about Recession	383
Budgetary Restraint to Fight Inflation	389
Defusing the Recession	399
Conclusion	415
Tendencies in Responding to Recession	415
Case Studies and the Fiscal State	423
8. PARTIES, POLITICS, AND THE FISCAL STATE	432
Changes in the State	435
Perspectives on the Decline and Rise of Party	438
Political Economy	438
American Politics	446
A New Look at Realignment from the Perspective of the Fiscal State	454
Thoughts on the Interregnum Order: After Keynesianism?	458
Beyond the Interregnum Order?	465
Beyond the Tripartite Party	468
Appendix	473
Bibliography	476

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Chapter 1

The Past and Present of Political Parties in American Politics

The party decline of the postwar period rests largely in the rise of a party competition based on Keynesian fiscal policy and a policy-making structure that marginalizes party as an important actor in fiscal policy. This thesis challenges the common view that the story of American political parties in the postwar period is a story of unfilled promise or unreached potential. American parties have declined, but they have in fact reached precisely the promise and potential likely for parties oriented around fiscal policy issues.

Although most scholarly attention is on parties as policy makers, parties are also policy takers. Policy constrains the opportunities open to parties. The argument of this thesis is that certain types of policy are more suitable for strong parties than are other types of policy, and the way that policy is organized in the state will have concrete effects on the ability of parties to appear centrally important in the policy-making process. The way that policies are made in the state affects whether the public focuses on parties or on individuals when they are voting, and it tells voters which political players deserve their attention in specific policy areas. Before the 1930s, party competition was based on trade

policy, and both this policy and the specific way in which policy making was structured in the state worked to the benefit of strong parties that tied voters to the parties and tied the parties to meaningful policy differences. Parties controlled trade policy, they differed significantly, and voters cared about the differences. The fiscal-policy-based party system of the past fifty years has been a marked contrast and far less productive for the parties. The signs of decay have been abundant.

This thesis suggests that both policy and the state are vital for the health of political parties. I argue that a "fiscal state" emerged from several key institutional debates from the mid-1930s to mid-1940s, and that this state set in place the long-term conditions for party decline by institutionalizing both fiscal policy and key structural policy-making components such as presidential dominance, the bifurcation of monetary and fiscal policy, automatic stabilizers, uncontrollable expenditures, and plebiscitary voting. The institutionalization of both the policy and the structure would prove damaging -- the currents of party decline were hard-wired into the policy and structure of the fiscal state and were not the results of particular postwar traumas such as Vietnam and Watergate. To explore the effect of the fiscal state on parties, I take up one particular aspect of party performance: how do the parties respond to economic downturns? Given the relation of economic downturn to

both the creation of the new party system of the 1930s and fiscal policy, it is a key question. What we find is that in precisely those periods of downturn, when the structure and policy of the state are potentially most malleable and public attention to politics is heightened, the widespread Keynesian understandings of the way the economic world works pushes the parties closer together. An econometric analysis of budget-related roll call votes shows that with economic decline, parties become less distinctive. Precisely when we want more of a choice, we get more of an echo. And a closer qualitative look at how parties respond to recessions indicates that the parties choose from a relatively narrow range of policy options and converge fairly quickly on which of these tools to employ.

Saying that policy matters and the state matters is important because it suggests that forecasts of inexorable decline (or improvement) for party are likely to be unreliable. Predictions of dealignment or party decline as the irreversible result of post-industrialism, affluence, education, media, or some other megatrend have not been sensitive enough to what has made American parties strong in the past. This thesis contends that when either the policy basis or the policy-making basis (structure) underlying party competition become less viable, a reconstituted party politics is possible. The partial improvement of the position of the parties in American politics in the 1980s can be tied to

the increasingly less tenable prescriptions of Keynesian analysis. The limited nature of this improvement is due to the relatively modest changes in state structure. Revitalized parties require a new policy basis for party competition and a new structure of policy making in the state that places parties as central actors. Without both, the rebirth of American political parties will be stillborn.

In the early 1990s American political parties are witness to both resurgence and decline. Just a decade earlier, the situation was less ambiguous: a wide group of political scientists was writing about the decline of political parties in the United States, and many suggested the decline was irreversible. The concern about the status of political parties was wide-ranging -- virtually everything about the parties seemed to be going wrong. Writers pointed to difficulties in the electorate, the Congress, party organizations, and the political system that decreased the salience, significance, and meaning of party.

These differing aspects of decline can be identified in a variety of ways. A decline of party-in-the-electorate means that parties are decreasingly effective in structuring voters' decisions. Indicators of interest are split-ticket voting, the existence of split districts (voting for different parties for Congress and the presidency), the volatility of voting for a specific office, decreasing connections between voting results at one

level and results at another (including state level voting), the proportion of the electorate self-identifying as "independent" or nonpartisan, the growth of multiple party identifiers (assert a different party identification at different electoral levels), the decrease in the proportion of "strong" party identifiers, the level of confidence in parties as institutions, and whether party is increasingly ignored as a reason for voting for specific candidates (see Nie, Verba, and Petrocik, 1979; Burnham, 1982; Lipset and Schneider, 1983, 1987; Crotty, 1984; Flanigan and Zingale, 1985; Fiorina, 1980, 1987, 1990; among dozens of others).

Decline can also be measured in party-in-the-legislature. Here, party labels become less effective at structuring voting decisions within the House and Senate -- cross-party coalitions grow in importance, internal party cohesion decreases, non-party caucuses increase in significance, dissimilarity between the parties decreases, there are fewer competitive districts, incumbency advantages increase, and party leaders lose control over their members (see, for example, Burnham, 1975; Clubb and Traugott, 1977; Cooper and Hurley, 1977; Brady, Cooper, and Hurley, 1979; Collie and Brady, 1985; Brady, 1990).

In party organizations, decline is seen when a private market for campaign services develops and as reforms place more of the central recruitment and nomination decisions out of the hands of party officials

(Kirkpatrick, 1979; Ranney, 1975; Polsby, 1983).

Finally, in more scattered fashion throughout these other three literatures, decline is measured on party-in-the-system. In this category, indicators include the comparative initiation of policy by the legislative versus the executive branch, party control over appointments to regulatory agencies and commissions, party control or input on personnel hiring, and the apparent co-optation of party tasks by agencies of the government or other institutions. In the political system as a whole, then, parties appeared to be less central to articulating policy positions and integrating interests (A. Schlesinger, 1984; Finer, 1984).

More recently, scholars have pointed to at least partial party revitalization. Party resurgence, dating from the mid-to-late 1970s, is located primarily in the Congress, where the parties have become more distinctive in their roll call voting over the past twenty years (Rohde, 1991), and the national party organizations, which have increased the array of services they offer candidates (Bibby, 1990; Herrnson, 1990; Reichley, 1985; cf. Price, 1984). To be sure, the improvements in Congress have been off an historically low base. And the national party organizations, for all their improved service vending, are still not major players in selection of candidates nor are they able to exert much

pressure on other legislative party members.¹ Indeed, there is some evidence that the party organizations are doing nothing new, just a greater quantity of the old activities (Baer and Bositis, 1988: 15). Nonetheless, the increased position of party in these two arenas has been genuine.

Decline persists more securely in the party-in-the-electorate and in the party-in-the-system. On the positive side, one can say that some of these trends seem to have bottomed out or mildly improved in the 1980s (Lipset and Schneider, 1987; Petrocik, 1987; Wattenberg, 1990:ch. 9; Sundquist, 1983-84; Cavanagh and Sundquist, 1985). But despite some hesitant movement in party identification in the 1980s and a rush by some to hail the return of the parties, party loyalty at the end of the 1980s was low, perceptions of the parties were highly cynical, and neutral perceptions of parties -- neither one is much better than the other -- were common. Barely a majority of the citizenry was motivated enough to vote for the presidency in the 1980s; just about one-third made it to the polls in off-years. Any celebration of voters shifting their party allegiance more in line with their views must be tempered by the simultaneous withdrawal of voters from the electoral universe.

¹ Sorauf and Wilson (1990: 203) conclude that the rise of legislative campaign committees provides "greater autonomy for legislative parties . . . without interference from the party organization."

How can we understand these diverging paths taken by different "parts" of the parties in the postwar period? This thesis argues that the analytical solution to this dilemma lies in the rise of the Keynesian-oriented American "fiscal state" in the 1930s and 1940s. Why is the state's role so crucial? First, state structure places boundaries around the responsibilities of different institutions and the types of policies adopted. Second, state structure builds public perceptions about where policy responsibility lies. Third, the outcome of state policies changes the political environment within which political parties and other organizations operate. In short, once we say the state conditions the relationship between the people, policies, politicians, and the parties, certain questions follow: Does the state interfere with party links to voters? What happens to policy control? What conditions make parties "strong"? Are these conditions made less likely by the state?

To explain postwar party decline and to point to opportunities for party improvement, I pursue the links between the nature of the state's economic management and the condition of the parties. A central failure of the literature on American parties is a tendency to overemphasize the party's effect on the "system" and underestimate the effects of the system on parties (Schonfeld, 1983; Chubb and Peterson, 1985). Building a framework that stresses the impact of state policies

and structures on the representation of interests,² this thesis suggests that the "fiscal state" inaugurated during the 1930s impaired the institutional basis for parties and weakened links between the populace and the parties. Only when either the structural elements of this state were reconstituted or when policy failures suggested the limits of its policy framework was space opened for the partial revival of party. Bringing the state back into party analysis explains the recent history of American parties and places parties in a more complete political context. An analysis viewed through the lens of the state can be sensitive to both the limits and opportunities facing parties rather than assuming that parties must be either inexorably declining or recovering.

PROBLEMS IN THE THEORY OF AMERICAN PARTIES

Why should analysts be so concerned about the present state of the parties? Certainly most of these students believe that parties perform

² "In this perspective, states matter . . . because their organizational configurations, along with their overall patterns of activity, affect political culture, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others)" (Skocpol, 1985: p. 21). McCormick (1986: 145) notes that "changes in the nature of governance have . . . repeatedly transformed the parties." Burnham (1984), in a global comparative review, makes some general connections between state building, the needs of elites, and the inclusion or exclusion of the public in party politics. See also Silbey (1984).

sufficiently important roles in the political system, at least potentially or under certain conditions, that their declining relevance and impact presents a "hole" of sorts in the mediation between citizens and the state. Certainly not all writers agree with this conception (King, 1969; Schonfeld, 1983). But for most, this "hole" in the representative system raises profound theoretical and pragmatic questions about the nature of American democracy.

A Less Pressing Problem: Responsible and Functional Parties

But this general agreement that parties are important for American democracy papers over a long-running conflict about American political parties and just what one can and should expect of them.³ On one side are those who favor reforms of the American system to encourage responsible political parties. With responsible parties one expects to find clearly different ideologies in the parties, these differences forming the focus of party competition, party leaders punishing those who ignore the party line, voters choosing between the

³ My discussion of party in this project employs Chambers (1975: 5) definition of party: "a relatively durable social formation which seeks offices or power in government, exhibits a structure or organization which links leaders at the centers of government to a significant popular following in the political arena and its local enclaves, and generates in-group perspectives or at least symbols of identification or loyalty." With this kind of party, politicians should get a more predictable marketplace of voters, and voters should get more predictable results from politicians.

parties on the basis of these differences (thus giving control of the government to one party), the winning party implementing its promised policies once in office, the opposition party strongly stating its policy alternatives, the parties running on their policies in the next election, and the voters evaluating and comparing the performance and promises of the two parties in the next election. E.E. Schattschneider (1942; APSA, 1950) is considered the chief proponent of this view. Though it is difficult to say, this position has probably been the dominant one among party scholars.

On the other side lies what I term the functional party view. These writers, most notably E. Pendleton Herring (1940; see also Eldersveld, 1982), suggest that American parties have served their appropriate purpose, given the needs of American society. Parties perform functions that are essential for the political system and that are performed by no other institution.⁴ If parties vigorously pursued ideological differences, social integration would suffer. The U.S., being a highly heterogenous society, needs parties more to integrate vastly

⁴ Lowi (1975) refers to these as the constituent functions of parties -- i.e., those functions that are constitutive of the political system, functions that without which the political system would not operate. Such tasks would include overcoming the constitutional separation of powers and branches, keeping conflict within boundaries, monitoring the rules of the game to keep them "fair," integrating new citizens into politics, including immigrants, recruiting and training candidates, running campaigns, and informing voters.

different groups than to represent opposing ideologies.

Herring (1940) makes two points in particular. First, parties should be judged according to how well they serve their environment. Since economic development requires broad cooperation (across region, for example), the parties will persist toward likeness. With business widely accepted as a force for integration and unity, it is not surprising that both parties serviced business and were largely controlled by business interests at times. Because we should not want to increase the differences between groups and risk tearing the country apart, we should accept our party system "not as a way of clarifying differences but as an institution for seeking broad terms of agreement."

Herring's second point is that voting is not always a rational thing. Election issues are often manufactured to fit the electoral schedule -- one would hardly want such issues to be the basis of voters' decisions or legislators' actions. Moreover, since so many people have only an emotional rather than rational connection to their party, it is just as well that parties are not proposing a significant policy agenda.⁵

From the point of view of responsible party advocates, the responsible party model is preferable because it allows for policy choice, makes parties responsive to citizens, and produces a quicker resolution

⁵ There are obviously some circular aspects to this particular point.

of problems as one party is given responsibility to solve the problems. The functional view, these theorists argue, is defective because rather than ensure social peace, functional parties are very likely to exacerbate social tension: conflict is forced to other non-political arenas, voters may withdraw from a politics that is not policy-focused, and, by separating groups into parties based on group identity rather than ideas, functional parties encourage group intolerance.

From the point of view of functional party adherents, functional parties will maintain political stability and reduce social conflict by downplaying ideological divisions and "big questions" about state-society relations and by giving all social groups a claim to a position in a political party. Moreover, they argue, functional parties are simply better suited to the United States than are responsible parties. As for responsible parties, they will simply lead to policy extremism and policy lurches. Losers would feel disfranchised in such a system, particularly if there was one clearly dominant party.

One's assumptions about whether parties should be emphasizing clear ideological programs and punishing transgressors -- the responsible party -- or whether parties should mainly be attempting to integrate society and serve its other functions such as recruiting candidates -- the functional party -- strongly influences what one finds dissatisfying about

American parties and where one sees "decline" (Orren, 1982). What is striking about the party decline of the postwar period is that it unified these schools in one respect: both saw serious deficiencies in the workings of American political parties. While complaints predominated from those adopting something close to the responsible party model -- the depictions above are ideal types -- both perspectives leveled charges of inadequacy at the postwar parties.⁶ So talking about party decline does not force one to adopt the full agenda of either of these perspectives. Party decline does not mean decline from some ideal responsible or functional state, but rather a decline from what parties had been doing in the past.

A More Pressing Problem: The Tripartite Party Model

Schonfeld (1983) labels the dominant strands in classic party research as "functionalist" and "structuralist." The first focuses on questions about what parties do, about what roles they play for the public and for the state, and includes such major writers as Maurice

⁶ V.O. Key's work shows a remarkable ability to straddle these two perspectives without degenerating into softly-worded statements of the obvious. His famous work on one-party factionalism (1949), for example, showed a clear and overriding interest in the functional concerns of party while his work on realignment and the electorate evinces clear connections with responsible party concerns (1955, 1959, 1966).

Duverger, Giovanni Sartori, and Max Weber. The second group asks questions about what the parties are, who their members are, i.e., organizational questions. Roberto Michels is considered the classic writer in this group.⁷

But as with the responsible and functional views of American parties, the similarities of these two schools are of greater interest to us than their differences. Baer and Bositis (1988: 23-25) note that all of these traditional perspectives on parties converged on one fact: they conceived of parties as wholes and took as a major part of their task an understanding of what party meant as an organizational entity, how it shaped relations between mass and elite, what its broad consequences were for politics, what party meant for democracy, and how party was likely to change.

In more recent theory about American parties this concern with "the party" gave way to specific studies about parties in one of the three compartments discussed above: party in the electorate, party in the legislature, party in organizations. It is this tripartite model of parties that Ware (1985) refers to as an "unholy trinity." What was gained from

⁷ An approach stressing the effect of the state on parties attempts to encompass these two dominant types of study, being concerned both with the effect of the state on what the party does and on who remains in the parties (and under what conditions and with what behavior) considering these changes in roles.

the tripartite model was a rich, extensive, empirical literature on several aspects of American political parties that allowed for finely-tuned, low-to-mid-level theory building. What was lost was the sense that the whole of party was more than the sum of these three parts. For all our advances in understanding parties in each of these three compartments, rather less emphasis was placed on building theory to understand the links between these three compartments.⁸

Baer and Bositis (1988: ch. 1-2) provide an elegant and cogent overview of traditional and tripartite party theory. They note that tripartite theorizing tells us little about the patterns in party politics. For example, one might be able to say something about increased cohesion among legislative parties but have no explanation of the continued decline in the public. On the other hand students of party-in-the-electorate may well explain why there has been little improvement in party fortunes in that compartment, but this explanation is not necessarily going to have any overarching links with the explanation of revival in the legislature. Since we face this kind of a mixed party pattern today, Baer and Bositis suggest that thinking of parties more as

⁸ It was as if, in studying religion, we had learned much about the church-in-the-parishonership, church-in-ministerhood, and church-in-organizational-hierarchy, but were unable to say much about religion in American life.

wholes than parts -- moving beyond the tripartite model -- is crucial.⁹

As they note, scholars have reached different conclusions on how to proceed in this direction. Many have asserted that we need to scale back what we mean by party -- Baer and Bositis refer to this tack as the "truncated party" view. The essential point in the truncated party literature is that scholars should "redefine the political parties as campaign organizations dominated by professional staffs" (p. 15) -- that is, these campaign organizations will produce cohesive and divergent parties through their distribution of funds and services. The major problem with this approach is that neither the evidence on campaign finance nor congressional party cohesion patterns provides much support.

Another approach is offered by J. Schlesinger (1966, 1984, 1985). Schlesinger attempts to build an ambition theory based on rational choice precepts to indicate why parties tend to converge or diverge. To oversimplify his argument greatly, he attempts to discern when party leaders or senior members see it in their interest to be concerned about the fate of fellow party members in competitive districts. In his earlier work, Schlesinger concluded that competitive parties (and parties sharing

⁹ Sorauf (1975) presents an elegant attempt to encompass change in parties within the limits of a tripartite model. He also takes more account of the wider environment than is typical in the tripartite method.

similar career interests) will tend to converge as leaders seek to protect vulnerable members (with one party dominant he anticipates increased divergence). In the 1970s changes in voter behavior created much more flux and uncertainty and hence competitiveness in congressional races.¹⁰ In this atmosphere, he argues, there is more incentive for party members to cooperate. What is unclear in his later analysis is why the parties in Congress have become more dissimilar in their voting. As Baer and Bositis (1988: 36) note, Schlesinger cannot, within his framework, argue that elites' motivations have changed greatly. That leaves the public. But even if the public is more ideological, it is unclear, given the original model, why the party leaders would not still converge in this highly competitive atmosphere.¹¹ Yet Schlesinger now argues that the increased competition between the parties led to more differences in Congress. The dilemma is not resolved.

Baer and Bositis argue that the key to the unlocking the dilemma is the changed nature of elites. Specifically, they argue that the social movements for minority rights and women's rights gained greater

¹⁰ While increases in incumbency victories and margins would seem to counteract this point, Schlesinger argues that the systemic indecision is enough that no margin is safe. In effect, the increases in incumbency and margins result from redoubled efforts by fearful politicians. See also Jacobson (1990).

¹¹ This conclusion of course contrasts with that implied by a simple Downsian model.

representation in the political parties through the reforms of the 1970s and that the greater heterogeneity of elites in the parties led to increased divergence of views. Surprisingly, Baer and Bositis are far more effective in showing the impact of these new groups on the party organizations than in the legislature. And despite their intention to provide a unifying framework, the lack of resurgence in the mass party is difficult to explain. Baer and Bositis paint the social movements of the 1960s and early 1970s as successes with mass followings. But why did people follow these elites into social movements but then withdraw when the movement elites migrated to the party system?

This thesis agrees that we need to conceptualize party beyond the limits of the tripartite model. This does not mean that one cannot stress one part of the party more than another in explaining recent party trends. What it does mean is that one wants to build a framework that allows for explanation of what is occurring in several different parts of the party, that provides a logical and plausible account of the links between the developments in these various sectors, that does not limit parties to either perpetual diminishment or perpetual functional adaptation to hardships, and that provides some sense for where party as a whole fits into the polity. The fiscal state approach, explained in chapter 2, attempts to meet these benchmarks.

WHAT ARE AMERICAN POLITICAL PARTIES?

Having suggested the fiscal state approach as a way to understand party decline and resurgence and avoid the constraints of the tripartite mode of party theorizing, let us return to the "less pressing" problem -- what are American political parties? The short answer, I suggest, is that American parties, while not programmatic, have been strongly policy-oriented and that this policy orientation matters to both the mass voters and elites (cf. Bailey, 1959:4). It is also indisputable that American parties have assumed over time the roles depicted by the functional school (Silbey, 1990). In both policy considerations and political roles, then, political parties have been a central element of political life in the United States for both office holders and the public. This decreased centrality is a major part of the notion of party decline.

Party scholars are in general consensus that American political parties have not been programmatic. Most analysts, it is fair to say, agree with Lowi's depiction of the parties as constituent entities -- they are an inescapable part of what makes up the system as a whole and perform a number of roles. Skowronek (1982), for example, argues that the early American state (through the late 19th century) was a "state of courts and parties." Party, in his view, was exceptionally strong in this

era: parties linked the national government to each locale, linked the discrete units of government horizontally in a territory, and organized government institutions internally. Parties were less notable for their programs than for the "procedural unity" they lent the state. It was a party structure and party system designed to integrate national government services into local centers of governing activity. Consequently, "building a winning electoral coalition on a national scale substantially reduced the prospects for implementing a positive national program" (Skowronek, 1982: 26).¹²

Programmatic parties might be ideal from the responsible party persuasion. But it is not obvious that short of programmatic parties we must write off the policy consistency of parties altogether. Although American parties may not have been programmatic and ideological, they have been strongly issue-oriented over time -- one might label them "policyist." Many analysts have pointed to at least broad thematic differences consistently separating the parties over time (e.g., Jensen, 1981a; Silbey, 1984).¹³ Numerous studies have demonstrated that

¹² Jaenicke (1986), largely through the vision of Martin van Buren, presents a concise overview of the early struggle to institutionalize parties in national politics, including the balance between ideology, policy, and commitment to party organizational practices.

¹³ Silbey (1984) argues that parties verged on the responsible party model at certain times in the nineteenth century, perhaps most prominently in the 1830s and 1840s.

clusters of issue concerns have defined various eras in American political history (Sundquist, 1973; Ferguson, 1982; Ladd and Hadley, 1975). And the voting records of 19th century congressional roll call voting show historic highs in party cohesion and dissimilarity, particularly in the latter part of the century.

Not only have parties had some issue content, but part of the links between the parties and the populace has been issue related as well.¹⁴ Bridges (1986) indicates the key importance of the party system for the labor movement in the pre-Civil War period. Workers, as a minority, found it necessary to work with partisan coalitions at the state and federal level. With unionism not a possible strategy for craftsmen, and militant unionism an unacceptable strategy for others (because of their fear of immigration), workers could be mobilized into cross-class coalitions. This process was facilitated by both "ostentatious paternalism" and the tariff that promised to protect U.S. labor from British labor. Indeed, the tariff was "the policy cement of the view that labor and capital shared the same interest." (Bridges, 1986:187) Bridges notes that after the Civil War, parties promoted visions of society to create reliable majorities and that partisan solidarities made workers

¹⁴ In the late 19th century, Jensen (1981a:67) writes, "The typical voter relished an articulate long speech unravelling the complexity of national monetary, trade, or constitutional policy."

American. Partisanship, she argues, embraced ethnicity, class identity, and also visions of social relations. Partisan identity was "larger" than class or ethnicity, not simply reflective of them. And the choice was firmly embedded in concrete issues: "Workers became Republicans and Democrats not as the result of 'symbolic' or 'ritualistic' activities but in the service of quite objective working-class goals" (Bridges, 1986: 192).

Shefter (1986: 250-51) also sees parties and politics as critical in the formation of the American working class. The parties organized around issues that "were deeply meaningful to most workers."

Moreover, as noted above, the tariff was a key issue: Democrats argued that the Republican impulse to tax every article workers consumed and to elevate blacks to position of equality with whites was tantamount to a desire to tell people "what they could or could not do on [their] Sundays." Republicans replied that Democrats were indifferent to the plight of workers by being unwilling to assist industry.

There will be some ebb and flow in how issues play into party competition. Key (1964: 222-27) notes that party distinctiveness tends to change over time as parties move from stage to stage in the conversion of controversy into new consensus (the significance of the outcome of national elections also changes) in the ongoing process he labels "dualism in a moving consensus." Of more direct significance for the fiscal state,

Poggi (1978) notes that a key problem in the contemporary United States, as elsewhere, is that the ideal of economic growth "gained an overwhelming grip on the public imagination. It was unanimously endorsed (at any rate in their rhetoric) by political leaders of all persuasions, who treated it on the one hand as utterly self-justifying, and on the other as validating whatever burdens the state might impose on society." (Poggi, 1978: 133) The growth of the growth idea, seen as a technical issue, Poggi (1978: 141) suggests, "diminishes the relevance of the parties' ideological heritage" and encourages parties to ask voters for ever vaguer mandates.

When are American Parties "Strong"?

Despite the common use of the terms, strong party and weak party are rarely defined in the party literature. Indeed, the situation in party literature parallels that found several years ago in state-centered analyses of politics. For years, scholars debated over the definition and characteristics of strong versus weak states. More importantly, critics questioned the very use of the strong/weak typology. In particular, could one meaningfully talk about state strength on an implied single dimension with "weak state" at one endpoint and "strong state" at the other? What if other dimensions of state power did not parallel this

dimension? Why is a state that is highly centralized and able to distribute public resources to business "strong" while another decentralized state, labeled "weak," effectively blunts business power -- which most writers on the state consider to be the most potent societal power -- by allowing access by numerous non-business groups?

Many of our models of parties depend on an implicit analysis of strong versus weak parties. Typically, this designation applies not to individual parties but to all parties in a political system (cf. Alt, 1984). Thus the United States is said to have weak parties, while European countries in general are said to have strong parties. However, a general perusal of the literature on European parties often reveals the same lamentations about weak, irrelevant, and declining parties. This comparison suggests two things: the use of strong party/weak party may, like the weak state/strong state rubric, mask more than it reveals; and the sources of party decline may be broader than particularistic events in one country.¹⁵ The strong/weak dichotomy also fails to capture change over time -- it does not explain U.S. party decline after the New Deal to say that U.S. parties have traditionally been weak. This is an important

¹⁵ This latter point is taken up in chapter 8. Theoretical treatments of "party government" that focus especially on Europe are essays by Wildenmann, Katz, Pasquino, Freddi, and Smith (all 1986) in an edited volume by Castles and Wildenmann. The second volume of the series (Katz, 1987) presents country case studies.

point because, with the exception of a strong ideological focus, most of what is considered "strong" about European parties can be found at some point in American history.

For this project, I suggest a fairly modest understanding of party strength that is synonymous with "healthy" party. The periods of party strength in the U.S. are notable for three factors. First, the parties had control over a policy domain; second, that policy served to divide the parties consistently over time; and third, it was an area over which voters cared. In other words, strong or healthy parties are parties that can be used as a meaningful cue for voters, politicians, and other elites.¹⁶ Different policy areas will be more or less likely to support strong parties.

Do voters want the parties to be cohesive and dissimilar? While the performance of some "extreme" presidential candidates -- Barry Goldwater, George McGovern -- suggests voters veer away from extremes, there is some evidence that voters prefer a choice.

Reclassifying data gathered by Martin Wattenberg (1986) on public evaluations of the parties, Konda and Sigelman (1987) build positivity

¹⁶ Despite the insistence of many strong-party advocates, there is no particular need for the party divisions to be class-based. That is one possible division. But one is reminded that even Antonio Gramsci, surely an advocate of "strong" parties, recognized the effectiveness of cross-class coalitions. Sartori (1990) points out the difficulties inherent in the discussions of class-party links.

indices for American parties in general, the Democratic party, and the Republican party. We can compare these indices (which cover election years from 1952 to 1984) with indices of party cohesion and party dissimilarity built for the present project (see chapter 4). What we find is that the positivity ratings of the parties correlates with the index of party dissimilarity at 0.63, while the positivity indices correlate with cohesion indices at 0.67 and 0.41 for Democrats and Republicans, respectively. In other words, the more cohesive and distinctive the parties over this thirty year period, the more positive the public view of the parties in general and the two parties specifically.¹⁷ One might also note that periods of high turnout and periods of high cohesion and dissimilarity tend to coincide historically.

The key point here is that one aspect of being a "strong" party is that the parties are generally perceived to be in control of -- i.e., have as their policy domain -- important policy areas and that the parties enunciate contrasting positions on this policy area and that these enunciated positions are of interest to voters and other elites. It does not necessarily matter in this view if the parties are strong because of

¹⁷ The correlations are not spurious. When I compared the positivity indices with the cohesiveness or dissimilarity of parties at years t-1 and t-2, the correlations dropped anywhere from 50 to 75 percent in magnitude for all three cases (both parties, Democrats only, Republicans only).

assertive leadership; while this would indeed be one way to have a strong (meaningful) party, it is not the only way.

All three elements of party health -- control of a policy area, contrasting party positions, policy and the party position are of interest to voters and other elites -- are relevant in considering the rise of fiscal issues in the 1930s and 1940s. As I will argue later, in all three of these respects the fiscal state made the prospect of healthy parties in postwar America problematic.¹⁸

But before moving to an analysis of the fiscal state, the notion of healthy parties will be clearer if we first discuss the past. One need not downplay the other important issues facing parties over the course of American history to suggest that trade policy was the most important issue consistently dividing the parties, certainly by the latter part of the 1870s (when it was bound up with several other issues), and the most important for defining their coalitions. To the extent the parties wanted to express a vision of state-economy relations and the proper interaction of industry and government, they relied most often on the measures and symbols of trade policy. Trade policy was quite capable of providing the "latent function" of tying together disparate levels of the parties.

¹⁸ From 1976 through 1982 at least half of the electorate believed that there was no difference in the abilities of the parties to handle unemployment or inflation (Parker, 1986: 394).

FROM THE OLD DEAL TO THE NEW:
THE DEMISE OF PARTISAN TRADE POLITICS

One of the key premises of this study is that we cannot assess the strength or status of political parties and party systems independently of the nature of the state and the nature of public policy pursued by the state. Before fiscal policy and economic management, American party systems revolved around (though not exclusively) issues concerning foreign trade. Tariff politics provided an integration of sorts to the political order. Workers were mobilized and had their interests defined in terms of trade issues (Bridges, 1986), and tariffs pervaded other issues facing government. On budgetary policy, tariff politics had both direct effects -- Republicans favored increased spending in order to avoid having protectionist tariffs create huge budget surpluses -- and indirect effects -- spending increased more rapidly than might have been the case under a more direct, less hidden tax (Stewart, 1989:63-66).

Trade politics provided several advantages for the parties that would not be duplicated by fiscal policy. First, trade policy was centered in the Congress rather than the presidency, which would tend to lead to a stronger sense that positions are *party* positions and not individual or administration positions. Secondly, trade issues had a

more concrete and more understandable impact on a typical voter's livelihood than does fiscal policy and economic management in general. A voter is less likely to approach trade policy in a plebiscitary manner when it affects his or her own industry; fiscal policy is almost exclusively viewed as a plebiscitary matter: Americans favor low unemployment and low inflation and are not particularly focused on just how these results are achieved. Opinions on fiscal policy are likely to be fleeting; on trade policy, stable.¹⁹

A third difference is that trade politics, as practiced before the New Deal, were a good example of distributive politics in action. Parties could produce distributive trade policies to retain the loyalty of key economic sectors. Fiscal policy and economic management per se did not enjoy this easy divisibility and were in fact more in the realm of regulatory policy. Certainly budget policy fell more along the distributive track, but it was the ability to forestall recession and to promote growth which defined the new state and which played a dominant role in party campaigning beginning in the 1930s. Democrats who kept reviving the "Hoover Depression" were making a point about

¹⁹ If one's industry is doing poorly under protection, the response of most of the affected individuals -- if we can infer from industry political actions -- is not to turn to free trade but to demand more protection. Unlike in fiscal policy, "trying something new" has relatively low appeal in trade politics -- unless the something new is in fact a more vigorous application of an existing policy.

the willingness to use government to stanch economic decline; the point was only secondarily about which budget categories Hoover favored and which he ignored. Public knowledge of government spending patterns is generally low, but the public is generally well aware of the macroeconomic problems of the day. Studies generally agree that public attitudes and political behavior reflect macroeconomic conditions more than either budget shares or personal financial conditions (Kiewiet, 1983; Lewis-Beck, 1988).²⁰

Finally, trade policy fit well into the sectional and cultural molds of American politics: trade could be used to rouse sectional or ethnocultural loyalties to a particular trade policy. Economic management is less well-suited for integration into these pre-existing molds.

Most accounts of trade policy stress the strong partisan flavor of trade disputes across the nineteenth and early twentieth centuries (Ferguson, 1982, 1984). To some extent, of course, particularly after the Civil War, this partisan difference was a coincidental result of sectional differences in party strength (Schattschneider, 1935:9). Ratner's (1972) account indicates that before the Civil War parties did encounter difficulty building a trade policy position that was mutually agreeable

²⁰ Certainly many individuals might see their financial condition in some way linked to budget shares.

across sectional lines. He suggests that splits within the Democratic party, for example, were especially sharp along class and sectional lines during the administration of Andrew Jackson. McCormick (1986:210) concurs that at times, politics at the national level remained more ideologically consistent about tariff and currency issues than at the state and local level. And, to be sure, some studies have indicated that the executive branch may have had more centrality in trade policy than was formerly recognized (Lake, 1988; Frieden, 1988). But sectional divisions were not absolute, and in fact parties represented significantly different views within sections (Ratner, 1972:18-21).

While Ferguson has presented the most recent and comprehensive accounts linking trade policy differences to party divisions, other studies confirm the importance of the division to the party systems of the nineteenth century. McCormick (1986:173) notes that "Both parties enjoyed dispensing, and fighting about, policies benefiting particular constituencies, but both opposed any significant expansion of public authority. The perennial question of how much tariff protection to place on scores of separate products perfectly fit the major parties of the late nineteenth century." Bensel (1990:428-29) argues that there were two conflicts over wealth in late nineteenth century American politics: one was interregional in which northern workers and capitalists united to

expropriate wealth from the south; another was intraregional in which northern capitalists and workers argued over distribution of wealth. In party politics, this latter conflict was subsumed by the former. Interregional issues like tariffs and trade, Bensel argues, defined the party system.

The mechanism by which trade issues filtered down to the electorate has been a matter of historiographical dispute. Terrill (1973:9), although noting that the parties were not literally unanimous in their views on trade policy, indicates that trade was important for the parties because it allowed a party to "identify itself clearly with a national issue that might give them the internal cohesion necessary to counter the centrifugal forces of sectionalism, ethnic and religious differences, dynamic but uneven economic change, or perspectives limited by the boundaries of a neighborhood or small community" (see also McCormick, 1986:57). Bridges (1986:187) points to the tariff as "the policy cement of the view that labor and capital shared the same interest." These "mutualist" sentiments were reflected in national support for the Republican party. Workers, Bridges (1986:192) argues, chose their party identification not because of symbols or rituals but rather "in the service of quite objective working-class goals." Yet ethnocultural historians such as Ronald Formisano, Richard Jensen, and Paul

Kleppner argue that economic issues such as trade were important largely for their symbolic content.²¹ According to this school, McCormick (1986:37) notes, "party rhetoric on particular economic issues could convey to voters a message about where the party stood on cultural issues close to their daily lives." So Democrats in the 1890s could paint Republicans' high-tariff views as another example of Republican meddling and paternalism (Shefter, 1986:251). Although this dispute is a highly interesting one that seeks to explain how nineteenth-century parties appealed to the public and, much less explicitly, how economic policies were made, it need not delay us here. The important point for present purposes is the widespread agreement that the tariff issue played a special role in delineating the two parties, and it was a widely perceived and encouraged demarcation. The latent function of trade policy, one might say, was party building.

Trade issues seemed a constant. "Other issues come and go," a journalist wrote at the end of the nineteenth century, "but the tariff issue goes on forever" (cited in Terrill, 1973:36). Divisions over trade policy had been one of the keystones of difference between the political parties

²¹ On the other side, historian Virginia Yans-McLaughlin (1977:121) suggests that Italian voters in Buffalo's Little Italy at the turn of the twentieth century were not monolithic in their party identification and switched their party voting depending on concrete pragmatic interests. She describes the situation as one of "bitter factionalism" involving rival Italian community leaders.

for over a century, and the parties in Congress had control over trade policy (Jensen, 1981a). It is, then, somewhat puzzling that in the 1930s the parties would abandon trade policy as the central point of contention between Democrats and Republicans and, in particular, transfer control over trade policy to the executive branch. Let us take the latter point first. Beginning with the Reciprocal Trade Agreements Act of 1934, Congress transferred the role of trade policy initiator to the president.²² Table 1-1 indicates how dramatically things changed after 1934. Prior to the New Deal, Congress had in small portions given presidents flexibility in trade negotiations and tariff setting. The column indicating what Congress "took back" is empty for these years because there was in effect no permanent powers that the president could give up in this area. After 1934 the pattern changes. The presumption now is that the president has autonomy in trade policy, and that every few years Congress gives the president more latitude on the one hand while trying to provide some restrictions on the other. Clearly, Congress had not completely handcuffed itself regarding trade policy; just as clearly it had substantially less control over this policy domain than it had before

²² To be sure, Congress, in an environment of emergency, transferred several powers to the president that one would not expect in more "normal" times. But these other areas did not have the emotional resonance of the trade issue and had not been an underlying factor in party divisions for over 130 years.

1934.²³ Congress increasingly sought not to mandate outcomes but rather access. Revisions in the trade law constituted an incremental approach that allows more and more interests structured and predictable access into trade policy. Particular outcomes were more rarely ordered, although institutional rules (e.g., how does one define "injury"?) were altered to make successful outcomes more likely. But the president's power to negotiate remained flexible. Congress did not attempt to regain extensive control over trade policy in the pre-1934 sense.²⁴

Destler (1986:ch. 2) identifies seven major components to what I label the "System of '34." First, the "bargaining tariff" replaced the statutory and inflexible tariff of the past. The president would have the authority to initiate and negotiate tariff changes within broad parameters outlined by Congress. Second, the "bicycle theory" stressed the importance of export promotion rather than import protection. During periods of ongoing negotiations, U.S. officials used the negotiations

²³ One reason for Congress's willingness to increase the president's role in trade policy seems to be the particularly close relations important members of Congress shared with Secretary of State Cordell Hull, who was the most important and persistent administration proponent of liberalizing trade and passing the Reciprocal Trade Agreements Act (Karl, 1983:209). Hull's views are presented in Hull (1934a, 1934b, 1935).

²⁴ Congress's attempts to place some restrictions on the widespread power it had given the president is indicated in the length of the bills. The trade act in 1934 ran 2 pages; 1958 - 8; 1962 - 32; 1974 - 99; 1979 - 173; 1984 - 102 (Baldwin, 1986: 38).

themselves as a tool to deter protectionist demands -- if protectionism was pushed during negotiations, these officials would argue, the long-term benefit of open international markets would have been sacrificed for a transient short-term advantage. The idea was that, like a bicycle, "the trade system needed to move forward, liberalize further, or else it would fall down, into new import restrictions. It could not stand still" (Destler, 1986:15). The next component was an "executive broker" to balance domestic and foreign concerns. Cordell Hull first played this role and after 1962 the role was filled by the Special Trade Representative. "Rules" and "objective" procedures for relief, the fourth component, set up administrative channels through which petitioners could seek some kind of trade relief. Channels included, among others, countervailing duty and antidumping procedures, national security exceptions, and escape clause procedures for industries needing a respite from foreign competition. Remedies included tariffs, quotas, and adjustment assistance.²⁵ In two of the channels, countervailing duty and antidumping, relief bypassed the political arena altogether as an industry that argued a successful case before the proper executive agency received protection automatically. Rules occasionally are politically

²⁵ This list, of course, does not include the many other ways that one can discriminate against foreign goods, such as health and safety requirements, product specifications, and so on, because these particular barriers are not awarded through the official trade policy channels.

burdensome, so the system allowed political deals for special cases such as steel, textiles, and so on. Aside from their raw political muscle because of their size, these industries, if they were so inclined, could tie up the administrative channel by filing a flood of complaints. The steel industry took just this path in 1982. The sixth component of the system was strong congressional committees such as Ways and Means and the Senate Finance Committee that could keep product-specific bills and amendments off the House and Senate floors. And finally, the system rested on an assumption of non-party competition. To Destler (1986:60), "open U.S. trade policies had been founded, in part, on closed politics."

Why, then, did the Congress abandon control of this jealously guarded policy turf? Several reasons seem plausible. First is the fact of the economic crisis itself. The infamous Smoot-Hawley tariff, which was instituted in reaction to the economic downturn, was a clear failure from virtually any perspective. If Smoot-Hawley was intended to blanch the decline, it clearly failed. In the view of some writers, Smoot-Hawley was in fact the initiator of serious economic troubles. Whichever view one takes, it is clear that things went from bad to worse after Smoot-Hawley -- under these conditions possibilities widen for dramatic policy change as old coalitions are scattered and old definitions of interests no

Table 1-1
Congressional and Presidential Power in
Major Trade Policy Acts 1790-1984

	<i>Congress Increases President's Autonomy</i>	<i>Congress Restricts President's Autonomy</i>
1790	1	0
1815	1	0
1823	1	0
1824	1	0
1890	1	0
1897	3	0
1909	2	0
1922	1	0
1934	3	5
1937	1	0
1940	1	0
1943	1	0
1945	1	0
1948	1	1
1949	2	0
1951	1	4
1953	1	4
1954	1	0
1955	2	3
1958	1	4
1962	11	7
1963	1	0
1974	8	21
1979	2	0
1984	1	1

longer appear tenable. As long as the RTAA seemed to be working satisfactorily, there would be little incentive to return to the old system.²⁶

But of course there had been economic crises before without major change in the parties' control over the trade policy issue. Another argument suggests that this particular crisis was different because devaluation had provided an opening for a free trade policy: import sensitive industries would be protected, and exporters should see their international position increase (Yoffie, 1989). These exporters, located in the now dominant Democratic party, finally had a reliable institutional vehicle with which to pursue their interests (Ferguson, 1984; Ferguson and Rogers, 1986; Gourevitch, 1986: ch. 3-4).

It may be, then, that the conjunction of crisis and devaluation with a powerful coalition made the idea of liberalized trade more potent than in the past. Still, it is not impossible to envision a liberalized trade policy coming out of a Democratically-controlled Congress (Pastor, 1980) -- it is not obvious why the executive branch had to become the policy initiator in trade policy. The most plausible reason why liberalization and presidential autonomy coincided was that the two branches were reaching an implicit bargain: by giving the president

²⁶ See Fisher (1972) and Haggard (1988) for the establishment of the RTAA.

control over trade policy, Congress was also expecting the president to protect members of Congress from the kind of onslaught of special interest pleading that led to the Smoot-Hawley tariff (Pastor, 1980; Yoffie, 1989; Destler, 1986).²⁷ At the same time, supporters of liberalization had to provide at least partial compensation of opponents of this policy change (Haggard, 1988; Goldstein, 1988:187), particularly administrative avenues for firms to get trade relief without having to engage in massive logrolling.²⁸ And indeed the process has worked. In

²⁷ Schattschneider (1935) remains the single best portrait of the legislative proceedings that led to the tariff.

²⁸ In contrasting the political significance of tariffs in the nineteenth century and the contemporary era, McKeown (1984) makes the interesting point that in the nineteenth century, tariffs were more significant politically because of the lack of alternative policy instruments. Tariffs carried a heavy political burden because "actors deprived in this issue could not readily be compensated by payoffs in other areas" (p. 231). McKeown also notes that the tariff issue can be evaded today by foreign direct investment. The effect of these two changes, he argues, is to "reduce the degree to which the preferences of firms are likely to constrain a government's choices of tariff policies" (p. 233) and to lead to a situation where the same level of economic difficulty would not lead to the same protection in the twentieth century that it did in the nineteenth. The first conclusion is better supported by his suggestions regarding compensation and has of course been a major and occasionally overwrought theme in the state autonomy literature. On the other hand, changing the politics of compensation alone is unlikely to explain the change in protection from one "equivalent" period to another. One would also need to consider the structure of policy making (e.g., the system of '34), the demands of coalitions (Gourevitch, 1986), and the demands of industry (Milner, 1988; Milner and Yoffie, 1989). Given that the party systems of the nineteenth century were based largely on distributive issues, one can rightfully question whether compensation was such a new feature of the 1930s. Distributive politics are by their nature not a zero-sum game. Quoting historian Harry Scheiber, McCormick (1986:208) points out that in a system dominated

the postwar period only five U.S. industries have been successful in the political route, i.e., in circumventing the administrative channels of the International Trade Commission and seeking protection directly through Congress or the president (Hufbauer and Rosen, 1986).²⁹

But something still appears to be missing from this account. We are, after all, talking about transferring one of the most potent organizational issues that the parties controlled for over a century, a policy area which, as mentioned above, contained several features that made it particularly well suited to building party discipline and party affiliation. Even the bizarre special-interest carnival of the Smoot-Hawley tariff should not, in and of itself, have dislodged such a potent system. The missing link here appears to be the *nature* of the pleading that went on with Smoot-Hawley. One of the advantages that accrued from the old system of trade politics was stability and dependability. Firms, industries, and the workers and communities tied to them had fairly stable demands in trade policy. With stable demands, coalition building is somewhat simplified. Logrolling itself can become almost routinized. The problem faced by members of Congress in the early

by distributive politics, "repeated trips to the public trough are possible, both for those who come away empty-handed and for those already well fed."

²⁹ The industries are textiles/apparel, steel, autos, meat, and sugar, and they typically comprise about one-fourth of all U.S. imports.

1930s that removed the last obstacle to the transfer of authority to the president was the new *confusion* in trade demands. The accounts of Schattschneider (1935) and Ferguson (1984) suggest that industry and firm positions on trade had become highly undependable by the early 1930s and that the prospect of building stable coalitions likely appeared daunting to the typical member of Congress (Haggard, 1988:104-107). It was in any case not clear that a division existed that was relevant in partisan terms. It was not the onslaught of demands alone that made abandoning trade policy appealing to Congress; it was the disorganized and unpredictable nature of the onslaught. Except for a few industries whose demands changed slowly if at all after World War II -- steel and textiles for example -- members of Congress found that administrative channels for protection provided adequate protection for local industries and absolved the member of Congress of any blame should protection not be granted (Coleman and Yoffie, 1990a).

Having discussed the transfer of trade policy responsibilities to the executive branch, let us discuss next the original point above: the decline of trade as a central issue of contention between the parties. Since World War II the two major parties have become more alike in their

views toward trade policy, at least as reflected in roll call behavior.³⁰

Looking at "party votes," or the percentage of roll-call votes where a majority of one party opposes a majority of the other, we find that from 1947 to 1964, 62.1 percent of all trade-related roll call votes in the House fall into this category. The percentage of party votes dropped to 49.3 percent from 1965 to 1975 and edged up slightly to 53.9 percent from 1976 through 1986.³¹

The weakness of the party vote index, however, is that it can be insensitive to changes in the intensity of difference between the parties over trade (or any) issues. For instance, if ten roll calls are taken, each showing 51 percent of Democrats voting yes and 49 percent of Republicans voting yes, the party vote index would be 100. If these votes were 95 percent of Democrats voting yes and only 3 percent of

³⁰ From 1934-40 no more than five Republicans in either chamber voted for reciprocal trade, but they supported thirteen of sixteen such roll calls from 1943-58 (Fisher, 1972:147). Some of the increased Republican support was due to support for the new peril point and escape clauses, more so than an advocacy for free trade.

Some of the following data was first published in Coleman and Yoffie (1990a: 140-141). The measures of party cohesion and difference are discussed more fully in chapter 4.

³¹ Data are grouped because of the relatively small number of roll calls in some years ($n=237$ for the period from 1947-1986). The cutpoints closely coincide with what are generally considered the most momentous changes in postwar trade policy: the granting of authority in 1963 for massive tariff reduction and the reassertion of congressional power in the 1974 Trade Act. Consensus votes, with more than 90 percent of each party voting the same way, were eliminated from these calculations.

Republicans voting yes, the index would still be 100. But obviously the second set of votes is far more divisive than the first. One way to get around this limitation of the party vote is to choose another cutpoint -- instead of a majority of one party opposing a majority of the other party, one could define a party vote as 75 percent or more of one party voting yes while 75 percent or more of the other party votes no. Using this criterion, 31 percent of all trade-related roll-call votes from 1947 to 1964 were party votes. From 1965 to 1975, 8 percent qualify as party votes, and from 1976 to 1986 just under 5 percent qualify. These data suggest that the intensity of the partisan debate over trade issues has indeed declined substantially. Until 1965 about one trade vote in three was divisive at the 75 percent level; after 1965 only about one in twenty votes was that divisive.

Other measures, such as the Index of Party Dissimilarity, confirm these impressions. The IPD runs from 0 (parties vote exactly alike on a roll call) to 100 (a perfect party line vote) and measures the distance between the parties. The calculation is simple: if 68 percent of Democrats vote yes and 54 percent of Republicans vote yes, the IPD is 14. The IPD would also be 14 if 60 percent of Democrats voted yes but only 46 percent of Republicans voted that way. So, even though the parties actually split on the latter vote, the distance as measured by IPD

remains the same. After calculating an IPD for each vote we can then calculate an average IPD for any particular time period. Using the same time periods as above, the IPD registers 46 from 1947 to 1964, 29 from 1965 to 1975, and 32 from 1976 to 1986. Looking at annual averages, we find that from 1947 to 1964 the IPD exceeded 50 six times, reaching the upper 70s twice. From 1965 to 1986 the IPD never topped 50; only four times did it exceed 40.³²

Another way to indicate the reduced role of party differences in trade politics is to consider studies of tariff and non-tariff protection patterns. These studies, primarily econometric in method, suggest that party explains very little about the pattern of trade protection in the postwar U.S. Ray's (1981) study of 225 4-digit Standard Industry Classification industries, for example, indicates that tariff rates in the U.S. (as of 1970) were related positively to concentration and labor

³² To put some perspective on this, in the late 19th century, annual IPD scores in the 70s, 80s, or even 90s were not uncommon. After World War II we tend to consider a score of 50 to be quite partisan. As noted above, the annual figures should be interpreted cautiously because of the low number of roll call votes in some years. Overall 280 roll call votes were trade related. Forty-three, or 15.4 percent, were consensus votes that were not included in calculation of the indices. Years toward the end of the sample have a higher proportion of consensus votes than earlier years, but one cannot necessarily assume that this reflects weaker parties. The introduction of computerized roll call voting in the House in 1971 made roll call votes, even on measures that were obviously headed for defeat or passage, easier and less time consuming. Therefore, the increase in consensus votes from 7.4 percent of the 1947-70 roll calls to 19.5 percent of the 1971-86 roll calls probably reflects, at least partly, the impact of computerized voting.

intensity and negatively to the skill level of an industry's workforce.

Nontariff barriers exist in capital-intensive industries producing homogenous products with non-skill intensive production, exist where there are high tariff rates, are not related to industry concentration or level of imports, and are highest where foreigners also have NTBs.

While dozens of other studies dispute parts of Ray's explanation of the pattern of protection, there is little evidence that party differences, either in Congress or the White House, have played a major role in differentiating the different level of protection across industries.³³

The decreased centrality of trade divisions is evident and understandable in the post-New Deal period. Parties before the 1930s had domain over the trade-policy area and fully appropriated any political benefits (or costs). With firm coalitions, stable industrial sector support, and policy power clearly located in the parties, there was a strong incentive to support specific measures (e.g., a tariff) that explicitly distinguished between winners and losers. The other party would stand firmly and openly with an opposite view of the measure.

³³ A representative sample of studies discerning the reasons that protection (or liberalization) looks the way it does includes Pincus (1977), Brock and Magee (1978), Ray (1981), Stone (1984), Conybeare (1983), Krasner (1979), Esty and Caves (1983), Hansen (1990), Gallarotti (1985), Finger, Hall, and Nelson (1982), Helleiner (1977), Gutfleish (1986), Baldwin (1986), Lavergne (1983), Hughes (1979), Goldstein (1986), and Lenway (1982).

But now the parties do not have each other as a trade policy foil. As trade policy leadership moved to the executive branch, the interests organized within the parties became much more in flux and less predictable. With coalitions in flux, internal compromises are increasingly important, and these internal compromises tend to bring both parties toward the middle on trade issues and methods. Generally, both parties build coalitions in a way that encourages trade remedies that seem dramatic but are less sharply disadvantageous to groups not involved in the protection. With parties weaker, it pays less now for groups to remain solidly with one party. With supporters in flux, it pays less now for the parties to favor a trade remedy that might seem to favor one group over another (Coleman and Yoffie, 1990a: 141-142). While these changes do not mean that a party system oriented around trade policy has become impossible, they do indicate that trade did not play the same positive role for the parties after 1934 as it did prior to that period. With the collapse of trade as the central dividing line between the parties, it was possible for some other issue to move to the surface. That issue, of course, was management of the economy, especially fiscal policy.

CONCLUSION

This thesis argues that consideration of policy and the state provides analytical leverage in understanding the course of the parties over the postwar period. Specifically, I base my analysis on the "fiscal state." As I explain in chapter 2, such a state contains both structural and policy features that affect the role and importance of political parties. Policy-oriented constraints include the policy areas -- especially Keynesian macroeconomic management -- that are institutionalized in the state but which have strong effects on party health. Structural constraints in the fiscal state include executive-oriented macroeconomic management, plebiscitary voting, "uncontrollable" spending, automatic stabilizers, and the bifurcation of monetary and fiscal policy. Within the logic of a party system influenced by the fiscal state, and focusing particularly on periods of economic recession, I argue that one should pay special attention to the business cycle and the health of the parties across the cycle. The model suggests that a reversal of decline might be expected at particular levels of party if some or all of these fiscal-state constraints were to be reformulated. Full-scale party renewal, then, depends on major changes in the state-economy relationship.

The remainder of the thesis makes the case for bringing some of

the insights of political economy literature, specifically theory about Keynesianism, the politics of growth, and the state, into American party analysis. Chapter two reviews the literature on party decline and explains the components, expectations, and advantages of a state-oriented approach. Chapter three explores the debates about the formation of the fiscal state between 1937 and 1946. By reviewing several important policy and institutional debates, I seek to point out how the postwar position of the parties was importantly shaped during this formative period. The next three chapters deal with the behavior of parties in the House of Representatives once the fiscal state is in place, i.e., from 1947 through 1986. Chapter four discusses methods and data, presents the time series data, and explores the trends in the data. Chapter five builds an econometric model based on expectations generated by the fiscal state framework and applies this model to the aggregate cohesion and dissimilarity data. Chapter six pushes this analysis further, considering the effect of past cohesion and dissimilarity on present levels, the impact of north-south divisions in the Democratic party, and the behavior of authorizations voting versus appropriations voting. Chapter seven turns back to qualitative analysis to examine how parties in the fiscal state respond to three postwar recessions. This examination allows for more discussion of substantive responses to

economic problems and consideration of the relationship between the president and the congressional parties. Finally, chapter eight reviews the findings, suggests some implications of these findings for American politics, and considers the possibility of full party revitalization.

I noted above that the traditional theories of political parties placed a substantial emphasis on the relationship between party and democracy, a relationship underemphasized by the compartmentalized tripartite model. Ultimately the point is the people and democracy. Poggi (1978: 144, emphasis in original) asks of parliament, but one might well ask of party, "If it ceases to operate as an *effective* link, what or who can politically direct, control, and moderate the ever-growing mutual involvement between state and society?"

Chapter 2

Explanations of Party Decline and Its Reversal: Bringing the State Back In

For over twenty years, students of American politics have detailed the decline of American political parties. As indicated in chapter one, however, some indicators have recently suggested some resurgence of the parties -- increased divisiveness in Congress, unprecedented strength of the national committees, and a bottoming out if not outright reversal of the rise in the proportion of voters calling themselves independents. Several important pieces of legislation in the late 1980s grew mainly from legislative party initiative -- immigration reform in 1985, trade and welfare reform in 1987. Still, parties struggle. The improvements in party cohesion and dissimilarity in Congress are improvements off an historically low base. Split ticket voting remains rampant; a common suggestion is that the U.S. has a permanent split-level realignment, with the Democrats dominant at the congressional level and in the states and the Republicans dominant at the presidential level (e.g., Bibby, 1989; Lawrence and Fleisher, 1987). And the president and bureaucracy, not the congressional parties, are still generally conceded to be the predominant source of legislative initiative and policy leadership.

Analysts are puzzled by the mixed signals facing parties. While

we now have a vast literature on party decline, these explanations have not easily incorporated the reversal of decline. Our major objective in this chapter is to understand party decline in a way that allows us to explain tendencies toward party revitalization as well. To do so, we want to consider theories from students of both American politics and political economy, for both offer important insights.

THEORIES OF PARTY DECLINE

Four major theoretical avenues attempt to explain party decline: the breakdown of confidence, realignment theories, institutional displacement, and Keynesianism and the politics of growth.¹ The level of analysis differs across the four groups. Roughly, breakdown of confidence theories and realignment theories begin with the role and behavior of individuals, institutional displacement theories naturally begin with the role, capacity, and behavior of institutions, including to some degree the institutional structure of the state, and politics of growth theories take the state as their benchmark. Not surprisingly, the

¹ Obviously, any division such as this is schematic and may blur some distinctions between various studies within a group. Some literature is difficult to classify in just one group. And there are idiosyncratic pieces that might constitute several more small groups. But for the purpose of highlighting major differences in approach, these four categories are satisfactory.

decline being explained also tends to vary. Confidence and realignment theories are most interested in decline among voters, though realignment also gives some consideration to decline in Congress. Institutional theories focus largely on the systemic functions that institutions have stripped away from parties, including how they mediate with voters. And politics of growth theories attempt to link together decline at the voter, legislative, and wider system level. The best theories should be able to incorporate some reversal of decline, explain why some signs of decline emerge early in the postwar period, and plausibly link together decline (and its reversal) at different levels and roles of party. As will be clear, these theories all have trouble incorporating party resurgence (most seem to be of the slippery slope variety), some are more adept than others in integrating different kinds of party decline, and several provide analyses that point to events antedating the 1960s. Following this overview, we will use some of the insights gained from these analyses to build an alternative framework for explaining decline and revival.

The Breakdown of Confidence

Confidence theories argue that voters were increasingly detached from parties that failed to confront several concrete political and

economic events in ways beneficial to their supporters. In short, a "crisis of confidence" in parties, party leaders, and politicians and government more generally might logically lead to less consistent party voting (Broder, 1972; cf. Alt, 1984; Crewe, Sarlvik, and Alt, 1977). Similarly, other analysts pin party decline on the rapid and deep deterioration of one or the other party.² These writers believe that as a two-party system becomes a "one-and-one-half party system," parties will increasingly fail to mobilize and energize potential voters; when echo reigns over choice, the electorate will sit (Ladd, 1977, 1978; Burnham, 1981b, 1982:ch. 1-2; Lawrence and Fleisher, 1987). Schneider (1984) sees two trends in progress: a realignment of support for the parties which is position issue based, and an increase in disaffection and distrust as response to failure of performance, which is valence issue based and results in less public support for parties (dealignment). Turning away from parties, then, resulted not from ideological disappointment but from a crisis of competence -- an unremitting sequence of negative valence issues or, more succinctly, years of bad news. While the current realignment is toward ideologically consistent parties, many actual voters are inconsistent, more like the New Deal system. Exit, not voice or loyalty, may thus be the preferred option.

² The decline of the particular party might have been caused by the confluence of any number of specific historical events.

While these writers make a reasonable assumption -- i.e., voters are not fools and they deal with the hand they are dealt -- they fail to illuminate why the parties in the system apparently broke down in the first place or seem unusually prone to failure. The answer matters: if the parties were undergoing a systematic, fundamental problem in governing that was related to the nature of the political system, one might not expect party recovery.³ If, however, parties were simply besieged by an atypical onslaught of difficult problems, then one might expect recovery when "normal" politics resumed. Moreover, Wattenberg's (1990) analysis suggests that there is a problem of timing -- many voters began taking a more neutral view of the parties beginning early in the 1950s, a time well before most of the policy failures that these writers have in mind.

Wattenberg also challenges the dissatisfaction hypothesis put forward by Nie, Verba, and Petrocik (1979). This hypothesis proposes that (1) voters see no important differences between the Democrats and Republicans (issues cut across cleavages); and (2) the rise in political distrust and the rise of partisan independence are linked. Wattenberg finds, however, that while the percentage of people seeing important differences between the parties has stayed the same from 1952 to 1980

³ For example, the governability crisis literature might suggest this scenario.

(in presidential years), voters have become less convinced that either party can take care of the problems they see as most important. As for the second point, cynicism levels were basically the same for those who said and did not say that a party would do something. Also, looking at the Jennings-Niemi panel he finds that the correlation between cynicism and nonpartisanship is .01. Wattenberg instead attributes the decline of party to the public's growing conviction that the parties play decreasing roles in the American governmental process (cf. Advisory Commission, 1986: 52).

Wattenberg's findings are richly informing. While opinion survey respondents reported increasing cynicism about American politics and political institutions after 1964, Wattenberg shows that the public was not so much alienated from parties or dissatisfied with parties as they were ignoring them. The public was increasingly neutral toward the parties, not increasingly negative. Wattenberg charts a growing indifference to party among people to whom the concepts of partisanship and independence have no real meaning. These people are not necessarily "apoliticals"; they are simply detached from the parties. Careful analysis of opinion surveys seems to bear this out: The trend toward more neutral views of party began as early as 1952 and was not dependent on the political turmoil of the 1960s.

Realignment Theory

Realignment approaches contribute the largest body of theory-oriented work on American party decline. These theories are, after all, specifically designed to explain changes in the party system. Generally speaking, the various stripes of realignment analysis agree that one should expect decline in party on both the voter and system level to accelerate soon after a realignment as issues, emotions, and environmental stimuli fade. Table 2-1 provides a basic overview of the four major currents in realignment theory, though each school in turn has many different streams. Despite their insights, none of these approaches is fully adequate for explaining the postwar pattern of decline and recovery.

Critical Realignment. Critical realignment theory (Key, 1955; Trilling and Campbell, 1980; Nexon, 1980; Williams, 1984) argues that American politics tends to be very stable, even inertial, except for brief, intense periods of political conflict whose resolution dominates the characteristic alignments, general policies, and institutional roles in the polity for approximately thirty-five to forty years.⁴ Burnham's (1970)

⁴ Sundquist (1983) offers the most comprehensive single-volume treatment of these historical periods, as well as the political battles preceding realignment. In a concise passage, Kleppner (1981:10) summarizes the main core of critical realignment theory this way:

critical realignments are infrequent occurrences. They

analysis depicts a dialectic between a rapidly transforming socioeconomic sphere and a relatively static political sphere. This basic conflict produces tensions that the American political system, as a Tudor polity based on a liberal, limited government ideal, is ill-equipped to incorporate. Eventually the gap between socioeconomic development and political inertia reach a "flashpoint" and ignite a "triggering" event (e.g., the Great Depression). At this flashpoint voters are mobilized, critical elections occur, and party coalitions, party strength, institutional roles, and policy are realigned while parties in Congress polarize.⁵ The

involve intense bursts of electoral reorganization extending over a relatively short sequence of adjacent elections. The intensity that typifies a realigning sequence is manifest in unusually high levels of voter participation, the incapacity of the nominating process to perform its normal integrating function, and an atypically sharp issue polarization between the dominant parties. Realignments produce significant and durable changes in the aggregate shape of mass partisanship. Because they arise from the inherent dynamics of the constituent nature of American politics and are themselves constituent acts, critical realignments have enduring consequences on the roles played by institutional elites and on the general shape of public policy. Thus, critical realignments constitute a unique type of change in the electoral subsystem because they entail redefinitions of the social and ideological bases of party oppositions.

Brady (1978, 1980, 1988; Brady and Stewart, 1982) has demonstrated substantial links between realignments and policy change. See also Ginsberg (1976). Essays by Seligman and King (1980), Meier and Kramer (1980), Hansen (1980), and Adamany (1980) also push critical realignment theory beyond solely electoral concerns.

⁵ Most analysts stress that critical realignment is not solidified unless the dominant party implements policy actions generally perceived as

process then begins anew. One might say that it is necessary to destroy the party system to save it.⁶

Although it is not necessarily clear in this scenario that parties must decline, Sundquist (1973) suggests that one should expect decline at both the voter and system level as the issues of the previous realignment are "resolved" and as new issues overshadow the old. It is then, a central piece of the critical realignment approach that the relative rigidities of American politics tends to lock parties in a party system into one general cluster of issue concerns, and that as that issue fades in importance parties find it very difficult to adapt to new issue challenges (Macdonald and Rabinowitz, 1987; cf. A. Schlesinger, 1984).⁷ This finding is an important one. The problem within this approach is that short of major smashups in the economy or an event of grave

responding to the crisis. Clubb, Flanagan, and Zingale (1980; 1989) and Chubb and Peterson (1985) emphasize this point strongly. Macdonald and Rabinowitz (1987) clarify the issue by referring to structural realignment (Sundquist) and a performance realignment (Clubb, Flanagan, and Zingale). Phillips (1975:12) disputes the need of a trigger event.

⁶ There are variations during this cycle. About halfway through the 40-year period, one typically sees third parties emerge and a "mini-realignment" that tends to prologue the issues that will be central in the following critical realignment (Burnham, 1975).

⁷ Cyclical understandings of American politics have been persuasive even to those writers not explicitly addressing realignment and party systems. Three accounts stressing the cyclical nature of political beliefs are A. Schlesinger (1980), Namenwirth (1973), and Huntington (1981).

importance such as the Civil War, one does not expect improvements in party standings among voters and in the system. Disorders of that magnitude have not motivated recent improvements in party health. While critical realignment can explain dramatic changes in the strength of parties, it cannot comfortably explain short-term or gradual improvements.

Secular Realignment. These short-term or gradual improvements are precisely the province of secular realignment theory (Key, 1959). Essentially dormant during the boom of literature on critical realignment, secular realignment has received increasing attention as critical realignment theory has appeared unable to explain the course of American politics since the late 1960s.⁸ This theory emphasizes gradual socioeconomic changes (e.g., affluence, occupational status) affecting the relative location of individuals and groups in the social order. Gradual changes in the social ordering of a group should lead to subtle changes in party composition over time and most likely to changes in the balance

⁸ "The [critical] realignment theory is useful today, but mostly as a counter-model. For it is a good guide to what is not happening" (Blumenthal, 1982:305).

Table 2-1
Summary of Basic Elements of Realignment Theory

	Type of realignment:			
	<i>Critical</i>	<i>Secular</i>	<i>Elite</i>	<i>Generat'l.</i>
What drives the system?	structural socioecon. changes vs static polity	changes in mobility, affluence	changes in inflat., intl. comp.	life & generat. cycle
<i>Prerequisites:</i>				
Trigger event	Y	N	N	Y
New issue	Y	N	N	Y
Major econ. changes	Y	N	Y	N
Major social changes	N	Y	N	?
Ideology-polarization	Y	N	Y	N
Conversion of voters	Y	Y	Y	N
Periodicity	Y	N	N	Y

of party power.⁹ Not only the particular group in question may shift its partisanship (at least at the margin), but other groups react to the new

⁹ Petrocik (1981, 1987) proposes that realignment be defined as a change in the social composition of the coalitions of voters supporting the parties (cf. Ladd, 1978). Rooting his analysis in the social cleavage theory of parties and party systems (Lipset and Rokkan, 1967), he argues that such a view corresponds with the manner in which parties conceive of their electoral base. In his view a realignment occurred in the U.S. from the late 1960s through the 1980s and was reflected in Republican dominance at the presidential level and improvement in party identification. Party support coalitions changed somewhat and new issues, mainly race relations, had become more polarizing than the old issues such as welfare reform.

place of the particular group.¹⁰ These changes in coalitions presumably would be associated with changes in policy over time, either as the parties react to their somewhat changed membership composition or as shifts in party power affect the representation of the parties in the Congress and the presidency. These policy changes in turn may further the secular process, as groups disagreeing with these new positions gradually shift their partisanship, become more independent, or withdraw from the system.

Though explaining shifts in coalitions, secular theory has serious shortcomings for explaining patterns of decline and recovery. In this approach there is no necessary link between realignment and what one might think of as a reversal of party decline. For instance, the typical account (Petrocik, 1981, 1987; Chubb and Peterson, 1985) ignores voter turnout as an indicator of decline. But at what point does a simple change in coalitions stop meaning parties have revived -- 50% turnout, 25%, 10%? It is troubling to declare without qualifications that coalitional changes among the increasingly small portion of the potential electorate that is actually active are equivalent to previous realignments or somehow suggesting that "parties are back." This kind of assumption

¹⁰ For example, the increasingly significant role of blacks in the Democratic Party is believed to have some role in pushing out conservatives, particularly southern white males.

is mirrored in other parts of the theory. For example, there is nothing within the theory that would lead one to examine whether, say, congressional parties seem to have a diminished role in policy initiation - - these questions about party significance are basically exogenous.

Decline has no significant role in secular theory; as in economic theory, a general equilibrium is assumed to exist which pulls and pushes and realigns party coalitions. In this self-regulating system, sustained decline is relatively invisible.

Another form of secular realignment theory merges portions of critical and secular theory (Carmines and Stimson, 1981, 1984, 1986, 1989; Carmines, McIver, and Stimson, 1987). Rejecting both the dramatic change required in critical realignment analysis and the slow change dictated by secular realignment analysis, Carmines and Stimson (1984) adopt an "issue evolution" framework where new issues lead to an alternation in the issue profiles of party coalitions but need not result in dramatic effects such as a new majority party. The authors present a "dynamic growth" model of polarization where conversion of existing voters and mobilization of new voters occur after the "critical moment." Generational replacement occurs in small incremental change after the critical moment. Gradual growth of polarization in the early years after the critical moment and partial decay in issue polarization years later are

outcomes of normal population replacement.¹¹ "Dealignment," or an increase in self-identified partisan independence, results when three things occur: the existing alignment is no longer "vivid" (i.e., it is old), the stability of the old issues on the agenda is disrupted, and parties take clear positions on the new issues. If any of these three variables is absent, the old alignment continues.

The central problem with the issue evolution framework is the nature of the new issue. Will this issue "drive" the party system, or is it just one issue among many? Will a new consistency on an issue necessarily be associated with a reversal of party decline? If not, then again this version of secular realignment may tell us more about changing coalitions than about the rise and decline of party. Since we do not know whether the issue can drive the system in the same manner as the old issue it is unclear whether we should expect long-term decay in parties or a succession of upswings and downswings in the various measures of party health. The issue evolution approach also seems ill-

¹¹ Using survey research that reconstructs data back to 1932, Carmines and Stimson find that government provision of jobs (used as a proxy New Deal issue) became less a focus of partisan difference, with most of the change coming from a slightly increased conservatism among the Democrats in the populace (p. 142-144). Interestingly, most of the change took place from 1932 to 1948, not in more recent years. Attitudes have stabilized since then. Since the New Deal, racial desegregation has been the most likely candidate for an issue evolution. Sharp differences, they note, have emerged in Congress too.

suited for an election process that is increasingly dominated by incumbents. The rapid return of incumbents to office would suggest that parties would be less flexible to adapt to change, but this theory presupposes such flexibility.

Generational Replacement. Generational replacement theories are the third school of realignment analysis. As a theory that attempts to explain party decline specifically among voters, this model does not claim to analyze party health at the system level. Basically, the theory argues that succeeding generations after a major political cataclysm will be less effective in transmitting their partisanship to their children, thus creating after thirty years a pool of voters that could be converted to a party in a time of extreme external stimulus. If forces are not sufficiently intense, "dealignment" is likely: "Ripe for realignment in a system which has failed to generate any mobilizing forces in partisan directions, younger voters are drifting away from both parties to a haven of political neutrality. This drift could fundamentally alter the dynamics of American electoral politics by terminating the century-old cycle of realignments and normal politics" (P. Beck, 1974:218-9).¹² A third of all young adults, and over two-thirds of the young-adult nonpartisans,

¹² Although dealignment preceded other realignments, he believes the indicators do not point that way this time. He does note, however, that some signs indicate that the dealignment forces are abating in the 1980s (1984:264-266).

deserted a partisan parental tradition to become nonpartisans by early adulthood. Young adults, then, "are the lead actors in the dealignment of the American electorate" (1984: 262).¹³

This theory has been employed more frequently to explain the decay of old coalitions and old issue divisions (cf. Abramson, 1976) rather than the reversal of decay. While Beck has mentioned that a large triggering event might be crucial to end decline,¹⁴ these discussions have been ad hoc additions to his work. Why the stemming of decline in this model should require a triggering event is puzzling, as one would think that each generation would view the events of its time unrelated to those of earlier generations -- the events of one's maturing era would always seem larger than life. The 1960s were deficient of issues to organize a party system? What is missing from this view is some discussion of the nature of party -- party seems here to be an empty receptacle into which any issue can be dumped as long as it is of

¹³ Using the Jennings-Niemi panel study of high school seniors, he finds that stable nonpartisans increased from the 1950s to the 1970s. The steady advance of partisanship with age, a staple of socialization research, breaks after 1964. Between 1965 and 1973 the overall partisanship of the panel members declined, precisely when their stage in the life cycle suggested otherwise.

¹⁴ P. Beck (1974:216) notes that "almost a decade has passed without an event with sufficient force and direction to destroy the old party alignment and mobilize young voters in new partisan directions." Later, Beck suggests in passing that "the major role government now plays in managing the economy would seem to preclude economic dislocation of the magnitude of past depressions."

significant force. That parties may not be quite so plastic is overlooked -- the issues of the 1960s may indeed have had sufficient force but been issues that were not well incorporated into a party system still based at bottom on the issues of the New Deal. Indeed the emergence of "dealignment" at this particular point in time seems fortuitous;¹⁵ little in the theory suggests why the present era should have developed differently. The theory presents no clear guides by which to measure sufficient intensity or to anticipate the onset or absence of intense events or dealignment. Indeed, in this theory these events are only obvious in hindsight.

Elite Realignment. The final realignment perspective can be labeled elite realignment. In this view, political parties contend not so much for votes as for the support of powerful "investors" that enable candidates to run campaigns, particularly for the presidency. Based in a general sense on the style of Charles Beard¹⁶ and strongly influenced by the economic coalition studies of Kurth (1979) and Gourevitch (1986)

¹⁵ Dealignment theories cut across virtually all the explanations of party decline discussed here. For the most part, dealignment is simply a definition, indicating decay that has reached a highly pitched level. Focused only on the voter level, dealignment indicates an expectation that movements toward partisanship have ended. Unfortunately, it has proven easier to demonstrate aspects of dealignment than to explain why it should emerge or to illustrate why it is that the process will not reverse itself. If the word is to be believed at face value, recovery is impossible.

¹⁶ Weir and Skocpol (1985:114) point out this connection.

and the voting theories of Popkin, Gorman, Phillips, and Smith (1976), this work has received its fullest development for American politics in the work of Ferguson (1982, 84; Ferguson and Rogers, 1981, 1986). Arguing that most political scientists have claimed altogether too much influence on the behalf of ordinary voters, at least partially by underplaying the heavy costs of organizing and becoming politically informed (cf. Downs, 1957; Bartlett, 1973), Ferguson (1982) counters that politicians rely on and create policy for those elite economic interests that are able to provide information and support.¹⁷

Ferguson argues that the position of firms is influenced by their labor intensity and trade dependence. Firms with similar positions (e.g., capital intensive and multinational-oriented) will become the dominant investors in a political party (e.g., in this case, the Democrats in the New Deal party system). Change in economics drives change in the party system. Change in the trade and labor variables move firms within this

¹⁷ Ferguson and Rogers (1986:45) suggest that this is "a fact which most election analysts only rarely come to grips with -- that efforts to control the state, by voters or anyone else, cost heavily in time and money. Merely developing views . . . and evaluating the candidates . . . costs a great deal. Formulating and implementing particular policy initiatives costs even more. Given the background inequalities in wealth, income, information, and access to key decision-makers characteristic of most advanced industrial states, as well as the host of 'collective action' problems that proliferate within them, these costs weigh particularly heavily on those with modest means. And . . . organization . . . itself requires major investments of time and money, and cannot be presumed."

grid while changes in inflation and other economic indicators place some sectors under stress, leading to policy changes and possibly movement out of one party into the other. Thus a realignment need not place a new party in power but can result in a new dominant coalition of economic interests. And while a massive disorder in the economy often triggers the realignment (e.g., 1896, 1932), such a dramatic breakdown is not necessary in this model -- Ferguson and Rogers (1986) argue that an elite realignment occurred in the 1980s. One might think of this approach as secular realignment for elites.

One problem with this theory is that it never presents a convincing link between what happens at the elite and mass level. Why has realignment of elites coincided with the start of a new period of party dominance in the electorate (with the possible exception of 1980; see Ferguson and Rogers, 1986)? Even if one argues, as this theory does, that voting alignments are not stable over time, one is left puzzled by this fortuitous confluence of developments on the mass and elite levels spanning 150 years. More importantly, no room is found in this approach for a party decline perspective, i.e., why would elites stop investing in parties? And yet, in the face of literature showing party decline in the electorate, the Congress, and the system, this theory suggests that knowledgeable elites continue to invest in parties. In fact,

the theory's heavy focus on presidential nominating campaigns and the executive branch suggests that elites may be investing more in *candidates* than *parties* in the present era. Elite realignment theory, however, is silent in explaining (and does not explicitly acknowledge) this major transformation. On the voter level, the theory is not surprised to see voter variability, but at the system level, party decline is essentially ruled out. Despite some attractive insights in explaining coalitions and policy, this approach offers little guidance for understanding the ebb and flow of party health.

Institutional Displacement

If elite realignment downplays the question of party health, explanations focusing on institutions make this question one of their central concerns. One broad set of explanations in this category is based on a liberal interpretation of politics that stresses the changes undergone by individuals. Focusing mainly on decline in party in the electorate, this set sees the parties' problems as the result of rational, indeed utility maximizing, responses by individual voters to major social developments. These developments include the decreased need for cues such as party labels in a society of increasing education levels (Nie, Verba, and Petrocik, 1979) and the turn toward new "postmaterialist" issues of

personal and social fulfillment (Inglehardt, 1977) that results from increasing affluence and social mobility. Painting these developments as essentially permanent -- increases in average education level should continue and education should continue to mute the need for dependence on party labels -- the future revival of the parties in their traditional form is accordingly viewed skeptically and pessimistically in this camp. Indeed, it is difficult to discern from within this perspective what possible role the parties could have for voters that could not be equally well-served by other institutions or by individuals.¹⁸ Surprisingly, however, writers in this vein do not focus on party in its institutional role in the political system, so it is unclear whether the changes at the voter level are expected to weaken parties in the system as well.

Another form of institutional displacement theory addresses this

¹⁸ Dalton, Beck, and Flanagan (1984) cite seven possible processes that might serve as the transmission belt for partisan decomposition: embourgeoisement, social mobility, mass society-atomization, decline of community integration, cognitive mobilization, an aging party system, and postmaterialist value changes. "Each of the aforementioned models contributes to our understanding of the political changes occurring in industrial democracies" (1984:20). They argue that explanations need to consider that any of several of the processes can explain the erosion of old alignments; the net result is a swing toward postmaterialist values led by the young, the new middle class, and the educated. As they see it, a new politics of new social cleavages is replacing the old politics of class cleavage. The result of this transformation is viewed optimistically. Because of "cognitive mobilization," societies are for the first time able to implement the broadening of decision-making between elite and mass. Parties per se are not terribly important in such a scenario, but the actual implementation is unspecified. See also Hays (1981).

problem somewhat by arguing that parties declined as other institutions adapted better to the changes of the twentieth century. These alternative institutions showed they could perform old roles of the party more effectively than the party itself and could perform roles that the parties were ill-suited to adopt.¹⁹ Table 2-2 indicates the rivals parties face for a variety of roles.

Important competitors for the parties include the mass media (Ladd and Hadley, 1975; Phillips, 1975), political consultants (Sabato, 1981; Blumenthal, 1982), social movements (Piven and Cloward, 1977; Offe, 1987; Baer and Bositis, 1988), interest groups (Berger, 1981; Pizzorno, 1981; Lowi, 1979), and the rise of the presidency and the administrative branch (Huntington, 1973; Dodd and Schott, 1979; Milkis, 1981, 1984).²⁰ The latter group usually stresses the fractionalization and increasingly ombudsman role of Congress (Fiorina, 1977). Parties have also weakened themselves, some writers argue,

¹⁹ Ware (1985) argues that a new "industry" can replace an efficient old industry only if the new industry is even more efficient and effective. One also has to consider the barriers to entry of the new industry; for example, Ware suggests that consultants face low barriers in the U.S. and high barriers in Great Britain.

²⁰ Interestingly, most of these arguments place the issue of causality at the periphery: the important issue is not whether an institution sapped the strength of parties or the weak position of parties provided an opening for the institution, but rather that an institution has taken on roles once arrogated to the parties and is now entrenched in providing that new role.

through a series of reforms that has lessened party leaders' control of candidates and nominations and increased the power of extreme factions, repelling voters in the process (Kirkpatrick, 1979). Both of these latter two explanations for decline also have been used to explain its reversal: Congressional restructuring and leadership initiatives, many writers have argued, have increased the role of party in the Congress and contributed to the upsurge in party cohesion (Sundquist, 1981; Shepsle, 1989). Others argue that voters may return to parties when parties reform their election procedures (Orren, 1982).

These efforts cover a great deal of territory; virtually all of them suggest some link between the institution under study and the decline of party. There is disagreement whether party failure led to the growth of the new institution or whether the institution came along to challenge an effective party function. Underlying some of these analyses is the notion that institutions can change, and that by restructuring and refocusing their objectives in the political system, parties can insure that there is always some role for them, albeit a different and perhaps less significant role than in the past. For most writers, however, the changes depicted are considered to be permanent; the parties cannot go back home again. A closer look at several of the institutional displacement theories illustrates these points.

Table 2-2
Political Party Functions

Historical <i>(performed by party)</i>	Current <i>(performed by ...)</i>
Recruitment, evaluation, nomination of candidates	Open primary elections; small caucuses
Financial support for candidates	Public financing (president)
Campaign staff, workers	Professional public relations agencies; candidate's organizations
Information channel	Media; direct mail; better education
Patronage appointments	Civil service, professionalism
Government contracts	Public bidding
Ombudsman for personal problems	Media and government ombudsmen
Emergency family help	Government social programs; Red Cross; United Way; misc. private groups
Legal counsel	Public defenders; neighborhood law centers
Power broker	Interest groups within party; individual candidates
Unite groups within party	President; national party chairman
Link between governments	Party; interest groups
Issue creation, selection	Interest groups, public interest groups
Dissent	Party (partially); individual politicians; interest groups
Link people and government	Interest groups
Identifiable symbol	Party (somewhat)
Social organization	?

Source: Sego (1977:142)

Shefter (1978) argues that the decline of party is explained by an ongoing battle between political coalitions. Across American history, competing coalitions have thrown power toward either the state (bureaucracy) or the parties, depending upon the institutional location of their opponents; institutional conflict is the functional equivalent of party conflict (see also Ginsberg and Shefter, 1990). Restructuring party and bureaucracy is an attempt to create an institutional order favoring the dominant political group after a critical election. By controlling the use of public authority, encouraging voter discipline, and building the structural and technical capacity to perform the functions that the group wants the government to do, an ascendant coalition can place their opponents on the periphery. Following a critical election, reformers will seek to either weaken or strengthen parties, depending on the structure of the antecedent regime and the nature of the resources they command. In the 20th century, with the partial exception of the New Deal, reformers have chosen bureaucracy-oriented strategies. "Consequently, the locus of political conflict -- and of the bargaining and the accommodations which resolve these conflicts -- increasingly has moved outside the party system in the United States" (Shefter, 1978:257). Table 2-3 outlines Shefter's approach.

Shefter argues that the New Deal featured both strong parties and

Table 2-3
Typology of Party Strength and Bureaucracy Strength

	Parties Strong	Parties Weak
Bureaucracy Strong	"Responsible" party New Deal	"Irresponsible" party Bureaucratic state Progressives
Bureaucracy Weak	Political Machine Jacksonians	Regime of notables Corporatist state Machine of incumbents

Source: Shefter, 1978.

a strong bureaucracy. For party, Roosevelt and the New Dealers crafted a coalition that could be relied on for fairly loyal voting and they oriented Democratic party politics around issues that usually could hold the congressional party together. As for bureaucracy, the New Dealers sought to institutionalize the New Deal programs and the power of the New Dealers by connecting "temporary" programs to firm institutional locations, establishing links between the agencies and mass constituencies (such as Social Security), and giving the administration the institutional capacity to control, initiate, coordinate, and implement public policy through executive branch reorganization. The upper-middle-class-dominated "New Politics" movement of the 1960s broke the historical mold by coming to the fore without a critical election. From the beginning, then, this group was less committed to party power and in

fact sought to reform and affect the structure of power within both parties and the bureaucracy.

Shefter's model has much to recommend it. Perhaps most important, it clearly suggests that the parties activities change over time in an intelligible way; although American parties may have comparative weaknesses, that weakness cannot explain the nature of American parties at different points in time. To its credit, the model also suggests that the health of the parties may be in some ways linked to the nature of the state. Finally, the effort provides a plausible explanation for the shift over time in policy initiation away from the parties.

However, as well as it depicts broad contours of American political history, the argument is less compelling when we focus on the postwar period. His depiction of the New Deal as a strong party system and strong bureaucratic system ignores that beyond the first few years indicators of party strength (e.g., party cohesion) begin to turn down, the New Deal coalition proved not especially durable at the presidential level, and the very logic of his analysis would seem to augur against a system being strong for both bureaucracy and party. Moreover, it is not clear what the link is between these system-level dynamics and the turning away from party at the voter level. Indeed Shefter is ambiguous regarding what weakened parties. On one hand, we get a sense that the

New Politics weakened parties beginning in the late 1960s especially by attacking the "regime party," the Democrats. But on the other hand the damage appears to have been done much earlier; he asserts that parties have played a "far less significant role in American government and politics in recent decades," and that in part this was due to earlier efforts to beef up the bureaucracy. Considering the presumably strong-party New Deal system, this construction seems problematic. Finally, signs of resurgence, especially in the congressional parties, don't fit well with this model, particularly considering the apparent aims of the "New Politics."²¹

Skowronek's (1982) analysis of state-building in the Progressive era takes Shefter's argument about the counterbalance of bureaucratic and party power a step further. Early America, he argues, was a "state of courts and parties" in which parties bound the national government to each locale, linked the discrete units of government horizontally in a territory, and organized government institutions internally. After the Civil War, the United States could well be labeled a "party state." But

²¹ In fact, within the contours of Shefter's basic model (ignoring the historical anomaly of the New Politics movement) one might say that the party resurgence was instigated by the Republicans as an effort to combat the bureaucratic strength of their opponents. In fact, however, Shefter has recently (Ginsberg and Shefter, 1990) argued that the debate has moved away from party versus bureaucracy to president versus Congress.

an impasse in relations between state and society emerged as the nationalistic push of new industrialism dominated the political arena during the last quarter of the 19th century. Party no longer served the cause of socioeconomic development and the grip of party needed to be broken before new centers of national institutional authority could be built. The conditions for this change were present following the realignment of 1896 -- the realignment was a necessary but not sufficient condition for this institutional change (cf. Burnham, 1981b). A series of institutional battles ensued -- the same battles had been unsuccessful in the pre-1896 period -- that explicitly targeted the power of the parties and the party bosses and machines and built instead stronger centers of authority in the national state. Presidents Roosevelt, Taft, and Wilson were all party outsiders and favored administrative reform and expansion. Skowronek argues, then, that the parties weaknesses were institutionalized in the Progressive era.

It is hardly novel, of course, to point out that the Progressives sought to weaken the grip of party or to note that the 1896 election produced a favorable environment to implement this project. Skowronek's contribution, rather, is to take the American state seriously, to indicate links between state structure and the place of party, and to provide one of the most sustained efforts to explain the lengthy and

fundamentally political process involved in reconstituting the American state in the 1880-1920 period. But perhaps because of the scale of these ambitions, some problems emerge in applying the framework to the concrete question of party decline. First, it is not entirely clear why parties might not have been reconstituted, as were the state institutions. Skowronek (1982:54) argues that reformers did want a "responsible party system," but the reforms enacted in this era seem much more clearly aimed at eradicating the existing system than building a new one.²² Second, analysis of the New Deal suggests that the role of state and local parties remained much more influential than this analysis would lead one to suspect (Wallis, 1987) and that congressional parties played a more significant role in policy initiation (Chamberlain, 1940) than Skowronek's analysis would imply.²³ While many writers might agree that U.S. parties in some ways began to lose their role and significance in the Progressive era, it is not obvious that one can reduce all succeeding changes in U.S. party politics to that formulation. Finally, as regards the parties, Skowronek's analysis seems to suggest that structure

²² George Curtis, considered to be the most important spokesperson for reform, said that reformers sought "the restoration of political parties to their true function, which is the maintenance and enforcement of national policies" (Skowronek, 1982: 54).

²³"The major constructive contribution of the New Deal to the operations of the new American state lay in the sheer expansion of bureaucratic services and supports" (Skowronek, 1982:289).

is all; while structure is indeed important, the Keynesian/politics of growth approach discussed below suggests one needs to consider also the policy that emerges from that structure.

While Skowronek acknowledges the important role of presidents in the Progressive era, Milkis argues for a preeminent leading role for the president in party decline. Ironically, Milkis argues, "Presidents who have been great party leaders since the 1930s have also contributed extensively to the decline of the American party system" (Milkis, 1984:1) Franklin Roosevelt, through his attempts to purge the Democratic Party, to "pack" the Supreme Court, and to reorganize the federal government, was determined to build a more centralized and bureaucratic form of democracy that relied more on the president and executive agencies for policy formulation and implementation (Milkis, 1981). Because the traditional local and state based party system made consistency in comprehensive policy proposals highly difficult, and because the development of a "responsible party system" was considered to be impractical and perhaps undesirable, Roosevelt (and Lyndon Johnson) sought as much as possible to de-emphasize the role of party and Congress.

According to Milkis, Roosevelt's vision of the welfare state would replace partisan politics with enlightened administration, and his

executive reform program was explicitly designed to make responsible parties less necessary. The rise of executive administration, then, directly leads to party decline. Moreover, as the welfare state grows, party influence declines because certain government functions are institutionalized and less subject to debate.

Although Milkis probably credits his subjects with too much prescience,²⁴ his argument is compelling in broad outline because it suggests that the structure of the government, of the state, has some impact on the health of the political parties. The problem is that he does not trace out the implications of this important starting point, thereby leaving many open questions. What kind of party decline is most instigated by these changes in structure? Is it possible for parts of the party system to be in decay while others seem to revive? Does specific policy content matter?

Keynesianism and the Politics of Growth

While reiterating some of the approach initiated by Shefter, Skowronek, and Milkis, this group begins with the question they overlook, policy content. One important set of explanations asserts that

²⁴ The evidence in Milkis's accounts do not so much confirm his thesis about explicit and fully knowledgeable efforts to marginalize parties as they do suggest that institutional structure may have effects on parties.

systems oriented around Keynesian management techniques (variably defined) and operating under some notion of a labor-management accord²⁵ progressively squeeze allowable debate into narrow parameters (Skidelsky, 1979). Society is seen as a firm trying to optimize the ratio of output to input, and the state's task is to manage the firm. The questions of importance are focused on expertise in macroeconomic and administrative management. Poggi (1978) suggests that there is little of distinctive significance that a legislative parties can contribute in such a system.

As a result of this process, the parties come to be less and less central to governing. Citizens are less likely to perceive them as relevant institutions (Offe, 1984: ch. 7; Wolfe, 1977). The basic idea here is that a growth coalition saw economic growth as the salve for all potential political wounds. Politics was presented as a positive sum game (Poggi, 1978:133). While parties might debate about the amount of incremental benefits to go to specific groups, generally speaking it was assumed that there was more than enough surplus to be distributed. Parties were significant in the past settlement, according to these theorists, precisely because of what they kept off the agenda (cf. Lipset, 1968:ch. 7). In this

²⁵ See, for example, Piore and Sabel, 1984; Bowles, Gordon, and Weisskopf, 1983; Harrison and Bluestone, 1982; Offe, 1983; and Wolfe, 1977.

group of explanations, then, party systems are driven by the content of the major political settlements reached following very sharp economic and political disruptions. Changes in the international political economy tend to render these settlements fragile, but there is nothing in these theories to suggest that future settlements will not be reached. There is deep skepticism, however, whether party can be expected to play a significant role in the new settlement.

Claus Offe has most fully fleshed out this basic model. His central analysis states that the welfare state becomes increasingly insupportable over time and creates an environment less conducive to meaningful political parties. According to Offe (1983:236-37), mass parties and party competition and the "Keynesian Welfare State" were the keys allowing democracy and capitalism to co-exist: "The K[eynesian] W[elfare] S[tate] has been adopted as the basic conception of the state and state practice in almost all western countries, irrespective of parties in government, and with only minor modifications and time lags." The practical effects of this state were an economic boom and class conflict centered around economic distribution issues. Keynesianism, then, could essentially be a positive sum game. The new state covered the risks and uncertainties due to working in a capitalist economy and provided a built-in stabilizer by partially uncoupling changes in effective

demand from changes in employment. The impact of this state on parties is profound: "the issues and conflicts that remain to be resolved within the realm of formal politics (party competition and parliament) are of such a fragmented, non-polarizing, and non-fundamental nature (at least in the areas of economic and social policy) that they can be settled by the inconspicuous mechanisms of marginal adjustments, compromise and coalition-building" (Offe, 1983:238-239). Concomitant with adjustment of party saliency are a deradicalization of party, more heterogeneity within parties, and progressive deactivation of the party's mass base.

But what happens when Keynesianism breaks down? Offe (1984:ch. 7) argues that declining party saliency goes hand-in-hand with a capitalist state that has reached a crisis mode. Part of the management of this crisis involves an ever widening scope of state action: "virtually all parameters of life are perceived as being determined by, and therefore can be altered by, the state. There is very little left which could be considered as lying beyond the realm of public policy" (Offe,1984:165). In this kind of state, the party system is less able to articulate the political conflict that emerges (Berger, 1979; Evans, Rueschemeyer, and Skocpol, 1985:354-355). The parties' problems are, first, their "catch-all" nature, and second, their seeming inability to disassociate themselves

from the policies of the state. While the first problem prevents coherent and decisive actions and has essentially left parties addicted to growth -- unable to provide meaningful differences in its absence because they were consolidated precisely during the Keynesian boom -- the second leaves parties vulnerable to all the anti-state and anti-politics sentiments of the populace.²⁶

The politics of growth approach runs into a number of problems. First, there is a tendency in this type of analysis to define virtually every debate as non-fundamental, as if politics is not meaningful unless one is deciding between capitalism and socialism. But different approaches to Keynesianism itself -- taxes versus spending, military versus domestic, and so on -- may well be highly important and may divide the parties.²⁷

²⁶ O'Connor's seminal work on the state from a fiscal perspective makes a similar argument, though not specifically addressing parties. O'Connor argues that the state in advanced capitalism must meet the twin goals of accumulation and legitimation and that its rhetorical and financial efforts to achieve one undermine its efforts to produce the other. Its efforts to resolve this dilemma tempt the state to accept inflation as a means to close the gap between state expenditures and revenues. If revenues were indexed to inflation, O'Connor's analysis would project large and persistent budget deficits -- precisely what one sees after tax revenues were indexed in 1985.

²⁷ Critiques of the incremental budgeting thesis show that small incremental changes can have large effects over time when one looks at the actual program distribution of funds. One might also note that the specific kind of Keynesianism one ends up with is highly contentious, as the various labels suggest -- social Keynesianism, commercial Keynesianism, military Keynesianism, stagnation-based Keynesianism (e.g., Alvin Hansen in the 1930s and 1940s), growth-based Keynesianism (Committee for Economic Development, 1950s).

That they may be compromisable and not either/or issues does not negate their importance. Indeed, the political results of Keynes have varied widely in comparative terms (Hall, 1989).²⁸ Second, it is not clear why if Keynesianism responds to events, and parties respond to Keynesianism, might not parties respond to events too? Assuming that they do respond, are not the alternatives to, for example, deal with recession substantively and politically important? This criticism ties into the third point: Offe's assertion that the breakdown of Keynesianism accelerates party decline (cf. Mollenkopf, O'Connor, and Wolfe, 1976) runs counter to some of the trends in the U.S., especially the increasing consistency in party voting in Congress. Thus this theory does not provide an adequate explanation for party revival.²⁹

But more so than the other approaches reviewed above, the politics of growth approach ties together in a plausible way party decline at the voter, legislative, and system level. Not only do the parties have a less significant governing role in the system under Keynesianism, but they are also hard-pressed to be meaningfully cohesive within the legislature and they are increasingly less attractive to the public,

²⁸ All of the essays in the Hall volume are helpful on this point.

²⁹ Given that the parties apparently serve a role for the capitalist system in this theory, one might have expected them to come to the fore and made parties seem relevant, for example, on civil rights or feminism or social issues.

especially in the economic "crisis." The theory emphasizes the role of the state in conditioning party strength and indicates the importance of considering the type of policy the state is primarily pursuing. And if we relax the assumption in Offe's neomarxist version of the theory that leads the state to marginalize party to preserve capitalism, we can build an explanation that suggests that the breakdown of growth may have actually presented opportunities for party revival after 1970, at least at the system level. These important insights will be helpful in constructing a framework to explain party decline and revival.

THE STATE AND POLITICAL PARTIES

The Keynesian and institutional approaches discussed above suggest the utility of beginning an examination of changing party strength with the state. By state I mean the set of government institutions, the ideology or system of values that underlies the structure of those institutions, and the dominant policy agenda and outlook that is promoted by that structure. By "fiscal state," then, one is talking about the policymaking institutions in the government, the underlying liberal values of limited centralized intervention and the separability of the economic and political spheres that motivate the actions of actors in

these institutions, and macroeconomic regulation of the business cycle based largely on an arm's length infusion or transfer of cash from one economic sector to another. Katznelson's (1989:47) rendering of the concept is similar: "the state is, simultaneously, a unit of decision-making authority, a set of social relations of power and social control, a normative order, and a legal and institutional order that represents, shapes, and manages conflict, and that organizes a framework for the market economy while acting to alter market outcomes." If the state provides a context within which political conflict is structured, then changes in that context might well be expected to restructure the existing system of political representation.

It has been a commonplace in writing on American parties to note the difficulties parties encounter because of the electoral system and its rules, the separation of powers, the federal nature of U.S. government, and so forth. Huntington's (1968:ch. 2) influential Tudor Polity argument provided one of the best illustrations (if not as its primary purpose) the limiting conditions imposed on American parties by the highly fractionalized structure of the U.S. state.³⁰ More recently, Skowronek (1982) has improved the model by identifying important

³⁰ For example, the Tudor Polity thesis tells us much about the difficulties in building programmatic parties in the United States, and in a fashion that doesn't rely on the usual (if pertinent) observations about heterogeneous diversity. See also the insightful discussion in Nettl (1968).

structural changes in parts of the state administrative apparatus and suggesting that these changes pushed parties toward the periphery in these specific functional areas. But the policy aspect of state structure is often overlooked in discussions relating the American state to political parties. Yet it matters not only what the structure is, but also what is done with that structure.

The most important political context of the pre-1930s period, essentially unregulated capitalism at the national level, no longer existed after the 1930s and 1940s. Surprisingly, this major change in the U.S. polity has not been well-integrated into analysis of American parties, despite the emergence since the mid-1970s of a large body of literature concerning the role, structure, and impact of the state.³¹ The policy component of state structure as a limiting condition on American parties has been broached by some scholars, but most still place their emphasis on the reverse relationship -- how parties have limited the expansion of the American state, dimmed prospects for "social" Keynesianism, and provided a bulwark against direct interventionist economic policy (Weir, Orloff, and Skocpol, 1988: section 1; Weir and Skocpol, 1985; Weir,

³¹ The absence of theorizing about the state is most surprising for critical realignment analysis. This theory explains large-scale changes in the party system by reference to changes in society and economy, within the context of a dialectic model of polity and economy. In certain ways, the fiscal state cuts straight across that dialectic.

1989). Although these are surely important questions, they place the state as an *actor* in the political system. Our interest presently is rather in the state as part of the environment facing parties: to understand the fate of the parties, we need to be more explicit about their environment, the constraints that environment imposes, and the actions that environment encourages (cf. Hall, 1986).

Three features of the state seem especially important for understanding the fate of the parties: boundaries, perceptions, and outcomes. First, state structure places some boundaries around policy possibilities and around actors' roles, including parties. Structure does not drop from the sky: the structure that emerges reflects the policy range and actor's roles favored by the dominant political coalition at a particular time, tempered by pre-existing institutions and policy legacies that to some degree provide a cumulative sense of what is feasible.³²

Second, state structure builds public perceptions about where

³² This statement links together two schools of thought that have been in a sharp debate over explaining why the U.S. (or any country) ends up with policy x and not policy y. On one side are the coalition theorists such as Kurth (1979), Gourevitch (1986), and Ferguson (1984), who see political coalitions as explaining policy choice. On the other side are the more state-centric analysts such as Skocpol and Weir, who argue that one needs to explain policy by looking at the state institutions, the interests of state managers, and the limits posed on innovation by pre-existing policy legacies (cf. Moe, 1989). But it seems to me that Skowronek has effectively bridged the debate in his analysis of the 1880-1920 period. In a sense rather different from Marx, Skowronek is echoing one of his dictums: coalitions can make their structure, but not exactly the structure they please.

policy responsibility lies. When the state had relatively little institutionalized policy from one administration to the next and a relatively circumscribed role for the central government, people saw parties as the locus of responsibility. When policies, programs, and procedures become institutionalized into the state, however, the perception of party importance declines and partisan identification is more fleeting. Parties may find it more difficult to challenge the new regime, as a participant in the 1930s noted:

We may assume the nature of the problems of American life are such as not to permit any political party for any length of time to abandon most of the collectivist functions which are now being exercised. This is true even though the details of policy programs may differ and even though the old slogans of opposition to governmental activity will survive long after their meaning has been sucked out. (Joseph Harris, research staff director, President's Commission on Administrative Management, 1936; cited in Milkis, 1984:13)

Similarly, if parties find it difficult to "own" a policy domain, then it is not surprising that voters are relatively less inclined to organize around such a domain.

Third, the outcome of policies can shape the political environment within which political parties and other organizations operate. Three conditions -- the instrumental budget, expanded federal activity,

expanded macroeconomic accounting -- accelerated sharply during the New Deal and World War II and increased the macroeconomic focus of the federal budget. The success or perceived success of the state's management can shape the political environment. If, for example, Congressional party unity depends partly on economic conditions, then it is important whether the state has taken on an increased role as regulator of business cycles.

The Fiscal State

Prior to 1933 the United States economic system could be broadly characterized as one of unregulated capitalism. Government certainly had some role in the economy. From feudal-like regulation of labor in the colonial era (Morris, 1946) to financial assistance, land grants, and favorable legal interpretations during the nineteenth century (Horwitz, 1977; Scheiber, 1981), through the blossoming of economic regulation in the Progressive era (Kolko, 1963) and the development of corporatist and associative arrangements in various industries in the 1920s (Hawley, 1981; Keller, 1987), governments at all levels, particularly the state and local level, assisted and promoted economic development.³³ Business

³³ Katznelson (1989:47) argues that "Taking the state as a whole, the American formula . . . in the nineteenth century was not the development of a 'weak' state (though, taken on its own, this is a reasonable appellation for the national state), but the development of a

cycles were a concomitant feature of this system. With the coming of the New Deal, particularly after the turn to a quasi-Keynesian policy in 1938 (Salant, 1989), state management of the economy was geared toward modifying these cycles. Moreover, the state, the government, and political parties were widely held accountable for economic conditions. By the heady days of the 1950s and the 1960s, widespread and sustained prosperity seemed obvious.³⁴

The institutional and policy innovations of the New Deal are well known (Hawley, 1966; Stein, 1969; Conkin, 1975; Nash, 1981). In regulation, agriculture became an administered sector, and transport, banking, investment, communications, energy production, and labor management relations all became heavily regulated. In size, taxation, government spending, and federal employment all increased dramatically and essentially permanently, both absolutely and relative to the gross national product. In economic management, both discretionary and

diffuse and complicated, but nevertheless supple and capable, state apparatus. This regime had three main elements: a balance between center and periphery in a continental state, the vesting of most state-market transaction rules at the state and city levels, and the creation of a strong set of localistic linkages to the state for white male voters."

³⁴ Reading Okun (1970: 32), one might think recessions were all but an historical artifact: "When recessions were a regular feature of the economic environment, they were often viewed as inevitable." At the time Okun was writing, the economy had expanded for over 100 months continuously. One might also note that in 1968 the Census Bureau changed the title of its monthly economic report from *Business Cycle Developments* to *Business Conditions Digest*.

automatic anti-cyclical measures came into existence and dominated subsequent policymaking. In social management, relief programs as well as more permanent social welfare programs were instituted, including the Social Security retirement and disability programs and the unemployment compensation system. In intergovernmental relations, the federal government became much more involved in areas once assumed to be prerogatives of the states and grants-in-aid programs flourished. In the international political economy, the internationalist orientation of the New Deal coalition (Ferguson, 1984) proved highly conducive to a postwar restructuring of the world political economy on essentially liberal, free-trade grounds, with the United States as international hegemon and major world military power.³⁵

While these components are highly important individually, the whole is greater than the sum of the parts. Beginning in 1933, the state began to *undergird* the economy with a set of measures designed first to

³⁵ See Scheiber (1981) for a discussion of these innovations; see a series of articles by Skocpol (Skocpol, 1980; Skocpol and Finegold, 1982; Skocpol and Ikenberry, 1983; Weir and Skocpol, 1985) for insightful examinations of the limits and possibilities of changes during the New Deal. Hacker (1947) suggests that the New Deal's tactics were: (1) restoration and maintenance of prices; (2) reduction of debt; (3) revival and expansion of credit; (4) raising of purchasing power of labor; (5) relief of needy, protection of dependents, and social security; (6) construction of homes; (7) protection of investor and saver; (8) rehabilitation of electric power industry; (9) revival of foreign trade; and (10) pump priming, lend and spend, deficit financing.

ensure stability and later to promote growth. This new state role was designed to prevent major economic upheavals like the ones in the 1890s and 1930s and to "smooth" the business cycle in general. The state's role after 1933 contrasts with that before 1933 because the state was now explicitly assuming a crisis-prevention and crisis-amelioration role -- a role that could not be claimed for the pre-New Deal state.³⁶ I have

³⁶ Just how responsible the state was for the relative economic success of the postwar period has become a highly contentious issue. There is no way to resolve that debate here. But three important points can be made. First, there does exist a rather impressive body of literature suggesting that the state and the nature of governing coalitions at least partly shape economic outcomes (Martin, 1973; Hibbs, 1977; Cameron, 1984a, 1984b; Alesina and Rosenthal, 1989; Nordhaus, 1989; Budge and Hofferbert, 1990). (To be sure, this conclusion is not universally held -- Rose, 1980; Schmidt, 1982; and Alt, 1985; appropriately urge caution.) Eisner and Pieper's (1984) important analysis develops a new way to assess the value of budgetary outlays and deficits and provides strong evidence of links between fiscal policy and GNP growth. Mahler and Katz (1984) find a modest positive relationship between government expenditures and GNP growth over the 1970s, and disaggregate government spending to examine the impact of different types of spending on growth (cf. Rumberger, 1983). M. Beck (1980) indicates that transfer payments do have the desired countercyclical effect.

Second, even monetarist critics of fiscal policy admit that fiscal policy can have short-run beneficial effects, and the short-run may be what is important in practical politics.

Third, even if the state had nothing to do objectively with economic success, the widespread perception was that the state was indeed responsible for economic conditions. Shonfield (1965), Collins (1981), and the writers in Boltho (1982) make this case regarding business elites. They argue that business confidence in state management of the economy, whether justified or not, contributed to fairly steady economic growth and acquiescence to government policy (in the Western countries generally). Public opinion surveys in the U.S. throughout the postwar period make it clear that the general public considered the state and the government responsible for economic conditions.

labeled this "new" American state the "fiscal state." "Fiscal" indicates not only the important position of fiscal policy in managing the economy, but also the nature of much of the stability apparatus, which was designed less to intervene on a micro level (although in certain instances this happened), but to restore order through the infusion of cash, transfer payments, loan guarantees, "bailouts," and rules and restrictions concerning cash flows, bank finances, stock transactions, and the like.

Fiscal State Limits on Parties

The fiscal state places limits on parties that are both structural and policy-based and reflected in boundaries, perceptions, and outcomes, as noted above. First, fiscal policy was from the start and remained through the entire period of this study centered in the executive branch. Obviously, Congress has some say on the distribution of the funds. But Congress has rarely pushed a markedly different fiscal policy than the incumbent administration, as is indicated by the close congruence between presidential suggestions for overall and departmental spending and subsequent Congressional appropriations (Peterson, 1985; Peterson and Rom, 1989). Particularly in the overall level of spending and taxing, which is after all the crux of the Keynesian approach, Congress rarely

differed significantly from the administration.³⁷ Fiscal policy, unlike the trade policy which formed the major party divide in the 19th century, was less a domain of the congressional parties and less under their control.

Second, features such as "uncontrollable" spending -- spending outside the normal appropriations process whose level is mostly determined by economic-related formula depending largely on economic conditions -- siphoned off large parts of potential party influence. Much of this spending comes under the heading of "automatic" countercyclical stabilizers which are designed to kick in without the specific instigation of the president or the Congress when economic conditions warrant. Indexation works in much the same manner. For the most part, then, these measures are taken off the table for party debate, including during recessionary periods. The debates that do arise are typically over length; e.g., should unemployment insurance coverage be extended another ten weeks? These debates are not trivial, but the automatic nature of the spending certainly dampens the ability of the parties to distinguish themselves on policy (or to reveal themselves as basically in agreement). Indexation of spending programs and, more recently, taxation, should

³⁷ Of course, within Keynesian theory, it does matter where the money goes. Generally speaking, for countercyclical purposes, one wants the money to reside in the hands of those with relatively high marginal propensities to consume.

lead to similar results. Discretionary spending (or taxing), on the other hand, forces this distinction, or lack thereof, to the surface.

A third limit on the parties in the fiscal state results from the divided nature of control between monetary and fiscal policy. While fiscal policy is clearly in the purview of the executive and legislative branches, monetary policy is constructed by the Board of Governors of the Federal Reserve System and is formally independent of ongoing presidential and congressional control. While the level of Federal Reserve Board independence is a matter of some contention, clearly Congress and the president do not have the same direct control there as they do in fiscal policy. Again, Congress is faced with the dilemma that while it has someone on whom to shift the blame, that blameshifting has costs -- Congress and the parties will be hard-pressed to claim credit for that which has gone well. Moreover, with Keynesian approaches now discredited or nearly so, conventional wisdom has come close to the longstanding monetarist view that control of the money supply is more significant in determining the health of the economy than is fiscal policy (Peterson and Rom, 1989). If this is indeed the case, and desires to balance the budget regardless of economic conditions suggest that it well may be, then the parties are left with control over an increasingly less important policy tool. If parties want to argue about and orient

themselves around management of the economy and the primary tool of control is well beyond their purview, their absolute relevance declines somewhat as, most likely, does the public perception of their significance. But even if monetary and fiscal policy remain relatively co-equal policy tools, the structural fact remains that in the fiscal state party access to one of the tools is greatly restricted.³⁸

A fourth problem for parties in the fiscal state arises from the plebiscitary nature of macroeconomic goals. Politics oriented around basically Keynesian macroeconomic management methods tends to focus most strongly on issues most amenable to this type of management -- inflation, unemployment, and economic growth -- and presidential administrations of different parties have tended to favor slightly different mixes of these ingredients (Hibbs, 1977). The differences, however, have been slight enough that 5 percent unemployment tends to mean roughly the same thing in terms of inflation and growth under Democratic as Republican administrations. Retrospective voting models suggest that this is indeed the way most voters interpret their electoral choices. On the presidential level, then, voting tends to be plebiscitary. The postwar "plebiscitary" voting for president is quite unlike what existed before the

³⁸ Again, one can contrast this situation with the period before 1900. Not only were parties clearly the primary locus for control over trade policy, the gold versus silver versus greenback controversy was centered in the congressional parties as well.

New Deal period (cf. Jensen, 1981b: 233). A simple regression of the national presidential two-party vote for the candidate of the incumbent party on election-year change in real disposable per capita income produces an R-squared of 0.529 in the 1948-1980 period as contrasted with an R-squared of 0.059 from 1892 to 1932. Party loyalty on the presidential level, then, shows a high level of fluctuation that relates strongly to economic conditions (MacKuen, Erikson, and Stimson, 1989) while voting at the congressional level proceeds on cues of incumbency and constituency service. On the whole, this bifurcation is a reasonable reaction by voters -- given a political system whose party rhetoric focuses on economic management but given parties with severe restrictions on their control of such policy, it is sensible for voters to discount parties and elevate candidates, to discount Congress and elevate the president. Combined, these features make unified control of the two branches highly difficult.

The relative lack of control over fiscal policy suggested by these structural constraints meant first of all that public perceptions were more likely to place responsibility for the economy with the president, and he was more likely to reap rewards as well as shoulder abuse. The declining public view that parties make a difference, specifically the increasingly neutral view toward parties that began in the early 1950s and extended

over the period, makes sense in the context of a fiscal state that did in fact place less responsibility for policy initiation in the Congress (Wattenberg, 1990). Obviously the events of the late 1960s and early 1970s, which are important considerations in the breakdown of confidence theories, did not cause this attitude to emerge in the 1950s. The changing nature of parties in campaigns may have played a role, but the candidate organizations and political consultants that run present-day campaigns were in their infancy. But consider that the country had just emerged from a period when the fiscal state came into place, that the strongest presidency in at least seventy years had just run through a 13-year term (16 including Truman), and that Congress had just gone through a wrenching internal stocktaking concerning both its role in the government and what it felt was the public's low opinion of its role, and the change in public attitude about parties as important policymakers becomes understandable. This split-level view of the president and the Congress perhaps helps explain why scholars have had more success linking economic and personal financial conditions with presidential voting than with congressional voting (Kuklinski and West, 1981; Kiewiet, 1983; Chappell and Keech, 1985; Lewis-Beck, 1988), and why incumbent-based elections and ombudsman services have become staples of the congressional literature (Mayhew, 1974; Burnham, 1975; Fiorina,

1977; Alford and Brady, 1989; Parker, 1989).³⁹

A fifth limit on the parties results from the outcomes of state policy. As I mentioned above, the role of the state since the 1930s has been to undergird the economy. Undergirding affects, or is widely perceived to affect, the business cycle. It thus becomes clear that the new role of the state poses some threat to parties -- a relatively stable or growing economy takes away or minimizes the public significance of the very issues around which the party system was formulated. And in economic downturns the widespread diffusion of Keynesian ideas leads to similar sets of solutions by the parties. Only with the breakdown of economic management should the parties again pose distinct alternatives to the electorate. Thus the policy of the state, and its success or failure, is as important to consider as the structure of the state itself.

Explaining Party Decline

Realignment theory, particularly critical realignment theory, makes a convincing case that in the American party system, parties are built in a specific era and are fairly rigidly concerned with the issues that arose when they were formed. They are best able to handle those issues;

³⁹ Just as this approach suggests that the less important the party, the more voters focus on individual legislators, Cox (1984) suggests that the increase in party voting by 19th-century voters in England can be explained by the decreasing policy role of backbench MPs.

other issues are disorienting. The shift from, as Sundquist (1973) describes it, one major issue overlay to another is a wrenching process completed historically only by deeply destabilizing political and economic events. What this suggests is that analysis of the postwar party system proceeds best when based on the assumption that the parties are at their most meaningful and relevant when dealing with the nature of issues that were prominent when the postwar system was forged. For the period after the New Deal, of course, these issues revolve around the nature and scope of governmental management of the economy.

Thus within the logic of the postwar party system, one should pay special attention to the business cycle and, specifically, to the health of the parties across the cycle. Ideally, periods of economic stress should provide parties based on economic management issues with the impetus to coalesce and distinguish themselves from their rivals (Congress level of party), mobilize and perhaps convert voters in a particularly steep downturn (voter level of party), and take a more assertive role in policy initiation (system level of party). Every recession provides anew the questions about the nature of the state and economic management that are so central to the postwar parties. But I suggest that this process, where recession should lead parties to be cohesive and distinctive, is

blocked by the limits on parties. Given that Keynesianism typically puts parties on the margins of policy-making, that "technical" matters are pushed to the administrative branch, that many of the policy tools are automatic, that voters vote in a plebiscitary manner, and that the president is generally viewed as the key political figure in economic management, I expect to see different patterns for party cohesion and party dissimilarity. Democratic cohesion should increase and Republican cohesion decrease as the economy turns down, as each party moves to adopt the established set of recession-solving policies. As this hypothesis implies, however, party dissimilarity should decrease with poor economic conditions -- when the economy weakens, the parties move closer together. Only when Keynesian solutions seem to have broken down, i.e., when simultaneous high inflation and high unemployment discredit the standard policy responses, are the parties able to break out of the limits of the fiscal state and become more dissimilar at a period when attention to economic issues is high.

Unlike realignment theory, then, I am suggesting that congressional parties can become more healthy even with the same (old) issues of economic management, if the restrictions of the politics of growth and the fiscal state can be overcome. It is not the issues alone but also the way the state shapes party control over these issues that is

significant. And unlike the Keynesian/politics of growth arguments, I am suggesting that the ascension of Keynesianism does not necessarily preordain the permanent weakness of party, at least not at all levels of party activity and not evenly over the Keynesian period. Thus we see in the 1980s, when Keynesianism has largely lost its stock of public credibility, that at some levels parties become more healthy than they were during the Keynesian boom. The increasing distinctiveness of the congressional parties began precisely as the Keynesian boom began to sour in the early 1970s and increased as recessions got increasingly severe in 1974-1975, 1980, and 1982 (cf. Steel and Tsurutani, 1986).

I suggested above that a good theory of party decline should do three things: incorporate some reversal of decline, explain why some signs of decline emerge early in the postwar period, and plausibly link together decline (and its reversal) at different levels and roles of party. An explanation based on the fiscal state does well on all three measures. By tying the health of the parties to both the structure and policy of the fiscal state as well as the economic conditions the state affects, this approach indicates that changes in the fiscal state or economic conditions provide openings for a resurgence of party. The historical formation of the fiscal state in the 1930s suggests we should not be surprised to see decline as early as the 1950s. And the fiscal state is a

concept that, while based on specific structures and policies, is broad enough to tie together decline at different levels. I have tried to indicate above how one would argue from within this framework about declining party allegiance in the *public*, about the *systemic* locus of policy initiation and control being out of party hands, and about declining party voting within the *Congress*. In short, we have discussed the state's boundaries, its policy and policy outcomes, and the perceptions of the populace as an integrated way to explain party decline at all three levels of party and its revival on the congressional level. The model also allows us in the final chapter to suggest some reasons that we have not seen a similar revival of party on the part of voters.

For this study the congressional level of party will be the central analytical focus.⁴⁰ Our underlying question is: under what conditions are congressional parties able to cohere, to offer internally consistent visions, and to present a distinct alternative from their rival party. Because congressional parties are very much at the center -- providing a cue to voters and building policy with the presidency -- their decline or revival seems to have special importance for the other levels of party. Increased voter partisanship over the long run will probably be more

⁴⁰ Although I believe one might well draw out some important arguments regarding subnational parties from the fiscal state model, the analysis here centers on the national parties.

likely to the extent congressional parties provide meaningful alternatives (Macdonald and Rabinowitz, 1987). But even then voters would have to believe that the congressional parties matter again to policymaking before increased congressional partisanship will transfer to the public. By the late 1980s, there were fragile signs that just such a transfer was taking place at the margin. And if the "president proposes, Congress disposes" model is to be displaced or adjusted, it will largely be up to the parties in Congress to set those changes in motion (cf. Bailey, 1959:5).

The examination of the parties in the fiscal state takes three steps. First, I examine discussions in Congress from 1937 through 1946 that directly concerned what kind of state was being built in that era, where power and policy initiation resided, what the roles of the branches were, and where party fit into the mix. The idea is to give some sense of the institutional debates taking place during the "founding" of the fiscal state, the place of parties in those debates, and the missed opportunities along the way for the congressional parties to forge a system more analogous to the trade policy system where congressional parties were ascendant. This examination relies on primary and secondary resources. Next, to look closely at how congressional parties respond to the economic conditions that the state attempts to manage, I built an econometric analysis of all the budget-related rollcalls in the House of

Representatives from 1947 through 1986. By regressing party cohesion and party dissimilarity on economic indicators I show how the parties have responded to these economic changes over time. I develop separate analyses of appropriations and authorizations rollcalls and give significant attention to the North-South split in the Democratic party. Finally, because there are important features that can be obscured through rollcall or econometric analysis, I take a closer qualitative look at how the parties performed in three postwar recessions -- 1957-58, 1974-75, 1980. By looking at how parties interact with the president, the initiatives of party leaders, and how the party builds a policy response to the economic issues at hand, I want to indicate the way parties overcome or remained limited by structural features of the fiscal state. This section relies on primary and secondary resources. My intent is to show that a state-based foundation provides a framework for thinking about the status of party in different historical periods. We begin by looking at the formation of one such historical period, a period defined by what I label the fiscal state. It was a formative era in which attacks on a president with allegedly "dictatorial" intentions were frequent (Holt, 1975), but it was also an era in which the parties withdrew as (or never assumed the mantle of) controllers of economic management, the policy issue that would dominate politics for the following decades.

Chapter 3

Placing Parties in the Fiscal State, 1937-1946

Concerns about the changes in American politics in the 1930s and 1940s transcended both ideology and party. The fear that Congress and the congressional parties were becoming obsolete was not limited to Republicans or to conservative Democratic opponents of the New Deal. In this chapter, we will begin our exploration of parties in the fiscal state by examining the period in which that state was forged. For present purposes, that period begins with 1937 and ends with 1946. By 1937 major change in the party systems so undergirded by foreign trade issues were evident. Moreover, virtually all accounts agree that the recession in 1937, which was terribly swift and steep, led Franklin Roosevelt to the conclusion that deficit spending was acceptable and necessary to maintain prosperity. Because the government's retrenchment on spending in 1936 and 1937 at least partly caused the recession, the idea that one could prime the pump and then quickly pull back economic stimulus was discredited among economists, politicians, and the public: this was a machine which would not go of itself (Salant, 1989). Although the acceleration of public spending in deep economic downturns was more widely supported at the time than later mythology about the Keynesian revolution would suggest (Lee, 1989), the use of

fiscal policy to manage across the entire business cycle was a notion with rather more profound implications for the relationship between state and society (Weir, 1989; Winch, 1989). For these reasons, 1937 provides a useful starting point.

The endpoint, 1946, was a year marked by peace overseas and momentous battles at home over the issues that had been debated over the previous decade. Legislative reorganization and full employment were two of the more prominent items on the agenda. Moreover, a sharply contested congressional election turned control of the House of Representatives and the Senate to the Republicans. This year, then, marked the turning point between what one might call the formative period of the fiscal state and the period when that state became institutionalized. The watered-down Employment Act of 1946 was the formalization of the fiscal revolution. Over time, the major tenets of this new relationship between state and society would be criticized but not fundamentally challenged by the formerly out-of-power Republicans. Broad-scale challenges to the new state would prove to be electorally fruitless. Unless and until the new relations of state and society proved unable (or were perceived as unable) to manage the economy, little opening existed for an assault on the principles of the New Deal. Replacement of the fiscal state would depend on its own widespread

perceived failure. In the meantime the structure and policy of the state would work effects on the parties as had other important developments in the American state.

Scholars are divided over just what Roosevelt had in mind during the New Deal. Some argue that he was interested in building a strong party government, realigning the parties along ideological lines, and (it was hoped) establishing the Democrats as a "permanent" majority party (e.g., Jensen, 1981a:76-77). His attempted 1938 purge of conservative Democrats, then, is seen as an effort to bring this system into being. Others suggest that Roosevelt's primary interest was to enhance the power of the presidency and the administrative branch, to increase the president's autonomy from the other branches of government and from the pressures of party (e.g., Milkis, 1981). For these writers, the purge, as well as the court-packing fiasco, executive reorganization, and the corporatist style of the early New Deal, show that Roosevelt's interest was in isolating the other branches from the presidency and minimizing as much as possible non-executive influences on policymaking. While I cannot resolve that dispute here, I will attempt to show that the result if not the intention of Roosevelt's actions, in combination with the perceived self-interest and perceived institutional-interest of members of Congress, was weaker parties.

The research in this chapter is guided by a set of questions. The vast majority of literature looking at this period focuses on policy -- why did policy x look like this rather than that -- or battles over where programs would be located in the institutional structure. Recently, in recapturing the connection between war-making and state-building, scholars have paid more attention to institutional developments during World War II (Katznelson, 1986) while somewhat downplaying the changes of the 1930s (Lewis-Beck and Squire, 1991). These themes, while provocative, cast a wider net than does this chapter: I am more narrowly concerned with the role of party. Did Roosevelt believe that the influence of party needed to be reduced? In what way did political concerns, particularly the role and fate of the parties, figure into the discussions on what governmental management of the economy should look like in the postwar period? Were members of Congress able to link the changes in the political system to their possible effects on parties? How was the fiscal policy-making process envisioned? In this chapter, then, I will proceed through familiar debates with an eye toward extracting what these debates say to us about the position of party in the postwar period. Rather than taking the battles solely on their own terms -- did the recession of 1937 validate Keynesian dictums, for example -- we want to ask what the debates meant for parties. Reviewing key

institutional episodes over a ten-year period points out both the intentional and unintentional consequences for parties set in place by the decisions made during the building of the fiscal state. Both the structure of the fiscal state and its basis in fiscal policy would prove problematic for the postwar strength of the parties.

FROM THE OLD TO THE NEW DEAL:

THE RISE OF THE POLITICS OF ECONOMIC MANAGEMENT

In the wake of the Great Depression, congressional parties demonstrated a willingness to delegate authority to executive branch agencies in remarkable quantities. Still, it is important not to consider the Congress of this period to be wholly subservient to a dominating president. Chamberlain (1940), in an early study that demonstrated the importance of congressional initiative in several policy areas, was one of the first scholars to make clear this distinction between delegation and abdication. Karl (1983:124) notes that "the Congress of 1933 was no more the rubber stamp of presidential control than it had ever been. Roosevelt was pushing to its limits a legislative body that was far less radical than he was willing to be. It was unwilling to give up any more authority than the emergency required, and that only for so long as the

emergency lasted" (cf. Conkin, 1975:86 ff.). Karl also notes that Congress was careful in virtually all New Deal programs to construct the programs to give Congress, but especially states and localities, a strong role. Wallis (1987) makes a similar argument while adding that states' interests were more often protected by the Senate and localities' interests by the House. Indeed, these features of the Congress were key in blocking the establishment of a welfare state in the U.S. consonant with the European models: "the strength of local bases of power and congressional determination to block the institutionalization of stronger federal executive controls were the essential barriers to constructing a permanent, nationally coordinated system of social spending in the late 1930s" (Weir and Skocpol, 1985:135).

Defined by programs and institutions, the New Deal and the fiscal state emerged in an erratic sequence. Likewise, the future place of party was not enunciated in any manifesto, but emerged in bits and pieces. Usually, debates with significance for the role of party were framed in terms of congressional power. This is not surprising. In a legislature becoming more "professional" (Polsby, 1968) and with increasing dispersion of power, perceived threats to the congressional role or autonomy would most directly affect the political future of an individual representative. But one can make a persuasive *prima facie* case that

Congressional strength in the American political system seems to coincide with periods of comparatively strong party cohesion. While members of Congress might not have perceived the links between the institutional and policy changes around them with the fate of the parties, that does not deny the existence of such links. The remainder of this chapter examines important discussions bearing on the future place of parties in the fiscal state: the recession of 1937, executive reorganization, control over the budget, postwar planning, and legislative reorganization.

The Recession of 1937: The Partial Legitimation of Fiscal Policy

Following his 1936 reelection, Roosevelt turned to the old-time religion of budget balancing. His 1937 budget message promised a balanced budget for 1938 and 1939. But in August, 1937, the economy, which in several respects had only recently begun to reach 1929-level conditions, collapsed into recession with striking speed. Economic conditions began to level out in mid-1938. In the meantime, unemployment increased from about seven million to eleven million in less than six months. The stock market fell 43 percent. Industrial production fell by one-third, erasing one-half of the gain since 1932. Profits fell over 80 percent. Income fell by 12 percent. Roughly, the 1937 economy declined half as badly as the 1929 economy in less than

one-fifth the time (Conkin, 1975:92-3).

The recession of 1937 triggered a deep debate in the administration (Stein, 1969). Treasury Secretary Morgenthau argued that the best path was to balance the budget and let business take the initiative -- fears of deficits, inflation, and taxes were, he believed, suppressing business investment. But, unlike in Great Britain, the U.S. Treasury was forced to compete with several other bodies in order to influence economic policy. This institutional openness was a key factor in the incorporation of some Keynesian ideas into American governmental finance. (Later that same institutional accessibility would make it difficult to consolidate the impact of Keynesian ideas, especially those aspects of the ideas that were being used to justify economic planning and a large welfare state [Weir, 1989:59]). Morgenthau's views were challenged by others in the administration, including Roosevelt confidant and relief administrator Harry Hopkins, Secretary of the Interior Harold Ickes, and Federal Reserve chair Lauchlin Currie, who agreed with Mariner Eccles's sentiment that "the government must be the compensatory agent in this economy" (Leuchtenburg, 1963:245). It was not until April 2, 1938, one week after another stock market crash, that Roosevelt agreed that deficit spending was what the economy needed

(Leuchtenburg, 1963:256; Freidel, 1990:249-57).¹ Apparently waiting until after the House vote on the executive reorganization bill (April 8), Roosevelt asked Congress in mid-April for \$3.75 billion in new spending. The request was approved within two months (Stein, 1969:100-23; Burk, 1990:267).

In the interval between the budget message and Roosevelt's policy shift, a wide-ranging debate took place in Congress concerning the appropriate fiscal policy for the United States. While New Deal supporters agreed early in 1937 that "the time has come for greater economy and a reduction in the expenditures of the Federal Government" (*Congressional Record*, 29 April 1937, p. 1005), the recession provided a opportunity for all those discontented with the New Deal, both within and outside the Democratic Party, to vent their anger (Burk, 264-65). With Roosevelt's ill-fated Supreme Court expansion proposal ("court-packing"), a wave of sitdown strikes, and the recession itself leaving presidential-congressional relations at a standstill, New Deal opponents, including Democrats, saw an opportunity to block any expansion of the New Deal (and perhaps retrench) and, perhaps, push

¹ It seems fairly certain that the New Dealers were influenced by Keynes in a peripheral way; many of the ideas that came to be known as Keynesian had in fact been circulating in different guises over the course of the 1920s and 1930s (Hall, 1989; Lee, 1989; Stein, 1969; Karl, 1983:158-9).

FDR aside as a meaningful political force (Leuchtenburg, 1963:253). A special five-week session of Congress called by Roosevelt for mid-November 1937 ultimately did nothing but provide his opponents with a soapbox. Roosevelt asked for agricultural legislation to succeed the defunct Agricultural Adjustment Act, a law to establish wages and hours, executive reorganization, and the establishment of regional planning units ("little TVAs"). None of the programs were approved (Karl, 1983:168). Polenberg (1975; 1966:41) indicates just how politically weakened Roosevelt had become: "In January 1937, for the first time in more than a century, one party controlled three fourths of the votes in House and Senate. And yet this Congress killed or brutally emasculated almost every Administration effort to expand the New Deal." Still, even in this environment, even with the conservative coalition of Republicans and southern Democrats joining forces, the "first allegiance [of Congressmen] was to party, not coalition. In the months to come, partisan warfare would negate coalition efforts time and again" (Patterson, 1967:210).²

Voicing what would become a commonly-held view, and a view important for legitimizing the permanent nature of governmental

² "It was as many observers of the American political scene had noted: political parties in the United States were, and are, low-grade organisms which somehow manage to survive no matter what the competitive struggle" (Patterson, 1967:209).

management of the business cycle, Representative Maury Maverick (D-Texas) declared that the recession of 1937 could be directly linked to the government pullback on spending. "It is almost impossible," he continued, "to believe that this is the same administration, presided over by the same President, with the same Congress, representing the same constituency that I knew a short time ago. Have [the American people] decided they didn't mean what they said a short time ago. Of course they haven't" (*CR*, Appendix, 16 November 1937, p. 49). Maverick voiced his displeasure at his party renegeing on "solemn promises," "party pledges," and urged more party responsibility.

While Maverick placed budget balancing at the core of his explanation of the 1937 recession, other members of Congress were not so sure. The Republican rallying cry quite naturally placed the onus of the recession on the New Deal itself. As they suggested in speech after speech, the recession had been cooked by a formula of overtaxing, overspending, arbitrary power, fear, and business bashing. Some Democrats saw the money supply as the problem and suggested that the private control of money through the Federal Reserve was the root of the problem. As would become common in recessions, democratization

of the Fed emerged as a political issue and just as quickly faded away.³ Other Democrats argued that a capital strike had taken place in order to force repeal of the tax laws and to prevent wage and hour bills (*CR*, 14 February 1938, p 1901). While there is little doubt that business desired these changes,⁴ evidence for a capital strike is scanty.

Maverick's complaints came after a year in which the value -- political, economic, and moral -- of budget balancing was stressed again and again. These calls for budget balancing had actually opened the window toward serious reform of the budgetary process, reform that might regain for the Congress some of the initiative lost in the Budget and Accounting Act of 1921.⁵ In January, Senator Millard Tydings (D-

³ Kane's (1987, 1988) depiction of the "fedbashing" relationship between Congress, the President, and the Fed -- in which the president and Congress attack Fed performance but with no real interest in expropriating the Fed's power, and the Fed goes along to with the "abuse" to protect its political perks -- seems to fit the basic contours of the rise and fall of the Fed issue in the post-New Deal recessions. The theory is not equally satisfactory for non-recession periods (Kettl, 1986).

⁴ A petition from several Rhode Island business associations asked for: (1) repeal of capital gains and undistributed profits tax; (2) a balanced budget via lower spending; (3) preservation of free enterprise; (4) no government competition with private industry; (5) no attacking business, small or large; (6) the right to strike and work; (7) no government control of prices; (8) no new controls, such as wage and hour legislation; (9) no government reorganization or regional planning (*CR*, 10 March 1938).

⁵ Among other things, the act made the president formally responsible for gathering agency requests into some kind of overall budget and presenting a revenue and spending package to the Congress (Stewart, 1989:197-215).

Maryland) introduced a bill (SJR36) calling for an automatic balanced budget. One of Tydings's underlying goals was to move toward macrobudgeting and away from microbudgeting, i.e., toward taking a more comprehensive view of the budget and away from the piecemeal approach.⁶ In Tydings's plan, Congress would approve an overall budget and then approve the separate appropriations. Under the plan, every provision for more spending would have to be offset by cuts, taxes, or taxes to pay off the debt. In the context of the 1974 budget reforms, Sundquist (1981:200) would describe this procedure as the distinction between having a fiscal *policy* instead of a fiscal *result*.

In the debate on Tydings's proposal, Senators voiced reservations about the procedures of the bill and its implications for Congressional power -- a somewhat ironic position in light of the macrobudgeting reforms of 1974. One complaint was that the plan ignored needs in favor of budgetary procedures. As one senator put it, "How can you determine the needs of the Army by determining first the needs of the

⁶ These terms are borrowed from LeLoup's (1988) description of the Congressional Budget and Impoundment Control Act of 1974. Macrobudgeting refers to setting overall limits on spending and revenue as the first step, and subsequently working out the distribution among programs and departments. Microbudgeting works from the agency spending requests to formulate the budget totals.

farmer" (*CR*, 12 January 1937, p. 182)?⁷ To Tydings, though, the issue was depression and fiscal responsibility. With depression "as sure to come again as the sun is to rise and set" it behooved the government to be able to respond and to not be seen as causing the depression through deficit spending. (Clearly the new principles of fiscal policy were slow to be absorbed.) In his view fiscal policy was not a partisan matter, and "whether Democrats or Republicans run the Government for the next 100 years" made little difference in what was correct policy (*CR*, 12 January 1937, p. 186). While this idea -- that the balanced budget is the inherently right fiscal policy regardless of party -- was voiced frequently over the next forty years, in practice the parties tolerated a little deficit as acceptable fiscal policy (Savage, 1988: ch. 6).

The more serious challenge to Tydings's plan was that it usurped the role of Congress and the parties. Senator James Byrnes (D-South Carolina) pointed out that unless Congress did its budgeting department-by-department with hearings and study, it would be dependent on the president's recommendation for the overall size of the budget. It was Congress's duty to balance the budget, and it should not shift its responsibility to the president (*CR*, 16 May 1937, p. 1077). Senator

⁷ In the House, Representative John Murdock (D-Arizona) argued that the Congress needed to examine what the economy needed before indulging in "bookkeeper's economy" (*CR*, 20 May 1937).

Thomas Connally (D-Texas) charged that the Tydings bill would make it more difficult for Congress to use its power of the purse in any manner it saw fit. In effect, he argued, other departments in the government would become proportionately stronger in controlling the purse (*CR*, 12 January 1937, 181, 182, 185). Republicans, not surprisingly, voiced these complaints generally, and not only in relation to the Tydings bill (*CR*, 4 May 1937, 1073). While some critics worried about a loss of Congressional power, others like Senator Carter Glass (D-Virginia) feared shifting away from Congress's traditional functions into uncharted lands of responsibilities. Tydings, he suggested, "wants Congress to go into the budgetary business," which was more properly the purview of the Bureau of the Budget.

By deeply threatening traditional roles in the Senate (and Congress at large), Tydings's bill did not stand much chance of passage. Surely Tydings did not expect that the Appropriations Committee, to which he requested the bill be sent, would be anxious to see its major base of power -- the potential to threaten program cuts -- taken out of its hands or weakened. But the bill served a purpose as a warning shot that Congress and the parties needed to think carefully about their role in the new political order. Most members of Congress, concerned more with controlling resource distribution rather than revenue and spending totals,

were not ready to focus yet on the question of institutional control of overall economic management. Indeed, while some members of Congress saw a threat in the forthcoming fiscal arrangements, on the whole,

In order to exercise fiscal planning, congressional committees turned again to the executive, with many committees refusing to consider legislation that had not been cleared by the Bureau of the Budget. [Fiscal politics was typified by] the tendency to defer to the executive in coordination of the budget, the increased reliance on the administration for initial policy proposals, and the use of personnel of administrative agencies for staff assistance in the congressional committees . . . Congress remained poorly organized to draft legislation. (Dodd and Schott, 1979:81)

The committee organization of Congress was a major cause of this poor organization. If, "on the one hand, committee government provided a rational, intelligent mechanism through which members of Congress could develop personal expertise and specialize in the creation and oversight of policies and agencies in specific jurisdictional areas; . . . [and] From the perspective of the member of Congress, committee government served his or her immediate interest," it was no less true that "the failure of committee government came in its impact on the interests and external power of Congress as an institution" (Dodd and Schott, 1979:84-85). Through committees, members of Congress protected

themselves against a party or leader usurping the power of the purse, but not the executive. There was nothing inherent in the issues of fiscal and economic management that would transform this fragmented, and party weakening, method of considering economic policy. So the response to the recession of 1937 partially legitimized fiscal policy in the U.S., but it also consolidated the president-led view of fiscal management. While individual incentives for members of Congress may well have pointed in this direction, the public reaction was to associate economic well-being with the president while Congress became more closely linked to constituency service. The result "by 1937 [was that Roosevelt] had neither won acceptance of a clear program nor even begun to refashion his party around such a program" (Conkin, 1975:84; Brinkley, 1989:94-100).

The response to the recession marks the partial revolution of fiscal policy. Roosevelt's spending cuts from November 1937 to January 1938 were the last a president would make in the midst of a recession until 1980. Attempting strong expansionary budget measures in a recession was by 1938 a de facto national policy. But it was not yet national policy to achieve full employment by permanent fiscal policy or to even think seriously about the budget as a tool to meet a specific national income (Stein, 1969:115-16). As Weir (1989) and Hall (1989) suggest,

the U.S. was well-situated to innovate with Keynesian ideas because of a fluid institutional structure, but that same structure made consolidation of the policy difficult. Indeed, two years after the shift in Roosevelt's thinking that most historians point to as the first acceptance of truly Keynesian thinking about the budget and deficits, the balanced budget ethos remained strong in the congress. Members of Congress broke into applause when one of their colleagues pleaded that Congress "recognizes the danger of continued deficit financing . . . we reach out for a balanced Budget, we cannot get it now" (*CR*, 8 March 1939, 2475).

Executive Reorganization and the Power of Congress

The divided parties, institutional struggle, and policy deadlock between 1937 and 1939, sometimes called the Third New Deal, reflected many of the characteristics that Americans would later come to see as natural in their politics. Most importantly for the present discussion, during the first four years of the Roosevelt presidency, the "traditional battle lines between presidents and congresses were redrawn" (Karl, 1983:155). Notwithstanding the important role played by Congress in many of the New Deal programs (Chamberlain, 1940), the president had become the perceived national center for policymaking, both by the public and by the Congress. Congress by 1937 sought to put limits on

Roosevelt's domination of national politics: the defeats Roosevelt suffered during 1937-1939 on court-packing and executive reorganization, as well as various extensions of the New Deal domestic agenda, perhaps seem larger when taken in the context of how fully he had managed to capture the national agenda during the preceding four years.

One of the major institutional battles of the period concerned reorganization of the executive branch. Despite the emphasis in most of the literature on Roosevelt's campaign to reorganize the executive branch, the initial push for executive reorganization actually came from within the Congress. In October 1935, John J. Cochran (D-Missouri), chair of the Committee on Expenditures in the Executive Departments, wrote to the departments requesting suggestions on cutting expenditures and the provision of organizational, personnel, and financial data for the agency, from which his committee was to formulate reorganization plans. Cochran, however, had a particularly difficult time getting members to agree to work over this issue during the November and December recess -- only one of eighteen committee members responded affirmatively and without qualification to Cochran's request. Part of the reason for the reticence, aside from the great time commitment and the need for December sessions, was that William Whittington (D-

Mississippi), who originally proposed the idea of this administrative investigation, had apparently introduced the bill largely as a way to prevent the reporting out of another bill from the committee.⁸ So while Congress was the first in the reorganization fray, its attempt at reform seems more inadvertent than serious crusade. Although it is not clear why the committee, particularly the Democrats, went along with a recommendation that they had little interest in, it is reasonable to speculate that most saw this as a valence issue -- how could you explain a vote against investigating ways to save money and cut down on bureaucracy?

Cochran set up a committee of seven to investigate the existing organization of all executive and administrative agencies and determine what needed to be done to accomplish the following:

- Reduce expenditures as much as possible, consistent with efficient operation of government
- Increase efficiency of operations as much as possible within revenues
- Group, coordinate, and consolidate executive and administrative agencies of government as nearly as can, according to major purpose
- Reduce number of agencies via consolidation of those with similar functions and abolishing those with unnecessary functions

⁸ Committee on Expenditures in the Executive Departments, Tray HR74A-F13.4, 13998, Whittington Resolution, National Archives. The standard works on executive reorganization, especially Karl (1963) and Polenbergl (1966) have nothing to say about the congressional effort.

- Eliminate overlapping and duplication of effort
- Segregate regulatory agencies and functions from those of administrative and executive character
- Decide whether Congress should pass acts for regrouping-consolidation-transfer-abolition, or whether it was preferable to authorize president to do so, with reports to Congress, for approval or disapproval by Congress⁹

Before the committee's work progressed very far, Senator Harry F. Byrd (D-Virginia) introduced Senate Resolution 217 in early January, 1936. The Byrd bill proposed the establishment of a five-person committee to look into executive organization, in particular trying to root out and eliminate overlap of functions. The bill to create the Special Committee to Investigate Executive Agencies of the Government was passed by voice vote in late February. Cochran attempted to get Byrd to agree to the formation of a joint committee but was rebuffed (*CR*, 29 April 1936, p. 6376,6378). Quickly thereafter, the president, saying that he had been thinking about the issue for months, made his announcement that he was creating a commission to study government reorganization. Cochran and the committee, with little partisan disagreement, decided that moving forward at this point to bring in a bill would be a waste of time and effort, given that the Senate committee was not expected to report until the following session.

⁹ Committee on Expenditures in the Executive Departments, Tray HR 74A-F13.4 13997, Whittington Resolution, National Archives.

Although the Cochran committee had lost a chance to take the lead in reorganization, the House was not quiet. On March 4, 1936, Harold R. Knutson (R-Minnesota), determined to keep the House and the Republicans in the reorganization picture, introduced House Resolution 436, which called for Cochran's Expenditures Committee to make a full study of the activities of all agencies of the executive branch to see where activities overlapped. On April 2 and 6, another Republican, Carl E. Mapes (R-Michigan), introduced two bills calling for a study of reorganization -- the first a joint committee and the latter a House committee.

The Republican efforts were upstaged, however, by a bill (HRes460) introduced by Majority Leader William B. Bankhead (D-Alabama) on March 23, 1936. This bill was introduced in response to a suggestion from FDR to Speaker Joseph Bryns that the House join the Administration and the Senate in studying executive reorganization (though not in any truly "joint" sense). Bankhead's bill, calling for the formation of a five-person Committee to Investigate the Executive Agencies of the Government, emerged from the Rules Committee in late April. The Bankhead bill was the only one of the proposed bills to reach the House floor.

The debate over the bill provided each party a chance to grab the

popular mantle of reorganization and cost-cutting (*CR*, 29 April 1936, 6375-6387). Bertrand Snell (R-New York) argued that Roosevelt's motives were transparent: fearing that the Byrd committee would recommend significant cuts in the executive branch, Roosevelt wanted a House committee available to counter-balance the more conservative Senate committee. By playing off the two congressional committees with his own, Snell suggested, Roosevelt could get exactly the kind of reorganization recommendations he desired. Democrats, including Whittington and Cochran, responded that Roosevelt had been serious about reorganization since 1933. Under the provisions of the Economy Act of 1933, Roosevelt had the authority to propose reorganization of executive agencies subject to a vote of rejection by the Congress. In the two years that Roosevelt had this authority, he sent up seventeen separate reorganization suggestions and none were challenged. According to the Democrats, Roosevelt was sincere about reorganization and not seeking a way to play three committees off each other.

The most telling commentary during the debate came from Mapes. Arguing that everyone inside and outside the Capitol agreed that the best way to reorganize was to let the president do it by executive order and avoid legislation, Mapes asserted that (*CR*, 29 April 1936, 6379)

Logrolling, bickerings, jealousies, ambitions, prejudices, and play for party advantage combined have been powerful

enough to block all legislative attempts at reorganization in the past, and there is no reason to believe that conditions in that respect will be any different in the future. The President is the only one who can do the job ...

Mapes's view that the president needed to lead in the reorganization process encountered no opposition in the House. Still, on a 269-44 vote both parties supported the Bankhead legislation, and a House committee was established in early May.

Whether Roosevelt had shrewdly hoped to play off the congressional committees or not, the process was indeed dominated by the executive branch, at least until Roosevelt's reorganization legislation reached the Congress. Had Cochran had a bill ready by February as he originally hoped, Congress may have been in a position to lead on the reorganization issue. Instead, with no bill ready by February, Cochran's committee (and the Congress) took a back seat to the newly appointed President's Committee on Administrative Management, led by Louis Brownlow. Unlike the congressional effort, the Brownlow committee did not focus primarily on cost reduction but rather on ways to improve the integration of government programs and the ability of government to intervene effectively in the economy. The administration's reorganization bill, which closely mirrored the Brownlow Committee report issued after the 1936 election, consisted of five elements:

- Provide six executive assistants to the president
- Expand the merit system, raise government salaries, and establish an effective civil service administrator
- Improve fiscal management via budget-planning, restoring control of accounts to the executive branch, and providing Congress with independent audits of transactions¹⁰
- Establish a National Resources Planning Board to act as a central planning agency and policy coordinator
- Create two new cabinet posts and bring all agencies, including the independent regulatory commissions, within the twelve major departments (Polenberg, 1966:21).

While the entire bill raised hackles, this last item was especially fiercely resisted: the Brownlow Committee "proposed taking the more than 100 independent agencies, boards, commissions, and administrations and placing them by executive order in twelve major executive departments, several of which were to be new creations. Reaction was swift" (Dodd and Schott, 1979:338-39). Under the proposal, the president, and, by extension, the bureaucrats and intellectuals populating New Deal

¹⁰ The Roosevelt administration had a long history of differences with the incumbent Republican auditor, John R. McCarl. Therefore, the issue of audit versus control was a live one. In particular, the administration was upset that McCarl used a general policy guideline of pre-audits, which meant that he was involved in the business of preventing government transactions from taking place. The administration felt that the comptroller's proper role was to provide Congress with analysis of executive actions that would help revise programs where needed. Aside from the frustration of having program content affected by the comptroller's actions, the administration also had some constitutional difficulties with the comptroller's role: was the comptroller involving the legislative branch in the administration of laws? This provision in the reorganization bill was intended to prevent the comptroller from pre-auditing programs. More discussion of the comptroller issue appears later in this chapter.

agencies would do the reorganizing.

Opponents argued that the bill did not commit to reduce the size of government. The opposition to the bill also included aspects of opposition to planning, to centralized control over long-range plans for public works, resource development, economic management, and social policies that later became strongly identified with the National Resources Planning Board. Even before the NRPB, however, planning had come to be a larger part of Roosevelt's political outlook and uneasiness about planning -- which threatened to remove the power over distribution of resources and federal funds from congressional hands -- was palpable in the Congress. To members of Congress, the plan threatened the traditional ability of Congress to disperse resources and threatened a rather flexible party system that allowed for creative logrolling and unholy coalitions. Centralizing control threatened both the prerogatives of Congress and the traditional party system. Roosevelt clearly longed for a more integrated party system; members of Congress were just as strongly determined to retain their vaunted policy flexibility and resource control.

After some weakening, the reorganization bill won narrowly in the Senate (42-40). Following even more weakening, it was narrowly defeated in the House (204-196). Writing of the reorganization effort,

Karl (1983:157) argues that "Roosevelt had tried to bring off a genuine revolution and had failed to do so." Milkis (1981) sees the effort in similar terms, but relates the executive reorganization effort directly to an attempt to redefine the party system in the United States. After the first try failed, the next year a reduced bill came back containing simply a provision delegating reorganization powers to the president subject to a concurrent resolution veto. The bill exempted several agencies and commissions from reorganization, allowed no new departments, and included some noncontroversial proposals from 1938. Later that year Roosevelt sent along five reorganization plans: all were approved. Most significant was the creation of a five-division Executive Office of the President (Sundquist, 1981:52-54).

Milkis (1981) argues that the executive reorganization bill represented a conscious plan by Roosevelt to restructure party politics by, in effect, accentuating the role of the president and diminishing the role of other branches of government. Arguing that many in the administration considered party government dubious in the context of typical American politics (the Tudor polity and the liberal consensus), Milkis (1981:4) argues that "New Dealers disavowed any long run 'party' strategy and instead sought to translate modern liberalism into state action by a reorganized -- a more integrated -- form of Presidential

administration. Whereas a more responsible party system might have established more palpable linkages between the Executive and Legislature, the administrative strategy pursued by Roosevelt endeavored to implement New Deal policies and by-pass the inertia built into the America party system by reconstituting the Executive Department as a more autonomous policy-maker." If the fiscal and welfare state could not be reliably advanced and defended by future congressional Democrats, then, Roosevelt would institutionalize as much of the New Deal as possible in state structures that would be relatively more immune to political eradication (cf. Shefter, 1978). To Milkis, Roosevelt viewed the Democratic party as a waystation on the road to administrative government.¹¹ Roosevelt's, then, was a "partisan leadership ... directed at the Democratic party becoming the party to end all parties..." (Milkis, 1981:6). Ultimately, "focusing on the personal responsibility of the Chief Executive and neglecting the party system attenuated the link between parties and the policy process" (Milkis, 1981:31).

In short the less central position of parties in the process would lead to less focus by the public on parties as important in and of themselves. Indeed, Wattenberg's (1990) analysis of party decline has

¹¹ Milkis (1984) extends the argument to Lyndon Johnson and sees in him much the same disbelief in the practicality of the responsible party model and a desire to institutionalize his changes in American politics.

this proposition as its central thesis explaining a growing distance of the public from parties over the postwar period. However, Milkis never satisfactorily demonstrates the remarkable prescience and foresight he attributes to the administration's party plans -- the reorganization plan, after all, was conceived before the court-packing and electoral purge episodes, and one can view the whole of Roosevelt's actions as being directed toward the achievement of an integrated party system and not simply a system of presidential aggrandizement. Regardless of Roosevelt's intent, however, Milkis's conclusions about the *impact* of executive reorganization in a loose party state are sound. In the U.S., institutionalizing New Deal reforms in the state would not necessarily build a "party state" akin to the Social Democratic experience in Sweden; in fact they could well lead to a diminished stature for party in the long run. I have suggested that in the fiscal state built in the 1930s and 1940s, such was precisely the result.

On Controlling the Budget

One constant and wide-ranging theme in congressional discussion of the newly expanded budget and economic role of the government was the relatively subordinate role of Congress in the process. Rep. John O'Connor (D-New York) complained that Congress was "at the mercy

of the departments in their demand for money" and that the Congress had no way to know if the requests they were making were reasonable (*CR*, 28 April 1937, 3897). O'Connor suggested that the oversight role of the General Accounting Office and the Comptroller be enhanced. Debate within House also focused on the question of whether the Appropriations Committee should be given more personnel to allow it to conduct more investigations of government spending. The Bureau of the Budget was seen as another obstacle to congressional power, and occasional calls were heard for more congressional access to the Bureau's papers, files, data, and the testimony of agencies. Representative Mike Monroney (D-Oklahoma), a key player in the budget reform discussions, expressed his concern that too much legislation was being drafted "downtown" (either as statutes or administrative rules) and that Congress was at risk of "degenerat[ing] [in]to merely a body of harping criticism" (*CR*, 15 December 1944).¹²

¹² Certainly, some of the complaints coming from the Congress were notable more for their rhetoric than for any stated commitment to do something to change the position that Congress found or put itself in. For example, in February 1945, Cochran introduced a bill (HR1817) to discontinue 69 reports that were required by law. The reports, presenting copious detail on federal spending, apparently had a small readership: Cochran noted that when he headed the Committee on Expenditures, no one ever asked him for the reports -- he was the only one to read them. The administrative assistant to the Director of the Bureau of the Budget argued that most of the reports were either obsolete or available in another form. Although Cochran's testimony indicated that no one in Congress was ever roused enough to read the

One dispute that exemplified the growing concern within Congress over its power relative to the president concerned the role of the comptroller (Polenberg, 1966:23-25). Treasury Secretary Hans Morgenthau complained in 1938 to the Committee on Expenditures in the Executive Departments that the acting comptroller general, Richard N. Elliott, was being too aggressive. In a fifteen-page letter to committee chair John Cochran, Morgenthau complained that Elliott wanted the power to block expenditures in those departments failing to follow his accounting regulations. To Morgenthau, that would make Elliott "the most powerful administrative officer of the government, but without any responsibility to the Chief Executive elected by the people and with only such supervision of his acts as the Congress might be able to supply through occasional investigations."¹³ While Roosevelt proposed eliminating the position of comptroller general in his reorganization plan, the view from Congress, not surprisingly, was that the comptroller general and the General Accounting Office be even more

reports, critics saw the proposed change as an attempt to prevent scrutiny of the New Deal programs by the Congress. The reports were eliminated. Hearings on HR1817, February 27, 1945, RG233, 79th Congress, Papers Accompanying Specific Bills and Resolutions, Box 94, Folder HR 79A-D12 H.R. 1817, National Archives, Washington.

¹³ Committee on Expenditures in the Executive Departments, Letter from Hans Morgenthau to John J. Cochran, [January 1938], "Misc Committee File," Folder HR75A-F14.4, National Archives.

aggressive. Representative O'Connor saw the comptroller as one of Congress's only ways to ascertain whether executive agencies were making reasonable demands in their funding requests (*CR*, 28 April 1937, 3897).

The debates over the budget and deficit financing led to some fears that the power of Congress was in decline. In January 1940, following the tremendous divisions during the debate over executive reorganization -- which the majority in Congress came to see as a euphemism for legislative subordination -- Senator James Davis (R-Pennsylvania) proposed the formation of a Budget Service, which was to be an arm of and accountable to the Congress (S3140). The Budget Service was intended to shift some fiscal power back to the Congress. The legislation would replace the position of the executive-branch Bureau of the Budget in creating the budget, create budget oversight agencies to investigate expenditures, provide budgetary information to the Congress, and serve as a budget process liaison with the executive branch. The liaison role involved cooperation with both the Treasury Department and the General Accounting Office and called for congressional liaisons to be installed in all government agencies as employees of the Budget Service.

After this bill died in the Finance Committee, Davis tried a more

moderate approach. In April he introduced S3715 which called for the formation of a joint committee of Appropriations Committee members to establish a Congressional Budget Service. This new bill no longer called for the virtual elimination of the Bureau of the Budget but rather included the Budget Bureau in the Budget Service-Treasury-General Accounting Office liaison network. Liaisons located directly in the executive agencies were also scrubbed from the new bill. After its referral to the Executive Expenditures Committee the bill fared no better than the first bill. In May the Expenditures Committee passed Senate Resolution 271 in lieu of the Davis bill, but SRes271 simply added more personnel to the staff of the Expenditures Committee. While Davis's reach seemed a bit higher, the committee chose to interpret the issue as one of simple oversight of executive agencies, and the best way to improve oversight was to increase staff on their own committee (*CR*, 22 May 1940, 6581-82).

Another approach -- beyond the aggressive use of the comptroller and monitoring of executive accounts -- to re-energize Congress's role in fiscal management stressed the need to coordinate the taxing and spending functions. The Tydings automatic budget balance plan of 1937 was discussed above. Tydings reintroduced the measure in 1940 in somewhat different form. Here, instead of presenting a bill with a full-

blown system for automatically balancing the budget, Tydings proposed that a special three-member committee be formed to "find the ways and means" to reach an automatically balanced budget (SRes314).

Introduced late in the session in an election year, the measure as in 1937 had little chance of passage and died in committee. Tydings reintroduced the legislation yet again in January 1941 (SRes22) and it was adopted by the Senate in mid-February.¹⁴ The three-person committee (including Tydings) was appointed a week later. The committee's preferred plan would have the tax schedule automatically kick in to provide revenues to meet appropriations. Exceptions for depressions and peacetime preparedness would have to be paid off in twenty years. (CR, 29 April 1941, 3377).¹⁵

While this effort ultimately failed, the urge to automate economic policy remained a strong one that was in several ways integrated into the fiscal state through features such as automatic stabilizers, automatic

¹⁴ Members of Congress in both chambers in the early 1940s proposed plans similar in intent to the Tydings proposal. The Special Committee on Fiscal Planning brought together powerful members from the House Appropriations and Ways and Means Committees. Other such plans included the Joint Committee on the Budget (CR, 21 January 1943, 269) and the Joint Committee on Budgetary Control (CR, 18 January 1943, 212).

¹⁵ Tydings, as part of the general movement in Congress stressing the need for independent information, also proposed the formation of a Joint Committee to Study, Analyze, and Evaluate Requests for Appropriations.

budget caps, and even incrementalism. But by divorcing party from policy in the long run, this urge also weakened both parties *and* the Congress. If economic policy can become automatic and such policy is seen as superior to discretionary policy, then parties were organized around fiscal management issues that seemed to the public less and less party relevant.¹⁶

Back to Reorganization

The issues raised by the reorganization struggle and changes in the government's role in the economy were not easily resolved. The tenor of the late 1930s debate over executive reorganization returned when executive reorganization was discussed again in 1945. Three issues were central. First, should Congress mandate a 25 percent administrative cost cut in each agency affected by reorganization? Republican Representative Joseph Martin (R-Mass.) argued that that was precisely what the country wanted, but others argued that a 25 percent total cut was more sensible and noted that Congress would hamstring the president by imposing such a requirement. Congress was still grappling

¹⁶ The sense of Congressional weakness was not limited to those within the Capitol or the Administration's enemies; the *New York Times* editorialized that the Congress was disorganized and impotent (*New York Times*, 3-15-43). The *Washington Post* echoed these sentiments, contrasting the choices as modernization of Congress or abdication of power (*Washington Post*, 1-23-44).

with the question of reorganization as rationalization and modernization of administrative structure versus reorganization as cost-cutting. The second issue concerned whether independent agencies should be exempt from the reorganization and cost cutting. Those who supported such an exemption argued that these commissions were established by Congress and that the president should be kept out of their reorganization. At the same time, other supporters argued that these agencies were already efficient and would in any case come under the control of the political party in power via the Cabinet. The key argument on the opposing side was that such an exemption would make reorganization a farce. But supporters countered that the central issue was whether Congress would exercise the reorganization power or delegate it to the president, and that exempting these agencies from presidential reorganization contributed to congressional strength. Estes Kefauver (D-Tennessee) declared that he did "not like the idea of Congress abdicating its power to the Executive to reshuffle and reorganize and merge these agencies any way the Executive may see fit." And the third and final key debate concerned whether Congress would approve the bill by a majority of the 535 members of Congress or whether each chamber would have to approve the bill. Again the issue was painted as the congressional role in modern American government. Those who wanted each chamber to approve the

bill felt that the simple majority approach was close to giving the president a blank check. Senator Robert LaFollette Jr. (Progressive-Wisconsin), saying that he anticipated a time when the Congress would have to transfer more power to the president if the economy was to prosper, argued that there was no need to rush into that future just yet. On the other side sat Speaker Sam Rayburn (D-Texas), arguing that if Congress was going to require both houses to pass the legislation, Congress might just as well draft the whole legislation and prepare for substantial delays. In this case, the Speaker of the House was, in effect, arguing for a smaller congressional role.¹⁷ More important, Rayburn reflects the ambivalence of a Congress determined to support aspects of its own power while at the same time acknowledging that important changes in state-society relations had occurred over the previous ten years. In the process, though, members of Congress failed to see that it was their control of trade policy, it was a state shaped around congressional policymaking in trade, that encouraged the strong Congress and the strong party system of the nineteenth century. Members failed to recognize that the strength of party and the strength of Congress were reinforcing rather than contradictory.

¹⁷ The source for this paragraph is *CR*, 4 October 1945, 9425-9445.

Postwar Planning

Congress faced the dilemma of upholding institutional power while acknowledging the need (or reality) of a revised relationship between state and economy squarely in the controversy over postwar planning. One of the great fears of the war years concerned the postwar economy. Voices from all sections of the political spectrum argued that the threat of depression loomed over the postwar economy (*CR*, 24 February 1941, 1337; 4-29-41). Consequently, as early as 1941, serious discussion and debate began over how best to smooth the transition from war to peace. There was also some concern that the totalitarian model, with presumably full employment and full use of natural resources, might entice depression-weary Americans to try this other way. The case for planning was stated succinctly by Senator Sheridan Downey (D-Cal) in a radio address: "If we are not able at that time to meet economic disaster with an economic plan, we shall go under" (*CR*, 5 November 1941, 8513).

Roosevelt, in a plan that Rep. Alfred Beiter (D-New York) labeled "insurance against a postwar collapse," suggested that the government develop shelves of public works projects that could be started up quickly by the president when necessary (*CR*, 19 February 1942, 1487). His 1942 Budget Message had asked for a flexible tax to be

used in emergencies. But Republican members of Congress saw any administration role in economic planning as potentially dangerous to their institutional role. Representative Dirksen (R-Illinois), while agreeing that postwar planning was needed, stated that "when it is stated . . . that an overall, endless, limitless, permanent authority be vested in the hands of the president of the United States without a single guide line, then I say it is time for the Congress to stop, look, and listen. Congress will have nothing to say about it. . . . [A program is necessary, but] let Congress keep its hands on it" (*CR*, 19 February 1942, 1489-90). Senators Tydings and LaFollette also expressed concern about Congress's seemingly small role in Roosevelt's vision of postwar planning.

The National Resources Planning Board formed the center of the debate between the two branches. Much of the dispute concerned NRPB publications regarding the postwar order, particularly "After the War: Full Employment." In "After the War," Alvin Hansen, one of the two or three most prominent American advocates of Keynesianism, particularly a view of Keynesianism that argued that capitalist economies had reached a permanent stagnation point, argued strongly for the use of fiscal policy to achieve economic stability. Particularly upsetting to budget balancers was his belief that "A public debt is an instrument of

public policy." While more hysterical commentary saw the NRPB as a manifestation of a New Deal desire to overthrow the American Way of Life, the preponderance of commentary criticized the activist fiscal action implied by the plan. The battle came to a head in early 1943, when the House Independent Offices Subcommittee deleted appropriations for the NRPB. Roosevelt sought to put the onus on Congress, declaring in a press conference on March 12, 1943 that the responsibility for postwar planning now rested entirely with the Congress (*CR*, 12 March 1943, 1977). Despite some congressional information-gathering, from this point on, the planning vision became localized in plans for a Full Employment Act, discussed below (Norton, 1977: 235-41).¹⁸

Reorganizing the Legislature

Concern over institutional changes in American politics was widespread in the 1930s and 1940s. Even staunch supporters of Franklin Roosevelt and the New Deal voiced concerns about the perceived weakening of Congress relative to the executive branch. But these Roosevelt supporters saw the problem not as executive branch

¹⁸ A fascinating body of literature has emerged since the mid-1980s assessing the formation and limits of America's welfare state and social Keynesianism. See for example Katznelson (1986) and the essays by Weir, Orloff, and Skocpol, Orloff, Amenta and Skocpol, Weir, Finegold, and Quadagno, in Weir, Orloff, and Skocpol (1988).

aggrandizement of power but rather an abdication of responsibility by the legislative branch. Rep. Jerry Voorhis (D-Cal), one of Roosevelt's strongest supporters, argued that Congress had shown a lack of initiative to assume its rightful place in American politics. Voorhis outlined five key areas for congressional involvement. In only one area, according to Voorhis, was Congress doing a clearly good job: providing for the national defense through authorizations and appropriations. In watching over the expenditure of appropriated funds, Congress was, rhetoric to the contrary, lax. In the other three categories, Congress had essentially deferred to the administration. While Congress had attacked the administration's executive reorganization plan, it had done little to streamline and improve agencies on its own. Power over the supply of credit, he felt, should be concentrated in a Congressional agency since it might well be the most important factor for postwar recovery. And finally, in guarding against future Depressions, some members of Congress had begun to move seriously but the body as a whole had not taken credible action.

On this latter point Voorhis cited in particular the work of the seventy-member House Conference on Unemployment, which formulated a list of sixteen goals, including that Congress should assert its right to coin money and regulate its value and should create a "scientific tax

program and a scientific monetary and credit system." The conference also wanted a permanent public works program that would be explicitly countercyclical. But these were bright strokes in an otherwise dark portrait. Inaction, Voorhis summed up, puts Congress "in a position of seeming to be an unimportant part of the machinery of the national life of American today" (*CR*, 24 February 1941, 1335-38). This image of unimportance, he would later argue, was surely reinforced by the Administration's impoundment of congressionally-appropriated funds (*CR*, 2 April 1942, 3296-97).

From the other side of the aisle, Everett Dirksen, the Republican representative from Illinois, was perhaps the most vocal member of Congress on the question of Congress's place in the political system. According to Dirksen, three weaknesses hampered Congress: a weakened power of the purse; a lack of control over appointments to much-enlarged executive agencies; and the increasing complexity of Congressional work. The latter development was reflected in more areas of policy concern and more administrative "routine" consuming more hours. In short, Congress was simply not equipped to compete with the Executive in the new age of administration and bureaucracy:

I have not heard one but a thousand lamentations in the well of this House over the Years, relative to the growing

power of the Executive and the growing power of the governmental bureaus, but is it not a fact that we are slavishly dependent upon those bureaus today for information, for data, for advice, for guidance, for the very good reason that the Congress has no instrumentality or weapon of its own for such information? (*CR*, 1 October 1942, 7696)

Charging that Congress had willingly become "supplicants" to the Executive branch, Dirksen proposed that Congress could emerge from its dependent status only if it could obtain an independent set of facts; to do so Congress needed to equip and staff itself to put it on an even level with the Executive branch.

Still, while concerned about the position of Congress relative to the president, many members of Congress equally feared sacrificing any of their independence from party discipline. Dodd and Schott (1979:66-71), writing on the decline of party at the turn of the century in the House and Senate, point out that members of Congress were experiencing new incentives to act with independence. The rise of these incentives is tied to the rise of committee government in the Congress. Specifically, they cite five weaknesses of the new committee government system: leadership, accountability and responsibility, insulation (secretiveness), administrative oversight, and coordination (Dodd and Schott, 1979:74-79). To members growing increasingly independent, the

fear of increased party power permeated the debate over legislative reorganization, especially Dirksen's call for party policy committees (MacNeil, 1982:76). In their deliberations, members of Congress needed to find some way to balance the often competing demands for a stronger Congress, stronger independent members, and stronger parties.¹⁹

One of the main issues in legislative reorganization was what to do about the budget-making process. One idea was to have a joint committee on the budget that would consider both revenue and spending questions. In the House floor debate over reorganization, Rep. Wright Patman (D-Texas) argued that combining the budget committees (i.e. the spending and taxing committees, perhaps from both chambers) concentrated power in too few members and violated the checks and balances between the chambers. Others feared that the idea had the

¹⁹ A small firestorm was touched off in early 1946 when Vice-President Henry Wallace crossed the delicate line stamped by Franklin Roosevelt from 1937 to 1939 and issued his own version of legislative reorganization. Wallace wrote in *Colliers* that he was upset to see President Harry S Truman's bills "killed, shelved, or emasculated by Democratic Congressmen," and argued that party discipline, though not a purge, needed to be enforced. In his vision, majority leaders and the president would pick the test issues against which members would be measured. His call, which amounted to a call to oust party members who deviated on the big issues, drew a hail of criticism on Capitol Hill. Senator Alexander Wiley (R-Wisconsin) was not alone in dragging out the specter of Hitler, Himmler, and Stalin. Senator Bourke Hickenlooper (R-Iowa) declared that Wallace's "strange and unusual political pronouncement . . . is not reflective of our general political attitudes or our determination to maintain freedom of thought and freedom of action in both political parties in our state" (*CR*, 19 March 1946, 2400-01).

"effect of putting our stamp of approval on the deficit spending." And Rep. Emmett O'Neal (D-Kentucky) charged that it made little sense to talk about budget totals before considering each specific agency bill. But that of course is the burden of fiscal policy -- managing the economy via fiscal techniques and meeting the wide range of public needs are not equivalent. Indeed, asked Rep. Gore (D-Tenn):

Does the Congress have a fiscal policy? . . . Is there anything which will loom before the Congress within the next decade more important than fiscal affairs? Under the present system, we have no formal way of developing a fiscal policy, and what is more, we have no way of sensibly following a policy if we had one. (*CR*, 25 July 1946, 10079)

The debate in the Senate, led by LaFollette, indicates the scope of the changes being contemplated. Among the reforms discussed were reducing numbers of committees, adding more expert staff for committees, strengthening the Legislative Reference Service, and adding more in-office non-legislative staff. These potential provisions were designed to improve Congress's access to information, which had been a major source of concern since the mid-1930s. Other items, including prohibiting legislative riders on appropriations bills, confining conferences to issues in dispute, prohibiting special committees, registration of lobbyists, prohibition of private claims legislation, and a

50 percent salary increase were designed to increase the efficiency of Congress, both by cutting down on the time required to move legislation through and by insulating members to a degree from special interests. Several provisions would bring about changes in the role of parties in the process, including the establishment of party policy committees in each house "as an offset to organized pressure groups," establishing a Joint Legislative-Executive Council consisting of the majority policy committees, the president, and the Cabinet, and strengthening oversight of executive branch administration of laws. These provisions promised a more centralized, somewhat more hierarchical initiation, formulation, and deliberation of legislation. Finally, a package of reforms aimed specifically at the budget process. These included open hearings on appropriations bills, requiring the entire Appropriations Committees to consider all bills, more time to consider the bills before reaching the floor, no executive transfers between appropriations, limiting "permanent" appropriations, establishment of annual budget revenue and expenditure totals by joint action of the revenue and appropriations committees of both houses, mandatory votes supporting increases in the debt limit, allowing the president to cut appropriations by a uniform percentage in midyear if necessary, and directing the comptroller to analyze the competency of each agency's management.

The burden of LaFollette's (co-chair of Joint Committee on the Organization of Congress created in late 1944, along with Rep. Mike Monroney) argument in the Senate was that the Congress faced a new state and a new world and that it must either reorganize to be effective or become obsolete. Despite this dramatic painting of the problem, and despite the long list of reforms proposed, the vast preponderance of debate on the floor of the Senate concerned a proposal to establish a director of personnel in each chamber. Most senators who spoke of the proposed position opposed it because they felt the director would take the hiring function away from members of Congress. Congressional staff remained one of the few outposts of patronage hiring in the U.S. government, and members of Congress were not willing to abdicate that control (*CR*, 10 June 1946, 6344-6549).

One of the chief architects for weakening the aspects of the bill that would most strengthen the political parties and bring Congress into a strong fiscal policy role was the Speaker of the House, Sam Rayburn. Rayburn held the bill for six weeks before referring it to committee. During this period, Rayburn arranged the cancellation of party policy committees, a joint legislative-executive council, and the enforcement provisions for the legislative budget. He considered the policy committees both unnecessary and a possible threat to his leadership.

Particularly upsetting was that the Democratic policy committee would have scheduled legislation and disciplined members -- two of the Speaker's key powers. Complaining that "I don't want any debating societies around me," Rayburn also feared that a legislative-executive council left him out of the loop. If the White House and the Congress were to meet, Rayburn wanted himself and not a council to be the key representative from the congressional side. Rayburn's actions appear to have been motivated not simply by concern for his own power but for concern for the party: by rejecting the committees and the council, and by refusing to convene Democratic party caucuses to work out party policy positions, he believed that he was holding a faction-ridden party together. Any new kind of party body would, he feared, expose those rifts in the party that had been papered over during the Roosevelt years (Hardeman and Bacon, 1987:346).

Also in the House, the two provisions that most directly curtailed congressional power were eliminated: the provision requiring members of Congress to vote for higher debt, and the provision granting the president authority to reduce expenditures independently. So although the bill would include important changes in the way the Congress did business, the House actions stripped the bill of its most far-reaching

elements,²⁰ particularly those elements that reshaped the interaction between president and Congress and those elements that presaged an enhanced role for parties in the Congress.

The Senate passed its version of the bill on June 10, 1946 by a 49-16 vote. The House on July 25 approved its version by 229-61. The following day the Senate agreed to the House version, and the president signed the bill on August 2. The final bill did the following:

- *Modernization and streamlining:* standing committees were reduced from 33 to 15 in the Senate and 48 to 19 in the House, committee jurisdictions were specified, and members could only serve on two committees in the Senate (not 10) and one in the House (not five). The report of the Joint Committee on Congressional Organization recommended abandoning the use of special committees, but this was not in the act. Each standing committee was authorized to hire four professional staff members, except for Appropriations which had no limit. Committee procedures regarding periodic meeting days, keeping of records, reporting of approved measures, necessity of quorum before action, and the conduct of hearings, designed to reduce arbitrary committee chair power, were regularized.
- *Greater oversight:* committees were for the first time given explicit responsibility to watch agencies: Appropriations exercised financial control before the fact, Expenditures committees (later Government Operations) reviewed administrative structure and procedure, and authorizations committees scrutinized implementation and operation of

²⁰ According to one opponent: "We can refute the thesis of the managerial revolution (hierarchy, organization, streamline, etc.) and maintain the instrument of representative government" (*CR*, 25 July 1946, 10055).

programs.

- *Power of the purse:* the Joint Committee on the Budget would be required to come up with overall spending and revenue figures that were to be approved early in the session
- *Party power:* the proposed party policy committees, to consist of all committee chairs, was omitted, but the Senate later created its own version of the committees and House parties continued informal steering committees that were like the Senate's but with no staff (neither committee was based on committee chairs).
- *Legislative infrastructure:* Greater staff assistance, more money for the Legislative Reference Service, requiring lobbyists to register and file financial statements, increasing salary, and providing optional retirement coverage were included in the final bill.

Through the Legislative Reorganization Act, then, Congress addressed several areas of weakness that had been cited so often in the preceding ten years. Fundamentally, though, the Congress was not changed in its operation, especially regarding the building of party government and asserting more control over the fiscal policy process (Dodd and Schott, 1979:89-90). The steps taken forward were hesitant. One short-lived introduction was the creation of a joint committee on the budget, composed of members of each chamber's appropriations and revenues committees. The committee was responsible for creating the "legislative budget," including overall limits on taxir. and spending. For the first time, then, the Congress had the institutional capability to

conduct fiscal policy, or, as would be said regarding the new legislative budget in 1974, Congress could now reach a fiscal policy rather than a fiscal result. The legislative budget quickly ran into difficulties, however, with members of Congress complaining that the bill was unsatisfactory because it forced (or tried to force) Congress to adhere to overall limits before the appropriations committees had any chance to look at department budgets. Breaking the mold of established congressional procedure was needed to insure a salient role for parties and Congress in the fiscal state, but breaking congressional molds proved to be extremely difficult. The most far-reaching reorganization proposals were excised from the final bill. Later the most significant innovation in the bill would come under attack. By 1949 the legislative budget and the joint committee were defunct, and the Congress was out of the fiscal policy game or on its far periphery (Harris, 1964: 107-108).

**CONCLUSION: THE EMPLOYMENT ACT OF 1946
AND THE BUILDING OF THE FISCAL STATE**

Ten years of debate had led to remarkable changes in fiscal and budgetary policy, executive reorganization, and the organization of Congress. Yet at the end, the position of Congress had diminished in

the national political spotlight and efforts to ensure a strong position for parties in the new state were sidetracked. One problem was that few politicians noted the discrepancy between building a party competition based over economic management and then tying parties only loosely to responsibility for economic management. As discussed above, this situation sharply contrasted with trade politics, in which party control was central to decision-making. In the fiscal era, voting became plebiscitary -- results were what mattered, and with the president clearly the central figure in economic management, voting for Congress could and did proceed along other lines, with incumbency becoming a central voting cue (cf. Karl, 1983:181). On the revenue side, the story was much the same: postwar tax politics were for the most part consensual (Witte, 1985). While such a system worked well for incumbent members of Congress, it weakened the connecting glue that party provides throughout a political system. The tripartite party -- organization, electorate, government -- began to fly apart.

The Employment Act of 1946 effectively institutionalized the changes of the preceding decade. Sundquist (1981:39-45) indicates that few witnesses testifying, or even members of Congress, argued that Congress should have the responsibility for coordinating agency funding and revenue requests -- one could hardly describe this as a presidential

seizure of power. Not only in economic management did the Congress declare the president to be the chief legislative policy planner (Sundquist, 1981:143-44, 147):

The Council of Economic Advisers (CEA), in particular, became a model. For groups dissatisfied with the way in which government policies were being formulated, the solution seemed clear: create a council in the Executive Office of the President to concern itself with the issue, and require the president to sign his name to a periodic report prepared by the council corresponding to the Economic Report of the President. . . . In seven broad policy fields -- the budget, the economy, national security, manpower, the environment, housing, and urban growth -- it had by statute directed or invited the president to be chief legislator.

While Congress had surely not yielded the totality of its decision-making power, it had just as surely "magnified the stature and importance of the presidency and the public dependence on presidential leadership" (Sundquist, 1981:63).

The bill that was passed in 1946 differed markedly from the one originally proposed in 1945 as the Full Employment Act. In its earliest version, the bill even placed Congress as the central policy initiator (Sundquist, 1981:63). But gradually the provision of information became the key point: the president could initiate as long as the Congress had information from the executive branch on economic policy and the ability to generate and gather information on its own in order to make adjustments to the central policy. This latter task would be

accomplished in the 1946 legislation by the Joint Economic Committee, which would receive the annual report of the president's Council of Economic Advisors.

And while the bill moved partly down the road toward Keynesianism, some of the more "radical" implications of Keynesian policy were removed between 1945 and 1946. Full employment was no longer the goal, but rather maximum employment. And even maximum employment would have to be balanced as a goal against other needs of national policy. The idea of a "right" to employment was stricken from the latter bill. And finally, a provision authorizing the president to vary the rate of expenditure of appropriated funds -- which would truly provide some ability to fine-tune the economy -- was rejected in the later version (Stein, 1969).²¹

The Great Depression, the New Deal, and World War II did not turn the U.S. into a welfare state or social democracy. As Gourevitch (1986:162) puts it, the New Deal in the U.S. rested on a "complicated cross-class, cross-ethnic, cross-sectoral, cross-regional coalition" that could agree on a "commercial Keynesianism" (Collins, 1981) but not a

²¹ A similar idea, standby tax powers, was rejected in the generally more accommodating 1960s (Fisher, 1972:155-73). By these actions, members of Congress were not arguing that they should control economic management but rather were displaying their customary protective action regarding what are viewed as distributive benefits.

social Keynesianism. While the "range of material circumstances, institutional structures, and ideas" (Hall, 1989:390) were favorable toward the introduction of Keynesianism in U.S. policy, they were less well suited after World War II (no recession, dismantling of planning agencies, attacks on "radical" ideas of the planners) to the consolidation of a social Keynesianism (Weir, 1989). The Employment Act was an explicit confirmation of the limits of Keynesianism in the U.S. The parties in Congress played a key role in blocking any transformation along these lines. Ironically, the parties at the same time put a stamp of approval on a system that accorded them few responsibilities and few opportunities to be seen as guiding the nation's principal policy, economic management. The debates over the response to recession, executive reorganization, the balance of power between the branches, postwar planning, and legislative reorganization played a key role in defining the operational procedures of the fiscal state and in placing the parties in the state. We turn next to the behavior of the parties in this new environment.

Chapter 4

Cohesion and Dissimilarity in the Postwar House of Representatives

If the importance of managing the business cycle helps to define the general position of party in the United States, then one would more specifically expect the work of the Congress to be affected by the business cycle and its management. Many things might happen. More hearings might be held, more legislation passed. The party caucuses might take a more important role to define their party's perspective on the economic problem and their solution. Or perhaps the opposite might occur -- as legislators seek to avoid blame for particular responses to the crisis, a move toward consensus might develop. The next three chapters examine how the swings of the economic cycle affect the parties in the House. Specifically, we want to see whether there are significant relationships between the economic context that is most susceptible to fiscal state management and the cohesiveness and distinctiveness of the congressional parties. I do not in these chapters focus on how the parties attempted substantively to address the economic problems, but rather how the economy affected the ability of the parties to stick together and distinguish themselves from their rivals. The substantive response will be addressed in chapter 7. In this chapter I explain the roll

call data set and provide a descriptive look at cohesion and dissimilarity.

DATA SET

This analysis uses all budget-related roll calls in the U.S. House of Representatives from 1947 through 1986. Budget-related means that the vote in question involved: (1) an explicit expenditure, increase in expenditure, or decrease in expenditure via authorizations or appropriations; (2) votes to raise the debt ceiling; (3) tax bills; (4) budget resolutions which establish spending and taxing targets; and (5) rules to take the various bills under consideration, including rules asking for immediate passage. For the postwar period, about half of all votes in a given year are budget-related, and this proportion is basically constant across the 40-year period.

Because a large part of the fiscal state revolves around fiscal policy and government expenditures and receipts, my focus is on budget-related rollcalls. Looking at the entire set of rollcalls, rather than for example a selection of "key" votes or the votes in only one substantive policy area, gives us a macro level sense of party cohesion and dissimilarity. Just as an understanding of U.S. elections cannot be gained solely by looking at critical elections, so too an understanding of

party voting in Congress cannot rely solely on key votes. And focusing on all budget-related votes acknowledges the basic fact that resources are not limitless and budget decisions are interconnected. Moreover, over the period, "the budget" was increasingly seen as the central battleground in Congress; the collection, distribution, and transfer of dollars was a large part of the political game after 1945, and as the politics of growth and Lowi's (1979) interest-group liberalism theories suggest, bargaining and negotiation over the distribution of budget resources was seen as a method to solve disputes. As we have said, the fiscal state is if nothing else about the definition and solution of problems via the transfer of funds. Indeed, the ever-increasing scope of what actors believed could be accomplished with the budget is apparent in a comparison of U.S. Joint Economic Committee (1963, 1969) analyses in the 1960s. The 1963 committee report provides detailed analysis on how to make the budget more intelligible as a reflection of national economic trends and as a causal agent of those trends. The tone is distinctly economic fine-tuning. The same committee's 1969 report reflects a much wider concern with the social and regulatory importance of the budget; the necessity of meeting social needs is the predominant tone.

As noted above, the rollcall set consists of all authorization, appropriation, and tax votes that explicitly commit representatives to a

specific level of spending or increase/decrease in spending or taxing and the rules that bring these issues to the floor. Defense, agriculture, and trade measures were specifically noted as well to allow analysis of selected policy areas. Defense, agriculture, and trade bills were classified because of their perceived importance in dividing the parties as well as dividing within the Democratic party. Other areas -- such as fairly broad topics such as social welfare -- might have been chosen as well, but the three chosen areas provide fairly well-circumscribed policy areas that will serve the purposes of the limited policy-specific analysis to be done. As mentioned above, the focus here is centered more on aggregate differences on budget matters.

Roll-call analysis of this type has some obvious drawbacks. First, shifts in the political spectrum cannot be readily inferred from cohesion and dissimilarity data. Thus it is difficult to detect in this aggregate data that the political and fiscal debate became more conservative in the 1980s. Another shortcoming is that we cannot know from this data exactly why individual representatives voted the way they did; we see only the mass shifts in party cohesion and dissimilarity (cf. MacKuen, Erikson, and Stimson, 1989:1129-30). Finally, an aggregate approach such as this does not analyze clustering of representatives that might override party lines in a consistent way on certain issues nor does it

attempt to extract dimensions linking individual voting behavior on a series of votes.

These problems are not serious for the present analysis. Because my focus is on aggregate partisanship -- I want to see how well the party as a congressional institution structures and is consistent with overall budgetary voting behavior -- these problems are somewhat secondary to the major question. It may well be that the policy agenda has shifted, but the present question is whether the parties are cohesive and distinctive, not how liberal or conservative they might be. This latter concern is not unimportant, but we can trace the strength of party without taking it explicitly into account.

The other two concerns relate more to the idea that individual voting may be due to factors other than party and that voting that seems to be party-related might be just coincidentally so. Obviously all voting cannot be reduced to a representative's party affiliation alone; voting that opposes the party majority will be reflected here in lower cohesion and dissimilarity scores. But what if voting simply coincides with the party position but is not determined by it? This tendency is very hard to tease out in this data, as it is even in studies designed to specifically examine it. To be certain, congressional studies based on interviews often find representatives rejecting the notion that party was an

important reason for their vote.¹ But again, to the extent that these apparent "other influences" are consistent with party lines then parties are in fact stronger in the Congress and, perhaps more important, sending out a more consistent public message. While the public is unlikely to be aware of subtle clustering or coalitions or dimensions of representatives, it will be more likely to perceive (and hear in the media) that Democrats voted for X while Republicans preferred Y. In short, these criticisms are important, but they point to somewhat different questions than the ones that we want to focus on here.²

Another potential but generally unnoted problem with this

¹ Often, the representative's objection is more to the suggestion (or his or her inference) that the party leadership is pressuring him or her to vote a particular way (Kingdon, 1973). One promising approach is offered by Jackson and King (1989): assume party to be significant from the outset. That is, Jackson and King suggest that interpretation improves when we ask what degree or type of, say, constituency pressure must exist in order to negate a Republican's "natural" tendency to vote a certain way on a bill.

² Dimensional analysis comprises a large proportion of the existing body of roll call literature. Sinclair's (1981) study of the House over the 1925-1978 period discovers that government economic management, social welfare, and civil liberties emerge as dimensions from the New Deal period through 1968. Through 1952 international involvement appears as a dimension; foreign aid replaces it from 1953 to 1968. Sinclair further finds that from 1969 through 1976 government economic management is unsteady as a dimension. Perusal of the graphs of the dependent variables later in this chapter certainly support the idea that party differences on these issues collapsed after 1968. Clausen's (1973) sophisticated application of dimensional analysis for the 1954-1963 period echoes many of Sinclair's findings. Highly interesting discussions of roll call analysis technique are in MacRae (1970) and Weisberg (1978).

approach is that the cohesion or dissimilarity score might be biased by a large number of amendments on a single bill or high number of amendments on many bills. If the parties have low dissimilarity on 20 votes relating to nine different bills but have extreme dissimilarity on 25 votes relating to a single bill, the resulting average could be viewed as misleading. One way to control for this is to use not votes but bills as the unit of analysis. In this manner, each bill counts equally in the computation of a cohesion or dissimilarity index, giving perhaps a better sense of party disagreement across a range of different types of legislation. This alternative measure is achieved by weighting each vote; if a bill had a single vote, that vote receives a weight of one; if a bill has four votes, each vote has a weight of .25. Each bill, then, is weighted one, while the weight for the individual votes on the bill is determined by the number of votes relating to the bill. One would then calculate a cohesion or dissimilarity score across the number of bills rather than the number of votes. Clearly, this procedure reduces our N but it does control for the problem above and compensate for the greater average number of rollcall votes per bill in the present era than in the early 1950s. This alternative measure correlates very closely with the results of the unweighted indices -- over +0.90 for Democratic and Republican cohesion and Democratic-Republican dissimilarity. Because of this close

correlation, I will rely primarily on the unweighted figures; chapter 5 presents some analysis of the weighted series.

In total, 4538 roll-call votes meet the budget-related definition above and are not "consensus" votes, i.e., not votes where 90 percent or more of both parties agree on the vote. Consensus votes have been omitted because they are present across the time series but increase in frequency after the computerization of roll-call voting in the late 1960s made such a tally less time-consuming than previously. When roll-call voting was more cumbersome and expensive (in time), these consensus votes were less likely to take place. Also, the omission of these votes is common in the roll call literature. And omitting the consensus votes establishes a limiting condition working in favor of the often-criticized parties -- we have eliminated votes that might, from the parties perspective, cloud the true level of cohesiveness within and distinctiveness between the parties. The vote tallies were taken from yearly copies of the *Congressional Quarterly Almanac* and *Congressional Quarterly Roll Call*, corrected and recomputed where necessary, and parsed once more to detect any tallying errors. Votes that were questionable as to their budget-related status were further checked by examining *CQ's* account of the nature of the particular vote and then included in the data base if appropriate.

DEPENDENT VARIABLES

Once the roll-call votes had been validated and cleaned, they were computed into indices of cohesion and dissimilarity. The basic measures are the following:

- *Rice Index of Cohesion:* Measures the level of cohesion within a party or within specific subsets of a party (e.g., Northern Democrats) on a given vote by taking the absolute value of the difference between the proportion of the party voting yea and the proportion voting nay:

$$Rice = | \%Y - \%N |$$

Example: 80 percent of Democrats vote yes, 20 percent vote no, the Rice index is 60 for that vote. To obtain annual figures, one simply determines the mean Rice score. One can also compute the index for various subsets of the total N, such as computing one Democratic cohesion score for appropriations votes and another for authorizations. The Rice index runs from 0 through 100, with 0.00 indicating a party that split its votes evenly (50 percent yes v. 50 percent no); 100.0 indicates a party that votes 100 percent yes (0 percent no) or 100 percent no (0 percent yes) on a roll call. An annual Rice index of 0.00 would mean that every vote was a 50-50 split within a party; an annual score of 100 would indicate perfect unity on every vote. An annual Rice index of 50 indicates the party votes 75 percent v. 25 percent on average.

- *Index of Party Dissimilarity:* Measures the policy distance between parties by taking the absolute value of the difference between the proportions voting yes on a roll-call vote:

$$IPD = | \%DemY - \%RepY |$$

Example: 75 percent of Democrats vote yes, 40 percent of

Republicans vote yes, the IPD is 35 for that vote. To get a yearly figure, one simply averages the IPD scores from the total number of votes. As with the Rice index, one can compute the average index for subsets of the total N of roll-call votes. The index runs from 0 to 100, with 0.0 indicating the parties voted yea and nay in identical proportions; 100.0 indicates the parties were diametrically opposed: 100.0 percent of one party voted yea and 100.0 percent of the other party voted nay. An annual score of 50 means the parties were 50 points apart on average.

- *Party Votes*: Measures the percentage of votes on which a majority of one party opposes a majority of the other party. The PV-50 requires simple majority opposition, PV-75 tallies the proportion of votes featuring at least 75 percent of one party opposing a minimum of 75 percent of the other party, and PV-90 does the same at the 90 percent level. In that way these measures overcome one of the problems with the index of party dissimilarity: an IPD of 30 could indicate two parties that actually support the same position -- 95 percent of one party voting yes and 65 percent of the other -- or it could indicate two parties actually on opposite sides of an issue -- 60 percent yes versus 30 percent yes, for example. By using both the IPD and the PV indicators, we are able to view both parts of party dissimilarity: distance between the parties and actual opposition on votes. The correlation between the two annual indicators for 1947-1986 is +0.835.

Table 4-1 lists the different types of roll-call votes. Just over one-half of the votes are authorization-related, while another third are appropriation-related votes. Among the policy areas tracked, votes split the parties most often in budget resolutions, debt, and agriculture. Defense and trade show the least splits.³ Tax votes are slightly more

³ One should note that these percentages are based on the entire forty-year period and are not averages of the annual scores from the forty years -- these are not average annual figures.

divisive than authorizations and appropriations votes, but they are also much less frequent. (See the Appendix for annual data on vote type.)

One can also use these indicators to examine intraparty splits. For example, the PV-50 index suggests that the northern and southern wings of the Democratic party split least often over rules and agriculture votes and most often over defense. Southern Democrats and Republicans show the converse, with disagreement over agriculture issues the greatest and over defense issues the lowest. One consistent trend is that for all these splits -- Democrat/Republican, Southern Democrat/Republican, Southern Democrat/Northern Democrat, and Northern Democrat/Republican -- appropriations are slightly more divisive than authorizations over the forty year period.

Naturally, the likelihood that issues will divide the parties changes over time. Table 4-2 indicates the PV-50 index in the various issue areas classified by administration. One of the striking features of the table is the high level of party division across all issue types (except debt) in the Truman era. The range across party categories in the Truman era is wide as well (26.8 percentage points, excluding debt); by the Reagan era, partisan divisions had become regularized across all these policy categories to a much more consistent degree and the range between policy categories was much narrower (10.6 points). Still, partisan

Table 4-1
Classification of Budget-Related Roll-Call Votes
House of Representatives, 1947-1986

<i>Type</i>	<i>Pct. of N</i>	<i>PV-50</i>	<i>PV-75</i>	<i>PV-90</i>
Appropriations	34.9	56.1	17.5	2.2
Authorizations	50.4	53.0	17.2	1.1
Tax	5.8	57.4	25.9	6.8
Defense	12.3	37.8	7.0	0.2
Agriculture	6.2	63.3	27.7	2.9
Trade	1.2	49.1	21.8	3.6
Budget resolution	6.1	70.7	39.9	8.0
Debt limits	2.9	65.9	33.3	9.3
Rules	10.6	50.7	22.5	4.6
ALL	a	55.8	19.7	2.5

a. Total N = 4538. Total does not add to 100.0 percent because items were classified in more than one category.

intensity was clearly higher from 1947 through 1952 than from 1981 through 1986.

Table 4-2
Party Conflict Across Administrations
Percent of Votes with Opposing Party Majorities

Issue	Truman	Eisenhower	Kennedy Nixon		Carter	Reagan
	1947-52	1953-60	Johnson 1961-68	Ford 1969-76	1977-80	1981-86
Appropriat.	81.2	67.8	63.4	41.1	51.2	64.4
Authorizat.	58.9	60.8	65.6	42.2	45.1	60.4
Tax	75.0	50.0	61.8	55.0	52.2	60.0
Defense	85.7	18.4	31.3	26.9	26.8	55.4
Agriculture	79.2	87.5	67.5	58.7	53.5	55.3
Budget Res.	na	na	na	92.6	71.9	63.2
Debt	0.0	40.0	92.0	47.2	78.8	60.0
Rules	66.7	57.1	60.5	27.2	42.0	65.9

As indicated, several dependent variables will be used in this roll call analysis. A visual scan provides a better sense of the changes in these variables over time. Figure 4-1 compares the Republican and Democratic cohesion scores. Clearly, and perhaps surprisingly considering the much-discussed north-south divisions in the Democratic Party, this figure shows that Democrats are typically a more cohesive party on budget-related matters than are Republicans. This difference probably results from the strain of near-permanent minority party status for the Republicans. On well-publicized major votes Republicans, especially if there is a Republican in the White House, are usually able to keep defections to a minimum while Democrats often lose votes to the Republican side. But on a day-by-day basis the Democrats control the House and it is often the Republicans who have to switch sides to have an impact. Figures 4-2 and 4-3 show the Rice index of cohesion for the Republicans and Democrats, respectively. Each figure has two lines: one shows the index for all budget-related roll-call votes, the other computes the index without defense, agriculture, tax, and trade votes. These policy areas, of course, are often cited as causing particular intraparty conflicts for one or the other party. Interestingly, they have roughly opposite effects for the two parties. Eliminating these policy area votes tends to inflate Republican cohesion in the early years and deflate it after 1968;

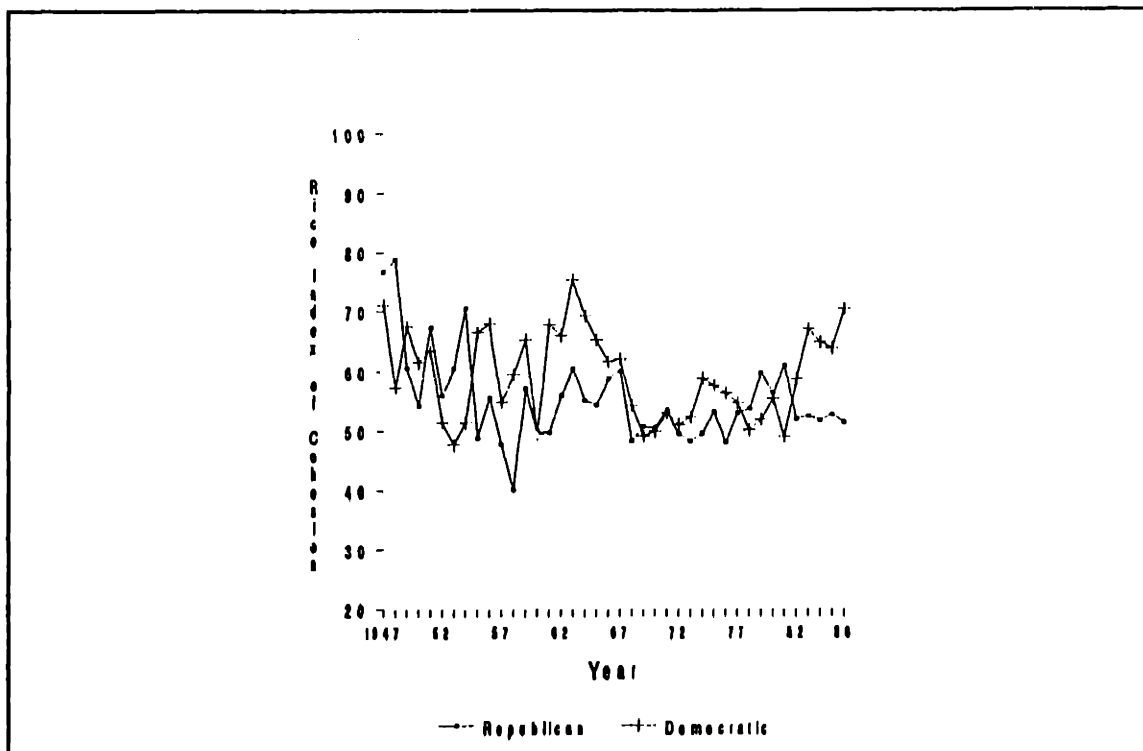


Figure 4-1
Democratic and Republican Cohesion on Budget-Related
Roll Calls, House of Representatives, 1947-1986

for the Democrats the relationship is basically the reverse. In very rough terms, both parties show a drop-rise-drop-stability pattern through 1976 ($r = 0.24$) but the patterns diverge sharply after 1976: Republican cohesion shoots up during the Carter years and the first Reagan year while the Democrats increase sharply beginning in Reagan's second year ($r = -0.75$). The Democratic decline through the 1950s and the sharp acceleration in the late 1950s and early 1960s tracks the increasing clout of northern liberal Democrats and the beginning of the attempt to reconstitute the role of the state via Great Society-like programs. The

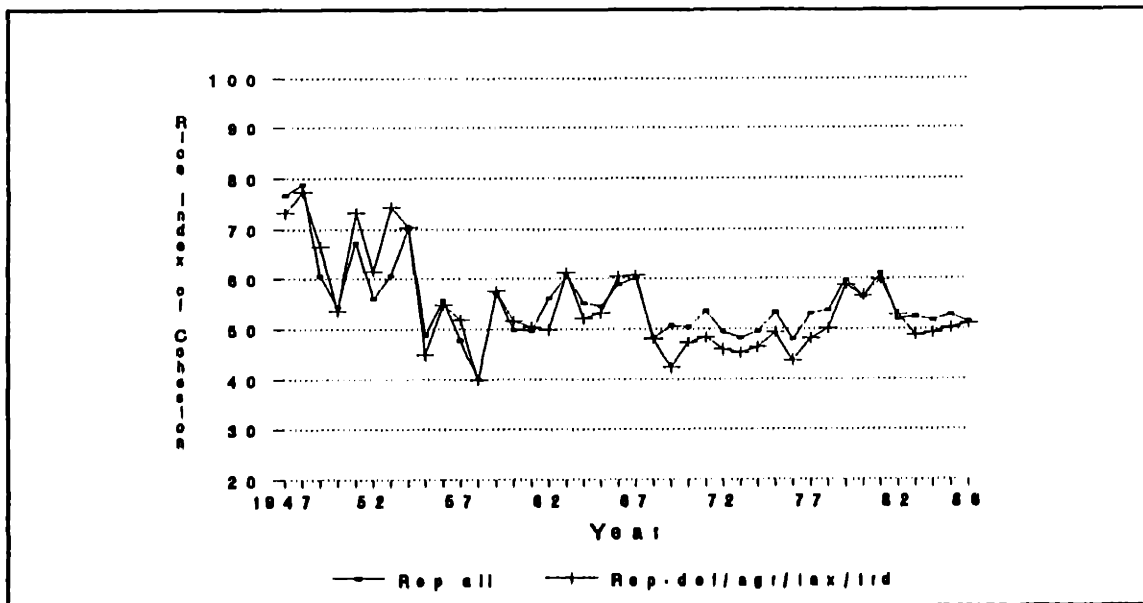


Figure 4-2
House Republican Cohesion on
Budget-Related Roll Calls

confusion of both parties after 1965, an era not dominated by the

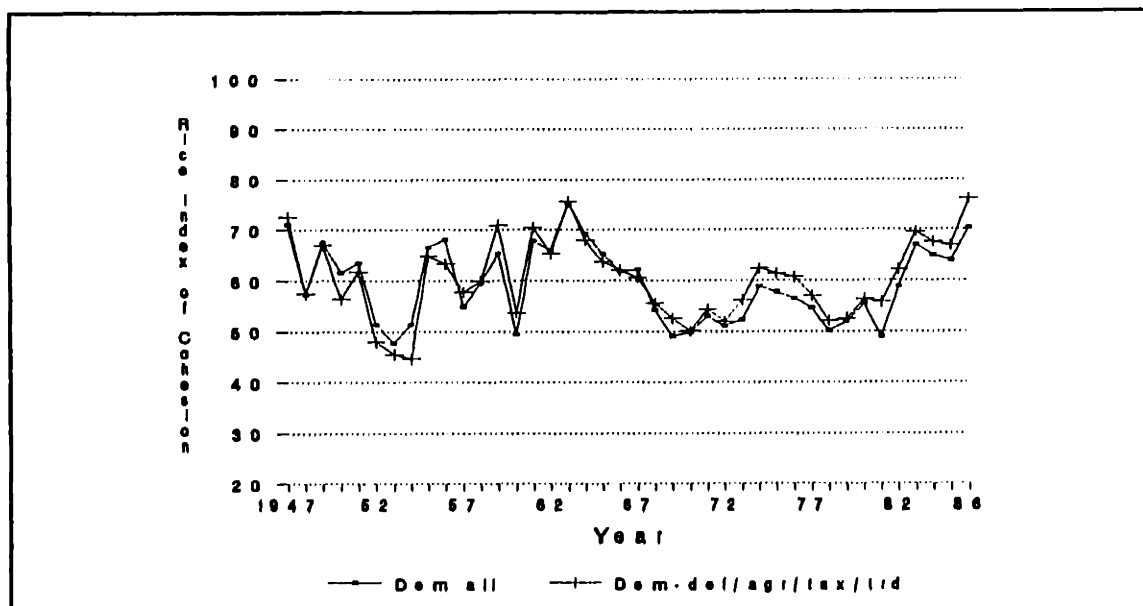


Figure 4-3
House Democratic Cohesion on
Budget-Related Roll Calls

economic management issues of the New Deal, is what might be called the Great Collapse.

Figure 4-4 separates the cohesion time series for southern and northern Democrats.⁴ While the northern wing has been far more cohesive overall, the gap began to diminish in the 1970s. The 1970s, in fact, represent the first time in the postwar period that the two wings were becoming more cohesive simultaneously (the 1947-1970 r is -0.30;

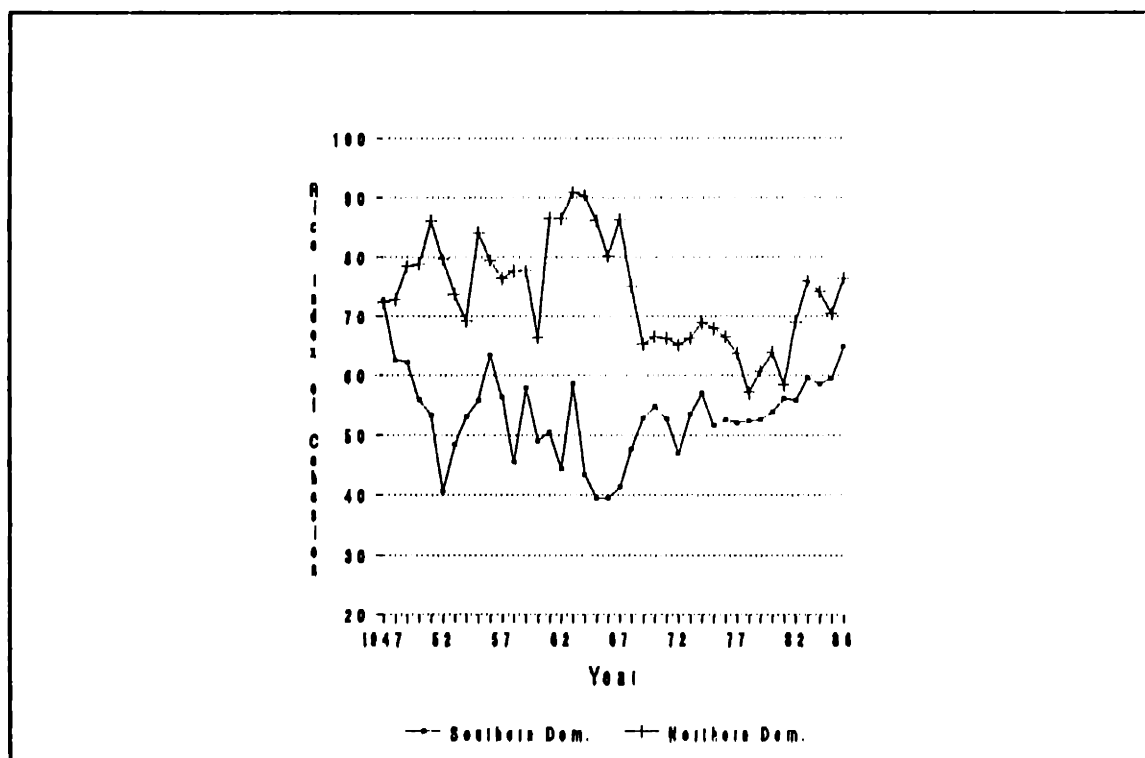


Figure 4-4
Cohesion Among Southern and Northern House Democrats

⁴ The South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

the r for 1970-1986 is +0.67). The northern party never quite recovered from its post-Great Society crash, although some improvement was registered with Ronald Reagan's ascension to the presidency. The pattern for the southern sector is not unexpected considering the widespread and well-known reshuffling of southern political alignments, one of the features of which was an increase in the number of southern Republicans elected to office. As conservatives become more likely to run as Republicans, the remaining Democrats become more cohesive and, as we will see with the IPD, less dissimilar from their northern counterparts.

Dividing the roll calls into authorizations and appropriations votes provides us with two fairly different stories. For authorizations we again see the Democrats as generally more cohesive (Figure 4-5) and both parties showing a slight upward climb since 1969. Appropriations (Figure 4-6) displays much more fluctuation than does authorizations, which is somewhat surprising. One might have expected that conflict over authorizing programs would show more flux than conflict over appropriating money for already approved programs -- it is to nearly any representative's self-interest to garner as much in appropriations as possible, regardless of the representative's personal view of the on the program. Unlike authorizations, in appropriations the parties split

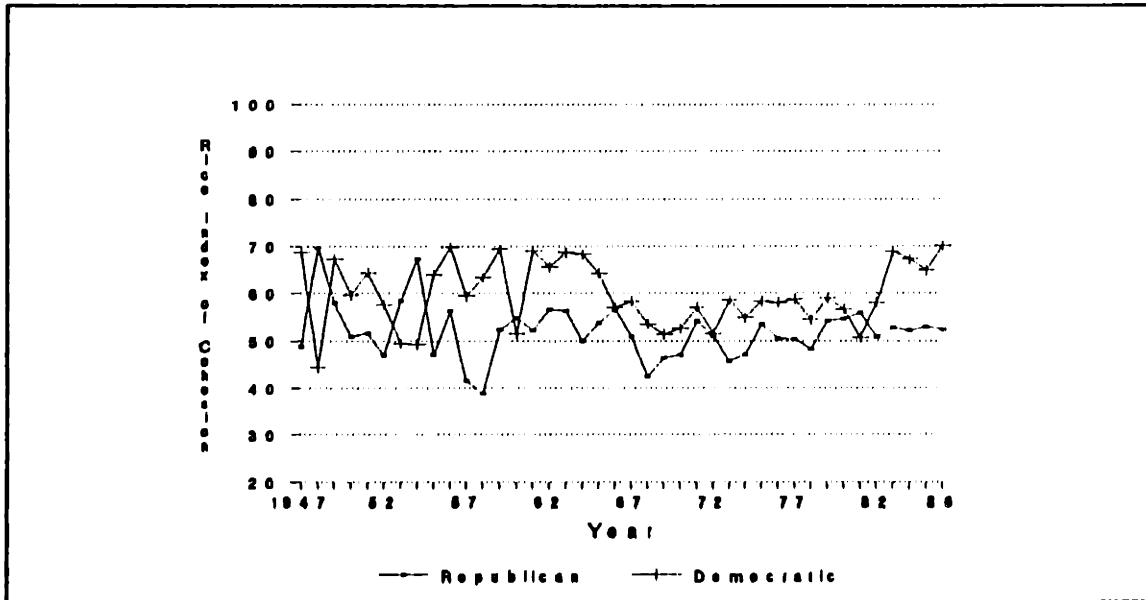


Figure 4-5
Party Cohesion on
Authorizations Roll Calls

evenly over which party was more cohesive in any given year. Both

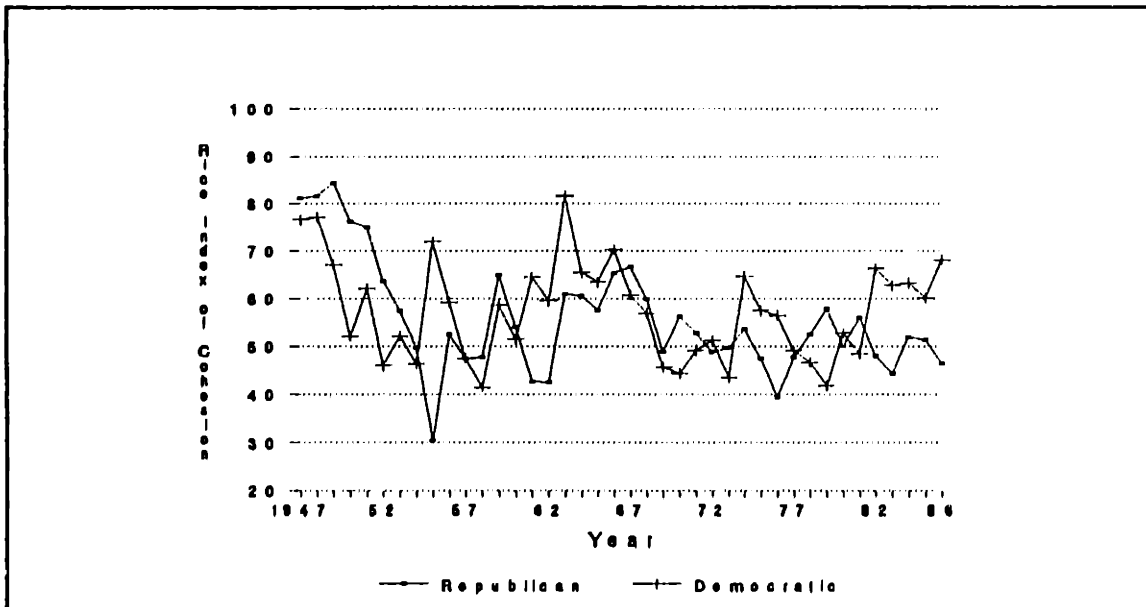


Figure 4-6
Party Cohesion on
Appropriations Roll Calls

parties show fairly sharp fluctuations over the appropriations time series. Over the 40-year period the Democrats' authorizations cohesion exceeded their appropriations cohesion in 30 years; Republicans were more cohesive in authorizations 18 years.

Figures 4-7 and 4-8 provide the authorizations and appropriations data for northern and southern Democrats. The authorizations data provides a near mirror image for the two wings, but again we see the cohesion level of each section converging (albeit a growing split after 1982). The northern wing remains below its postwar highs, but the southern wing is more cohesive in the mid-1980s than it was during most of the postwar period. In appropriations, the gap between the two wings is not as large. The northern wing at fairly high, stable levels through 1966, again shows a post Great Society crash. The southern Democrats have generally been on an upward swing since the early 1950s.

Indicators of party dissimilarity generally show a clearer pattern of decline and reversal than do the cohesion data. These indicators are perhaps even more important for the working of the party system, and have been of more concern to writers, than the cohesion data. Obviously, if voters are to have a meaningful choice, parties need to be not only cohesive but distinctive. In Figure 4-9 the pattern of decline and reversal of decline is quite clear. Particularly notable, of course, is

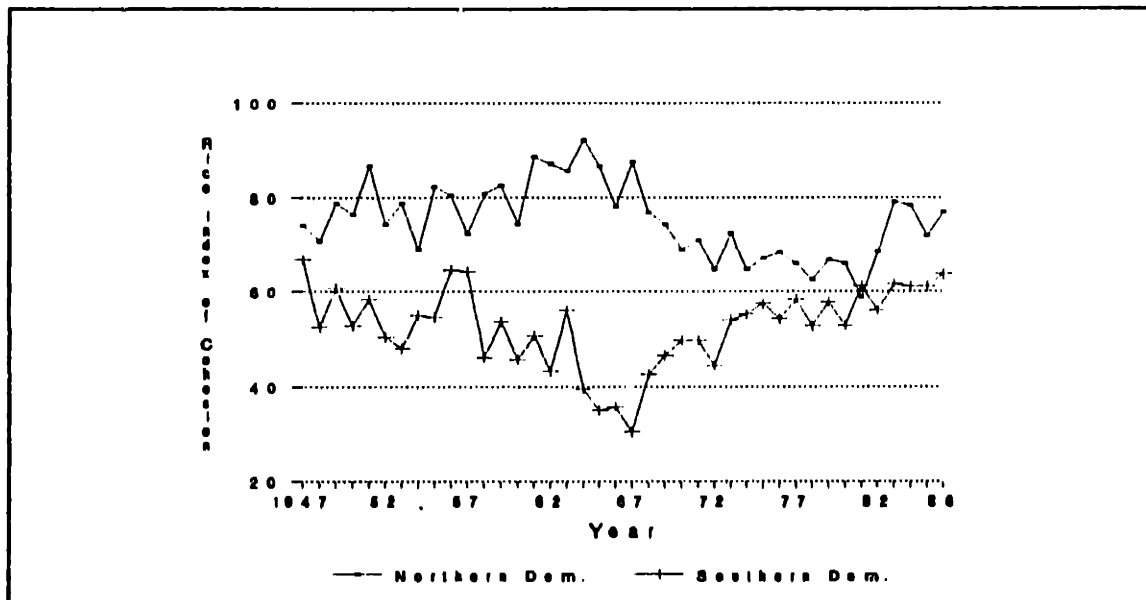


Figure 4-7
North-South Cohesion on Authorizations Votes

the collapse of dissimilarity after 1966 and the steady increase beginning in 1970. Party dissimilarity was by 1986 approaching postwar high

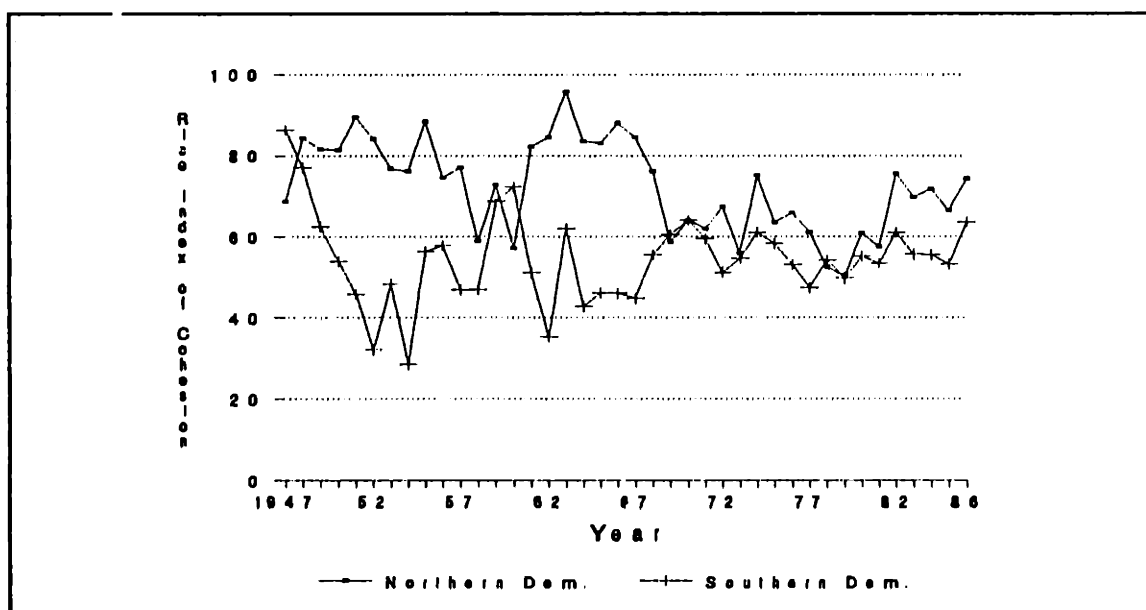


Figure 4-8
North-South Cohesion on Appropriations Votes

points; the "decline" in the cohesiveness and distinctiveness of the congressional parties had been nearly fully reversed.⁵ Another view of party dissimilarity is the PV-50 indicator (Figure 4-10); that indicator suggests the same pattern. In Figure 4-11 the difference between sectional Democratic factions and the Republicans behaves as one would expect. One particularly interesting year is 1969: in that year, southern and Northern Democrats were more dissimilar from each other than either section was dissimilar from the Republicans. Finally, party differences on authorizations and appropriations track each other fairly closely together, excepting the period from 1947 to about 1953 when appropriations were becoming less divisive and authorizations more divisive (Figure 4-12). Appropriations show more fluctuation in the early years, with notable drops in dissimilarity in election years.

The high dissimilarity scores for budget resolutions (see Table 4-1) raises the possibility that the increase in party dissimilarity may simply reflect the onset of budget resolutions after 1974 (they were created as

⁵ Reversed, that is, from its postwar lows. It still remains the case that overall party cohesion and particularly dissimilarity (all votes) are at much lower levels than was common in the late 19th and early 20th centuries. A comparison of the budget-related roll calls used here with the complete set of all roll calls shows that the budget-related votes were more divisive in each Congress from 1947-74 than was the total roll call index. The two series are highly correlated at 0.93 over the 14 Congresses from 1947-74.

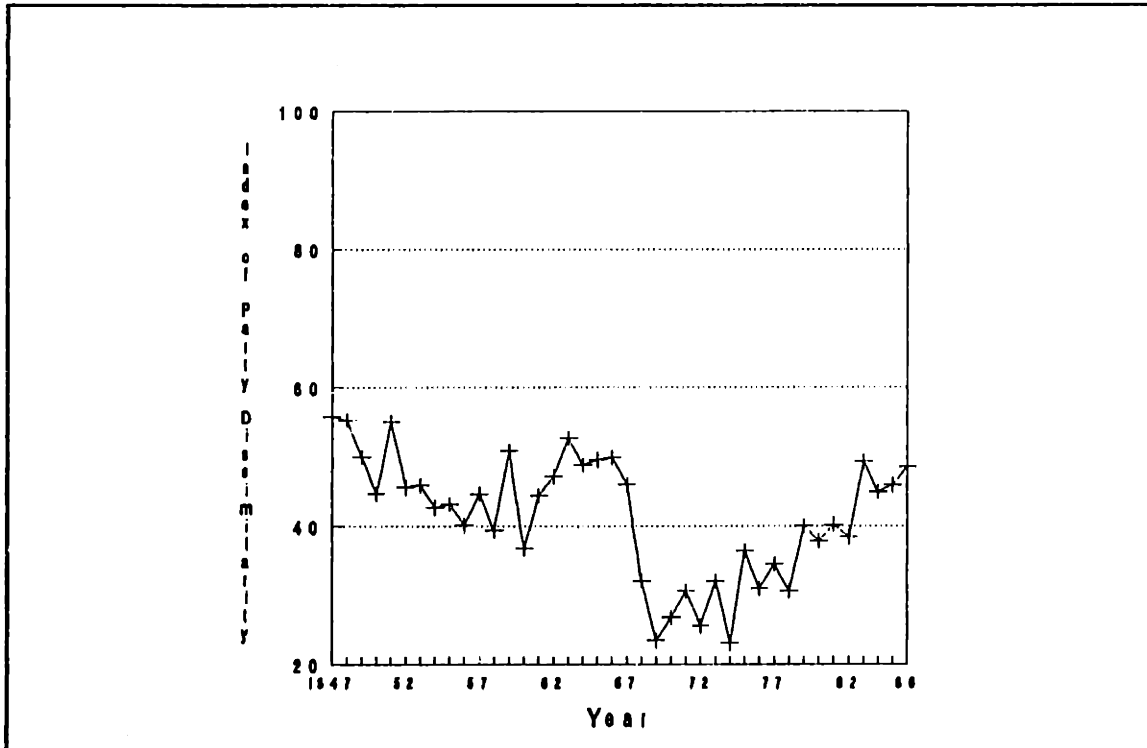


Figure 4-9
Party Dissimilarity in the House

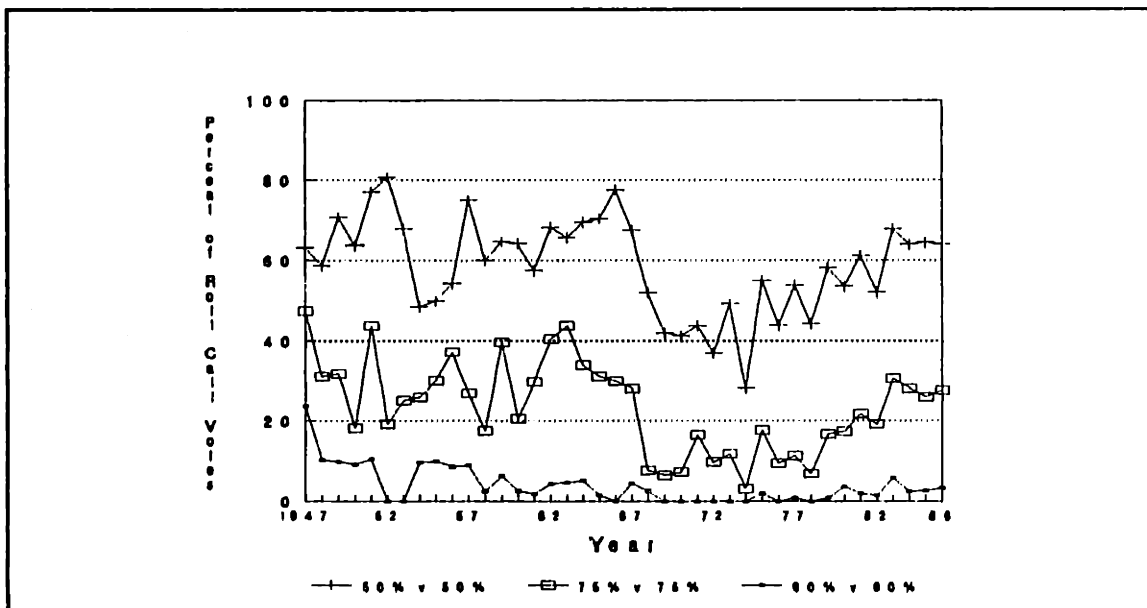


Figure 4-10
Percentage of House Budget-Related
Votes with Party Majorities Opposed

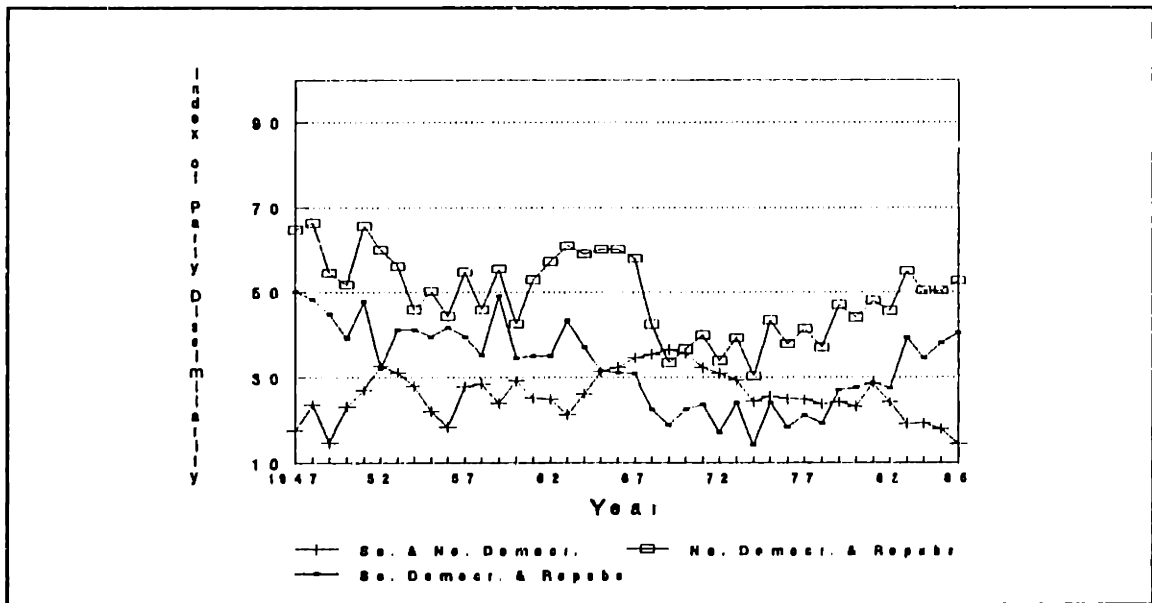


Figure 4-11
Party Sectional Opposition on
Budget-Related Roll Call Votes

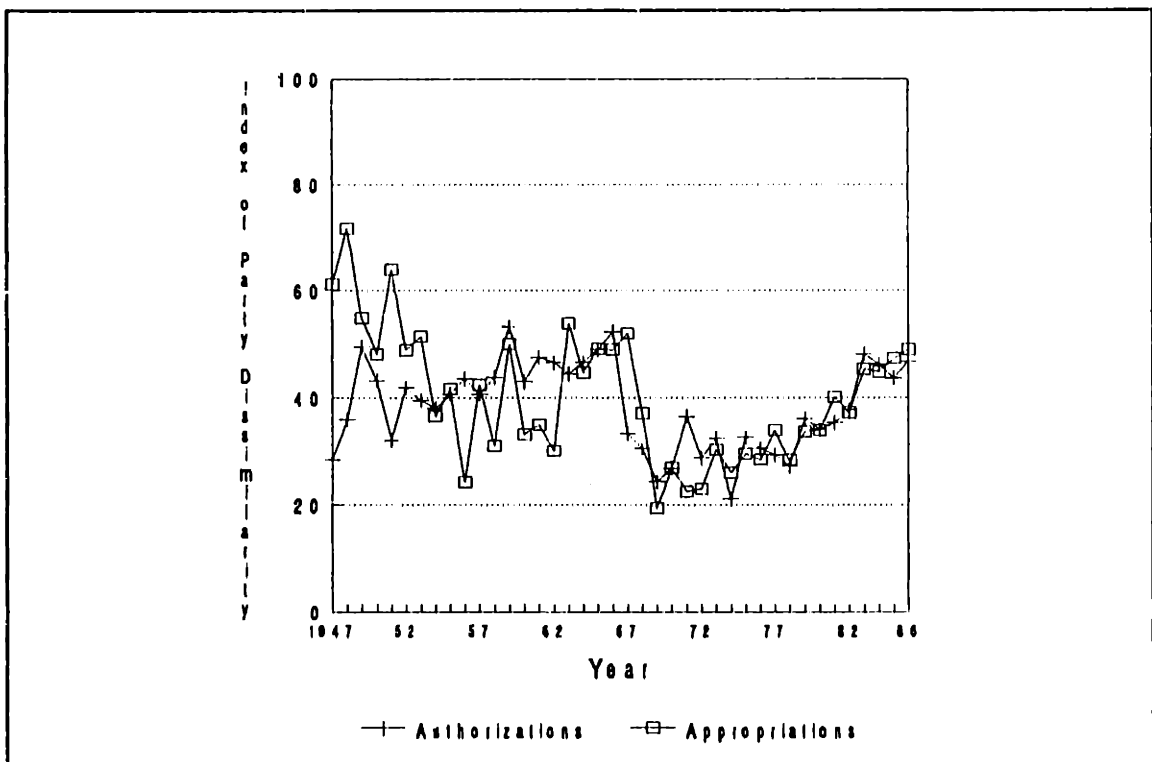


Figure 4-12
Party Dissimilarity on Authorizations
and Appropriations Roll Call Votes

part of the Budget and Impoundment Control Act of 1974).⁶ In fact, this is not a problem. First of all, budget resolution votes contribute only 6.1 percent of the total number of roll-call votes. Their overall impact, then, is fairly small: the average annual Split-50 for all budget-related votes is 55.8 percent with budget resolution votes and 54.9 percent without them. The IPD changes from 41.50 with the budget resolution votes to 40.93 without them. The effect on party cohesion is also fairly small: Democratic cohesion was 59.27 with the votes included, 58.75 without; Republican cohesion was 55.36 with budget resolution votes included, 54.70 without.

CYCLICAL TENDENCIES IN COHESION AND DISSIMILARITY

The discussion above focused on the long-term patterns in the cohesion and dissimilarity data. I concentrate now on shorter-term cycles in the data. The discussion here does not substitute for an econometric analysis of these short-term patterns; that analysis will be provided in chapters 5 and 6. Nor do I discuss here, for example, every dummy variable that will later be used to tease meaning out of the data. In short, the task here is simply to describe several tendencies that are

⁶ A legislative budget similar to the budget resolutions was in place in 1947-48 before being dropped as unworkable.

both interesting in their own right as well as provide some hints about party decline.

As mentioned above, one general tendency is for party cohesion to drop in the year of an election, although the mean difference between election-year cohesion and off-year cohesion is a modest two points for the two parties. About two-thirds of the election years between 1947 and 1986 recorded a decrease in party cohesion from the level of the preceding year. Conversely, cohesion *increased* in two-thirds of the non-election years.⁷ This tendency has gone generally unremarked in most academic studies because they focus on cohesion scores for an entire Congress and ignore year-to-year analysis. Harmel and Janda (1982:75-77) do acknowledge the tendency. On the whole, however, given that neither the Democratic nor Republican election/non-election differential is statistically significant at less than 0.10, omission of the election variable would not likely greatly obscure understanding of the cohesion time series. Such is not the case for party dissimilarity, which will be discussed below.

Another generally unnoticed pattern of roll-call behavior occurs over the life of a single Congress (i.e., two sessions). If we divide the

⁷ Republican and Democratic cohesion scores were pooled together for this calculation. There was virtually no difference between the parties regarding the proportions reported in the text.

year's roll calls in half chronologically, we can roughly trace how party cohesion and dissimilarity change over the course of a session or a Congress. With party cohesion, we find a marked pattern for cohesion to be higher in the first half of a year than in the second half; as the session wears on, party cohesion tends to drop. For the Republicans, in 25 of the 32 years from 1955 to 1986 we see cohesion drop in the second half. For Democrats cohesion drops 20 out of 32 times. In both cases, first half cohesion is significantly higher than second half cohesion.⁸

This pattern may reflect a weakening of loyalty by new freshmen members of Congress over time (Harmel and Janda, 1982:93, fn 2), but such a weakening would suggest a monotonic decline from the first through the fourth quarters (i.e., half-sessions) of a Congress. A monotonic decline is not evident: cohesion in the first half of the second session is as likely to rise from the level of the preceding quarter as not.⁹ The pattern may partially reflect a preponderance of more controversial legislation toward the end of a session, whether they be late entries or

⁸ T-test results show a Republican mean difference of 3.9 points over the 32 years which is significant at .001; the Democratic difference of 2.4 points is significant at .05. Looking solely at those years where the first half cohesion exceeds the second half, we see a mean Republican difference of 6.3 points and a mean Democratic difference of 6.6 points.

⁹ Of course, new members could indeed display a monotonic decline in loyalty over four quarters but that pattern could be obscured by behavior changes by other members. While this possibility will not be pursued here, it does suggest some interesting research possibilities.

issues controversial enough that they took more than a half-session to resolve.¹⁰

These patterns -- election and half-year differentials -- are much clearer in the case of party dissimilarity. The mean difference in party dissimilarity between election years and off-years is about 4 points, with election-year dissimilarity lower. This differential is again fairly modest, but is significant at less than 0.10. In twenty election years, party dissimilarity dropped sixteen times from the preceding-year level while increasing in four years. The non-election year pattern is the converse: sixteen increases in dissimilarity and three decreases. In other words, as the crudest Downsian analysis would suggest, we tend to see the parties move closer together during election years. This tendency is what one would expect if one assumed that parties attempt to move toward the center as an election approaches and that members of Congress move toward a more constituency-sensitive voting pattern as an election approaches.

We can flesh out this analysis by examining the first-half/second-half differential for party dissimilarity. Over the forty-year period, the

¹⁰ For a very simple test, I compared the first-half distribution of the number of roll call votes per bill with the second-half distribution. If we assume that controversial bills require more roll calls, we might expect to see bills in the second half more likely to exhibit multiple roll calls, but such was not the case. Of course, this assumption is not so obviously correct -- late-entry controversial bills might very well die with one vote.

mean difference equals 5.6 points, with first-half dissimilarity higher than second-half (significant at .001). Figure 4-13 shows that in 27 of the 32 years from 1955 to 1986, first-half dissimilarity exceeded second-half dissimilarity. In those 27 years the mean difference between the first and second halves was 6.9 points. In the 16 election years, conflict decreased in the second half 12 times; that is, four of the five years that do not follow the general pattern of second-half decline were in fact election years (1958, 1964, 1968, 1972). In those years the parties became more dissimilar in the latter half of the year. Dissimilarity levels are essentially equivalent in the half-year preceding both congressional and presidential elections. After the election, presidential elections have a generally weaker polarizing effect than midterm elections. Party dissimilarity in the first half-year following a presidential election averages 42.0. The same period following a congressional election scores a 47.6.

Combining the pre-election and post-election quarters reveals some interesting patterns. Figure 4-14 shows the difference in IPD levels following an election. The bars in the chart represent the post-election quarter's IPD minus the pre-election quarter's IPD. Positive scores, then, indicate an increase in party polarization. Two trends stand out. First, there is a steady decline from the mid-late 1950s to the late 1960s.

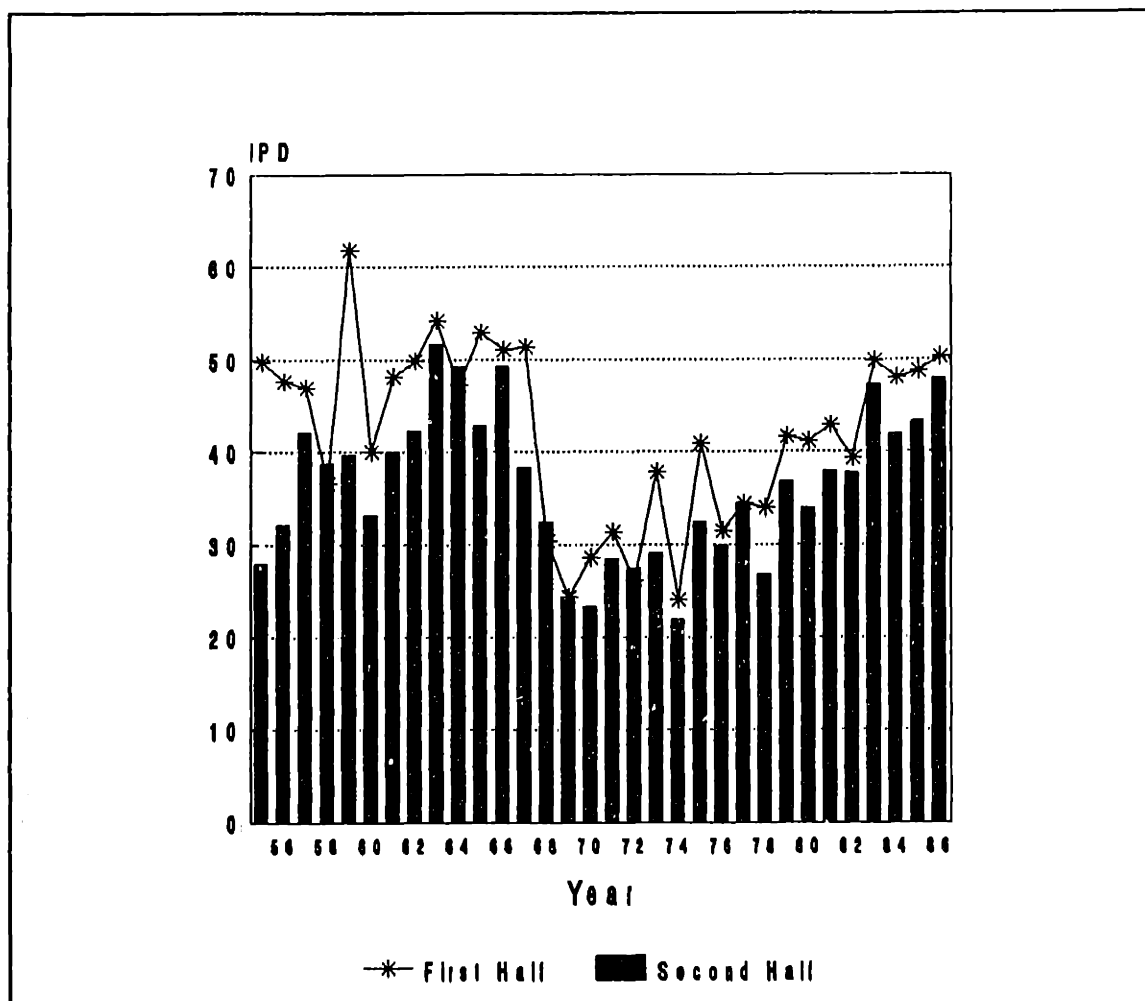


Figure 4-13
Party Dissimilarity By Half-Years

The pattern then reverses through the late 1970s. In the 1980s the trend is downward. Most interesting is the trough in the 1960s: the pattern from 1960 to 1975 reflects very well the decline and rise of the economy as a political issue. To some extent of course, the amount of change may depend on the number of first-term members elected -- as discussed in the following chapter, the number of new members tend to be positively related to dissimilarity scores ($r=0.42$ for the "new blood"

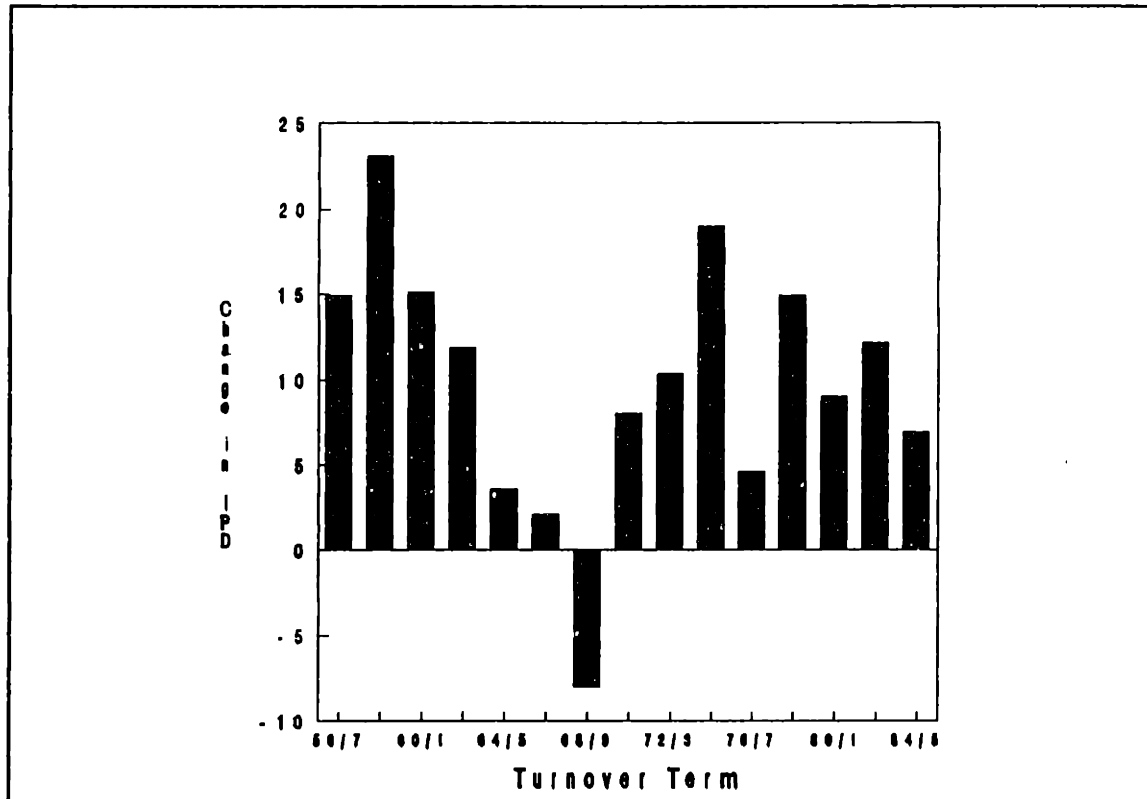


Figure 4-14
The Effect of New Blood: Change in Dissimilarity Following an Election

scores and number of new members). But the difficulties of parties built around economic issues is reflected in the 1964/5 and 1966/7 sequence where fairly large changes in membership do not appreciably push the parties apart. And the 1968/9 sequence actually provides a decrease in dissimilarity: the parties were more similar following the election than preceding the election.

The second pattern in Figure 4-14 consists of differences between midterm and presidential elections. On average, polarity following a midterm election increases about 13 points, while dissimilarity following

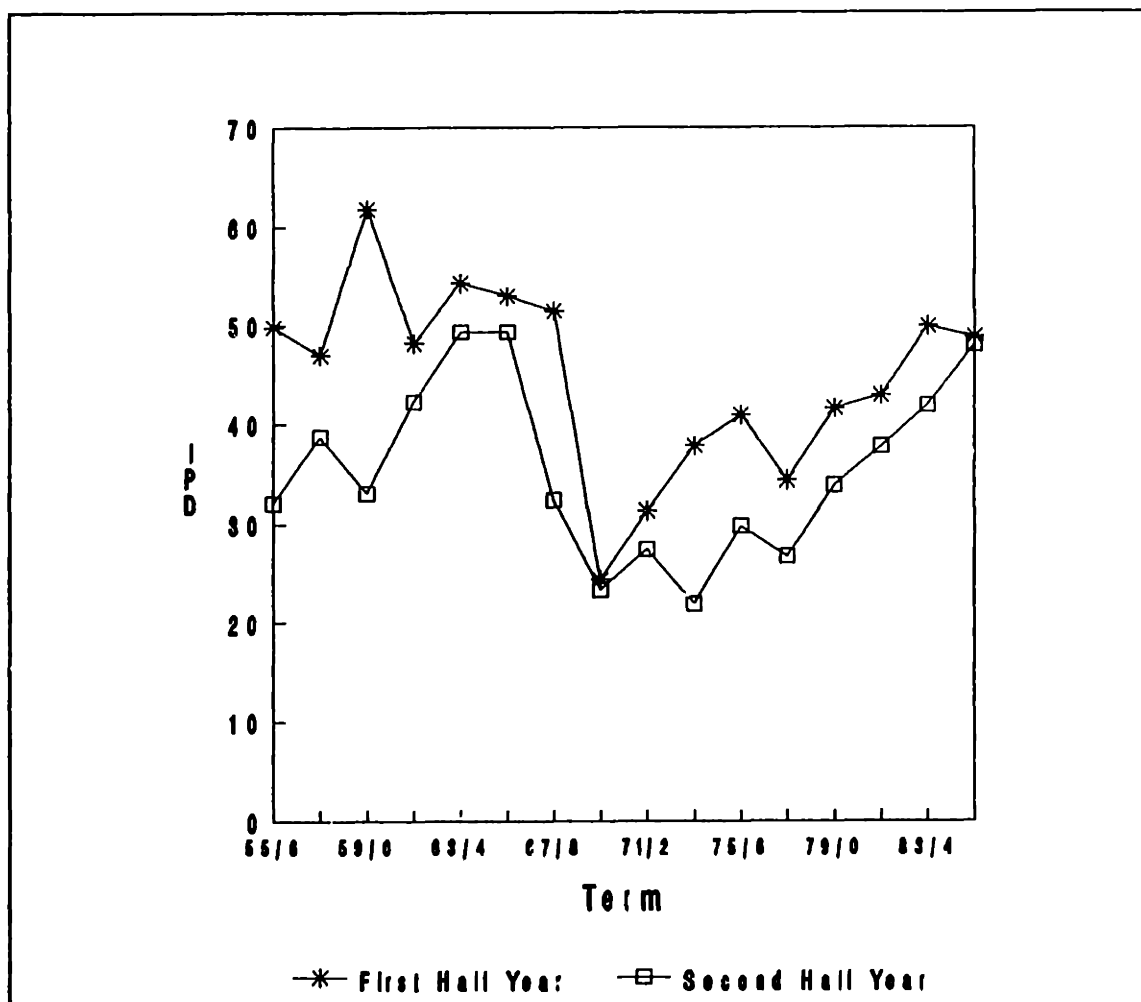


Figure 4-15
Life Cycle of a New Congress

a presidential election increases about 7 points, i.e., a six-point difference. Even throwing out the two most extreme cases (1958/9 and 1968/9) leaves a difference between the two series, albeit a modest two points (including either one of the two extreme years pushes the difference to four points). The reason for post-midterm polarity to be about double the presidential-year increase is not immediately apparent. One might surmise that presidential elections are comparatively more

likely to lead members of Congress to be somewhat cautious as they interpret the electoral mandate and afford the incoming administration some measure of a "honeymoon."¹¹ Midterm elections, on the other hand, are often interpreted as assessments of presidential performance that embolden the opposition party (given that the president's party virtually always loses seats). At the same time, the presidential party circles the wagons around the presidency before the next election approaches, yet sufficiently before the election that members can abandon the wagons before going over the electoral cliff.

Figure 4-15 shows the changes in party dissimilarity over the life of a Congress. The chart compares the party dissimilarity recorded in the first "quarter" of a Congress with the dissimilarity recorded in the final quarter. Without exception over the 32-year period of the sample, party dissimilarity is higher in the beginning of a Congress than at that Congress's conclusion, with a decline of about seven points the mean. But as suggested above, the decline is not monotonic. Figure 4-16 shows the distinctiveness of the quarter immediately following a midterm election and the low ebb of dissimilarity reached in presidential-election years.

¹¹ Although given that dissimilarity is higher in the first half-year than in the second, the "honeymoon" may not actually arrive until late in the first year.

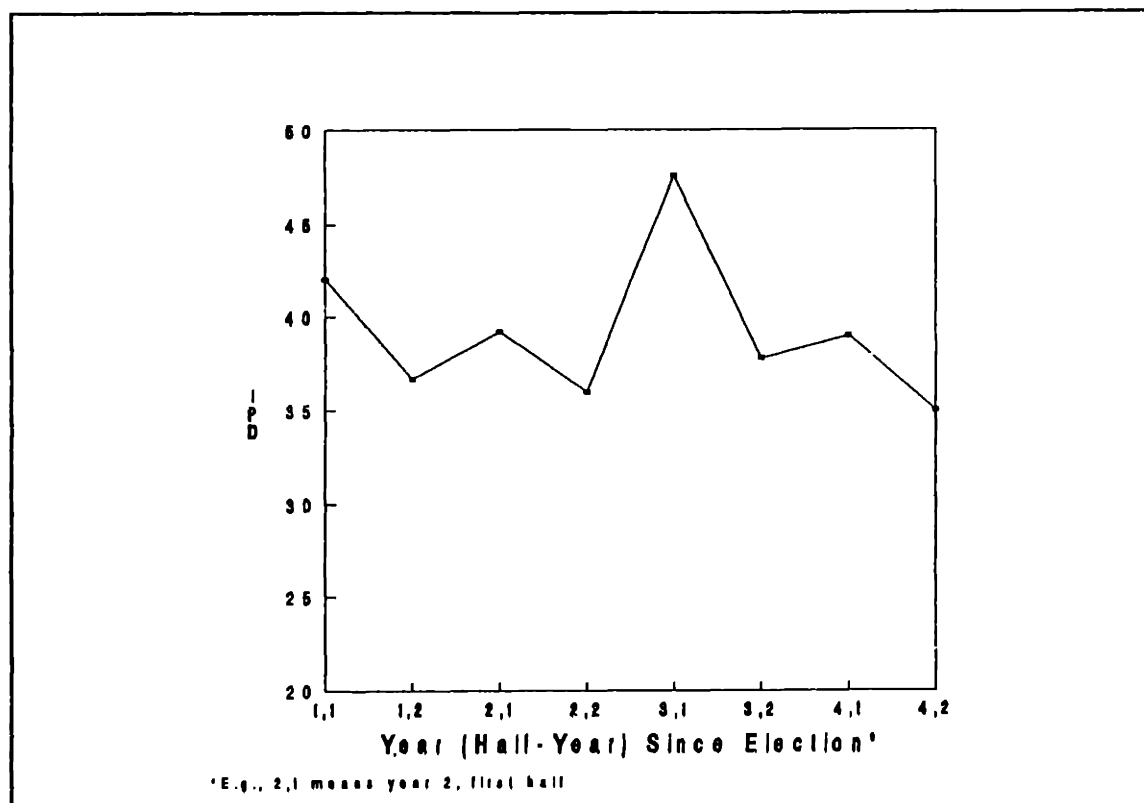


Figure 4-16
IPD Level Over a Presidential Term, 1955-86

If we turn our attention back to yearly data over the full forty-year period from 1947 to 1986, we find that the third year after a presidential election is indeed the most divisive. In fact, in the yearly data, it is the third year alone that is distinctive: while the mean IPDs for the other three years range from 39.1 to 41.1, third-year IPD averages 46.0. The pattern for the two parties differs markedly, however. Table 4-3 can be viewed as an index of confidence and demoralization. The lowest cohesion is recorded in the first year following a presidential election by the opposition party. The next

lowest is faced by the presidential party in the year of the next presidential election. Cohesion for the presidential party declines over the four years except for a "circle the wagons" effect in year three. The opposition party gains confidence as the previous presidential election fades from memory and the new administration builds its record. Cohesion for the opposition party moves upward over the four years with particularly high cohesion in year three.

INDEPENDENT VARIABLES

Because they will be discussed more fully in chapters 5 and 6, the discussion in this section is restricted to a rather general discussion of independent variables. In particular I want to focus on the economic independent variables and raise three points: data frequency, data stability, and business cycle indicators.

With economic data, one has to decide on the periodization or frequency of that data. Using variables such as the unemployment and inflation rates, one could easily obtain monthly or quarterly figures to compare against cohesion and dissimilarity. Another option, of course, is to rely on annual data. The benefit of more frequent data is obvious; generally, the more observations the better for statistical analysis.

Table 4-3
Party Cohesion Over Presidential Terms, 1947-86

<i>Years since Election</i>	<i>Presidential Party</i>	<i>Opposition Party</i>
1	57.6	53.5
2	55.3	57.2
3	58.9	63.4
4	54.2	58.4

Unfortunately, shorter time periods -- months, quarters -- lead to problems with the dependent variables. Because congressional votes are not neatly distributed across the calendar, some months and quarters (November, December, fourth quarter, for example) would have to be calculated on the basis of so few (or no) votes that a shift in the date of even one or two of these votes could have a major impact on the cohesion or dissimilarity index. Also, indexes based on shorter time periods clearly become susceptible to fluctuations in cohesion and dissimilarity caused simply by the order of bills on the congressional calendar. The indexes would become much more susceptible to which were brought up and when they were brought up. For these reasons, econometric analysis in this study relies on annual data.

A second issue is data stability. Here I simply mean that some economic data has a longer shelf life than others. In particular, employment and inflation indices are generally quite reliable and rarely

subject to significant post-publication revision.¹² Other indicators are not so stable. Estimates of the gross national product and the foreign trade deficit, for example, are notoriously soft and often subject to significant revision after initial announcement or publication. It is not unusual for the GNP estimate to move from negative to positive, for example, and it is not unusual for foreign trade figures to be revised 12 months or later after the original announcement. While these factors do not make these indicators useless -- there may be good theoretical reasons to focus precisely on these variables -- one does need to use some caution in one's interpretation. It may well be that the discrepancies in the data are not significant enough to affect the results strongly; if one argues that congressional behavior depends in some way on the condition of the economy, then it could be argued that to a legislator an economy contracting at 0.8 percent and one expanding at 0.5 percent is not all that important: both economies are sluggish. Annual data is again an advantage here, because the annual data would in most cases incorporate any revisions. Therefore, while the problem of

¹² The "official" rates tend to be reliable. There is a large debate over just how to estimate unemployment, for example, properly, including factoring in underemployment, unwanted part-time employment, natural rates of unemployment, and so on. These estimates tend to vary from study to study and, more important, are not as visible as the official statistics. In this study I rely on the official unemployment rate rather than one of the alternative rates that are more substantively pleasing. See Summers (1990) for alternative measures.

data stability can not be ignored, the use of stable variables where possible and the use of annual data mitigates the problem.

Business cycle indicators pose a third problem. In particular, there are three general classes of business cycle predictors: leading, coincidental, and lagging (Stock and Watson, 1989). Leading indicators include business failures, new orders for durable goods, average work week, building contracts, new incorporation, and some wholesale prices. Coincidental indicators include unemployment, productivity, profits, and gross national product. Lagging indicators include retail sales, manufacturing inventory, and personal income. While this might point to an interesting area for future research, preliminary analysis along this line, i.e., using only indicators from within a given group, was on the whole unsatisfactory. Caution would certainly be warranted here as some of these variables (average work week, manufacturing inventory) are more meaningful on a monthly or quarterly basis than on an annual basis (King and Plosser, 1989). Rather than restrict the set of independent variables to one business cycle group, then, this analysis relies on items from across the groups that are prominent politically and widely visible, such as unemployment, inflation, business failures. While certain indicators such as orders for durable goods might affect a couple or a handful of a legislator's votes, the more visible indicators would be

setting the economic context within which all budget-related roll call votes would be taken. More information on the specific variables used is in chapter 5.

This chapter has described the patterns and changes in party cohesion and dissimilarity data in the period from 1947 to 1986. While both cohesion and dissimilarity had reached a low ebb by the late 1960s, during the 1970s and 1980s both indicators, especially dissimilarity, showed solid improvement. The new tendency was a curious one: while there was more partisan voting around, it was also less intense. For instance, if we compare the party dissimilarity of the mid 1980s to the dissimilarity of the early-mid 1960s (roughly similar levels overall), we find a mixed result. On the one hand, if we look solely at party votes -- i.e., those votes that actually pose party majorities on opposite sides of a vote -- we see that dissimilarity in the 1980s trails the level of the 1960s. On the other hand, looking solely at non-party votes, we find that the 1980s dissimilarity level is higher than the 1960s level. This dichotomy in the data can be seen as suggesting that a new wave of partisanship is pushing through, first making the non-party votes more contentious and then gradually polarizing the party votes as well. Or the dichotomy could suggest that as the role of the government has expanded the parties might be finding more issues to be partisan issues but at the same

time not dividing as fiercely on those issues precisely because with a wider array of issues "partisan" it becomes increasingly difficult to make everyone in the party happy at all times.¹³ Here the cliché is true that "only time can tell," but the final chapter will offer some thought on the likely evolution of partisan voting. The following two chapters look more carefully at unravelling the gross tendencies and important subthemes -- e.g., north versus south, authorizations versus appropriations -- uncovered in this chapter.

¹³ I thank Joseph White for pointing out this possibility to me.

Chapter 5

Economic Conditions and Party Roll Call Voting in the House of Representatives

The fiscal state approach suggests that there are important relationships between economic conditions and the cohesion and dissimilarity of the parties. Thus, economic conditions will be an important determinant of how "strong" and relevant the parties appear. Ideally, the parties would become more cohesive and more distinctive as the economy turns down, offering voters a choice instead of an echo. If this were indeed the relationship between economic conditions and the parties, one would have to conclude that the party system might be more responsive to public needs than is usually recognized. Clearly, if parties become more cohesive and more distinctive at a time when public attention to and expectations from parties are likely to be heightened, then one must conclude that parties are in some respects performing the "responsible" role so often demanded of them by critics. As I argued in the previous chapter, however, the constraints placed on parties by the fiscal state distort this ideal relationship between economic conditions and party response.

It is important to note that the general relationships hypothesized to exist in the fiscal state are not hypothesized to exist beyond the

bounds of the fiscal state; basing an argument on the logic of economic management and Keynesianism would not be appropriate to explain the cohesiveness and dissimilarity of the parties before the New Deal era. However, the general idea, that looking at the structure and policy of the state points out important limits and opportunities for the parties and helps us explain what contributes to party decline or strength in a particular historical period, remains true for the period before 1932. Again, it is both the structure and the policy that are important. To take one influential example, Skowronek's (1982) basic sympathies are surely consistent with this idea that historical periods are important influences on politics. In execution, however, Skowronek projects forward all party decline from one institutional episode around the turn of the century. Because he allows no room for policy and policy outcomes and because he does not consider New Deal structural changes to rival those of the Progressive era, he misses the important contributors to party decline that emerge only after the New Deal. Bringing policy back in lets us see that the institutional changes of the New Deal were indeed as significant for the health of parties as the reforms of the Progressive period.

POLITICAL MODELS OF COHESION AND DISSIMILARITY

Existing studies of aggregate party cohesion in the House rely exclusively on external political variables or internal structural variables.¹ Sinclair (1977) explains cohesion on the basis of presidential popular vote, size of the House majority, divided control of the government, and changes in the controlling party for the period 1901-1956. Clubb and Traugott (1977) emphasize the role of the institutionalization of the House and Progressive anti-party reforms in a long-term decline in party cohesion and dissimilarity. Shorter-term cycles of the rise and fall of cohesion and dissimilarity are said to be connected with the working of the realignment process over the period from 1861 to 1974. A number of studies echo this latter finding on the connection between realignment periods and heightened party cohesion and dissimilarity (Clubb, Flanagan, and Zingale, 1980; Brady, 1988). Shaffer (1980), for the period 1965 to 1976, argues that the ideology of representatives reflects the preference distribution of voters, and if this distribution becomes more extreme generally or there is an increase in the number of extreme districts, party cohesion and dissimilarity will tend to increase.

¹ Collie (1984) provides a useful overview of the literature.

Other studies seek not so much to explain patterns of aggregate change but to explore the consistency of party roll call voting on subsets of issues. Dimensional analysis comprises a large proportion of the existing body of roll call literature. Sinclair's (1981) study of the House over the 1925-1978 period discovers that government economic management, social welfare, and civil liberties emerge as dimensions from the New Deal period through 1968. Through 1952 international involvement appears as a dimension; foreign aid replaces it from 1953 to 1968. Sinclair further finds that from 1969 through 1976 government economic management is unsteady as a dimension. The charts in chapter 4 explain why: party differences on budget issues reached their nadir in the early 1970s before increasing steadily. Clausen's (1973) sophisticated application of dimensional analysis for the 1954-1963 period echoes many of Sinclair's findings.²

Because virtually every other part of the political system intersecting with congressional voting has been evaluated for its link to economic conditions, the avoidance of external economic indicators in these studies is puzzling. These other parts include voting for the president, voting for Congress, retrospective voting, public evaluations of

² Useful discussions of roll call analysis technique are MacRae (1970) and Weisberg (1978). See Poole and Daniels (1985), Koford (1989), Poole and Rosenthal (1991), and Koford (1991) for extensions of dimensional analysis.

the president, and the high weight placed on constituency interest in representatives' voting decisions. On the latter point, certainly most theorists would expect that economic conditions would be part of what determined constituency interests at a given point in time. It is surprising, then, that parties that were expressly intended to manage economic conditions would be expected to exhibit no regularized behavior in response to economic stimuli.

Two reasons best explain this curious oversight. First, much to their credit, these models attempt to explain fairly long time series data. There would be, then, legitimate concern about the quality of the data for the pre-1933 period. If one was arguing that representatives responded to economic conditions one runs into significant obstacles since many of the relevant economic indicators were determined and calculated with data available only in the New Deal period and later. Second, the existing studies rely on cohesion and dissimilarity data by congress rather than year-to-year. This choice tends to bias the independent variables toward biennially or quadrennially oriented variables, which economic indicators are not.

But the overarching reason for the exclusion of economic conditions from these models is the lack of a theoretical structure within which their inclusion would make sense. The notion that parties are

constrained by their environment has been limited in these other approaches to the electoral environment and the environment within the House; the wider environment, labeled here the fiscal state, is not considered.³ In fact, all of these environments are important and all help us explain party cohesion and dissimilarity.

Unfortunately, some of the analytical power of the politics-only models derives from their time span and the use of congress-by-congress data. If we reanalyze the data to focus on the New Deal era and use yearly data, these models become less satisfactory. Methodologically, concern over multicollinearity of the independent variables and serial correlation of the errors is uneven. The earlier studies deal with neither of these problems sufficiently. But even if we ignore these statistical problems, the models run into difficulties.

To illustrate these difficulties, consider the well-regarded model developed by Brady, Cooper, and Hurley (1979). This model seeks to explain party cohesion and party conflict over the period 1887 to 1968 by using sets of external and internal independent variables, the latter set

³ Harmel and Janda (1982) provide a partial exception to this generalization. Their comparative look at party cohesion suggests some basic differences between cohesion in presidential versus non-presidential systems, for example. They do not explore changes over time within these categories or within countries.

in the form of intercept (dummy) variables.⁴ The external variables are the percentage of House members serving their first term, an index of economic conflict between the parties (measured by content analysis of the previous presidential platform), a dummy variable representing whether the president and the dominant party in the House were of the same party, and the percentage size over 50 percent of the dominant regional faction within each party.⁵ The internal dummy variables are the presence of a strong centralized leadership (1887 through 1910 = 1, else = 0) and the presence of a strong party caucus (1887 through 1938 = 1, else = 0). The 1939-1968 period (zeros on both internal variables) is, then, the baseline model to which the dummy intercepts are added. The assumed direction for all of these variables, both internal and external, is positive; therefore a one-tailed t-test is appropriate.

Table 5-1 presents the results for the Brady, Cooper, and Hurley

⁴ Brady, Cooper, and Hurley also multiply cohesion and conflict to form what they label an index of party strength. Because it adds little to the analysis, the party strength dependent variable is not considered here.

⁵ This last variable compared the size of northeastern and midwestern Republicans against the rest of the party; the same comparison was made between southern and border Democrats and the rest of the Democratic party. Because this variable was consistently insignificant in the Brady, Cooper, and Hurley results, it has been dropped here.

model for the entire 1887-1968 period.⁶ Each of the models explains about one-third of the variance in the level of cohesion or party voting. Coefficients for two of the independent variables in the Democratic cohesion regression have the wrong sign, and serial correlation of the

Table 5-1
Reanalysis of Brady, Cooper, and Hurley (1979) Model
for Explaining House Party Cohesion and Conflict, 1887-1968

	<i>Democratic Cohesion</i>	<i>Republican Cohesion</i>	<i>Party Voting</i>
Intercept	66.18** (3.53)	61.44** (4.00)	38.84** (6.29)
First-term members	-0.21 (0.14)	0.16 (0.15)	0.21 (0.24)
Platform conflict	15.45* (6.94)	-3.66 (7.87)	23.99* (12.36)
Consistent partisanship	1.83 (2.37)	5.96* (2.68)	6.76 (4.21)
Strong cntrl. leadership	8.03** (2.68)	7.71** (3.04)	6.57 (4.78)
Strong caucus	-1.77 (2.41)	0.77 (2.73)	1.70 (4.28)
Standard error of regression	5.70	6.46	10.15
Corrected R ²	0.31	0.33	0.37
F-statistic	4.64**	4.94**	5.76**
Durbin-Watson	1.42#	1.92	1.91

Standard errors in parentheses. * = sig. at .05, ** = sig. at .01.

⁶ Brady, Cooper, and Hurley present the model in two stages: first with the internal variables alone, then with both sets of variables, although in the latter case they report only the coefficients for the external variables. Here, to save space, I present the reanalysis of the regression including both sets of variables.

errors is marginally problematic, as indicated by the Durbin-Watson figure. Although the other two regressions have no problem with serial correlation, platform conflict points the wrong way in the Republican cohesion regression and is the only coefficient in the party voting regression to be significant at the .05 level.

Brady, Cooper, and Hurley's aim is to show that the set of external variables are more important than the internal variables in determining party cohesion and party conflict. Although the authors suggest that their expectations are borne out by the data, the regressions in Table 5-1 do not allow one to make any confident statements about that particular issue. But more important than the answer is the reason the question is raised at all: the authors seek to show that contemporary research about the motivations of representatives can be pushed back in time. If one could show that the structural internal variables are relatively less important than the external variables, then one can avoid the criticism that different political eras may have operated on different political principles or that the same principles may have resulted in different behavior. So the underlying approach of the Brady, Cooper, and Hurley analysis runs counter to the view, inherent in isolating the fiscal state, that historical periods present substantive and theoretically important limits and opportunities on institutions such as parties.

Table 5-2 indicates that, for Democratic cohesion and party voting, the Brady, Cooper, and Hurley model is more successful for the period 1887-1938 than for 1939-1968. These dates coincide with the dates given by Brady, Cooper, and Hurley for the end of the strong central leadership, strong party caucus era. We see, then, how well the Brady, Cooper, and Hurley model can predict fluctuations in the dependent variable in an era (1939-1968) when the internal structural variables do not change.

Table 5-2
Brady, Cooper, and Hurley (1979) Model for Two Eras

	<i>Democratic</i>		<i>Republican</i>		<i>Party Voting</i>	
	<i>1887-1938</i>	<i>1939-68</i>	<i>1887-1938</i>	<i>1939-68</i>	<i>1887-1938</i>	<i>1939-68</i>
Intercept	64.19** (6.22)	71.08** (4.41)	64.77** (7.54)	52.63** (4.33)	36.44** (11.22)	34.03** (10.06)
% 1st term	-0.23 (0.17)	-0.16 (0.24)	0.05 (0.21)	0.81** (0.23)	0.26 (0.31)	0.54 (0.54)
Conflict	19.30* (7.75)	-53.63 (20.47)	-2.65 (9.38)	3.91 (20.07)	21.60 (13.96)	54.49 (46.65)
Consistent	1.45 (3.81)	2.43 (2.27)	5.52 (4.62)	4.15* (2.23)	10.97 (6.88)	1.76 (5.18)
Centraliz.	7.70** (3.01)	--	8.67* (3.64)	--	6.49 (5.42)	--
Caucus ^a	--	--	--	--	--	--
SER	6.17	3.83	7.47	3.76	11.12	8.74
Corr. R ²	0.37	0.27	0.20	0.53	0.25	-0.00
F	4.73**	2.76	2.60	6.16*	3.11*	0.96
D-W	1.52	1.82	2.00	2.03	1.95	2.12

Standard errors in parentheses. *=sig. at .05, **=sig. at .01.

a. There are no entries for caucus because the value of caucus is 1 for every Congress from 1887 to 1938 and 0 for every Congress from 1939 to 1968.

For Democrats and party voting, the model provides a weak fit to the post-1938 data.⁷ The negligible performance of the model regarding party voting indicates that understanding what increases party distinctiveness in the fiscal state era requires an alternative set of variables. For Republican cohesion, on the other hand, the model is actually more effective in the post-1938 period. The variance explained is over 50 percent, the F-statistic is high, and all the coefficients are in the expected direction, with the percentage of first-term members and the consistency of presidential and congressional parties particularly strong. Given the Republicans' near-permanent-minority status across these years, these findings suggest that motivations and incentives to cohere differ between majority and minority parties.

ECONOMICS, POLITICS, AND PARTIES: BUILDING AN
ALTERNATIVE MODEL OF COHESION AND DISSIMILARITY

An alternative model begins with the recognition that the parties were operating within the constraints of what I have labeled the fiscal state and that parties tend to orient their battles around those issues that

⁷ The analysis was also done using the time periods 1887-1946 and 1947-1968, which is where the data is cut in the present analysis. No appreciable differences resulted.

were dominant at the founding of a given party system. We limit our data set, then, to budget-oriented roll calls, because with the new ideas about fiscal policy that emerged out of the Great Depression and World War II experiences, the budget suddenly emerged as crucial not only to distribution of benefits but to macroeconomic regulation and health. And the parties actively competed on their ability to provide growth, avert recession, and induce recovery.

First, then, we want to include economic variables that might provide the impetus for party cohesion and distinctiveness. Data for the economic independent variables were acquired from issues of the *Economic Report of the President*. The economic variables include the unemployment rate, the rate of inflation (measured by the GNP deflator), the rate of business profits, and the business failure rate.⁸ These indicators are advantageous because they are widely disseminated and discussed, they are salient to both voters and representatives, and they have been used with some success in modeling other political-economic interactions. To capture the effects of simultaneous high inflation and high unemployment, an unemployment-inflation interaction term was added to the model.

⁸ Another commonly used variable, the rate of change in disposable personal income, was consistently insignificant and dropped in the results reported here.

While these indicators are fairly standard, probably the least standard is the use of the rate of business failures. To representatives, business failures are, I believe, a salient economic indicator that can have concrete impacts in one's home district. To the public, where declining profits may mean the temporary loss of jobs, with business failure the loss may well be permanent. To business firms, the collapse of one's suppliers and customers is as much of a concern to existing firms as is the overall corporate profit rate and has an equal, probably superior, impact on the existing firms' operations.⁹ To labor, there is no clear reason why business failures would not be as worrisome, if not more so, than the corporate profit rate. For these reasons the inclusion of the business failure rate is justified. Business failures and corporate profits provide us two different, meaningful insights into general corporate sector conditions.

Given that the Democrats were the "founders" of the fiscal state, I expect that Democratic cohesion will increase when faced with increasing unemployment and inflation -- either of these problems can, in effect, be dealt with by Keynesian formulas. For the Republicans, decreased cohesion is likely as party members move away from party orthodoxy to

⁹ The two are related. We do know that corporate political strategy often explicitly takes the fate of upstream and downstream firms into account (Coleman and Yoffie, 1990b).

a more supportive Keynesian outlook. Indeed, party dissimilarity should decline with either of these economic problems. But when both unemployment and inflation are high, the Keynesian model is scattered and the party response should reverse: Democrats should become less cohesive, Republicans more, and dissimilarity should increase. The predicted relationship for the profit rate is the converse of those for inflation and unemployment, given that the scale is reversed on this variable, i.e., more profits, unlike more inflation and unemployment, is generally perceived as a positive development. A higher profit rate should lead to a decline in Democratic cohesion and a rise in Republican cohesion because there is nothing particularly "Keynesian" for Democrats to rally around in the case of profit rates and there would be little pressure moving Republicans in a Keynesian direction. We can also expect a slight increase in dissimilarity as profit rates increase. Finally, the business failure rate should demonstrate a different pattern than the other economic variables. Unlike unemployment or inflation, which are often perceived as a "labor" problem or a "capital" problem, business failures are likely to be interpreted by a member of Congress as a problem for both. Given that assumption, I expect the failure rate to relate positively to both parties' cohesion and to dissimilarity, as the

different composition of the party coalitions asserts itself.¹⁰

Inclusion of economic variables does not preclude inclusion of political variables. In fact, the body of research using political indicators indicates that political variables can make some contribution toward explaining party cohesion and dissimilarity. Moreover, in a theoretical sense it is reasonable to consider political variables: we want here to widen our consideration of the environment within which the parties in the House work, and the political atmosphere is a part of that environment. Given that the direct result of successful party efforts to enlist support is greater cohesion and not necessarily greater dissimilarity, I suspect that the political variables will generally be more significant in explaining cohesion than dissimilarity. Or, conversely, party differences represent substantive policy differences, and these would appear *prima facie* to be more a reflection of the economic environment than the strictly political environment. Indeed, if parties diverged or converged without regard to the economy then concerns about the meaningfulness of parties would be justifiably heightened.

Based on the findings in other studies, this analysis incorporates

¹⁰ To make just the crudest comparison, a "typical" Republican response might be to talk about the burdens of government on business while a "typical" Democratic response might focus on the problem of capital transfer across borders and the lack of Keynesian stimulants in the economy.

the following variables: the number of first-term representatives, the size of the majority party, Southern Democrats as a proportion of all Democrats, a dummy variable for the consistency of the president's party and the majority House party, and a dummy variable for congressional election years. Unlike other studies, I have also added a dummy variable for the year just following the midterm election (see chapter 4) and a dummy variable for the (rare) years in which the Republicans were the House majority.

Why these variables? A high percentage of *newcomers* indicates several things that might tend to promote both cohesion and dissimilarity: a removal of at least some committee chairmen, a concern in Congress with a changing public mood, a perceived pro- or anti-administration mandate from the voters, and the traditional precedent -- as engendered by norms of reciprocity, seniority, and so on -- for freshmen members to be the most party loyal (cf. Brady, 1988).

Consistent parties understand that their unity is tantamount to control of the legislative process, while the minority party realizes it can to some extent remain "above the fray" while shifting blame for all ills to the party controlling both the executive and legislative branches. A similar logic works in the case of the *size of the majority party*: a larger majority party, though unwieldy, realizes it possesses the capability to

push through policies; a smaller minority party has some incentive to avoid "me-tooism" in voicing its message. *Congressional elections* may lead to a focus on constituency that weakens both cohesion and dissimilarity. And a very simple Downsian premise would be that, given a unimodal preference structure among the populace, parties will tend to move closer together as an election approaches in order to capture a greater share of the median voter pool.¹¹ The *post-midterm election*, on the other hand, tends to boost both cohesion and dissimilarity as the opposition party reads the election results as a negative evaluation of the Administration and the president's party circles the wagons to protect the president and the party. The unique nature of a *Republican majority* should elevate Republican cohesion, decrease Democratic cohesion, and decrease party dissimilarity. I expect dissimilarity to decrease because the very uniqueness of a Republican majority should increase the influence of those Democrats arguing that the party needs to move to the center or the right. Finally, as the proportion of *southern Democrats* as a percentage of all Democrats goes up the cohesion of Democrats should improve -- until southern Democrats near becoming a

¹¹ Responsible party advocates generally do not dispute this view as an empirical description of what happens in American politics. Of course they oppose the view on normative grounds, arguing that parties ideally will polarize further as elections approach to give voters clearer choices.

majority of the party. At that point the increase in cohesion should begin to drop and eventually lead to a cohesion decline. Party dissimilarity should show a pattern of decline and then increase after the saturation point. Unless stated otherwise no polynomial term is employed; the expected relationships are positive for cohesion and negative for dissimilarity.¹²

In summary, the independent variables are:

Inflation:	Inflation rate; gross national product deflator
Unemployment:	Unemployment rate
Unemp*Inflation:	Unemployment/inflation interaction term; unemployment rate multiplied by inflation rate
Profits:	Nonfinancial corporate profits as a percent of equity
Failures:	Failures per 10,000 commercial and industrial firms
New members:	Number of first-term members in House

¹² We are to some extent limited by the range of the data. For instance, one would expect that very low proportions of southern Democrats would be associated with high levels of party cohesion and dissimilarity, but the real data do not approach the zero percent level. Also, the data do not take us far beyond 50 percent and even then only twice. With the range of data that we do have, what we see is that the increasing southern proportion helps party cohesion until it reaches a saturation point where the party is nearly split in half between north and south. Although scatterplots seem to confirm this interpretation, including a polynomial term in the equation for Democratic cohesion proved statistically insignificant. Cohesion can also suffer if one wing of the party becomes extremely large: note that if cohesion is increasing while southerners increase from 20 to 40 percent of the party, then by arithmetic definition cohesion drops as we move from a 60 percent northern party to an 80 percent northern party. This curious wrinkle in the data reflects the trend in which potential southern Democrats increasingly run as Republicans; northern Democrats, particularly those feeling the party is not liberal enough, do not have the same kind of escape hatch and remain within the party, thereby decreasing cohesion even as the northern proportion increases.

Consistency:	= 1 if president and House majority are same party, 0 otherwise
Election:	= 1 if congressional election year, 0 otherwise
After midterm:	= 1 for year following midterm election, 0 otherwise
S. Democrats:	Southern Democrats as a percent of all Democrats
Majority size:	Majority party members as a percent of all members, minus 50 percent
Repub. majority:	= 1 for Republican majority in the House, 0 otherwise

The economic-political model presumes that representatives are most influenced by the level of current economic indicators. Comparison among alternative specifications of the model suggested that the level of economic indicators provided superior results both statistically and substantively in explaining levels of cohesion. Natural logs were used to measure the dependent variables in order to make the series more stationary; without logs the series tended to have more instability in the variance in the early years of the series. Logs also allow for convenient interpretation of percentage changes in the dependent variable for unit changes in the independent variable. Some alternatives that were considered, such as polynomial distributed lag models, added complexity of interpretation with little additional substantive elucidation, presented multicollinearity problems, and most importantly eroded precious degrees of freedom given a sample size of 35 to 40 cases (years), depending on the specification. And a model based on a lagged endogenous variable was not considered substantively or

theoretically desirable. Unlike the case of budgeting, for example, representatives do not begin each session with a concrete baseline of cohesion or dissimilarity from the preceding session from which they can simply choose to add or subtract. If one is more interested in maximizing the fit of the cohesion and dissimilarity variables than in explaining their levels, then including lagged endogenous variables is a reasonable strategy. But little of substantive or theoretical interest is added by saying that cohesion at t is heavily influenced at cohesion at $t-1$, particularly when cohesion is not a tangible kind of variable like a budget figure.

BUILDING AN ECONOMIC-POLITICAL MODEL: THE LIMITS OF POLITICS-ONLY AND ECONOMICS-ONLY EXPLANATIONS

So far, I have shown that the politics-only models dominant in the literature reveal substantial difficulties when we make adjustments to the roll call set such as using annual instead of two-year figures for the dependent variables and running separate regressions for the pre- and post-New Deal periods. But how do these type of models perform with the data set gathered for this project -- the set of budget-oriented roll calls?

Political Models

I begin by following the same track as the bulk of the literature examining aggregate cohesion and dissimilarity. The question is how far we get by starting with a politics-only model to explain budget-oriented roll calls. The underlying assumption of this kind of model is that the voting behavior of members of Congress responds to changes in the electoral and institutional environment. To test this assumption, I estimated the following model for Democratic cohesion:¹³

$$\text{Cohesion}_{D_t} = \beta_0 + \beta_1 \text{Consistency}_t + \beta_2 \text{New members}_t + \beta_3 \text{Republican majority}_t + \beta_4 \text{Post-midterm}_t + \beta_5 \text{Southern Democrats}_t + e_t$$

with the variables those defined above.¹⁴ For Republican cohesion the model was:

$$\text{Cohesion}_{R_t} = \beta_0 + \beta_1 \text{Consistency}_t + \beta_2 \text{New members}_t + \beta_3 \text{Republican majority}_t + \beta_4 \text{Post-midterm}_t + e_t$$

¹³ The estimated models in this chapter and the next use a 1949-1986 time series rather than 1947-1986. The difference allowed for some testing of lag models as well as comparison of models when serial correlation correction was necessary. But most importantly the dates provide consistency between the single equation models and systems estimation presented later.

¹⁴ The choice between the post-midterm and congressional election alternatives for the impact of elections was made by comparing statistical performance with both variables in the model and with each variable entered singly into the model.

Table 5-3
The Political Environment and Party Cohesion, 1949-86

	<i>Democrats</i>	<i>Republicans</i>
Intercept	3.9080*** (0.2804)	3.8551*** (0.0461)
Consistency	0.0249 (0.0469)	0.1052*** (0.0254)
New members	0.0002 (0.0013)	0.0007 (0.0007)
Repub. majority	-0.1902* (0.0919)	0.1622** (0.0525)
After midterm	0.0710* (0.0298)	0.0848** (0.0270)
S. Democrats	0.0034 (0.0061)	
Rho	0.5863** (0.1672)	
SER	0.1006	0.0697
Corrected r-squared	0.364	0.563
Durbin-Watson	2.119	2.380
F-statistic	4.523**	12.932***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

The results of the estimations are in Table 5-3. All of the coefficients are in the expected direction, but as with the re-estimation of the Brady, Cooper, and Hurley model, the pattern differs for the two parties. For the Democrats, two of the political variables are

significant.¹⁵ More important, however, is the high value for rho. Rho is a measure of the amount of serial correlation in the data.¹⁶ As I mentioned above, serial correlation indicates that some variable or variables has most likely been left out of the model. For the Democrats, then, political variables explain part of party cohesion but a substantial

¹⁵ The size of the southern Democratic contingent is not one of the two. In the original estimation, the southern Democratic coefficient was significant at the .05 level, but the correction for serial correlation erased this significance. With a polynomial term added, neither the southern Democratic variable nor the polynomial term were significant, though both were close (0.055, 0.065). As in the first case, this significance was erased when the model was corrected for serial correlation. Although the rest of the coefficients and the diagnostic statistics were largely unchanged, it should be noted that the value of S. Democrats did change in the model without a polynomial term -- the original model shows a coefficient of 0.0062, while the polynomial model shows a coefficient of 0.0897 for S. Democrats and -0.0011 for the polynomial term.

¹⁶ Serial correlation -- in which consecutive prediction errors in an estimated model tend to be highly correlated -- usually indicates that some gradually-changing variable has been left out of the estimation. It reflects, then, a kind of specification error which is then "corrected" by one of several standard techniques. While serial correlation can vary in type and lag structure -- errors can be correlated in an autoregressive or moving average process -- the most common format in political science research is a first-order autoregressive correlation in which consecutive errors are correlated. Inspection of correlograms supports the use of AR(1) correction in the estimations here. The Cochrane-Orcutt procedure, in most instances asymptotically equivalent to maximum likelihood estimation, was used here to determine rho. If one can remove the serial correlation by addition of relevant variables, that is usually the preferred course. But one needs to be careful -- simply tossing in new variables in an effort to "mine" for better fit is unjustified. The variable set one uses should have theoretical integrity and the individual variables should have a good theoretical reason for being there. One can hope that one's model captures enough of the underlying process being studied that serial correlation of the errors does not prove to be a problem.

amount is left unexplained or is explained in the model by the correction for serial correlation. Indeed the F-statistic for the estimation -- which measures whether the independent variables as a group explain the dependent variables was insignificant until the correction for serial correction was made.¹⁷

For the Republicans, the political model is much more satisfactory. Three of the variables -- new members is the exception -- are strongly significant and all signs are in the expected direction. Moreover, no serial correlation correction is called for, which suggests that the variables capture a good portion of the movement in the time series. Again, the Republican results suggest the different outlook between a long-term majority and minority party. The minority party attempts to exploit whatever openings the political environment presents to break out of that minority status. For the majority, the marginal gain in status and position to be gained from slightly more cohesion because of change in political variables is probably comparatively minor. The important point is that the model is more satisfactory for the

¹⁷ One cannot compare the corrected r-squared from an estimation with a serial correlation correction with an estimation that has no such correction. The corrected r-squared for Democrats includes the effect of rho or the serial correlation correction and is based on transformed variables; it does not measure the explanatory power of the original independent variables. For the same reason, one cannot directly compare the r-squares for the same equation pre-correction and post-correction.

Republicans than for the Democrats.

What about the difference between the parties? For party difference, the following estimation was performed with both the index of party dissimilarity and party votes as dependent variables:

$$\text{IPD, PV-50}_{\text{RDI}} = \beta_0 + \beta_1 \text{Consistency}_t + \beta_2 \text{New members}_t + \beta_3 \text{Republican majority}_t + \beta_4 \text{Election}_t + \beta_5 \text{Post-midterm}_t + \beta_6 \text{Southern Democrats}_t + \beta_7 \text{Majority size}_t + e_t$$

The expected relationships for these variables are the same as those listed in the discussion of the economic-political model. Table 5-4 indicates that neither party dissimilarity nor party voting are particularly well explained by political variables alone. In the case of dissimilarity, five of the seven independent variables are significant, suggesting that dissimilarity is indeed affected by the political environment. All coefficients are in the expected direction throughout the dissimilarity estimation. But the strikingly high figure for rho indicates that it is important to move beyond a politics-only model. The insignificant intercept is also a worrisome sign. The large rho strongly suggests that there are one or more variables that are not in the model that can help explain dissimilarity. A slightly different picture emerges with party voting. Only three of the political variables registers as significant. The after midterm variable is an unexpected negative, but it is not near

Table 5-4
The Political Environment and Party Differences, 1949-86

	<i>Party Dissimilarity</i>	<i>Party Voting</i>
Intercept	1.9070 (1.6019)	1.8988* (0.9255)
Consistency	0.1155* (0.0535)	0.0696 (0.0834)
New members	0.0032 (0.0019)	0.0019 (0.0027)
Repub. majority	-0.1403* (0.1186)	-0.2391 (0.1603)
After midterm	0.1067* (0.0442)	-0.0259 (0.0736)
Election	-0.0728* (0.0325)	-0.1244* (0.0524)
S. Democrats	0.0034** (0.0061)	0.0256* (0.0122)
Majority size	0.0140* (0.0069)	0.0185* (0.0109)
Rho	0.9627*** (0.1147)	0.5693** (0.1829)
SER	0.1184	0.1708
Corrected r-squared	0.734	0.440
Durbin-Watson	2.267	2.256
F-statistic	13.787***	4.632***

***=sig. at < .001, **=sig. at < .01, *=sig. at <.05, x=sig. at <.10, one-tailed test; standard errors in parentheses

significance. But the model is still serially correlated unless corrective action is taken.

Economics Models

Taken together, the findings from the politics-only models are mixed. We did see that some of the political variables played an important role in explaining cohesion and dissimilarity. But these same results were meager, except in the case of Republicans, and largely overshadowed by the presence of a high level of serial correlation.

We turn now to the opposite end of the spectrum -- ignoring political variables to place full emphasis on economic variables and indicators. There is of course a substantial body of literature making the case that because of the composition of their coalitions, one should expect left-oriented parties to show a proclivity toward controlling unemployment while parties of the right place greater emphasis on inflation (Martin, 1973; Hibbs, 1977; Cameron, 1984b; Alvarez, Garrett, and Lange, 1991). Does this finding extend to cohesion and dissimilarity? Can we substantially explain party cohesion and dissimilarity by referring to only inflation and unemployment? And is Democratic cohesion a reflection of the level of unemployment while Republican cohesion reflects the level of inflation?

To answer these questions I estimated the following equation for Democratic cohesion, Republican cohesion, and party difference:

$$\text{Index}_t = \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t$$

where Index refers to the Rice index of cohesion, the Index of Party Dissimilarity, and Party Vote-50. Because most of the literature employing a left-unemployment versus right-inflation model take no special account of simultaneous high or low levels of both indicators, no interaction term is included in the model. The expectations for this style of model is that there should be a positive relationship between Democratic cohesion and unemployment and between Republican cohesion and inflation. That is, these particular economic problems should help to unite the respective parties. Expectations about the other independent variable in each case would be less clear. Given the assumptions of this type of model, should we assume that the Democrats would be less cohesive due to inflation or should we expect no real relationship to appear? Since the model assumes that the parties are making policy trade-offs between inflation and unemployment -- though historical evidence has been less kind to this trade-off -- the best course is to expect that an increase in inflation would decrease Democratic cohesion while an increase in unemployment would decrease Republican cohesion. But the crucial question remains whether Democrats respond significantly to unemployment while Republicans respond to inflation.

What would a party coalition model have to say about party dissimilarity? Working from the party cohesion expectations, this type

of model would have to predict that party dissimilarity would remain largely unchanged relative to unemployment and inflation. In each case -- unemployment and inflation -- the model suggests that as one party becomes more cohesive, the other party becomes less cohesive. The net result would be little change in party dissimilarity.

The results are shown in Table 5-5. Taking cohesion first, we find that as expected Democratic cohesion picks up as unemployment increases but declines as inflation takes over as the significant economic threat. Both independent variables are statistically significant, as is the equation as a whole (F-statistic). While some of the significance for the model as a whole undoubtedly results from the serial correlation correction (ρ), this correction does not make unemployment and inflation insignificant: the relationships hold even with the correction taken into account. On the other side of the aisle, Republican cohesion bears no connection to the two economic indicators. While unemployment produces the expected result, a decline in cohesion, inflation does not produce the expected result and neither variable is significant.¹⁸ For the model as a whole the F-statistic is insignificant

¹⁸ If the estimation is corrected for serial correlation, the expected relationship for inflation is produced but both variables remain insignificant. Because ρ itself is insignificant, the estimation in the table does not include a serial correlation correction.

and the corrected R^2 is essentially zero.¹⁹ The lack of explanation for Republican cohesion is consistent with our earlier findings: the Republicans seem particularly sensitive to political, not economic, indicators. Or at least they are not sensitive to the economic indicators as presented in the party coalition model.

As mentioned above, within the confines of a party coalition model, party dissimilarity is not expected to show any consistent pattern in reaction to unemployment and inflation. Table 5-5 indicates that these expectations are unfortunately borne out. Neither unemployment nor inflation are significantly related to the index of party dissimilarity and neither is particularly close. Although the equation as a whole is significant and the corrected R^2 is fairly high, all of the explanation for the IPD comes from the intercept and the correction for serial correlation. The poor findings for dissimilarity is further revealed by examining the party vote. Here, unemployment is negative, not positive, and inflation is (unexpectedly) statistically significant. Since we have no reason to expect dissimilarity and party votes to sport different expected values, these conflicting results are further evidence of the weakness of the party coalition explanation of dissimilarity. On the one hand, of

¹⁹ The formula for corrected r-square does produce the possibility that a negative number can result.

Table 5-5
Unemployment, Inflation, and Party Response

	<i>Cohesion</i>		<i>Dissimilarity</i>	
	<i>Democratic</i>	<i>Republican</i>	<i>IPD</i>	<i>PV-50</i>
Intercept	4.0292*** (0.0832)	4.0654*** (0.0613)	3.6539*** (0.2306)	4.2340*** (0.1531)
Unemployment	0.0229 (0.0132)*	-0.0129 (0.0109)	0.0076 (0.0283)	-0.0085 (0.0241)
Inflation	-0.0209** (0.0082)	-0.0011 (0.0069)	-0.0052 (0.0203)	-0.0325* (0.0170)
Rho	0.3258* (0.1703)		0.6494*** (0.1672)	0.3300* (0.1819)
SER	0.1040	0.1058	0.1731	0.1932
Corrected r-squared	0.320	-0.006	0.432	0.283
Durbin-Watson	1.8749	1.631	2.527	2.270
F-statistic	6.811***	0.891	10.395***	5.876***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

course, the model did perform as expected regarding party dissimilarity. On the other hand, these expected results bring us no closer to explaining what drives dissimilarity.

Overall, then, the party coalition model is fruitful only for Democratic cohesion. But rather than relying on the left-unemployment or party coalition model to explain cohesion and dissimilarity, we can expand an economics-only approach by using the full battery of economic indicators described above. Here we abandon the expectations

derived from the party coalition model: the expected relationships between the economic variables and the dependent variables are as outlined above in the economic-political model. The estimated equation is

$$\text{Index}_t = \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \beta_3 \text{Profits}_t + \beta_4 \text{Failures}_t + \beta_5 (\text{Unemployment} * \text{Inflation})_t + e_t$$

where Index includes the Rice index of cohesion for Democrats and Republicans, the Index of Party Dissimilarity, and the Party Vote-50, and all other variables are as defined above.

Table 5-6 indicates that party dissimilarity adheres more closely to the expectations of the economics model than does party cohesion. Taking the latter first, we see that each party's cohesion behaves as expected relative to the central Keynesian variables of unemployment and inflation: Democratic cohesion increases with each while Republican cohesion decreases, and with both variables high the Democrats scatter while the Republicans converge. Despite the proper direction, however, inflation fails to reach significance for the Democrats while none of the three variables reaches significance for the Republicans. As for the business variables of profits and failure rates, both are in the correct direction but insignificant for the Republicans while failure rates are

both correct and significant for the Democrats. The profit rate, however, unexpectedly increases Democratic cohesion. Overall, the economics-only model tells us more about Democratic cohesion than Republican cohesion.

As I suggested above, to this point it appears that while political variables affect both parties' cohesion, they seem to be especially important to the Republicans. However, given the coefficient signs in both the political coalitions and the expanded economic models for Republicans, there is still reason to expect that Republicans are not fully divorced from Keynesian politics and that they too reflect the tendencies one anticipates in the fiscal state. In effect, the economics model substitutes profits and business failures for the serial correlation correction; for the Republicans at least, the substitution does not work satisfactorily. With these variables controlled in a more inclusive model, we should get a better sense of the relationship of inflation and unemployment to Republican cohesion.

What about party dissimilarity? Unlike the more limited political coalitions form of the economics model, where we were able to say little with regard to expected relationships between inflation and unemployment and party differences, here we have some clear expectations: dissimilarity should decrease with either an increase in

Table 5-6
Economic Stimulus and Party Response

	Cohesion		Dissimilarity	
	Democratic	Republican	IPD	PV-50
Intercept	3.6175*** (0.1478)	3.9473*** (0.1626)	3.8262*** (0.2696)	4.4916*** (0.2891)
Unemployment	0.0443* (0.0208)	-0.0179 (0.0274)	-0.1134** (0.0420)	-0.1547*** (0.0450)
Inflation	0.0079 (0.0107)	-0.0073 (0.0118)	-0.2146*** (0.0472)	-0.2236*** (0.0506)
Profits	0.0212* (0.0105)	0.0109 (0.0116)	0.0477** (0.0164)	0.0368* (-0.1763)
Failures	0.0017* (0.0010)	0.0002 (0.0011)	0.0043** (0.0015)	0.0044** (0.0016)
Unemp*Inflation	-0.0051*** (0.0014)	0.0001 (0.0016)	0.0247*** (0.0073)	0.0283*** (0.0079)
SER	0.0988	0.1087	0.1547	0.1659
Corrected r-squared	0.387	-0.062	0.547	0.472
Durbin-Watson	1.699	1.787	2.242	1.975
F-statistic	5.662***	0.565	9.932***	7.609***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

inflation or unemployment and increase when both are high. Table 5-6 indicates that these expectations are indeed supported: for both party dissimilarity and party voting each of the variables is in the expected direction and each is significant. Given the high correlation of the two measures, the magnitude of the coefficients are also quite similar. We see also that about 50 percent of the variance is explained by reference

to these variables and that the equation as a whole is significant. Thus we have strong support for the notion that economic conditions, as filtered through the prism of the fiscal state, have a significant impact on aggregate party differences. And the notion above that the economic indicators would likely tell us more about party difference than party cohesion is supported.

ECONOMICS, POLITICS, AND PARTIES:

ESTIMATING THE ECONOMIC-POLITICAL MODEL

Neither the politics-only or economics-only models are sufficient by themselves to explain party cohesion and dissimilarity in the House. If an economic-political model derived from a state-based view of the parties is to provide superior explanation of these variables, it should provide overall good fit, support the expected relationships between the variables, indicate that both the political and economic variables are significant, and eliminate the need for serial correlation correction.

Party Cohesion

For Democratic party cohesion, the following model was employed:

$$\begin{aligned} \text{Cohesion}_{D_t} = & \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \beta_3 \text{Profits}_t + \\ & \beta_4 \text{Failures}_t + \beta_5 (\text{Unemployment} * \text{Inflation})_t + \beta_6 \text{Consistency}_t \\ & + \beta_7 \text{New members}_t + \beta_8 \text{Republican majority}_t + \beta_9 \text{Post-} \\ & \text{midterm}_t + \beta_{10} \text{Southern Democrats}_t + e_t \end{aligned}$$

For Republican cohesion, the following model was estimated:

$$\begin{aligned} \text{Cohesion}_{R_t} = & \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \beta_3 \text{Profits}_t + \\ & \beta_4 \text{Failures}_t + \beta_5 (\text{Unemployment} * \text{Inflation})_t + \beta_6 \text{Consistency}_t \\ & + \beta_7 \text{New members}_t + \beta_8 \text{Republican majority}_t + \beta_9 \text{Post-} \\ & \text{midterm}_t + e_t \end{aligned}$$

Table 5-7 indicates the model achieves some success in explaining Democratic and Republican cohesion. For the Democrats, all signs except the profit rate, which fails to reach significance, are in the expected direction. The majority party size and election year variables were dropped from the final analysis here; both were the correct sign but quite weak. With the post-midterm variable in the equation, the effect of congressional elections diminished strongly and was dropped.

Table 5-7 immediately shows us one interesting finding: despite the generally higher levels of Democratic cohesion in the postwar period, the

Table 5-7
Party Cohesion in the House, 1949-1986

	<i>Democratic</i>	<i>Republican</i>
Intercept	3.3543 ^{***} (0.2255)	3.8545 ^{***} (0.1083)
Unemployment	0.0356 [*] (0.0183)	-0.0337 [*] (0.0151)
Inflation	0.0058 (0.0096)	-0.0112 ^x (0.0079)
Profit rate	0.0166 ^x (0.0117)	0.0019 (0.0094)
Business failures	0.0023 ^{**} (0.0009)	0.0018 ^{**} (0.0007)
Unemployment*Inflation	-0.0037 ^{**} (0.0014)	0.0020 [*] (0.0011)
Consistency	0.0377 (0.0332)	0.1153 ^{***} (0.0273)
N new members	0.0004 (0.0011)	0.0010 (0.0009)
Republican majority	-0.2280 ^{**} (0.0748)	0.1735 ^{**} (0.0562)
Post-midterm year	0.0784 [*] (0.0332)	0.0925 ^{***} (0.0273)
Southern Democratic %	-0.0062 [*] (0.0035)	
SER	0.0820	0.0677
Corrected R-squared	0.577	0.589
Durbin-Watson	1.73	2.48
F-statistic	6.041	6.880

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

intercepts for the cohesion equations show that, with all other variables at zero, Republican cohesion would be higher than Democratic cohesion. This finding conforms to the widespread popular perception of the parties' relative cohesion but, when taken in conjunction with the graphs in chapter 4, indicates that the political and economic variables tested here allow Democrats to overcome this base-zero disadvantage.²⁰

Taking the political variables first, Table 5-7 shows that for Democrats, three of the variables are in the expected direction and significant. When the Republicans are the majority party in the House, Democratic cohesion falls 20.4 percent, *ceteris paribus*. (Because the dependent variable is in log form, the coefficients can be read as percentage changes in the dependent variable given a one-unit change in the independent variable.²¹) Democratic cohesion also tends to increase after the midterm election by about 8.2 percent. And when southern Democrats become a larger part of the party (within the limited range of the data on this variable), cohesion improves just over half of one percent for every additional one percent of the House party composed of

²⁰ In practical terms, of course, it would be next to impossible for all the variables to equal zero in the same year.

²¹ To calculate, take the antilog of the estimated coefficient, subtract 1.0 from that figure, and multiply the result by 100 to get the percentage change per unit increase. The raw coefficients are in any case good ballpark estimates of the actual percentage change figure (e.g., a raw figure of 0.1153 becomes about 12.2 in percentage change).

southerners. Democratic cohesion also improves when the same party holds both the presidency and Congress and when the number of first term representatives increases. While both these relationships are as expected, neither proves to be statistically significant.

The political variables also perform as expected in explaining Republican cohesion. As a general proposition, the relationships between political variables and cohesion are highly significant for Republicans, with the level of significance typically stronger than for the Democrats. As for the Democrats the number of new members in the House affects Republican cohesion positively, as we would expect, but not significantly. The other three coefficients are significant. When the Republicans are the majority party, we see a mirror of the Democratic response -- an improvement in Republican cohesion of just under 19 percent. Of course we rarely see a Republican-dominated House in the postwar period. Other variables are more likely to change, however. The midterm election provides the Republicans with a boost of about 9.7 percent while unified government, where both the presidency and the Congress are controlled by a single party, adds 12 percent to Republican unity. Although most popular and some scholarly (Ginsberg and Shefter, 1990) commentary seems to assume that divided government leads to more cohesive and polarized parties as the parties hunker down

in their institutional trenches, we see here that with the other variables controlled, both the Democrats and Republican are less cohesive when government is divided. Unified government appears to provide the parties themselves with something to unify around or unify against.

On the whole, party cohesion responds to the political environment much as we anticipated. I suggested above that we should probably expect that the political environment would be more important in explaining cohesion while the economic environment would be more important in explaining dissimilarity. The reason for this expectation is that party members exploiting the political environment to pull their party together are only directly affecting their party cohesion; the political variables included here cannot directly lead to an increase in dissimilarity for the simple reason that party A cannot be sure what party B will do and what the substance of its policy voting will be (i.e., both parties could become both more cohesive and more alike). When we add in economic variables, however, we are introducing the policy-related substantive variables that can be expected to move the parties together or apart, depending on the situation.

While we will consider dissimilarity below, what do the economic variables tell us about party cohesion itself? With one exception, the expected relationships hold up. Although the profit rate was anticipated

to have a negative relationship to Democratic cohesion, the sign on the coefficient is in fact positive, although insignificant (or marginally significant at .10 for a one-tailed test). On the Republican side profits affect party unity as expected: the relationship is positive, but it is insignificant.

The coefficients in Table 5-7 indicate that Democratic and Republican cohesion both respond to changes in the business failure rate: an increase in the business failure rate of one firm per 10,000 improves Democratic cohesion just over two-tenths of one percent and increases Republican cohesion just under two-tenths of one percent. The impact is small but significant, adding or subtracting one to two percent to party cohesion in a typical year.²²

The most interesting and most important coefficients concern unemployment and inflation. After all, if one wants to argue that Keynesianism and the structure of the state that pursues Keynesian policy are important constraints on the behavior and significance of political parties, one certainly needs to place some emphasis on the key variables of unemployment and inflation. Because of multicollinearity problems with inflation in the two cohesion equations, inflation is replaced by the first difference of inflation, that is, the current inflation

²² The mean change in business failure rates is about 6 firms per year.

rate minus the previous year's inflation rate.²³

The results are as expected for the Democrats: unemployment and inflation contribute positively to Democratic cohesion, but high levels of both decrease Democratic cohesion.²⁴ The nature of the interaction forces a slightly different interpretation of these results than is common. Typically, interaction terms consist of one variable, perhaps continuous or at least ordinal, multiplied against a dummy variable. The interpretation is fairly straight-forward: we see the impact of an additional unit of the first variable when the dummy variable is "true" (i.e., is equal to one). In the estimations here, however, the interaction term consists of two essentially continuous variables. To understand these coefficients, we need to think in terms of conditional coefficients. Specifically, the conditional coefficient for unemployment would be

²³ I should note here that diagnostic tests for heteroskedasticity, serial correlation, and coefficient stability were performed for the equations reported here and indicated no significant deviations from classic linear regression assumptions. Multicollinearity was tested for in two ways: first, an examination of bivariate correlations, and second, by making each independent variable the dependent variable and regressing the remaining independent variables on this variable. This second test gives us a better idea than the first whether a linear combination of the variables explains, and is thus collinear with, another independent variable.

²⁴ The unemployment and interaction coefficients are significant as expected. The first difference of inflation is in the proper direction for both parties and marginally significant for the Republicans. In the discussion of conditional unemployment coefficients below, the key coefficients are those of unemployment and the interaction term.

$$(\beta_1 + \beta_3 \text{Inflation}_t) \text{Unemployment}_t$$

while the conditional coefficient for inflation would be

$$(\beta_2 + \beta_5 \text{Unemployment}_t) \text{Inflation}_t$$

This conditional coefficient tells us, in the first case, that the effect of unemployment on cohesion depends on the level of inflation. Similarly, in the second case, the effect of inflation on cohesion depends on the level of unemployment. Because of its primary emphasis in Keynesian history and the Keynesian framework, we will focus on how unemployment affects cohesion, given the inflation rate.

The results show that an inflation rate of about 10 percent is the breakeven point for Democrats. With inflation less than 10 percent, increases in unemployment tend to increase Democratic cohesion; with an inflation rate over 10 percent, increases in unemployment decrease Democratic cohesion. Table 5-8 provides some examples. If inflation runs at about two percent, each unit (i.e., each percentage point) of unemployment pushes Democratic cohesion up by about 2.9 percent. As inflation gets higher, the positive impact of unemployment for Democratic cohesion diminishes. At about 10 percent inflation the

Table 5-8
The Conditional Effect of Unemployment on Cohesion

<i>Inflation rate</i>	<i>Democratic</i>		<i>Republican</i>	
	<i>Conditional Coefficient</i>	<i>Change in Cohesion (%)</i>	<i>Conditional Coefficient</i>	<i>Change in Cohesion (%)</i>
0	0.0356	3.62	-0.0337	-3.31
2	0.0282	2.86	-0.0297	-2.93
4	0.0208	2.10	-0.0257	-2.54
6	0.0134	1.35	-0.0217	-2.15
8	0.0060	0.60	-0.0177	-1.75
10	-0.0014	-0.14	-0.0137	-1.36
12	-0.0088	-0.88	-0.0097	-0.97
14	-0.0162	-1.61	-0.0057	-0.57
16	-0.0236	-2.33	-0.0017	-0.17
18	-0.0310	-3.05	0.0023	0.23
20	-0.0384	-3.77	0.0063	0.63

picture changes -- additional unemployment pushes Democratic cohesion down. For example, with inflation at 10 percent, 8 percent unemployment would decrease Democratic cohesion by just over one percent. With inflation at 12 percent, 8 percent unemployment scatters Democratic cohesion by about 7 percent.

The model appears to be well supported for the Republicans also. Again, the coefficients are in the correct direction and significant, though only marginally so for the first difference of inflation. Unemployment and inflation demonstrate the predicted relationship: either of these variables alone decreases Republican cohesion but high levels of both

can increase the cohesion. But Republican cohesion has a very high breakeven point: not until inflation reaches about 17 percent does an additional unit of unemployment lead to an increase in cohesion. While this figure is improbably high in practical terms, it reflects the tenuous position of a "permanent" minority party. Given that it was largely economic management in the 1930s that pushed the Republicans into their minority position, the desire not to be caught on the "wrong" side of these issues remains very strong. The support by congressional Republicans for extending unemployment insurance benefits during the 1991 recession --in the face of strong White House opposition -- is a recent case in point.

Again, Table 5-8 allows us to compare the impact of unemployment on Republican cohesion at various levels of inflation. With very low inflation of 2 percent, 8 percent unemployment pushes down Republican cohesion by 23 percent. With inflation at 10 percent, the effect is more modest: an 11 percent drop. With runaway inflation of 20 percent, Republican cohesion increases by 5 percent if unemployment registers in at 8 percent.

Figures 5-1 and 5-2 summarize the performance of the economic-political model in explaining party cohesion for the Democrats and Republicans, respectively. For both parties, both economics and politics

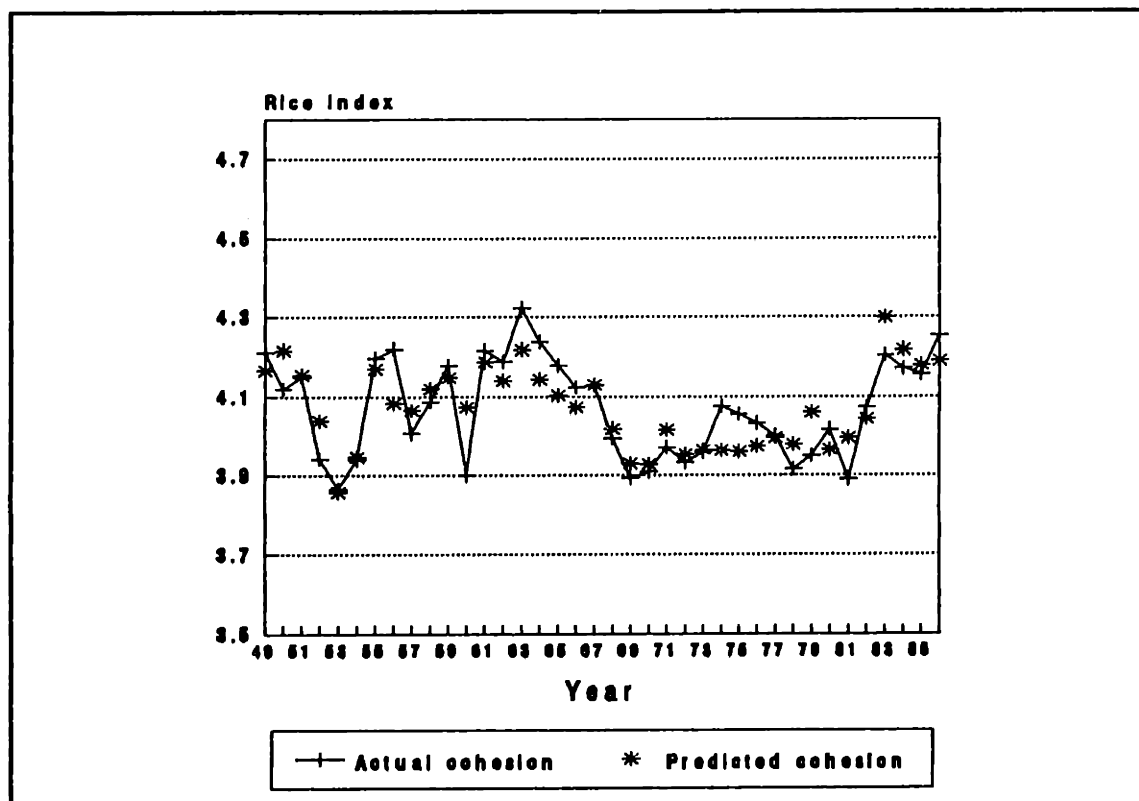


Figure 5-1
Democratic Cohesion and the Economic-Political Model

matter. And in neither case does a predicted value fall more than two standard errors from the actual value.

Party Dissimilarity

Cohesion is only one piece of the party puzzle. The other arguably more important piece is party dissimilarity -- cohesive parties voicing similar views clearly do not offer voters a significant choice.

Here we estimate the following model for party dissimilarity:

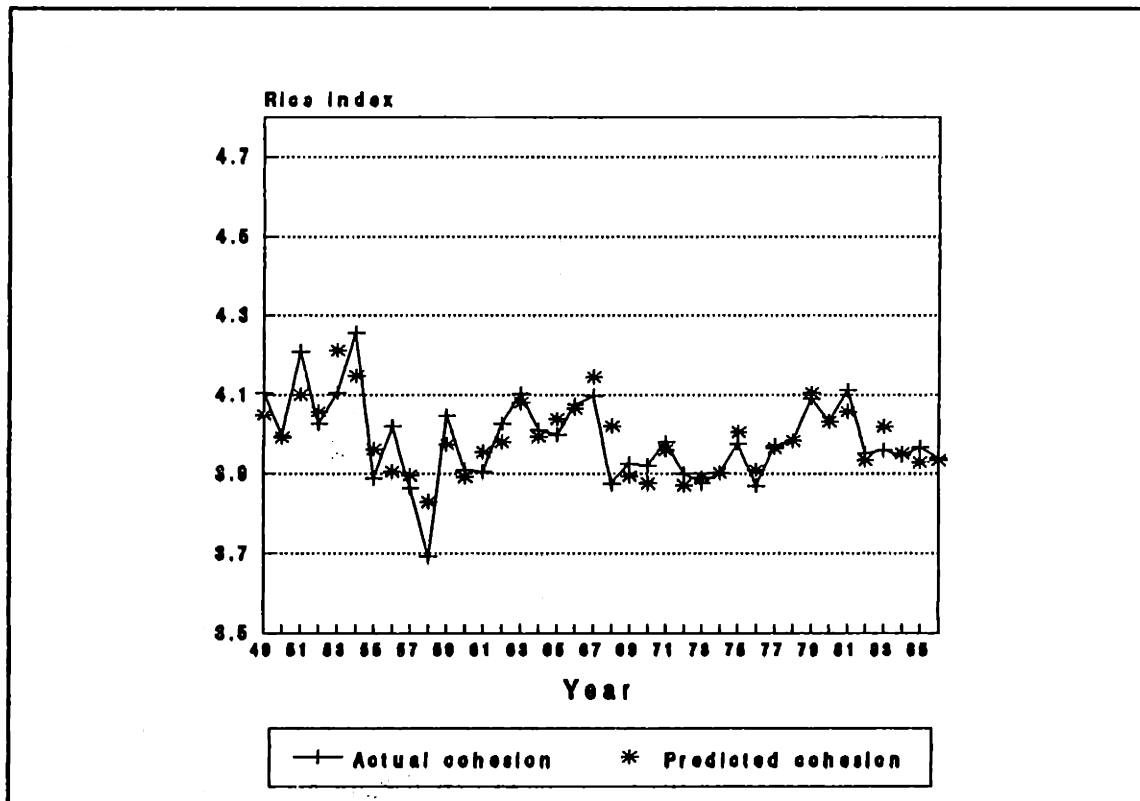


Figure 5-2
Republican Cohesion and the Economic-Political Model

$$\begin{aligned} IPD_{RD_t} = & \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \beta_3 \text{Profits}_t + \\ & \beta_4 \text{Failures}_t + \beta_5 (\text{Unemployment} * \text{Inflation})_t + \beta_6 \text{Consistency}_t \\ & + \beta_7 \text{New members}_t + \beta_8 \text{Republican majority}_t + \beta_9 \text{Election}_t \\ & + \beta_{10} \text{Post-midterm}_t + \beta_{11} \text{Southern Democrats}_t + \beta_{12} \text{Southern} \\ & \text{Democrats}^2 + \beta_{13} \text{Majority size}_t + e_t \end{aligned}$$

For party votes the model was the same except for the elimination of the post-midterm election intercept variable:

$$\begin{aligned} PV-50_{RD_t} = & \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \beta_3 \text{Profits}_t + \\ & \beta_4 \text{Failures}_t + \beta_5 (\text{Unemployment} * \text{Inflation})_t + \beta_6 \text{Consistency}_t \\ & + \beta_7 \text{New members}_t + \beta_8 \text{Republican majority}_t + \beta_9 \text{Election}_t + \\ & \beta_{10} \text{Southern Democrats}_t + \beta_{11} \text{Southern Democrats}^2 + \\ & \beta_{12} \text{Majority size}_t + e_t \end{aligned}$$

Table 5-9
Party Dissimilarity in the House, 1949-86

	<i>IPD</i>	<i>PV-50</i>
Intercept	1.4497** (0.5648)	2.1030** (0.7232)
Unemployment	-0.0646** (0.0262)	-0.1262*** (0.0340)
Inflation	-0.0764* (0.0402)	-0.0879* (0.0517)
Profit rate	0.0166 (0.0140)	-0.0105 (0.0179)
Business failures	0.0078*** (0.0011)	0.0078*** (0.0014)
Unemployment*Inflation	0.0118* (0.0052)	0.0167** (0.0067)
Consistency	0.1828*** (0.0373)	0.1772*** (0.0483)
N new members	0.0008 (0.0013)	0.0016 (0.0017)
Republican majority	-0.1440* (0.0807)	-0.3173** (0.1028)
Congressional election	-0.0557* (0.0351)	-0.0969** (0.0373)
Post-midterm year	0.1151** (0.0432)	
Southern Democratic	-0.0256*** (0.0056)	-0.0254*** (0.0071)
Size of majority party	0.0153** (0.0055)	0.0203** (0.0070)
SER	0.0882	0.1143
Corrected R-squared	0.853	0.749
Durbin-Watson	1.99	2.15
F-statistic	18.826	12.060

***=sig. at < .001, **=sig. at < .01, *=sig. at <.05, x=sig. at <.10, one-tailed test; standard errors in parentheses

The data in Table 5-9 support the model very well for both party dissimilarity and party votes. The overall fit is high and significant and with a few exceptions the independent variables are in the expected direction and reach statistical significance. Because the results for these two dependent variables are similar, I will focus on party dissimilarity in this discussion unless the party vote model produces substantially different results.

Again taking the political variables first, we see that parties move toward each other in election years -- dissimilarity declines by 5.7 percent -- and move apart significantly after the midterm election -- dissimilarity increases over 12 percent. And as I implied above, when government is consistent or unified, dissimilarity runs about 20 percent higher than when government is divided. A one-percentage-point increase in the plurality of the majority party pushes dissimilarity up by one and one-half percent. The brief Republican majority in 1953 and 1954 was associated with a drop of 15 percent in party dissimilarity (about 27 percent in party votes). I noted above that party cohesion took opposite responses to a Republican majority: Republican cohesion increased, Democratic cohesion decreased. A decrease in Democratic cohesion as conservatives increasingly move the party closer to conservative Republican positions fits perfectly well with decreasing dissimilarity as

well. Finally, the number of new House members behaves as expected, but not significantly.

On the economic side, a one-firm increase in business failures index translates into a four-fifths of one percent increase in dissimilarity and about the same in party voting. Profits perform as expected regarding dissimilarity but not as expected regarding party votes. In neither case was the coefficient significant.

Unemployment and inflation perform as expected in both models. Ordinarily, unemployment or inflation pushes the parties closer together. But when both are at high levels, dissimilarity increases as the Keynesian model loses its credibility. In the case of party dissimilarity, Table 5-10 shows the breakeven point to be 5.5 percent inflation. Over this level, additional unemployment tends to increase party dissimilarity. If inflation is running at two percent and unemployment registers in at 8 percent, party dissimilarity plunges, *ceteris paribus*, 32 percent. With an inflation rate of 10 percent, 8 percent unemployment results in a dissimilarity boost of almost 44 percent. In runaway inflation of 20 percent, that same 8 percent unemployment translates into a dissimilarity increase of 150 percent. Unlike what most of the literature on Keynesian politics tells us, then, the breakdown of Keynesianism does not mean the breakdown of parties; in fact, the breakdown provides a

Table 5-10
The Conditional Effect of Unemployment on
Party Votes and Dissimilarity

<i>Inflation rate</i>	<i>IPD</i>		<i>PV-50</i>	
	<i>Conditional Coefficient</i>	<i>Change in IPD</i>	<i>Conditional Coefficient</i>	<i>Change in PV-50</i>
0	-0.0646	-6.26%	-0.1262	-11.86%
2	-0.0410	-4.02	-0.0928	-8.86
4	-0.0174	-1.72	-0.0594	-5.77
6	0.0062	0.62	-0.0260	-2.57
8	0.0298	3.02	0.0074	0.74
10	0.0534	5.49	0.0408	4.16
12	0.0770	8.00	0.0742	7.70
14	0.1006	10.58	0.1076	11.36
16	0.1242	13.22	0.1410	15.14
18	0.1478	15.93	0.1744	19.05
20	0.1714	18.70	0.2078	23.10

fresh opportunity for parties to offer distinctive messages. Figures 5-3 and 5-4 provide a graphical look at the fit of the economic-political model for dissimilarity and party votes, respectively.

Finally, recall from chapter 4 that one can also look at the database of bills in a weighted form. That is, a weighted form of the dependent variables makes each bill, rather than each roll call vote, the

unit of analysis. This weighted calculation arguably provides a truer representation of party cohesion and dissimilarity because it is not distorted by an excessive number of votes on a handful of bills. If the House took 30 votes on a bill, the weighted measure would still treat that bill as one case, whereas the unweighted measure treats the bill as 30 cases or, more precisely, treats each vote as one case. There is, however, some cause for concern with the weighted measure. One inherent weakness of aggregate cohesion measures is that they do not select only "important" votes, however defined, but rather select all votes. Weighting all bills equally regardless of the number of votes on the bill may possibly exacerbate the influence of less important votes -- a bill that attracted ten roll call votes is treated equally with a bill that raised one or two votes. With this caveat in mind, I re-estimated the model for comparison purposes. When the re-estimation is done using these adjusted dependent variables for cohesion and dissimilarity, no significant differences in results or interpretations results: the findings reported above gain an extra degree of confidence.

CONCLUSION

Having been the founders of and for most of its duration the main

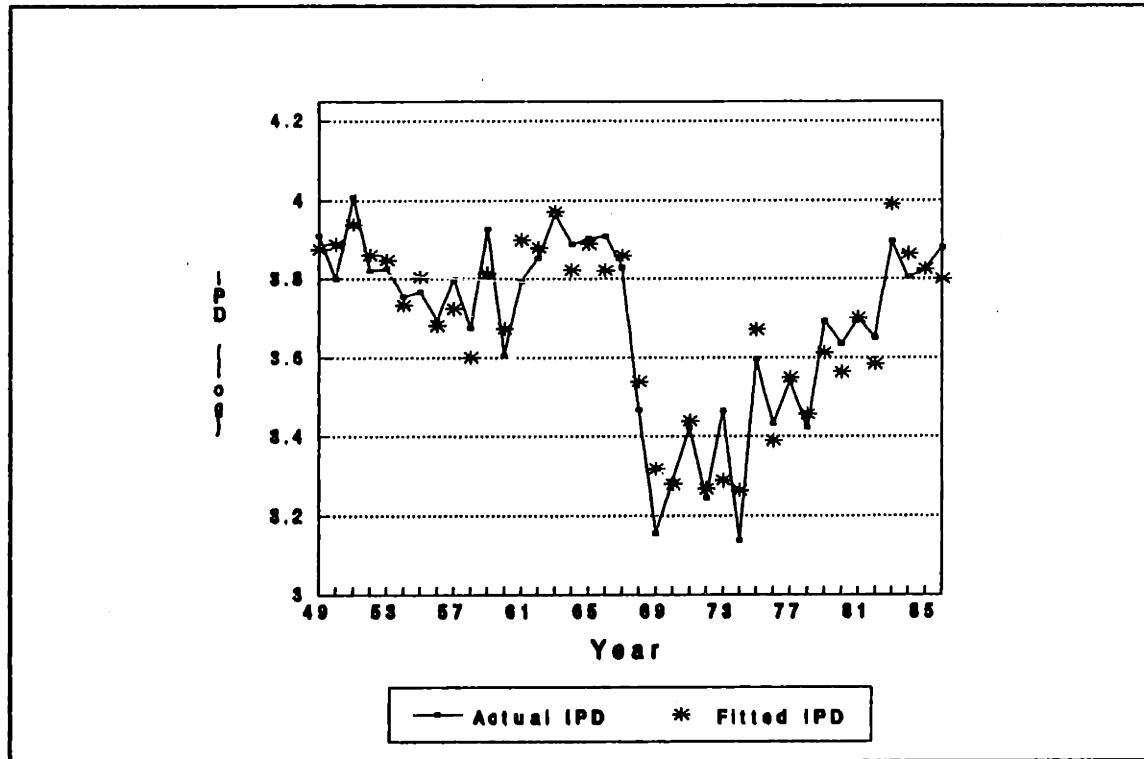


Figure 5-3
Party Dissimilarity and the Economic-Political Model

beneficiaries of the fiscal state, the Democrats show a particular attachment to a main premise of the economic management exercised by that state: there is a tradeoff between unemployment and inflation, and the fiscal apparatus of the state provides the tools with which to structure this tradeoff. Democrats, then, become more cohesive under either inflation or unemployment because the solitary occurrence of either one of these problems has, in a sense, a built-in solution in Keynesian theory. And when controlled for other variables, unemployment and inflation by themselves led to more interparty similarity. On the other hand, the simultaneous existence of high

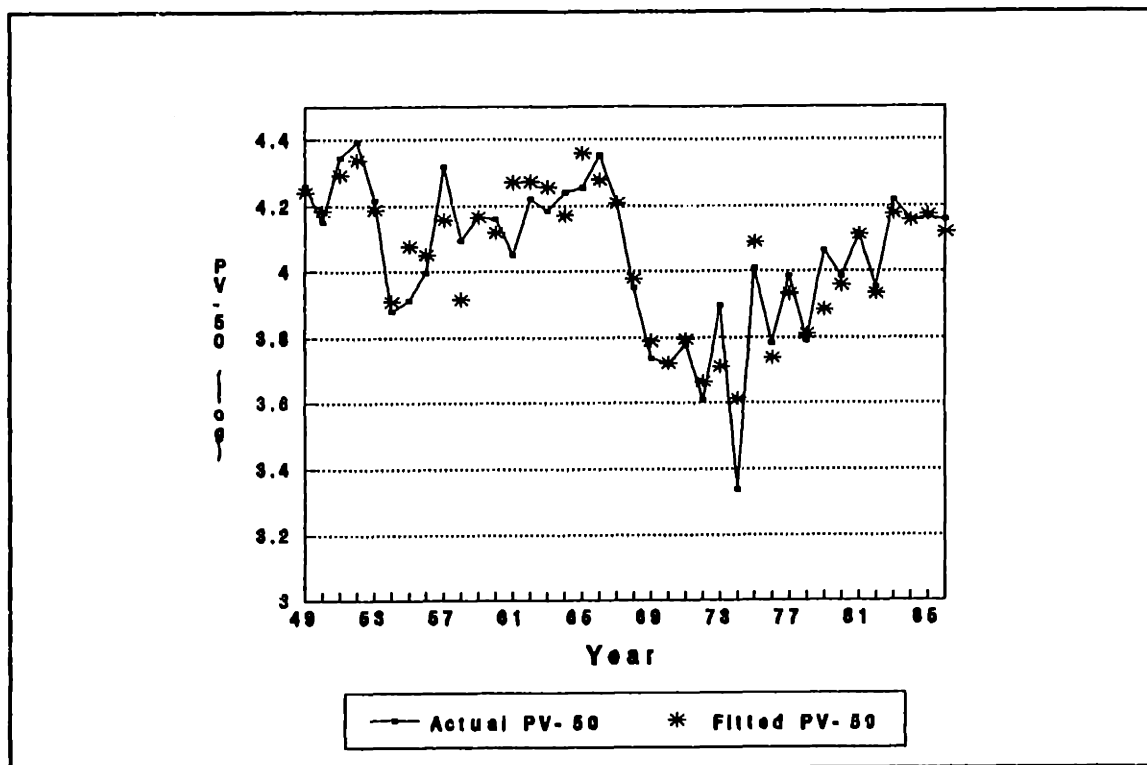


Figure 5-4
Party Votes-50 and the Economic-Political Model

inflation and high unemployment destroys the idea that one can make a tradeoff between the two. For the Democrats, the conflation of the two problems scatters the party. For the Republicans, this conflation provides the opportunity to attack the governing model put in place by Democrats. Although Republicans accepted, by and large, the tradeoff between unemployment and inflation, there was always a significant strand in the party arguing that the tradeoff could be managed by other means, particularly monetary policy, and the government's taxing and spending could be curtailed. Clearly, simultaneous high inflation and unemployment provide a way for Republicans to cohere and make this

argument. The net result of the parties' actions over the 1949-1986 period was to push the parties further apart under conditions of dual high unemployment and high inflation.

While both parties respond to both the economic and political environments, the Republican results reflect the problem of being the nearly-uninterrupted minority party for a fifty-year period. As a nearly permanent minority, one realizes that little will get done that does not meet with the acquiescence of the majority party leadership, the "conservative coalition" notwithstanding. Thus, there may be a tendency, particularly over time, for party members to "freelance" on issues in ways that lessen party cohesion. Changes in unemployment or inflation by themselves are not enough to overcome this pattern and, as we saw, actually intensify it. What becomes particularly appealing to a party in this position is a political or structural issue that may change the balance of power. The convergence of both inflation and unemployment may be one. Consistent parties, because one either has a unitary enemy to oppose or one's own party is getting a rare chance to exercise power in both branches of government, may be another. Similarly, the rare event of looking to a Speaker of one's own party in order to pass legislation, rather than constantly blocking legislation, leads to a burst of party voting. Whether this behavior would continue

in a less one-sided legislative arena is unclear, but the Democratic results indicate that having a Speaker of one's party did provide the party with a 20 percent boost in cohesion over the postwar period.

We can see, then, that how the state manages the business cycle does affect the parties: the parties generally had a more distinctive message to offer when the assumptions of fiscal management had broken down with high unemployment and high inflation but not necessarily when either of these occurred alone. In one sense there is a positive message here: when the economy is at a particularly low ebb, the parties have responded by supporting different packages of policy choices. On the other hand, the increased dissimilarity is at least partly the result of a decline of Democratic cohesion rather than a dramatically new policy alternative. And the relatively meager response to high unemployment or high inflation alone leaves voters with increasingly similar policy packages. There is, then, a mismatch between these phases of economic activity, voter attention, and how the parties respond. One can hardly pine for more occasions of high unemployment and inflation so that parties might diverge, but it is valid to note the discouraging point that opportunities are infrequent for parties to diverge while voters attention is peaked. To gain a better understanding of this dilemma, the next chapter pushes the analysis on both a macro and micro front by

examining cohesion and dissimilarity as a system on the macro side and intraparty splits and types of policy on the micro side.

Chapter 6

Policies, Regions, and Interdependence in the Congressional Response to Economic Conditions

The previous chapter supported the argument that the behavior and strength of the parties depends at least partly on the mediation of the fiscal state. But can this relationship be pushed any further? Are, for example, cohesion and dissimilarity better thought of as a system of relations, such that both cohesion and dissimilarity are dependent on each other as well as the other variables discussed in the previous chapter? If there is such a relationship, does it erase the finding that cohesion and dissimilarity move in patterns predictable from the theoretical viewpoint of a state-centered approach? Does policy type show any particular relationship to party behavior? In particular, do appropriations and authorizations votes demonstrate similar or divergent patterns of response to economics and politics, and is the pattern of one type of vote more explainable by the fiscal state argument than is the other type? Finally, does the sectional division in the Democratic party force any revision of the findings in the previous chapter? Are the findings regarding "Democrats" actually more representative of one or the other regional sections in the party?

All three of these areas -- interdependence, appropriations versus

authorizations, and sectional divisions -- are challenges to the findings in the previous chapters. Each of them could constrain (or perhaps reverse) our findings to a particular type of bill or section, or a particular simultaneous relationship between variables. Looking at these three areas, then, should help us refine our understanding of the fiscal state and its impact on party voting behavior. But refining the model does not necessarily mean abandoning the model: these challenges may also be opportunities to develop a more nuanced view of the impact of economics and politics on the parties while they confirm the usefulness of the model in general.

DISSIMILARITY AND COHESION AS A SYSTEM

To this point we have considered dissimilarity and cohesion in independent, single-equation estimations. But one could make an argument that the two variables are to some degree simultaneously determined. For example, given the construction of the indices, very high levels of dissimilarity require high levels of cohesion. The relation is not absolute -- each party could be highly cohesive but rather indistinctive from each other. Or dissimilarity could be high with only one party highly cohesive while the other party's cohesion is low. In

practice, however, scattergrams show that high cohesion is associated with higher dissimilarity from 1949 to 1986 ($r=.63$ for Democratic cohesion and Democratic-Republican dissimilarity, $r=.47$ for Republican cohesion and Democratic-Republican dissimilarity). Of greater interest is the notion that the current year's cohesion may be affected by the prior year's dissimilarity. If the dissimilarity level in the previous year was relatively high, that might encourage party leaders to ensure that their party troops will be cohesive in the present year. Of course the problem here for the economic-political model is the possibility that simultaneous modeling might erase the single-equation findings of the previous chapter.

To test these possibilities, I constructed a three-stage-least-squares system estimation¹ employing the following equations for Democratic cohesion, Republican cohesion, and the Index of Party Dissimilarity:

$$\begin{aligned} \text{Ln(Cohesion)}_{D,t} = & \beta_0 + \beta_1 \text{Unemployment}_t + \beta_2 \text{Inflation}_t + \\ & \beta_3 \text{Failures}_t + \beta_4 (\text{Unemployment} * \text{Inflation})_t + \beta_5 \text{Consistency}_t \\ & + \beta_6 \text{Republican majority}_t + \beta_7 \text{Post-midterm}_t + \beta_8 \text{Southern} \\ & \text{Democrats}_t + \beta_9 \text{Ln(IPD)}_{t-1} + e_t \end{aligned}$$

¹ Three-stage least squares first estimates the model equations by two-stage least squares and then applies generalized least-squares estimation to the system of equations. Three-stage least squares produces estimates that are more efficient because it uses the residuals of the equations to estimate cross-equation variances and covariances or, in short, cross-equation correlation (Wonnacott and Wonnacott, 1979:502-511; Pindyck and Rubinfeld, 1981:334-338).

$$\begin{aligned} \text{Ln}(\text{Cohesion})_{R,t} = & \beta_{10} + \beta_{11}\text{Unemployment}_t + \beta_{12}\text{Inflation}_t + \\ & \beta_{13}\text{Failures}_t + \beta_{14}(\text{Unemployment*Inflation})_t + \\ & \beta_{15}\text{Consistency}_t + \beta_{16}\text{New members}_t + \beta_{17}\text{Republican} \\ & \text{majority}_t + \beta_{18}\text{Post-midterm}_t + \beta_{19}\text{Ln}(\text{IPD})_{RD,t-1} + e_t \end{aligned}$$

$$\begin{aligned} \text{Ln}(\text{IPD})_{RD,t} = & \beta_{20} + \beta_{21}\text{Unemployment}_t + \beta_{22}\text{Inflation}_t + \\ & \beta_{23}\text{Failures}_t + \beta_{24}(\text{Unemployment*Inflation})_t + \\ & \beta_{25}\text{Consistency}_t + \beta_{26}\text{Republican majority}_t + \beta_{27}\text{Election}_t + \\ & \beta_{28}\text{Post-midterm}_t + \beta_{29}\text{Southern Democrats}_t + \beta_{30}\text{Majority} \\ & \text{size}_t + \beta_{31}\text{Ln}(\text{Cohesion})_{D,t-1} + \beta_{32}\text{Ln}(\text{Cohesion})_{R,t-1} + e_t \end{aligned}$$

Instrumental variables include lagged and unlagged versions of the exogenous variables in the equations in addition to exogenous variables not in the equations: percentage votes for Democrats in Congress, party of the president, industrial capacity utilization, percentage change in disposable personal income, and percentage changes in the per capita gross national product.

Overall, Table 6-1 indicates that the systems estimation supports the results of the single-equation models quite well. The suspicions about the variables is, however, partially borne out: both parties' current year cohesion is positively affected by prior year dissimilarity, particularly for the Democrats (the Republican coefficient is smaller and not statistically significant). Because both the dependent and independent variables in this case are logarithms, we can interpret the change in percentage terms. That is, a one percent increase in prior-year

dissimilarity leads to a 0.25 percent increase in Democratic cohesion. For the Republicans the change in cohesion is just under 0.03 percent, but again not significantly. We also see in Table 6-1 that party dissimilarity is positively affected by the current year cohesion of the parties, as we anticipated. An increase in Democratic cohesion by one percent leads to an increase in party dissimilarity of 0.28 percent, while a one percent increase in Republican cohesion leads to a 0.43 percent increase in dissimilarity. Both coefficients are significant; clearly so in the Republican case and marginally so in the Democratic case. In sum, the cohesion of the parties affects this year's dissimilarity, and that dissimilarity in turn affects next year's cohesion.

Fortunately, controlling for these simultaneous effects does not negate the economic-political model presented above. In the case of Democratic cohesion, business failures becomes insignificant, but the remaining variables behave as originally estimated. Most importantly, the interpretation of the effect of unemployment, inflation, and their interaction on Democratic cohesion remains the same. For Republicans, where prior-year dissimilarity does not significantly influence current-year cohesion, the estimation results again parallel those of the single-equation estimation. Why prior-year dissimilarity has a more significant effect on Democratic cohesion than Republican cohesion is not

Table 6-1
Three-Stage Least Squares Estimation of Cohesion and Dissimilarity

	<i>Democratic Cohesion</i>	<i>Republican Cohesion</i>	<i>Party Dissimilarity</i>
Intercept	2.8516*** (0.3466)	3.8177*** (0.2712)	2.8516*** (0.3466)
Inflation	0.0165 (0.0085)	-0.0097 ^x (0.0065)	-0.0962** (0.0285)
Unemployment	0.0460 (0.0166)	-0.0264 (0.0129)	-0.0867*** (0.0242)
Unemp*Inflation	-0.0029 (0.0013)	0.0019 (0.0009)	0.0156 (0.0041)
Failures	0.0005 (0.0010)	0.0013 (0.0007)	0.0067*** (0.0011)
Consistency	0.0075 (0.0371)	0.1253*** (0.0273)	0.2492*** (0.0365)
Election			-0.0560 (0.0307)
After midterm	0.0856** (0.0306)	0.0956*** (0.0238)	0.1336*** (0.0398)
S. Democrats	0.0026 (0.0034)		0.0190*** (0.0054)
Majority size			0.0117** (0.0049)
Repub. majority	-0.2122** (0.0689)	0.1762*** (0.0465)	-0.0193 (0.0959)
Dem. Cohesion			0.2810 ^x (0.1829)
Rep. Cohesion			0.4286** (0.1686)
IPD (t-1)	0.2419** (0.1036)	0.0290 (0.0738)	
SER	0.0869	0.0690	0.1071
Corrected r-squared	0.525	0.572	0.783
Durbin-Watson	1.747	2.383	1.815
F-statistic	5.541***	7.184***	12.111***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

immediately apparent; I will offer one possible scenario below.²

Perhaps most encouraging for the usefulness of the economic-political model are the three-stage least squares estimation for party dissimilarity. Rather than weaken the relationships uncovered in the previous chapters, Table 6-1 shows that nearly all the independent variables are significant at high levels of .01 or .001. The only variable that fails to show even marginal significance is the Republican majority in the House, probably because most of this effect is captured in the cohesion variables in the equation. The key economic variables perform as anticipated, with the breakeven point for inflation remaining at about 5.5 to 6 percent.

As I mentioned above, IPD plays a more significant role in the Democratic cohesion column than the Republican cohesion column. The coefficients for Democratic and Republican cohesion in the party dissimilarity column may help us explain why that is the case. The

² Experimenting with some cross-equation coefficient restrictions, such as using the same coefficient value for variables expected to have the same effect (i.e., positive or negative) in all three equations (for example, consistency, post-midterm year, business failures), I found in no case did these restrictions have effects on the results that materially change the interpretations offered here. In the example just mentioned, the coefficient restrictions led to significant coefficients in all three equations, which differs from the pattern in the table. For example, the table shows consistency and failures as insignificant for Democratic cohesion, but with the restrictions they were significant. Given no compelling theoretical reason to favor any of the restricted coefficients over the unrestricted coefficients, I have relied on the latter in Table 6-1.

coefficients show that current-year party dissimilarity reacts more to current-year Republican cohesion than Democratic cohesion. Given a relatively higher Democratic cohesion over time, we can say that Republican cohesion will be more responsible for driving party dissimilarity than will Democratic cohesion. That is, if Democratic cohesion is typically high, what will most affect changes in the dissimilarity level from year to year is the level of Republican cohesion. If we can indeed say the Republicans in some sense drive the level of dissimilarity, perhaps it is reasonable to expect that the Democrats respond more strongly to prior-year dissimilarity than do the Republicans. That is, when Democrats see that the level of difference between the parties increased in the previous year, they can be reasonably certain that, on average, the increase occurred because of increased Republican cohesion. With that in mind, it makes sense for the Democrats to redouble their efforts in the present year regarding cohesion while the Republicans would not be so directly stimulated to improve their cohesion.

Whether or not this explanation resolves the difference between the cohesion columns regarding the effect of dissimilarity is open to debate. More importantly, the results in Table 6-1 indicate that the findings of the economic-political model are robust enough that they

emerge even when we control for the interactive effects of dissimilarity and cohesion. While the model is to some degree better specified and estimated as a system of equations, the results from single equation estimation are not misleading. In the following sections in this chapter I will rely on single-equation estimations to determine whether the separation of appropriations and authorizations votes and the separation of northern and southern Democrats has a strong impact on our results. We are looking to see if different patterns exist between these policy types and regional groups; we are not specifically testing, for example, whether authorizations cohesion has a specific impact on party dissimilarity on appropriations. That type of analysis would indeed be well suited for a systems analysis.

APPROPRIATIONS AND AUTHORIZATIONS:

A DIME'S WORTH OF DIFFERENCE?

Unlike studies of the policy process, studies of party cohesion and dissimilarity in the Congress have not distinguished between votes intended to authorize or reauthorize programs and votes intended to appropriate funds for programs already approved. Certainly part of the reason for this neglect is that previous studies have had no theoretical

reason to focus on budget-related votes. On the other hand, studies of the policy process or even the budgetary process often focus on either the authorizations committees or the appropriations committees; relatively rarely the focus is on both. But when one is focusing on budget-related votes as a proxy for the economic role of the government, Rubin (1988:124) is surely correct to argue that "it makes little sense to look at congressional budgeting without looking at the relationship between authorizations and appropriations." Therefore, the question guiding this section is whether party behavior on appropriations and authorizations votes runs on parallel or perpendicular tracks: does the existence of two bodies of literature on policy making suggest as well two different kinds of party reaction to the political and economic environment? Or is Rubin right to focus on the relationship between the two processes? Are there perhaps important similarities between authorizations and appropriations in the party reaction to the political and economic environment?

One major approach to understanding this relationship between authorizations and appropriations argues that the interest of authorizations committees in specific budget levels varies over time; it tends to increase when stirred by some particularly important issues or set of environmental circumstances. The flip side of this approach is

that the work of appropriations committees is more "incremental, focusing on changes between years, ignoring the base, and not comparing major policy alternatives. . . . The authorizing committees orchestrate a variety of interest groups, consider a range of policy alternatives, arrive at compromises, and then feed the budgetary implications back into the appropriations process" (Rubin, 1988:125). Other studies, meanwhile, are not so sure that the processes are in such contrast. The recent appropriations process is highly influenced by economic circumstances (White and Wildavsky, 1990; Schick, 1990). And indeed, even the traditional incremental changes were likely to reflect at least partly the economic environment -- the great budget battles of 1957, with the Democratic Congress cutting Eisenhower's spending plan in the face of expected high inflation, is a case in point.

Extending these arguments to the terms of the present study, then, is difficult. Neither authorizations nor appropriations seem to be exclusively the domain of the economic or political environment. For example, we could expect to find floor voting on the appropriations process to be more likely to fluctuate with the economic cycle and to adhere to our predictions about party roll call behavior within the fiscal state. If authorizations bills more closely represent the pet projects of interest groups, we should expect voting on these bills to continue more

independently of the economic environment. However, these expectations are by no means obvious. One could plausibly argue that the authorizations process, which by creating and dismantling programs reflects statebuilding, should respond to economic pressures with a push toward new programs during economic stress. Even still, given the lessons of the 1930s and 1940s it is likely that in actual recession years we will find the parties converging. Our expectation, then, is that authorizations and appropriations will both be explained by the economic-political model, both in cohesion and dissimilarity. Regarding the latter, the literature suggests that while both series will be related to the variables in the model, appropriations might be somewhat more closely linked to the political environment than will the authorizations process.

Explaining Cohesion

To test whether there are significant differences in voting patterns for appropriations and authorizations, I first divided the roll call votes into appropriations and authorizations categories and then calculated separate cohesion and dissimilarity scores for each. These indices were then regressed on the set of political and economic variables isolated in chapter 5.

Table 6-2
Roll Call Cohesion on Appropriation and Authorization Votes

	<i>Democrats</i>		<i>Republicans</i>	
	<i>Appropriat.</i>	<i>Authorizat.</i>	<i>Appropriat.</i>	<i>Authorizat.</i>
Intercept	3.6166*** (0.4067)	3.4233*** (0.1821)	4.0562*** (0.2401)	3.7094*** (0.1336)
Inflation	-0.0015 (0.0173)	-0.0002 (0.0077)	-0.0127 (0.0174)	-0.0040 (0.0097)
Unemployment	-0.0146 (0.0331)	0.0368** (0.0148)	-0.0811** (0.0335)	-0.0004 (0.0186)
Unemp*Inflation	-0.0011 (0.0026)	-0.0032** (0.0012)	0.0021 (0.0023)	0.0006 (0.0013)
Profits	0.0016 (0.0210)	0.0195* (0.0094)	-0.0192 (0.0209)	-0.0012 (0.0116)
Failures	0.0042** (0.0017)	0.0016* (0.0007)	0.0018 (0.0016)	0.0013* (0.0009)
New members	0.0029* (0.0019)	0.0029 (0.0009)	0.0058** (0.0019)	0.0016* (0.0011)
Consistency	0.0454 (0.0599)	0.0220 (0.268)	0.1071* (0.0606)	0.0564* (0.0337)
After midterm	0.0928* (0.0600)	0.0717** (0.0268)	0.0095 (0.0605)	0.0444* (0.0337)
S. Democrats	0.0010 (0.0062)	0.0066** (0.0028)	--	--
Repub. majority	-0.1604 (0.1348)	-0.2318*** (0.0604)	-0.2013* (0.1246)	0.2028** (0.0693)
SER	0.1480	0.0663	0.1500	0.0834
Corrected r-square	0.225	0.625	0.376	0.329
Durbin-Watson	2.041	2.350	1.733	1.835
F-statistic	2.072*	7.155***	3.479**	3.015**

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test;
 standard errors in parentheses

Table 6-2 presents the estimations for party cohesion on appropriations and authorizations votes. Taking the Democrats first, appropriations voting is not well explained by the model. In the aggregate the standard error of the regression is relatively high (compared to authorizations) and the f-statistic is only marginally significant. The political variables do fall in the proper direction, though only two reach even marginal significance. On the economic side the model fares even more poorly -- only business failures and the unemployment-inflation interaction term have the correct sign and only the former is significant. In short, appropriations cohesion is not very well explained by the economic-political model.

The model is somewhat more successful in explaining Democratic cohesion on authorizations votes. Not only is the variance explained substantially higher than in the case of appropriations, but the standard error and f-statistic are more satisfactory. The political variables again perform as expected. Most important, however, is that the core of the economic component of the model performs as one would like: rising unemployment increases Democratic cohesion on authorizations votes but high unemployment and inflation (11 percent inflation is the breakpoint) brings Democratic cohesion down. When basic Keynesian pressures such as increased unemployment occur, Democrats converge as

they reauthorize old programs and authorize new programs to deal -- at least partly or at least as a beneficial side-effect -- with the economic problem. But with both inflation and unemployment a problem, it becomes less clear what to change, if anything, in the reauthorization of programs and it becomes less clear what the value of new authorizations would be.³

The Republican results present a slightly different pattern. While the aggregate statistics for appropriations are reasonable, we get a curious negative result regarding a Republican majority. That is, according to the estimate a Republican majority actually hurts Republican cohesion on appropriations. No obvious reason explains this surprising result. The other political variables are less surprising. All fall in the correct direction and two of three is significant. On the economic side, as with the Democrats, failures are appropriately signed and profits inappropriately signed. The key inflation and unemployment variables behave as expected: unemployment or inflation hurts Republican cohesion and high levels of the two together helps Republican cohesion. Only unemployment is statistically significant. In general, then, with the exception of the sign on the Republican majority

³ Inflation registers as insignificant and incorrectly signed. Though this is hardly a desirable situation, it is not completely unusual when one substitutes changes in the variable for levels of the variable.

variable, appropriations cohesion is better explained for the Republicans than the Democrats.

On the other hand, cohesion on authorizations is less well explained than its Democratic counterpart. While here all the variables except profits are in the proper direction, the strength of the relationship between the model and the cohesion data lies in the political variables. All the political variables are at least mildly significant. Only failures is significant on the economic side. More important, however, the size of the coefficients is markedly diminished from their size in the appropriations estimation. Specifically the economic coefficients in the authorizations estimation are anywhere from one-half to one-third the size of the coefficients in the appropriations estimation. In short, while both Republican appropriations and authorizations show some fit to the model, the fit for appropriations is somewhat better.

We now see one reason why it was difficult to come down firmly on either side when trying to predict which series, appropriations or authorizations, would be better explained by the economic-political model. The findings in Table 6-2 scatter the idea that either appropriations or authorizations would be uniquely linked to the economic-political model, at least with regard to party cohesion. What we see instead is a slightly different emphasis by each party. For the

Democrats, if recession strikes, the party is able to become more unified around changes in reauthorizations or in new authorizations. If both inflation and unemployment are problems, it becomes harder to agree on authorizations as Keynesian logic weakens. As we have stressed, the Democrats were the founders of the fiscal state. Therefore it is not entirely surprising that the series which ostensibly measures the addition of new economic roles for the government or the redefinition of existing ones would be better explained in the case of Democrats than Republicans.

For the Republicans, on the other hand, as unemployment becomes a problem during recession, party members begin to defect to adopt Keynesian spending measures. Specifically, Republican cohesion suffers as party members become more willing to relent on appropriations and approve spending increases. There is a similar reaction regarding authorizations, but it is much weaker. Again, the Republicans were not the founders of the fiscal state and they are in general terms the more conservative party. It makes sense, then, for such a party to be more willing to make accommodations to Keynesian spending via appropriations rather than by adding to the structural

foundation of the fiscal state via new programs.⁴

Certainly this view of the appropriations and authorizations results with regard to party cohesion is taking a fairly liberal interpretation of the results in Table 6-2. While I think there is justification for this interpretation, one must be cautious. To take a more conservative view, we can say that the mixed results support the notion that one need not separate these budget-oriented votes into appropriations and authorizations to have a meaningful understanding of the data. By looking at appropriations and authorizations, we have certainly not undermined the utility of examining the entire aggregate roll call set.

Explaining Dissimilarity

We saw in the previous chapter that the economic-political model was particularly effective in explaining the level of discord between the parties. The present question is whether, when we split the data set into appropriations and authorizations, party dissimilarity again shows a

⁴ The Republican patterns for appropriations and authorizations are more differentiated than their Democratic counterparts. For example, while the Democratic series on authorizations and appropriations are correlated at $r=0.59$, the Republican correlation is only $r=0.17$. This is consistent with the idea that Republicans may try to fight program expansion (authorizations) but are less likely to reject program funding (appropriations).

strong connection to the economic-political model. Given the findings above -- that Democratic voting on authorizations is more closely linked to the model while for Republicans appropriations were a superior match -- we might well expect dissimilarity in both series to demonstrate some connection to the political and economic environment as presented in the economic-political model.

The results are presented in Table 6-3. Overall, with the exception of the wrongly-signed majority size variable in the appropriations equation, the effect of the variables are precisely what the model predicts. While the model is about equally effective at explaining variance in the two time series, we are able to establish a larger number of significant (and near-significant) relationships in the appropriations estimation. But it is also the case that it is predominantly, though hardly exclusively, the political variables that are significantly related to appropriations. With authorizations, these political variables appear less important. Although we noted earlier that there was more fluctuation in the appropriations series than the authorizations series, which would lead us to expect larger coefficients in the appropriations equation than in the authorizations equation, the political coefficients in the authorizations estimation are typically one-third to one-seventh the size of the political coefficients in the appropriations estimation. On the other hand, the

Table 6-3
Party Dissimilarity on Appropriations and Authorizations

	<i>Appropriations</i>	<i>Authorizations</i>
Intercept	2.8528** (1.0894)	1.7072 [•] (0.7970)
Inflation	-0.0901 (0.0777)	-0.0828 ^x (0.0569)
Unemployment	-0.1029 (0.0505)	-0.0423 (0.0369)
Unemp*Inflation	0.0123 (0.0100)	0.0090 (0.0073)
Profits	0.0209 (0.0269) ^{..}	0.0047 (0.0197) ^{..}
Failures	0.0089 ^{...} (0.0021)	0.0058 ^{...} (0.0015)
New members	0.0055 (0.0026) ^{..}	0.0010 (0.0019)
Consistency	0.2128 ^{**} (0.0719)	0.0392 (0.0526)
Election	-0.0901 ^x (0.0678)	-0.0376 (0.0496)
After midterm	0.1148 ^x (0.0834)	0.0216 (0.0610) ^{..}
S. Democrats	0.0105 (0.0108)	0.0187 ^{**} (0.0079) ^{..}
Majority size	-0.0026 (0.0106)	0.0194 ^{...} (0.0077)
Repub. majority	-0.1587 (0.1556)	-0.1382 (0.1139)
SER	0.1702	0.1245
Corrected r-square	0.657	0.694
Durbin-Watson	2.252	1.822
F-statistic	6.897 ^{***}	7.990 ^{***}

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

economic coefficients in the authorizations equation are typically one-half to four-fifths the size of those in the appropriations equation. In relative terms, then, it is fair to say, cautiously, that appropriations dissimilarity is driven more by the political environment and authorizations dissimilarity more by the economic environment.

This dichotomy seems to reflect the relative emphases placed on these two environments in the literature on authorization of programs and authorizations committees and the literature on the appropriations process. The dichotomy is also consistent with our finding in the previous chapter that the Republicans are relatively more influenced by the political environment than are the Democrats, given that we said above that Democratic authorizations cohesion is better explained than Democratic appropriations, while the opposite was true for Republicans. Again, it must be noted that I am making a somewhat generous interpretation of the data here. While the findings here reflect the contrasting literatures on authorizations and appropriations, the contrasts are relatively minor and not necessarily statistically significant. At least in terms of party cohesion and dissimilarity on the floor, one might derive from these findings the implication that the authorizations and appropriations processes, being as Rubin notes symbiotically related, have a number of overriding similarities. In short, the data in this

section, if teased out, is suggestive of several patterns regarding authorizations and appropriations -- patterns consistent with the findings in the previous chapter -- but at the same time this data is not conclusive. The fiscal state affects both the authorizations and appropriations processes.

THE DEMOCRATIC NORTH-SOUTH DIVIDE AND THE ROLL-CALL RESPONSE TO ECONOMIC CONDITIONS

One major theme in American political and economic history has been the regional split between the interests of the North and those of the South. From the devastating events of the mid-19th century to the bitter battles over civil rights in the 1950s and 1960s, sectional divisions have often leapt to the fore in American politics. At the same time, and often deeply intertwined with these more dramatic events, basic structural economic differences have existed between the regions that have pushed them toward dramatically different policy positions (Chase-Dunn, 1980; Bensel, 1984). These differences have of course been amply pursued by scholars (e.g., Archer and Taylor, 1981).

Indeed, the roll-call data in chapter 4 certainly suggests that the two wings of the Democratic party have had different conceptions about the shape of economic policy. The data indicates some basic trends

regarding North-South differences in roll calls. First, the cohesion level of northern Democrats exceeded that of southerners every year between 1947 and 1986. The popular press notion of a solid phalanx of conservative southern Democrats is, then, clearly overdrawn, especially in the face of the impressive levels of cohesion achieved by the northern group. But impressions are often influenced more by trends than levels of variables, and it is the case that after 1967 the South became more cohesive, while the North suffered a decline until Ronald Reagan reached the White House. During the Great Society the two wings were at their furthest polarity, with the North up in the 85-90 range of the Rice index (meaning that *average* votes among northern Democrats were on the order of 95 percent versus 5 percent) and the South registering at 40-45. Over time, however, the gap between the cohesion level of the two factions was generally decreasing. From 1947 to 1969 the gap between the two averaged 27.2 points. Beginning in 1970, the average gap was less than half that level at 11.9 points. Indeed, in this latter period the maximum gap was 18.2 points, well below the average for the earlier period.

Despite Sundquist's (1973) view that the New Deal was reverberating out slowly to all parts of the Democratic coalition and moving their policy views closer together, within Congress the two parts

of the party were moving further apart for much of the postwar era. From 1947 through 1969 the South and North were becoming steadily more dissimilar. During the Great Society period they were very much apart. By 1986 the two groups were back at the relatively low level of dissimilarity of the 1947-1949 period. In the otherwise declining dissimilarity during the 1970s and 1980s, one year stands out: 1981, the year of Reagan's first and most aggressive push on raising defense spending while lowering social spending and tax revenues. The two sections were as far apart as they had been in nearly a decade.

We can push dissimilarity a bit further by noting the differences between each Democratic section and the Republican party. Through 1962, the dissimilarity level between northerners and the Republican party was declining. The level increased until 1967 before collapsing; in 1969 the level began climbing upward again. By 1986, the level was back to that of the late 1950s.

The dissimilarity relationship between Republicans and southerners is somewhat different. First of all, the level of difference is lower than that for northerners and Republicans. Second, the drop in dissimilarity runs from 1947 through 1969, with little sign of an increase in the Great Society. The dissimilarity level was then essentially level until 1978, at which point it began climbing upward. The differences

between southerners and Republicans were so slight between 1966 and 1978 that the intraparty Democratic party dissimilarity exceeded the level for southern Democrats and Republicans. During that period, the Democrats were more unlike each other on budgetary roll call votes than southern Democrats were unlike Republicans. Nine of these 13 years also featured a greater proportion of party votes (PV-50) among Democrats than between the southern Democrats and the Republicans. Democrats in this period (average annual IPD 30.08) were most intensely divided principally over defense issues (average IPD 35.69), particularly defense authorizations (average 38.61). Defense, however, did not constitute a large proportion of the budget-related votes in this period.

How can we place these trends into the wider findings of Democratic and Republican differences in the fiscal state era? More concretely, what does the analysis to this point lead us to expect regarding intraparty divisions and the economic-political model? Clearly, given the many studies indicating that Southern Democrats were generally less accepting of the expanded economic functions of the state during the New Deal, we should expect some differences in the responses of southern and northern pattern of cohesion and dissimilarity. Still, it is important to recall that we have not divided the party into two random groups of Democrats but rather into two groups suggested by

prior data and theory. If we had two random groups, we could expect that the cohesion of the groups would be fairly well explained by the economic-political model and that the estimations of the two groups would be essentially identical. But northern and southern Democrats have been different, and not only or even most importantly in economic management. We should expect, then, that the model will prove partially helpful in explaining the cohesion of north and south, but that large amounts of variance will be unexplained. In other words, the results should show that in the primary political competition between the parties following the New Deal, economic management, Democrats can be usefully thought of as a single party rather than two parties sharing one label. Similarly, we should not expect to see the model perform very strongly in explaining the dissimilarity between the parties. Since northerners were on average more supportive of the fiscal state, it is likely that the basic Democratic-Republican dissimilarity findings would be echoed here, but weakly, on the economic variables. We would not expect the Democratic-Republican pattern to re-emerge on political variables, however: measures such as the number of new members, consistent government, and the post-midterm year should help the two wings of the party become cohesive while simultaneously converging.

Dissimilarity between the sections and the Republicans, however,

is a different story. The findings above suggest that each section of the Democratic party, sharing -- if somewhat unequally -- affinity for the fiscal state, should exhibit differences from the Republicans that are explicable largely in the terms laid out in the economic-political model. The model will likely be more successful in explaining the differences between northern Democrats and Republicans than the differences between southern Democrats and Republicans, but it should be supported in both instances.

Intraparty Cohesion and Dissimilarity

Table 6-4 shows the results for the estimations of northern and southern cohesion and the dissimilarity between the two. Notice first that, as expected, the economic-political model is not nearly as effective in this intraparty examination as in the interparty examination of chapter 5. For both the northern cohesion and intraparty dissimilarity estimations it was necessary to correct for serial correlation. As mentioned above, serial correlation usually indicates that one has omitted a variable or variables of explanatory interest. In neither case did a battery of additional variables eradicate the problem, so a serial correlation correction procedure was implemented. The significant point here is that the existence of this serial correlation problem suggests that

Table 6-4
Democratic Intraparty Cohesion and Dissimilarity

	<i>North Cohesion</i>	<i>South Cohesion</i>	<i>North-South Dissimilarity</i>
Intercept	3.1605*** (0.2424)	3.0640*** (0.3030)	2.7696*** (0.7214)
Inflation	-0.0036 (0.0063)	-0.0090 (0.0129)	-0.0083 (0.0592)
Unemployment	0.0019 (0.0115)	0.0360 ^x (0.0246)	-0.0373 (0.0443)
Unemp*Inflation	-0.0009 (0.0009)	-0.0004 (0.0019)	0.0063 (0.0081)
Profits	0.0065 (0.0094)	0.0400 [*] (0.0157)	-0.0138 (0.0246)
Failures	0.0030 [*] (0.0009)	0.0013 (0.0012)	-0.0046 ^x (0.0030)
New members	0.0018 (0.0009)	-0.0017 (0.0014)	0.0024 (0.0029)
Consistency	0.0617 (0.0267)	-0.0991 (0.0446)	-0.0585 (0.0772)
Election			-0.0521 (0.0464)
After midterm	0.0495** (0.0205)	0.0415 (0.0447)	-0.1093 (0.0655)
S. Democrats	0.0205*** (0.0049)	0.0082 (0.0046)	0.0244 (0.0145)
Repub. majority	-0.2506*** (0.0526)	0.0655 (0.1005)	0.0005 (0.1651)
Rho [#]	0.6597*** (0.1697)		0.7488*** (0.1081)
SER	0.0632	0.1103	0.1513
Corrected r-square	0.744	0.257	0.560
Durbin-Watson	1.608	1.726	1.891
F-statistic	10.499***	2.281 [*]	4.919***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses.

[#]Rho is the serial correlation coefficient -- AR(2) process for northern cohesion, AR(1) process for dissimilarity.

one needs to move beyond economic management to pursue north-south differences: across the broad spectrum of economic management decisions, it is meaningful to talk about the Democrats as a single party. Finally, note that the southern estimation, while not serially correlated, leaves a substantial amount of variance unexplained.

Looking at the individual coefficients, we see that inflation has the wrong sign in both of the cohesion estimations but in none of the three equations is inflation near significance. Unemployment is correctly signed in all three, though only significant in the southern estimation. The unemployment-inflation interaction term also performs as anticipated -- in the correct direction but weak and insignificant. So while most of the coefficients in this key section of the economic-political model are correctly signed, few are significant.

Probably the most interesting pattern in the economic variables concerns business profits and business failures. The results indicate that southern Democrats respond more strongly to the profit rate than the failure rate, while the converse is true for northern Democrats. But this is not terribly surprising. Since World War II the center of gravity of American industry has increasingly been shifting to the South. Many firms and industries blamed their operational and financial difficulties on the high cost of doing business in the relatively high-tax, high-wage,

highly-unionized northeast and midwest. The threat felt by northern representatives and explained to them by anxious businesspersons was indeed interpreted as a regional threat to standard of living. The South, on the other hand, was the beneficiary nearly across this period of increasing population, increasing investment, and increasing employment. It is not surprising, then, that northern Democrats, concerned with the migration of firms to the south and the supposed difficulty of doing business in the north, were sensitive to business failures in a way that southern Democrats were not. In a contracting regional economy, increased failures sends a strong symbolic message of decline. But in a booming regional economy, failures are less likely to be a cause of concern than are changes in the profit rates of the expanding corporate sector.

The political variables perform largely as anticipated but do contain a few surprises. For example, while northern Democratic cohesion responds positively and significantly to the number of new members, southern cohesion reacts both negatively and insignificantly. This difference perhaps reflects that fact that increasingly over this period new members were likely to be either northern Democrats or Republicans, as southern Democrats became a smaller portion of the

body.⁵ The decreased southern cohesion could reflect a movement toward some of the policy positions of the increasingly dominant north, but the weak positive coefficient in the dissimilarity estimation seems to argue against that notion.⁶

Another unusual aspect of the political variables concerns consistent or unified government. While the northern cohesion coefficient is both positive and significant, the southern coefficient is negative and significant.⁷ We cannot simply argue that this is a function of northern Democratic presidents, because with the exception

⁵ Northern Democrats constituted 27 percent of the House in 1951-52, 36 percent in 1969-70, and 39 percent in 1985-86. They constituted 50, 64, and 67 percent of all House Democrats in the respective years.

⁶ Another of the political variables helps to explain a paradox noted earlier -- as the proportion of southern Democrats went up, the cohesion of the party also went up. This finding is on its face counter-intuitive. Table 6-4 helps to sort out the puzzle. Looking across the row labeled "S. Democrats" we see that increasing the size of the southern contingent leads to increases in the cohesion of *both* the northern and southern sections of the party. But note also that party dissimilarity increases as the proportion of southerners goes up. How can the party be both more cohesive and more dissimilar? The coefficients show that the impact of more southerners in the party is higher for northern Democrats than southern Democrats. Moreover, party cohesion data will be over-influenced, in a sense, by northern members because over most of this period there are more northerners than southerners in the party. So when the proportion of southerners goes up, each section becomes more unified, especially the more numerous north (which makes the party cohesion as a whole appear to increase), but each section unifies around somewhat dissimilar policy packages. In this way, the party can appear statistically to be more cohesive and more dissimilar at the same time.

⁷ Technically we cannot say that the southern results are significant since we were testing for the opposite sign in our one-tailed t-tests. The southern consistency variable is significant in a two-tailed test.

of John F. Kennedy, neither Harry Truman nor Lyndon Johnson nor Jimmy Carter were from the north; Johnson and Carter, of course, were southerners. The two party sections must have perceived these periods slightly differently. For the North, these were indeed unique periods in which to push a policy agenda because presidents had to be cognizant of the breadth of the Democratic coalition and because over time the southern presence among House Democrats was shrinking as was their ability to block legislation in committee. For the South, this decreasing size may be the key that led southerners to be less cohesive and move toward more northern positions on issues (new members has a negative relation to dissimilarity in Table 6-4). Clout meant dealing with this growing section of the party.⁸

The data on the Democratic response to Republican leadership is quite interesting and may help to explain a paradox. We saw in chapter four that Democratic cohesion is by and large higher than Republican cohesion. However, contemporary popular discussions emphasize the disharmony of the Democrats while marveling at the harmony of Republicans. This paradox may be partly explained by what the analysis

⁸ Not only clout. One can also factor in population migration from north to south resulting in somewhat different candidates emerging victorious in the South. Or one could factor in the relative "purifying" of the southern Democratic contingent as conservatives are increasingly willing and likely to run as Republicans.

here suggests about response to the Republican majority. We saw earlier that Republicans responded quite strongly and positively to the presence of a Republican speaker. Democrats as a whole responded similarly when they were the majority party. But the Democrats split in their response. While northern Democrats are much more cohesive when Democrats control the House than when Republicans control it, southerners are more cohesive when Republicans are in control, though not significantly. This mixed response from two easily identified sections of the party may partially indicate why the impression might be common that "the Democrats are in disarray," despite a level of cohesion at least as high as the Republicans. However, with the meager number of Republican-controlled years, one must push this argument cautiously.⁹

⁹ Section of the Speaker would not seem to be a factor -- Democrats had two northerners (John McCormack and Thomas P. "Tip" O'Neill of Massachusetts) and two southerners as speakers over this period (Sam Rayburn of Texas and Carl Albert of Oklahoma). Of course, there are other reasons for the "Democrats in disarray" perception, including the possibility that Democrats may be more cohesive than Republicans overall but that on certain high-profile votes the Democrats have appeared less harmonious than the Republicans. The budget cuts of the early Reagan administration fit into this pattern.

Differences Between Democratic Regional Sections and the Republicans

By examining Democratic intraparty dissimilarity, we have seen that it is reasonable to consider "the Democratic party" a meaningful term. It is also constructive to examine the dissimilarity between the Democratic party sections and the Republican party. Given the generally greater support among northerners for the tenets of the New Deal and its dominant position in the Democratic party for much of this period, I suggested above that one might expect that the model would fit both for the South and the North, but that the fit for the North would be superior. Table 6-5 shows the results for each regional section and the Republicans; the dependent variable is the index of party dissimilarity between the section and the Republican party. The fit of the estimations is shown graphically in Figures 6-1 and 6-2.

The results indicate that our expectations are largely correct. Although the two estimations have roughly the same overall fit, the pattern for the coefficients varies. In the South-Republican estimation, both the economic and political variables behave as the economic-political model suggests they should. Unemployment, inflation, and the interaction term have the correct sign, but are not statistically significant. The failure rate is the only significant economic predictor. Thus when

Table 6-5
Dissimilarity of Democratic Sections and the Republicans

	<i>South-Republican</i>	<i>North-Republican</i>
Intercept	1.6710** (0.5166)	3.4944*** (0.2570)
Inflation	-0.0692 (0.0656)	-0.0990* (0.0327)
Unemployment	-0.0279 (0.0450)	-0.0862*** (0.0224)
Unemp*Inflation	0.0071 (0.0088)	0.0139* (0.0044)
Profits	0.0186 (0.0235)	0.0058 (0.0117)
Failures	0.0079*** (0.0017)	0.0054*** (0.0008)
New members	0.0018 (0.0023)	0.0012 (0.0011)
Consistency	0.1115 (0.0640)	0.1878** (0.0318)
Election	-0.0767 ^x (0.0602)	-0.0476 ^x (0.0300)
After midterm	0.1516 (0.0732)	0.1077* (0.0364)
S. Democrats	0.0317** (0.0068)	0.0106* (0.0034)
Repub. majority	-0.1327 (0.1377)	-0.2162* (0.0685)
SER	0.1516	0.0754
Corrected r-squared	0.767	0.845
Durbin-Watson	1.798	1.951
F-statistic	12.079***	19.374***

***=sig. at < .001, **=sig. at < .01, *=sig. at < .05, x=sig. at < .10, one-tailed test; standard errors in parentheses

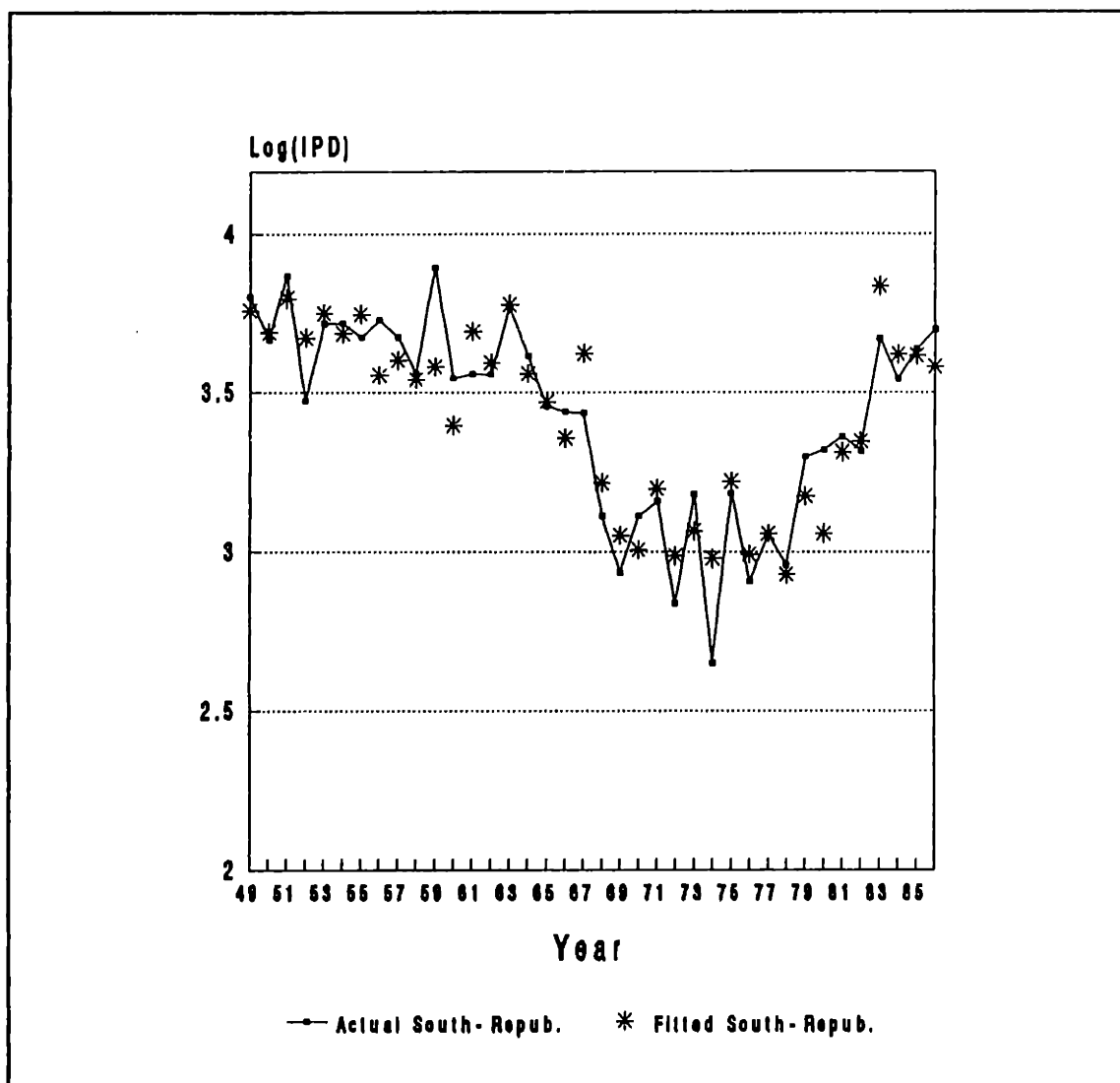


Figure 6-1
Subparty Dissimilarity: Southern Democrats and Republicans

business failures were increasing, these two party groups supported different policy solutions. For the North versus the Republicans, both inflation and unemployment and their interaction were statistically significant and in the proper direction -- just about 7 percent inflation is the breakeven point. The failure rate was also correct and significant. Profits were not significant in either estimation. Generally, the economic

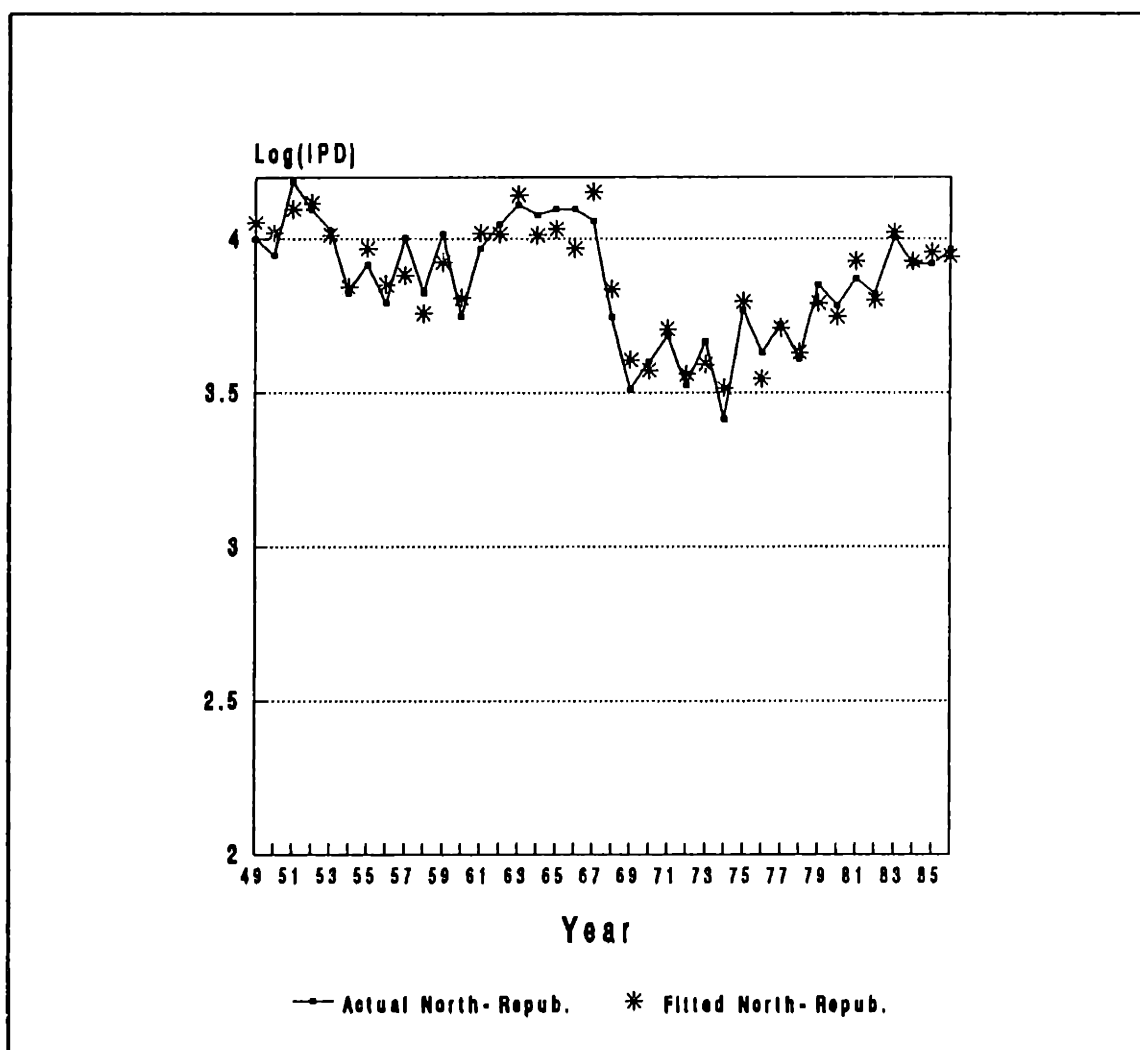


Figure 6-2

Subparty Dissimilarity: Northern Democrats and Republicans

variables impact more strongly on the northern-Republican difference; the economic coefficients in the northern estimation tend to be larger.¹⁰ On the economic side, then, we get the patterns we anticipated: the estimation results are properly signed in both cases but provide a better fit in the case of the North and the Republicans.

¹⁰ This is not literally a test of comparative impact, of course. Standardized beta coefficients would be the technically acceptable (but less intuitive) way of making such a claim.

On the political side, our variables in both estimations are again in the proper direction. Again, more of the coefficients in the North-Republican estimation register in as statistically significant. On the other hand, the coefficients in the southern estimation are generally larger. Perhaps the most interesting difference between the two estimations, and one discussed above, concerns the factor of a Republican majority in the House. Northern dissimilarity with Republicans drops much more than dissimilarity between southerners and Republicans when the Republicans control the House. Most likely this different response to a Republican House reflects the generally lower dissimilarity between Southerners and Republicans to start -- if dissimilarity is already lower than North-Republican dissimilarity, as was the case, then Southern dissimilarity with the South cannot be expected to drop as much as Northern dissimilarity.

In short, we have seen that the economic-political model stands up fairly well to the challenge of regional politics. While we do discover a closer affinity between the northern wing of the party and the economic-political model, it remains the case that both sections respond to the economic and political environment with similar changes in cohesion and dissimilarity. It does not appear to be the case that Keynesian politics or the fiscal state is a creature solely of northern Democrats. We can

for our purposes meaningfully speak about the Democratic party as a party rather than two regional factions with contrary reactions to economic management.

CONCLUSION

In this chapter I have considered three challenges to the economic-political model developed in the previous chapters -- interdependence, the role of appropriations and authorizations, and the sectional divisions in the Democratic party. In each case we learned something new about the relationship between the economy and the parties within the confines of the fiscal state. First, we found that estimating cohesion and dissimilarity as a system was a valid approach; specifically we were able to show that party cohesion changes at least partly as a reaction to previous party dissimilarity. I suggested that the actions of party leadership might best explain this relationship between dissimilarity and cohesion. Whether or not that be the case, we also saw that the system estimation supported the findings of my single-equation analysis in the previous chapter. So while we learned something new about the relationships between the variables, the findings of the preceding chapter remain justified.

Second, I divided the roll call set into appropriations and authorizations in accordance with much of the literature on these subjects which sees a different kind of politics occurring in each arena. The challenge of this split of the database was that perhaps the economic-political model, built upon certain assumptions about parties in the fiscal state, was a suitable explanation of only one type of bill and not the other. Here we found that in the case of party cohesion no particular gain was had by dividing the roll call votes. More tenuously, we did detect differences in the ways that Democrats and Republicans responded to the economic and political environment. As for dissimilarity, the model was appropriate for both authorizations and appropriations but appeared to be stronger in its explanation of appropriations. Roughly, authorizations appeared more strongly influenced by economics than politics, while the opposite was true for appropriations, which is consistent with Democrats being more influenced in the area of authorizations and Republicans in the area of appropriations. In this case again we find several new twists to the data, but twists that largely enhance the arguments in the previous chapters rather than refute them.

Finally, we looked at the sectional divisions between the parties. As I suggested we might expect, the cohesion estimations left a

substantial amount of each section's variance unexplained or "explained" only through serial correlation correction. In other words we saw that if there was something dividing north and south over the postwar period, economic management and reaction to the economy was a small part of this division. In their reaction to the economy, the data indicate no necessary reason to separate north and south, although it does appear to be the case in the dissimilarity comparisons with the Republicans that northerners are somewhat more closely aligned to the economic management of the fiscal state. While the model fits both sections and their dissimilarity with the Republicans (i.e., the signs are correct), more of the individual coefficients are significant in the Northern-Republican dissimilarity estimation.

In short, these three challenges to the economic-political model have helped us tease out some important micro tendencies in the data. Fortunately, in virtually all instances these new tendencies are consistent with the original approach and enrich that approach rather than leave it impoverished. In the next chapter we move away from quantitative analysis to take a closer look at how the political parties responded to three recessions in the postwar period. We will see in this analysis that in these most intense of political and economic periods, with public attention to politics high, the parties again missed opportunities. With

the constraints of the fiscal state at their most plastic during recessions, parties could to an extent rebuild the political order in a manner to strengthen the parties in the Congress, in their impact in the political system, and in their connections with the populace. Understanding whether this occurred is the task of the following chapter.

Chapter 7

Responding to Recession: Party Reactions and Policy Making During Economic Downturns

To this point the fiscal state does appear to place limitations on the cohesion and dissimilarity of political parties in the U.S., as well as diminish their overall role in the political system. But aggregate quantitative analysis of congressional roll call data can miss important qualitative data such as presidential response, reactions of parties in Congress, and interaction between the president and Congress. This chapter broadens the investigation of how parties respond to economic stress within the confines of the fiscal state by examining the party response to three postwar recessions. These cases allow us to look at specific content of bills, to see response over the period of a recession, and to see presidential as well as congressional behavior. By looking at wider aspects of the parties, such as how they interact with the president, the nature and scope of restructuring, the initiatives of party leaders, and how the party builds a policy response to the economic issues at hand, I want to indicate the way parties have overcome or remained limited by structural features of the fiscal state.

In this chapter I examine party responses to the recessions of

1957-58, 1974-75, and 1980.¹ By providing variable conditions, these cases reflect many of the tendencies of postwar recession politics. Two of the recessions, 1958 and 1975, occurred under Republican presidents. The other of course occurred during the Carter administration in 1980. The same two recessions occurred under divided government, while the Carter recession occurred under unified government. The recessions vary in length -- 1958 is moderate, 1980 is short, and 1975 is long -- though each recession was for various reasons considered the sharpest economic decline since World War II. Two of the recessions, 1975 and 1980, featured presidents running for or likely to run for re-election. The recessions of 1958 and 1980 peaked in election years, unlike the recession of 1975. Keynesianism as received wisdom was becoming more prominent around 1958, while by 1975 some questions had set in, and by 1980 widespread skepticism was the rule. Despite all these variabilities, the three downturns share one important feature: a Democratic majority in the Congress. Table 7-1 and Figures 7-1 through 7-4 present some basic characteristics of the three recessions.

The general questions guiding my investigation are the following:
What does the pattern of response look like in these recessions? How

¹ For simplicity, I will also refer to the two earlier recessions as the 1958 recession and the 1975 recession. Note that the 1974-75 recession started officially in November 1973.

Table 7-1
Selected Characteristics of Three Recessions

Dates of Recessions	August 1957 - April 1958 November 1973 - March 1975 January 1980 - July 1980		
	1958	1975	1980
Change in Gross Nat'l Product	-0.8%	-1.3%	-0.2%
Change in Fixed Business Investment	-39.1%	-43.2%	-18.5%
Change in Capacity Utilization	-10.3%	-12.5%	-6.3%
Change in Industrial Production	-8.8%	-16.1%	-12.6%
Congressional Delegations			
House	233D-200R	291D-144R ^a	276D-157R
Senate	49D-47R	60D-37R	58D-41R
President	Eisenhower, R	Ford, R	Carter, D

a. The figures for 1974 were 239D-192R and 56D-42R.

Note: Data entries represent year-to-year differences (e.g., the GNP for all of 1958 declined 0.8% from the level for all of 1957) and is adjusted for inflation. Because of the use of full-year data, the table understates the severity of the decline.

Source: *Economic Report of the President*

significant are the variables discussed above? In what way do the party responses differ? What policy debates go on within the Administration? How does the White House deal with the congressional parties in formulating economic policy during recessions? How do the parties attempt to present a common front to voters? Do presidential-congressional and House-Senate maneuvering make party positions more difficult to discern? What does this closer examination of recession

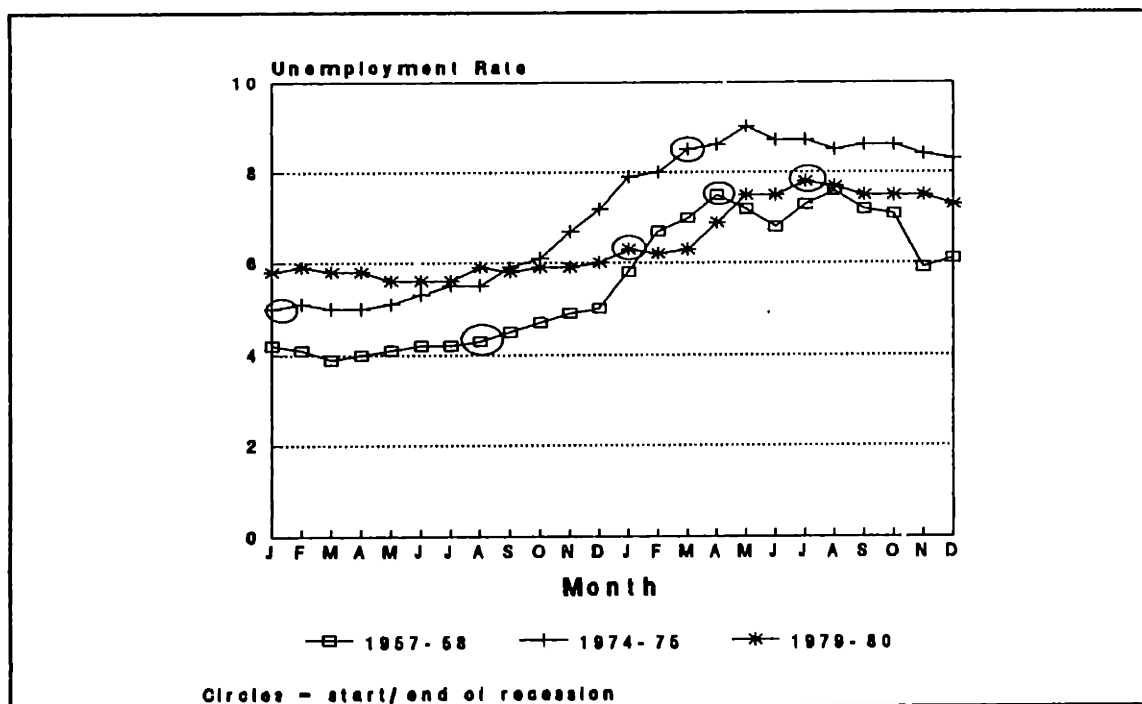


Figure 7-1
Monthly Unemployment Rates

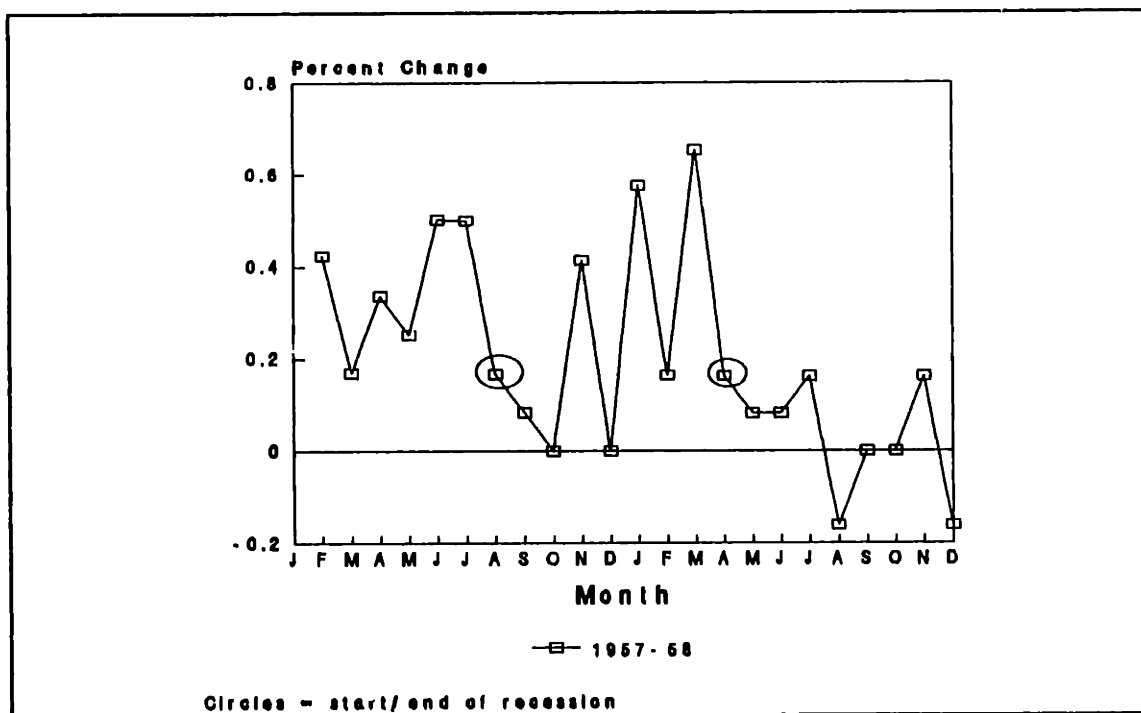


Figure 7-2
Monthly Change in Consumer Price Index, 1957-58

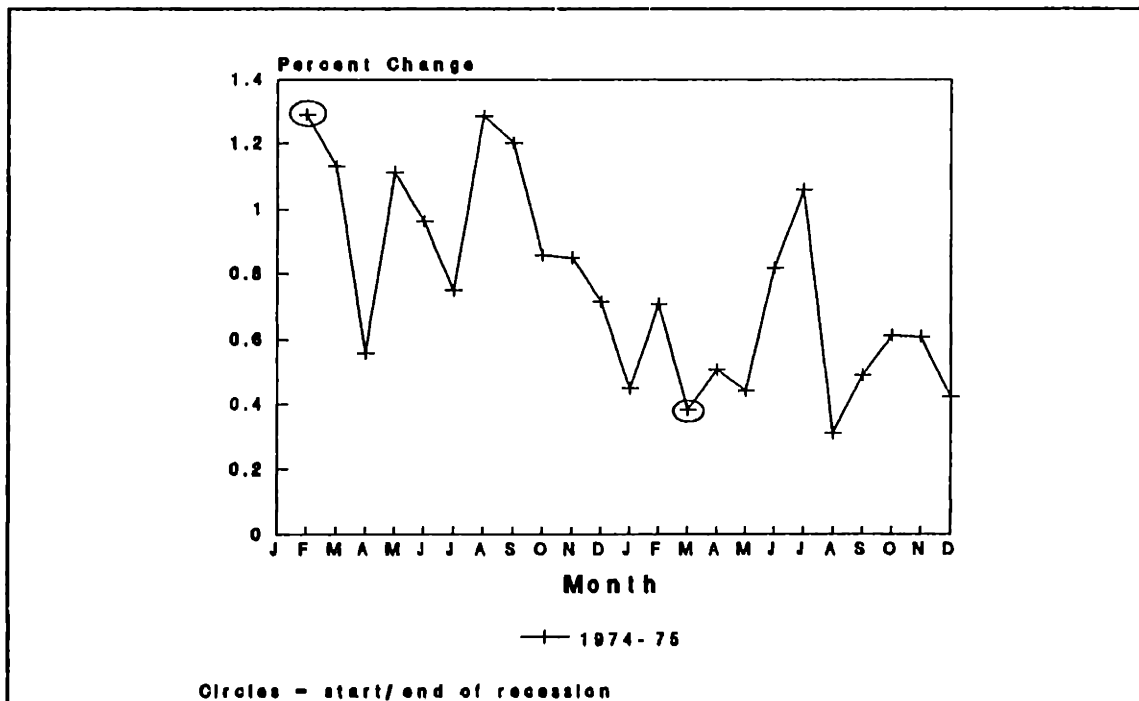


Figure 7-3
Monthly Change in Consumer Price Index, 1974-75

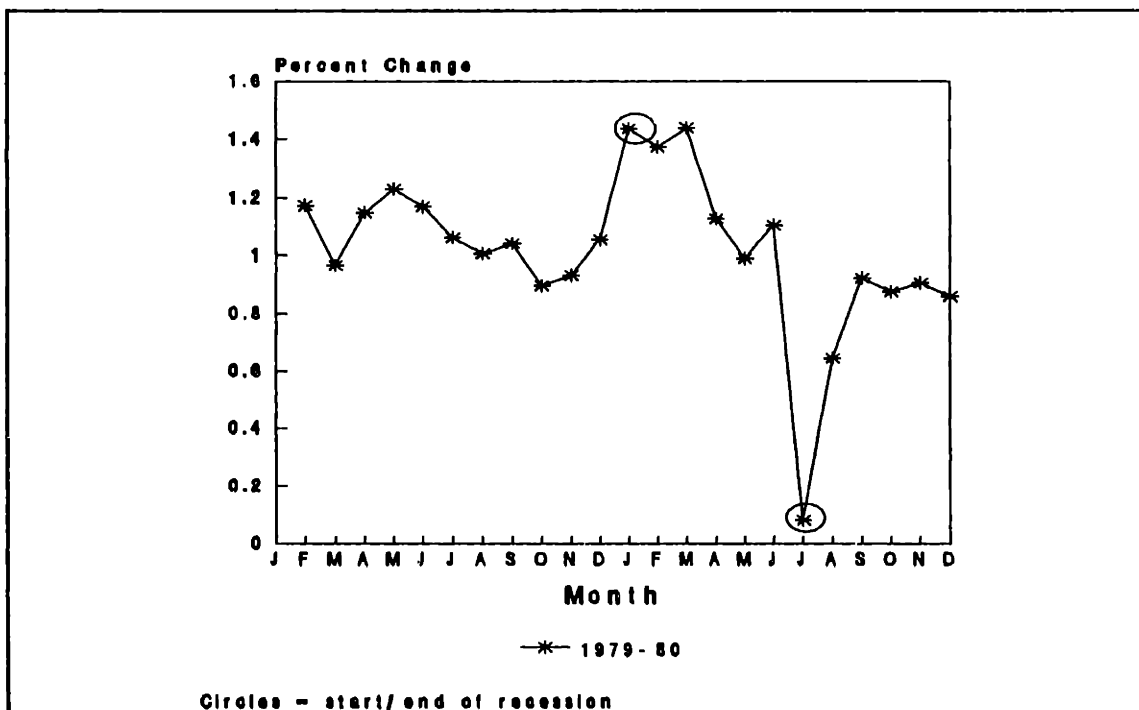


Figure 7-4
Monthly Change in Consumer Price Index, 1979-80

politics tell us about the five limiting constraints of the fiscal state discussed in chapter two? Ultimately the question is: do the parties appear meaningful, distinctive, and significant to voters during recessions?

One final point is the dating of the recessions. I essentially use the standard National Bureau of Economic Research dates. These dates coincide well with common understandings during these periods regarding whether the recession was weakening or becoming more firmly entrenched. This is not quite accurate: the recession as an issue seems to rise with deterioration in unemployment figures -- so for the first two-thirds of 1974 political attention is focused on inflation as unemployment stays steady -- but fade with an increase in growth figures. Some anti-recession activity does lag after growth has commenced, but the political environment seems changed. Near-term financial concerns are markedly less gloomy even if, by objective standards, unemployment remains high. The official dates of a "recession" -- adjusted as noted above -- appear to take on a symbolic importance with both politicians and the public. For that reason, I rely on those dates as my rough guidelines in what follows.

THE RECESSION OF 1957-1958

Economic policy preceding the recession of 1957-58 was dominated by talk of inflation. In his State of the Union Address in January, 1957, President Dwight D. Eisenhower stated his belief that inflation was the nation's key economic concern and that federal government spending must be controlled.² In his budget, Eisenhower asked for \$73.3 in budget authority, of which he anticipated \$71.8 billion being spent (outlays). His proposed budget allowed for a small surplus - - proper Keynesian strategy to defuse inflation -- and a rejection of tax cuts.³

² A month later Eisenhower declared that he would impose wage-price controls if business and labor failed to use restraint on prices and wages. To him, the government would have to act in the long-term interest of business and labor if they would not do so themselves (*NYT*, 7 February 1957, 1).

³ Budget terminology complicates the understanding of the budget process. Budget authority refers to an amount granted to an agency (or agencies). If an agency has budget authority of \$100 million, it may spend any amount up to that figure; it need not spend all of the allotted authority. For reasons of bureaucratic survival, the figures are usually close. The amount that the agency spends is referred to as outlays. When the Congress is debating the budget, it is most centrally debating the amount of budget authority to allow agencies. Outlays, however, can consist of monies authorized currently or money to be spent per a previous year's appropriations (for example, a construction project may extend more than one year). Further confusing the process is that Congress does not, through its appropriations process, determine all of the money that will be spent in a given year. Some appropriations do come up annually. Others are given longer terms of authority. And still others are given effectively permanent appropriations. Most significant

Fighting Over Fighting Inflation

The budget soon ran into difficulties. Senate Majority Leader Lyndon B. Johnson (D-Texas), governing over a precarious Democratic balance in the Senate (49 Democrats, 47 Republicans), responded to the address in largely conciliatory and supportive terms, as did House Speaker Sam Rayburn (D-Texas).⁴ Republican Minority Leader Joseph Martin (R-Massachusetts) also approved the document. But powerful Republicans just below the leadership level, like Representatives John Taber (senior Republican on the Appropriations Committee) and Daniel Reed (R-New York, senior Republican on Ways and Means) and Senator Styles Bridges (R-New Hampshire, ranking Republican on the Appropriations Committee and chair of the Republican Policy

among this latter group are entitlements -- programs in which the amount spent depends upon the number of people meeting a legislatively mandated formula. These definitional wrinkles point to three features of budget and fiscal politics: (1) cutting or increasing appropriations often has its most significant impact in later years, not the present year; (2) much ongoing spending is "uncontrollable" because it is an entitlement or because it is being spent in fulfillment of prior commitments; and (3) a surprisingly small percentage of fiscal-year outlays actually result from that year's appropriations process. White and Wildavsky (1989: 4) note that "only 27.3 percent of the outlays in the government's 1980 fiscal year resulted from that year's appropriations process."

⁴ As is well known, Johnson and Rayburn's moderation was a source of frustration for Democrats favoring a more aggressive challenge to Republican policies (Meeting of the Advisory Council of the Democratic National Committee, 2-15-57, DNC and Subordinate Committee Meetings, 37-59, Box DNC 120, John F. Kennedy Presidential Library [JFKL], pp. 31-34).

Committee) argued that the budget exhibited insufficient spending discipline. Treasury Secretary George M. Humphrey indicated that he supported cuts in the budget. Key Democrats such as Representative Clarence Cannon (D-Missouri, chair of Appropriations) and Senator Harry F. Byrd (D-Virginia, chair Finance Committee) also voiced their displeasure with the spending totals.

Over the next few months these key members of Congress cajoled members of the Administration, especially Humphrey and Budget Director Percival Brundage, in an effort to get proposed cuts in the budget. The administration position was that no division existed amongst Eisenhower and his aides -- everyone supported spending cuts if they could be done "safely" (*New York Times*, 18 January 1957, 1; 2 March 1957, 1; 6 March 1957, 13 March 1957, 1). By March the Joint Economic Committee and the House Republican Policy Committee had entered the debate with calls for a surplus and "substantial" reductions in spending, respectively. The National Association of Manufacturers issued its own reduction plan. By the end of the month, the House had voted for Eisenhower to produce a list of cuts, Eisenhower and Republican legislators responded that cuts were the responsibility of congressional Democrats, the Senate voted to maintain business taxes at their existing level, and the president declared that talk of budget cuts

were "futile" and "fatuous" and that Congress was deluding itself if it thought cuts could be made without touching national security and popular social programs (*NYT*, 13 March 1957, 1; 28 March 1957, 1).

The tone of the debate would not change markedly over the next several months. Republicans were split between Eisenhower loyalists and those of a more orthodox fiscal bent, while the spending cut fervor eventually moved its way up to the Democratic leadership (*NYT*, 30 April 1957). Democrats in the Advisory Council of the Democratic National Committee came up with a statement opposing the administration's economic policies but had substantial difficulty reaching agreement on the desirability of a tax cut. The Council did ultimately approve a tax cut.⁵ The conflict perhaps reached its nadir when an

⁵ Adlai Stevenson was particularly adamant about the undesirability of enacting a tax cut in the same economic environment that was viewed as inflationary (Meeting of the Advisory Council of the Democratic National Committee, May 5, 1957, DNC and Subordinate Committee Meeting 37-59, Box DNC 121, JFKL). The Advisory Council was established in late 1956 to issue party policy between conventions. The initial members were Harry S Truman, Adlai Stevenson, Eleanor Roosevelt, Governor Averell Harriman (New York), Governor G. Meanan Williams (Michigan), Hubert Humphrey, and Estes Kefauver. Democratic leaders in Congress spurned the Council, viewing it as a direct threat to their leadership. The Council did indeed reflect liberal frustration with Johnson and Rayburn, as well as Southern conservative committee chairmen. Southern members of the Democratic National Committee generally opposed giving the Advisory Council the authority to issue policy pronouncements because of the civil rights issue. In late 1957 the Council established advisory committees in specific policy areas, including the economy. It was in the committee on economic policy that the primacy of growth as an economic objective was most consistently and forcefully articulated within the Democratic party; several of John

Eisenhower letter asking agencies to hold spending where possible to the fiscal 1957 level for fiscal 1958 -- at the same time he was publicly stating that the budget could not be cut -- surfaced and led to emotional charges on both sides that the budget process amounted to a frame-up that allowed one party to paint the other as profligate (*NYT*, 13 July 1957, 1). While the letter itself was rather modest, the political atmosphere became thick with charges of duplicity, hypocrisy, and "mental gyrations."⁶ The Appropriations committee and subcommittees called off meetings, arguing that they had no reliable way to assess the budget demands being put forth by the agencies. Senator Robert S. Kerr declared that the president "has no brains" in economic policy (*NYT*, 16 July 1957, 1).

By the fall, all the impressive rhetoric had amounted to very little concrete action. The final budget was, in its totals, much like the Eisenhower proposal, and the government did in fact achieve a small surplus. With economic conditions deteriorating late in the year and the Soviet launch of Sputnik causing great concerns about America's

F. Kennedy's economic advisers (e.g., John Kenneth Galbraith, Paul Samuelson) worked with the committee. See, for example, "Unemployment and the National Welfare," 6 April 1959, Research Background Files, Democratic National Committee Box 235, Employment and Unemployment: Unemployment Compensation 2/52-6/60, JFKL.

⁶ This last phrase was Speaker Rayburn's assessment of the situation.

technological capabilities and security, the pressure for spending cuts declined. Eisenhower's refusal to budge on the budget made it clear to both Democrats and Republicans that the budget was unlikely to change dramatically. Still, it was a grueling year, and heading into the recession the legacy of the immediate past was a split Republican party, loud Democratic complaints about Administration economic policy, an Administration focus on inflation, and a consensus between leaders of both parties and the administration that suggested major deviations in economic policy should be aired with each other before being used as political artillery.

Turning to Recession: 1958

Coming into 1958, the key budgetary question was how much domestic programs would need to be cut in order to beef up military spending in response to Sputnik. From the Administration's view, inflation remained the primary economic issue of the day, and the proposed budget contained level spending and another small surplus. Except for the Americans for Democratic Action, criticism was mild; some argued that any budget could be cut, others argued for more military spending. Discussions concerning a potential deficit for fiscal year 1959 were predicated initially not on the recession but on the need

to catch up with the Soviets in science and technology. While some legislators indicated their willingness to accept a tax increase to fund new defense projects (*NYT*, 6 December 1957, 32), the president indicated that he would "not sacrifice security to worship a balanced budget" (*NYT*, 17 December 1957, 1). On the whole, however, the debate was more restrained than in early 1957.

Still, the recession that had begun in August 1957 was on the political agenda at the start of the year and soon would move to the top of that agenda.⁷ Eisenhower expressed his willingness to use Keynesian techniques in January 1957 when he stated that if deficit spending was necessary, he would do it; in fact, he suggested, there is "no limit" to what you attempt, as long as you remain constitutional (*NYT*, 25 January 1957, 1). Though he saw himself as distinct from the New Deal, his "modern Republicanism" argued that you have to acknowledge that people expect some things from the government such as social security, medical research, unemployment insurance, and so on.⁸ By October

⁷ Morgan (1990: 99-100) indicates the sectoral effects of the recession.

⁸ Earlier in the year a *New York Times* columnist noted that "In almost any objective view of the matter the program as outlined is a progressive one if measured by Republican standards of only ten years ago . . . and even moderately progressive when measured by the standards of the New and Fair Deals" (*NYT*, 13 January 1957, IV:7). Other Republicans were not so happy with this new course. Republican National Committee chair Meade Alcorn was careful not to become

1957, he acknowledged publicly that the economy was in a "breather," the future was "mixed," and that the government had to be "ready to move in when you possibly can" (*NYT*, 31 October 1957, 1).

The Federal Reserve Board took the first action to deal with the recession, announcing a reduction in the discount rate it charged to member banks in mid-November. On December 23, the Administration announced that it had "unfrozen" \$177 million in housing program funds that Congress had appropriated despite presidential disapproval. From the Democratic side, however, Eisenhower's action merely provided the first opportunity to point out the length of time it took the Administration to act. Three days later Senate Housing Subcommittee chair John J. Sparkman (D-Alabama) announced his panel would investigate why it took so long to release the housing program funds.

Notwithstanding this initial scuffle, both parties initially took a cautious approach toward recession cures.⁹ J. William Fulbright (D-Arkansas), chair of the Senate Banking Committee, announced that he saw no need for anti-recession or anti-inflation legislation, at least partly

closely associated with the concept, while a series of RNC-sponsored regional meetings indicated some reluctance to embrace Eisenhower's approach.

⁹ Stein (1969: 323) notes that neither the Budget Message nor the Economic Report of the President issued early in 1958 discussed any relationship between the budget and the recession.

because he was not sure which was coming (*NYT*, 5 January 1958, 58). Indeed, many economists were fearful that recession and inflation seemed likely to combine during the coming year, thus making standard policy reactions dubious (*NYT*, 6 January 1958, 1). On January 10, Eisenhower issued a nonpartisan State of the Union address in which he again stated his willingness to have the government step in to promote recovery of a faltering economy, though he did not see that necessity yet. Meanwhile the Federal Reserve continued to take gradual steps to promote recovery, including a reduction of the margin requirements on stock market transactions from 70 percent to 50 percent. Republicans were distressed by the outlines of the Eisenhower budget, particularly at the austerity needed on the domestic side to increase defense spending. Cutbacks in water and reclamation projects concerned Western Republicans, while farm-state Republicans expressed opposition to cuts in farm benefits. One senior Republican Senator declared that "It is going to be every man for himself on the Republican side of the Senate . . . We know we have to be hurt a little, but we don't want to lose our necks altogether" (*NYT*, 15 January 1958, 19). Within the Administration, the Chairman of the Council of Economic Advisers, Raymond J. Saulnier, argued that the spending in the budget was

insufficient to speed recovery (Pach and Richardson, 1991: 176).¹⁰

Democrats began in late January a two-pronged, loosely coordinated, attack on Republican policies. First, Democrats, including Wilbur Mills, chair of the House Ways and Means Committee, and Senators John J. Sparkman (D-Alabama), Mike Mansfield, and Hubert H. Humphrey (D-Minnesota) began to suggest that Congress and the president might need to consider a tax cut to boost the economy (*NYT*, 20 January 1958, 1; 1 February 1958, 1). This was not an endorsement of a tax cut as such, but an endorsement of the idea of thinking about a tax cut. Indeed, Mills was a member of a Joint Economic Committee subcommittee that declared unanimously that tax cuts were not an obvious cure for the recession and that the best strategy was to wait and assess the results of increased defense spending and Federal Reserve monetary actions. If any tax cut were to be considered, it should be automatically phased out after the recession or be a cut that would still

¹⁰ Other staffers warned, however, that Eisenhower might need to stay aloof because a presidential speech only serves to link the president to economic conditions (Memo to the Assistant to the President, Sherman Adams, from Special Assistant Arthur Larson, 28 January 1958, in Branyan and Larsen [1971: 890]). Eisenhower's chief economic advisers were Saulnier, Treasury Secretary Robert Anderson, Federal Reserve Board chair William McChesney Martin, and Gabriel Hauge, the Administrative Assistant to the President for Economic Affairs. These four met regularly as the Little Four. Similar structures were created in the Ford and Carter administrations.

produce a revenue surplus when the recession ended.¹¹

Second, in the first weeks of February, Democrats introduced individual pieces of legislation for economic recovery, including assistance for public works and public improvements, increasing unemployment compensation and widening the range of workers covered by unemployment insurance, providing drought assistance to the Midwest and South, an omnibus housing bill to spur residential construction and slum clearance, and accelerating federal spending in high unemployment areas in several federal policy areas.¹² These items and others were packaged together by Johnson on January 31 as the Democratic response to the recession, although the packaging appears to have been done *ex post facto*.¹³ Indeed, there is scant evidence that anyone, including Democrats, made much of this "package" solution to the recession. But Johnson's announcement, Keynesian demands from organized labor, and the public plea from eleven Democratic governors

¹¹ The Democratic members of the subcommittee were Representative Wilbur Mills, Senator Paul Douglas (Illinois), and Senator Joseph C. O'Mahoney (Wyoming). The Republicans were Senator Barry Goldwater (Arizona) and Representative Thomas B. Curtis (Missouri).

¹² This last item was promoted by southern Senate Democratic committee and subcommittee chairs. Areas included flood control, reclamation, highway construction, and hospital construction.

¹³ Johnson was careful to package together proposals that he thought could pass (Morgan, 1990: 103-04). Although a "program," the items were raised in separate bills. In early March he refined the list slightly.

that Eisenhower adopt an explicitly anti-recession package focusing on housing, schools, highways, farm supports, loosening credit, and (possibly) a low-income tax cut (Morgan, 1990: 103), did force some kind of Administration response.

The Administration response was that nothing much needed to be done to the economy at the present time. On February 10 Saulnier informed Eisenhower that monetary actions, acceleration of spending, and perhaps a tax cut were necessary to pull out of recession. Eisenhower readily agreed to the first two entries on the list while deferring on the third (Morgan, 1990: 101). Treasury Secretary Anderson -- the strongest pessimist within the Administration on the advisability of tax cuts -- publicly downplayed the utility of cutting taxes, while Eisenhower declared on February 12 that the beginning of the end of the slump had arrived and that jobs would pick-up in March.¹⁴ Republican publicists, in response to Democratic charges of insensitivity, were careful to point out that the Democrats were prepared to bust the budget and that Eisenhower did in fact understand and care about those people in need. The "limited nature of the present dip," they asserted,

¹⁴ Eisenhower also rather unsuccessfully tried to package a \$2 billion Post Office modernization plan as an anti-recession device, but the plan would take three to five years and require congressional approval of rate increases. As for the jobs improvement, the CEA had told the president that the decline in employment would slow down, not reverse itself (Morgan, 1990: 102).

was being overblown by the "exaggerated laments of Democratic crepe-hangers."¹⁵ Administration officials, including vice-president Nixon, reiterated the Administration's confident line and declared that programs and adjustments in the timing of spending in defense, postal affairs, highways, and housing programs amounted to a de facto anti-recession program (*NYT*, 15 February 1958, 10). Amid word that leading Democrats, including Rayburn, had indicated the possibility of investigating tax cuts¹⁶, the White House issued the word that it too was considering such cuts.

On February 18th the Republicans took a more definitive stand. The Republican congressional leadership and the Eisenhower Administration, through Eisenhower's chief assistant, Sherman Adams, rejected the notion of tax cuts or other emergency measures to stimulate the economy. Arguing that they were confident of an impending upturn and promising that if proven wrong they would change their position, the Republicans argued that monetary changes, the public works projects

¹⁵ *Battle Line* (Republican National Committee newsletter), 12 March 1958 and 14 February 1958, Files, Republican National Committee Headquarters Library. *Battle Line* estimated the cost of Democratic proposals as \$77 billion over five years in its April 23 issue; by May 20 the estimate was up to \$206.5.

¹⁶ This is the closest any major Democratic leader had come to endorsing tax cuts or the possibility of tax cuts. The tax cut idea was at this point an idea that found more favor in the rank and file.

they had stockpiled, and the changes in spending patterns and speed made other measures unnecessary. The Joint Economic Committee agreed with this position. With only one dissent (Senator Paul Douglas), the committee announced that the economic slump was not severe enough to justify tax cuts; tax cuts, it argued, should be considered only as a last resort, following "monetary action, expenditure measures, and other actions, public or private."¹⁷ The committee did endorse acceleration of spending in natural resources, highways, housing, slum clearance, education, health, and public buildings, expansion of public assistance payments to the states, and the liberalization and extension of unemployment compensation.¹⁸ But by the beginning of March, as one reporter noted, "except for a new housing bill in the Senate, very little actual anti-recession legislation [was] under active consideration" (*NYT*, 2 March 1958, IV, 3).

¹⁷ Senator John F. Kennedy (D-Massachusetts), who was a member of the committee, ranked tax reduction as fourth in a list of four fiscal policy measures. See, for example, letters to Bockris, Coburn, Grosscup, and Zohl, and memo on the economy dated 22 April 1958 in Senate Files, Legislation, Box 689, Economy 4/2/58-4/22/58, JFKL.

¹⁸ The view of the JEC staff was that "The mainspring of the present economic contraction is the sharp reduction in business spending for new plant and equipment plus the associated liquidation of inventories, declines in consumer income and accompanying cuts in consumer spending." Memo from Roderick H. Riley, Executive Director, to Wright Patman, Chairman, Joint Economic Committee, 4 June 1958, in Pre-presidential, Senate Files, Box 536, Committees Joint Economic, JFKL.

That assessment was not entirely fair. At the time, Senator Gore's public works proposal and the unemployment compensation reforms were both working their way through Congress. And later, as economic indicators continued to slump, the administration announced a set of measures on March 8. In a letter to Republican leaders William Knowland in the Senate and Joseph Martin in the House, Eisenhower indicated he was introducing some new proposals because of his concern that a rush to pump-priming schemes was in the offing. The president's key suggestions included new spending of \$1-2 billion over the next two years, consisting of about one-third new outlays and two-thirds adjustments and accelerations of already-appropriated funds, and the extension "for a brief period" (i.e., about thirteen weeks) of unemployment compensation benefits for workers who had or would exhaust benefits in the near future. Johnson labeled the new elements "a prompt, partial reaction to the new call for action issued in the Congress this past week" (*NYT*, 9 March 1958, 54). Eisenhower's letter, however, argued that his response had not been partial, and he proceeded to list the actions he had taken, most of which focused on a variation of accelerated spending and inducements to encourage borrowing for house

purchases.¹⁹ If these plans failed, White House sources indicated, the Administration would look next to tax cuts, not new public spending.²⁰ Indeed, despite the "climb any mountain" rhetoric, the Administration had in fact come up with no contingency plans should the recession deepen (Morgan, 1990: 101).²¹ Within the Administration, lack of a recovery before August meant a Democratic landslide in the fall.

¹⁹ Specifically, Eisenhower listed \$200 million for accelerated road building, acceleration of required new appropriations of \$210 million in water projects, release of \$200 million of a special mortgage fund to encourage low-cost housing construction, proposed elimination of pay-as-you-go in interstate highway construction, encouragement of military purchases in "labor surplus" areas (especially via small businesses), adjustments by the Veterans Administration to encourage more lenders to participate in the VA mortgage program, regulatory changes to allow more mortgage financing from savings and loan associations, extension of unemployment benefits, and proposed \$100-200 million in grants for new hospital construction under an existing federal program. Eisenhower also listed several other items that he had placed before Congress that would have, in his view, a positive impact on the economy. In addition to these items, defense spending had been accelerated in response to the Sputnik challenge, and automatic stabilizers such as unemployment compensation, public assistance programs, and decreased tax revenues had kicked in.

²⁰ Eisenhower's diary entries in mid-March indicate his determination to promote as much of the recovery as possible through the private sector (Morgan, 1990: 100).

²¹ Nixon believed that such a plan needed to be ready by April; he indicated publicly that he strongly favored a tax cut. Saulnier also believed that a tax cut was justified (Morgan, 1990: 121; Stein, 1969: 331). The pro-tax cut argument was that tax cuts prevented a deeper economic decline, pre-empted "the spenders," were a basic Administration goal, and lessened the likelihood of severe Republican losses in 1958. The Treasury considered 20 alternative tax cuts -- and then reported only the revenue costs of the options to Eisenhower (Sloan, 1991: 149).

The White House was careful to paint a picture of the president being on top of the economic situation. Lengthy meetings with his Cabinet, the Treasury Secretary, his economic advisers, and labor leaders were all public knowledge. Meetings were ongoing with Republican leaders in the Congress.²² If the Administration assumed that Eisenhower's statement and subsequent activist posture would reassert White House control of the economic debate, it assumed wrong. Amid signs that the slump was deepening,²³ Representative Richard M. Simpson, the ranking Republican on Ways and Means and the chair of the Republican congressional campaign committee called for an immediate income tax cut of about 10 percent (among other tax cuts totalling \$6 billion) on the same day that the president issued his statement (*NYT*, 9 March 1958, 56). Paul Douglas, the leading Democratic proponent for tax cuts, announced he would introduce his own \$5 billion tax cut. While some Republicans supported the call for tax cuts, others such as Senator Jacob Javits (R-NY), an Eisenhower

²² Reichard (1975: 218-29) and Pach and Richardson (1991: 50) discuss the role of congressional liaison in the Eisenhower White House. Eisenhower was the first president to establish a permanent office of legislative liaison.

²³ Trends in unemployment, steel production, business investment, retail sales, and personal income led to this gloomier assessment.

supporter, called for \$4-5 billion in anti-recession public works spending.²⁴ In the immediate aftermath of Eisenhower's statement, both Democrats and Republicans were calling for more public works spending, more federal aid to depressed communities, and expanded unemployment compensation.

Republicans emphasized that these proposals only supplemented Eisenhower's ideas, while Democrats argued that they showed the inadequate, "head-in-the-sand" presidential approach. Despite the disagreement over whether the proposals were consistent or inconsistent with Eisenhower's plans, on balance the Administration could not see much in the alternative proposals that would be seriously distasteful. While the debate may have been initiated more from Congress than Eisenhower and his staff would have preferred, columnist Edwin Dale aptly summed up the environment in Washington by noting that "At the end of the week, the degree of harmony and sweet reasonableness seemed dazzling" (*NYT*, 16 March 1959, IV:3).

What were the signs of this harmony? Both Democrats and the

²⁴ Javits was also part of an eight-member group of Eisenhower supporters who called for "immediate positive action" the day following Eisenhower's statement. With the exception of the call for public works spending, most of the items on this group's agenda were consistent with the Eisenhower proposals.

Republicans agreed that a tax cut was the next step.²⁵ Republicans in the House and Senate voted with near unanimity for Democratic bills on housing (some Republican demands had been met through amendments) and speeding up public works spending.²⁶ Both parties wanted to extend unemployment compensation. Both parties agreed on speeding up spending in most areas, including highways.

The party positions were not identical. Some Democrats were interested in establishing national standards for unemployment compensation so as to eliminate state-by-state variations, but most Democrats and virtually all Republicans rejected the notion. On March 19 when Eisenhower issued orders to speed up spending on \$2.25 billion of publicly-aided projects, Democrats complained that only \$75 million of new spending would result when \$2 billion might be more appropriate.²⁷ The Administration had preferred a longer-term focus to the housing bill that would raise the interest rate ceiling on government-

²⁵ Stein (1969: 345) notes that there was "no longer a difference about the general principles of fiscal policy."

²⁶ On March 19 the House passed without debate the first major anti-recession legislation of the session, a \$1.85 billion emergency housing bill. The Senate had passed the bill unanimously during the previous week. Eisenhower signed the bill on April 1. The second major bill was passed on March 27 when \$5.5 billion in highway funds (over two years) were approved by the Senate. Approximately \$1.8 billion of this spending was new.

²⁷ With the exception of highways, the president was largely free to accelerate spending as he saw fit.

guaranteed loans (thus encouraging more lenders to participate); the Democratic countercyclical plan called for a special assistance program which would buy federally-guaranteed loans at face value to open up the market for new loans. The plan that passed was closer to the Democratic model. Democrats wanted to commit roughly two and one-half times more funds to accelerated highway spending than the president and were willing to dip into general revenues rather than rely on the struggling highway trust fund. After substantial concessions by the Democrats, the bill was passed in a form which in substantial ways reflected the president's thinking. While these differences were important, agreement on the major tools available and their relative preference ordering was striking.

The Democratic view was that voters would not respond to their proposals so much as to concrete events, so oration had the same value when critiquing the president's ideas as when proposing your own ideas. Among party leaders a responsibility theory of sorts held sway: the worst thing for the party to do in an emergency was to obstruct the response of the Administration. To Johnson and Rayburn, the Democratic party's centrist supporters -- the vast majority of the party in their view -- would credit the party if it helped Eisenhower extricate the country from its economic troubles rather than worry about creating a "pure"

Democratic anti-recession program. The Senate Democratic Policy Committee reflected such a strategy when it passed a resolution on March 19 announcing that any anti-recession measures from the Administration would receive "nonpartisan treatment" and expeditious handling. In the leadership's view, the best plan was to determine where events were leading and beat the Administration to the punch with a proposal, rather than worry about the content of the proposal being markedly different than the Administration's. At the same time, Rayburn and Johnson were careful to indicate that they were waiting for leadership from the president -- "Congress is not the action arm of the government" (Johnson, cited in Sundquist, 1968: 24).²⁸ With acceleration of spending done or already proposed and new programs not likely to have any immediate economic impact if proposed, the move to tax cuts was viewed on all sides as the next logical step.

But it was not yet time to discuss tax cuts. In the most striking display of the similarity of approach taken by the two parties in

²⁸ The quotation is Johnson. Conkin (1986: 134-137) explains that Johnson's general framework was to minimize differences within the party by avoiding extensive floor debate (he needed both the rank-and-file liberals and the conservative committee chairs) and to place Congress in a largely reactive posture to the president. Rayburn shared these general predispositions but was more of a stranger to his fellow party members -- future Speaker Thomas P. O'Neill (D-Massachusetts) estimated that Rayburn probably did not know more than twenty members of his own party (O'Neill, 1987: 131).

responding to the recession, Speaker Rayburn and Treasury Secretary Anderson reached a "gentleman's agreement" on March 12 that they would consult each other before initiating any tax-cut legislation.²⁹ Neither party wanted to be undercut by the tax issue. Over the next two days the Senate overwhelmingly voted down tax cut proposals (including Douglas's proposal by a 71-14 margin).³⁰ The conventional wisdom was that some tax cut would be enacted before May if the March economic figures indicated continued deterioration (Stein, 1969: 328).

As bits and pieces of the suggested proposals were put in place -- on April 4, for example, Eisenhower ordered the Veterans Administration to stop requiring a 2 percent down payment on guaranteed home loans -- the focus became increasingly concentrated on tax cuts. At his news conference on April 9, Eisenhower was reluctant to support a tax cut in the near term; he argued instead that the federal government had done its share and that some of the burden for recovery

²⁹ Rayburn, who apparently thought little of most of the Eisenhower Administration officials, had a long friendship with Anderson (Eric Sevareid, CBS Radio News Analysis, 28 May 1958, Pre-presidential, Senate Files, Holborn, Box 565, Eric Sevareid Radio Analysis). Johnson, Rayburn, and Anderson, who forged the agreement to discuss any tax cut proposals, all hailed from Texas. Rayburn had the blessing of Ways and Means Democrats (Sundquist, 1968: 27).

³⁰ Douglas would introduce another tax cut measure in June; this proposal also failed.

had to rest with industry and consumers.³¹ Democrats continued to portray the president as slow to respond: Johnson challenged Eisenhower on the 19th to act and not "sit it out." Indeed, Johnson declared that as high a rate of growth as possible should be the ultimate objective of economic policy (*NYT*, 20 April 1958, 46). Although the Federal Reserve was active in monetary policy throughout the recession, including lowering the discount rate and reserve requirement again in April, monetary policy is typically not perceived as Administration action.

Ending the Politics of Recession

Eisenhower's more aggressive sentiment reflected his basic tendency to find inflation a more worrisome problem than unemployment; to him, inflation always threatened to become structural while unemployment was more truly cyclical (Sloan, 1991: 145-48). A temporary tax cut would probably be ineffective this late in the recession, but a permanent cut might well lead to future inflation

³¹ Party leaders of both parties deflected a powerful array of tax cut proponents: the Democratic Advisory Council, Committee for Economic Development, Rockefeller Brothers Fund Report, U.S. Chamber of Commerce, General Motors's president, J.P. Morgan and Company chairman of the board, AFL-CIO, and former CEA chair Arthur Burns (Sundquist, 1968: 25).

(Democratic leaders and the Treasury Department concurred).³² If the cycle must be interfered with, it should be done in a way that minimized the exacerbation of any future inflation threat (Pach and Richardson, 1991: 38, 176; Stein, 1969: 319-20). The more aggressive posture adopted during his news conference became more concrete over the next several weeks as positive economic news arrived. Over this period Eisenhower vetoed a \$1.7 billion Democratic rivers and harbors bill,³³ indicated his opposition to a Democratic plan approved by the House Ways and Means Committee that would extend unemployment benefits by sixteen weeks, extend coverage to 1.8 million more workers, and not require states to pay back the additional federal contribution (Eisenhower had submitted his own more modest proposal that retained all the features of the existing program while providing a federal loan to allow states to increase by one-half the number of weeks a person could receive benefits); and announced his opposition to a bill approved 60-26 in the Senate calling for community works projects.³⁴ At the same time he signed the highway and housing bills mentioned above but with a

³² Treasury's views are in Stein (1969: 334).

³³ When \$350 million in new projects were removed from the July version of the bill, Eisenhower signed.

³⁴ He also vetoed several bills that were not conceived of as anti-recession proposals but which would have certainly increased federal spending, including, for example, aid for airport construction and depressed areas redevelopment.

public statement of his displeasure and reluctance. By his news conference on the 23rd, Eisenhower was labeling the recession a "minor emergency" (especially in comparison with the communist threat) and urging that people not get "hysterical." He made it clear once again that cutting taxes was, in his view, dangerous, especially if the country's defense needs were to be met.³⁵ Still, he was not prepared to use economic policy as a litmus test for party loyalty.³⁶

By the end of the next month, additional action against the recession had come to an end. In his news conference on May 28, Eisenhower declared that the recession had "largely spent its force" and that there would be no general tax cut. His statement ratified what all the major Democratic and Republican leaders had suggested the day before: there would be no tax cut in 1958. With economic statistics improving, other measures just starting to have an effect, and skepticism about whether a tax cut would help the situation or simply exacerbate future inflation, both sides could claim economic support for their view.

³⁵ The *New York Times* argued that the Administration was engaged in "wishful thinking," its actions were "thoroughly timid," and its spokesmen "congenital optimist[s]." As for the Democrats, "The floundering of the Democratic leadership has differed only in character, not degree"; the party was too wedded to public works, the paper argued, and needed to push for tax cuts (2 May 1958, 26).

³⁶ To Eisenhower, three issues formed a test of party loyalty for Republicans: military modernization, military and economic foreign aid, and extending the reciprocal trade act.

Polls indicated that voters were uncertain about the usefulness of tax cuts. After appeals from Treasury Secretary Anderson and Director of the Budget Maurice H. Stans -- Anderson estimated a \$10 billion deficit without a tax cut -- the House Ways and Means Committee responded by approving (21-2) the president's request to maintain current tax levels on a variety of excise taxes.³⁷ The Senate voted 80-0 to approve an extension of unemployment benefits for an average of thirteen weeks, defeating in the process liberal attempts to broaden employee coverage and the number of additional weeks. The approved plan, essentially Eisenhower's proposal, went on to the White House for the president's signature.³⁸ Although it would emerge as a major campaign issue, for now the politics of the 1958 recession were over.

³⁷ The committee also rejected an excise tax cut limited to automobiles by 19-2. And not everyone gave up on tax cuts: some members of Congress, as well as labor leaders, continued to push the idea but with virtually no chance of success.

³⁸ The more liberal variant was championed by Senator John F. Kennedy (D-Massachusetts). While the specifics changed slightly over time, Kennedy was interested in putting more workers into the program, forcing states to accept additional weeks of coverage rather than making additional coverage voluntary, extending coverage for more weeks than the approved version, not requiring states to pay back the additional federal contribution (or taxing employers if the funds were not repaid by 1963), and providing for 50 percent of an unemployed workers wage (Pre-presidential, Senate Files, Holborn, Box 565, Unemployment Compensation; Pre-presidential, Senate Files, Legislation, Box 625, 85th-2nd, Unemployment; Pre-presidential, Senate Files, Legislation, Box 709, Unemployment Compensation 2/13/58-3/31/58, JFKL). The conservative coalition of Republicans and southern Democrats handily defeated these proposed amendments and Kennedy's alternative bill.

THE RECESSION OF 1974-1975

Like 1957-58, the recession of 1974-75 was the deepest to date of the postwar period. Although growth had been weakening in 1974, for most of the year inflation was the primary economic concern. When Gerald Ford assumed the presidency following Richard Nixon's resignation in August, inflation was, as he would later put it, "public enemy number one." Indeed, much of the Administration's time in the first few months was spent preparing for a major economic policy address in October, and that address was intended to deal with inflation, energy, and unemployment, in that order.³⁹ Following a series of meetings and open hearings around the country to get suggestions on the economy and a Summit Conference on Inflation held on September 27-28, Ford delivered his October Plan.⁴⁰

³⁹ Remarkably, Ford had little contact with the Administration's most visible anti-inflation unit, the Council on Wage and Price Stability. Although creation of the Council was Ford's first legislative request upon assuming the presidency in August, as of January 1975 he and the Council members had yet to meet. An internal memo noted dryly that "It would be most embarrassing for the Administration if Mr. Rees [chairperson] had to tell a Hill committee that the last time he spoke with the President about the Council is when he agreed to accept the job." The institutional structure of the Ford Administration is discussed in Reichley (1981: ch. 14).

⁴⁰ The idea of a summit conference on the economy originated in the Senate. Ford supported the proposal in his joint address to Congress on August 12. Alan Greenspan, the chairman of Ford's Council of Economic Advisers, was responsible for much of the organization of the

In a speech before Congress on October 8, Ford spelled out ten major themes and nearly two dozen proposals, including a five percent income tax surcharge on upper income earners and corporations, an increase in the Investment Tax Credit, an increase in unemployment benefits, the creation of public service jobs in depressed areas, and commitment to a \$300 billion spending ceiling.⁴¹ Ford also called for voluntary actions to hold down costs, prices, and wages; this voluntary effort was centered in the ill-fated Whip Inflation Now program.⁴²

summit meetings but concluded that "When you got everybody on the record, all the various ideas, there really wasn't very much. . . . Many people advocated increased fiscal stimulus, but they had always advocated increased fiscal stimulus. A number of people called for tax cuts at the time or increased federal expenditures, but those were the people who had always been doing and saying this" (interview in Hargrove and Morley, 1984). Even before the meetings, Ford had submitted requests for \$20 billion of budget rescissions and deferrals to lessen inflationary pressures.

⁴¹ While tax increases are rarely popular, the surcharge idea was widely misunderstood. Many people apparently thought that the tax kicked in at \$15,000 of gross income, or that the surcharge would be 5 percent of your income, or that the surcharge would be 5 percent of your pre-surcharge tax bill. In fact, if your taxable income (after deductions and exemptions) was, say, \$20,000, the surcharge would be 5 percent of the tax charged to the \$5000 of income that exceeded \$15,000. The surcharge would have affected relatively few families and been a modest fee.

⁴² Ford himself later came to feel that WIN, with its exhortations to the public to wear WIN buttons and discussions about whether to publish an anti-inflation cookbook containing recipes submitted by citizens, was a mistake (Memo to L. William Seidman from Albert Rees, "Suggestions for the WIN Program," 4 December 1974, Economic Affairs, Seidman, Box 54, C.O.W.P.S., December 1974, Gerald R. Ford Presidential Library [GRFL]).

While an increased gasoline tax had been discussed to discourage consumption, this idea was eventually dropped from the plan. The Administration also determined that asking for a single vote on a package of budget cuts following the election was politically impractical.⁴³

The Displacement of Inflation Politics

The grace period for the October Plan was short. With the economy slowing down, with Ford's own inclinations to sign legislation to boost housing construction and public service employment, and with Democrats in Congress arguing that slow economic growth now exceeded inflation as a problem, the Administration needed to reassess its position. In a meeting of the Economic Policy Board's executive committee with the president on October 18,⁴⁴ Alan Greenspan (chair

⁴³ Memo for William E. Timmons from Vern Loen through Max L. Friedensdorf, 1 October 1974, "President's Economic Speech," Economy (1), Loen and Leppert, Box 7, GRFL.

⁴⁴ The Economic Policy Board brought together for daily discussions the top level of the Administration officials dealing with economic policy. The EPB would task out assignments to the departments and sought to provide the president with a consensus view on economic strategy or, minimally, identify key economic issues and lay out options for the president. The executive committee of the EPB, which was the most significant policy making unit, consisted initially of the Secretary of the Treasury, Chairman of the President's Council of Economic Advisors, Director of the Office of Management and Budget, Assistant to the President for Economic Affairs, and the Executive Director of the Council on International Economic Policy. Later, the Secretaries of

of the Council of Economic Advisers) indicated that unemployment might reach 6.5 percent but urged the Administration to resist demands for expansionary policies. The president agreed that budget reduction was still the desirable goal. One week later this general sentiment was reaffirmed, although the EPB members recognized that the Administration needed to come up with a unified position regarding whether the economy was in recession or not -- the general consensus was to argue that this was no time to quibble over terms. Moreover, it was stressed that the best way to sell budget cuts was to note that three-quarters of the cuts would add very little to unemployment. Finally, on October 31, just over three weeks since the president's speech, the EPB agreed that Greenspan should write a statement that indicated how the president's program was intended to deal with both inflation and recession simultaneously. The Administration's desire to highlight inflation as the country's primary economic problem had begun to erode,⁴⁵ but as polls at the time indicated that a majority of the public saw inflation as the more serious problem and the Administration's economists saw inflation as the more significant long-term threat to the

State, Commerce, and Labor were added. Other officials and staffers attended frequently.

⁴⁵ "EPB Meeting Minutes, Oct. 10-22, 1974"; also October 23-31; minutes for meetings on October 16, 18, 24, 25, 31; in Seidman, Box 20, GRFL.

economy, the Administration intended to keep the primary focus on inflation.⁴⁶

The Administration maintained this straddle as its predominant approach to dealing with the recession. After acknowledging the existence of the recession on November 12, the Administration gradually focused more of its attention on recession and unemployment, without abandoning a commitment to fighting inflation.⁴⁷ In the congressional

⁴⁶ Other Administration officials, such as Health, Education, and Welfare Secretary Caspar Weinberger and Treasury Secretary William Simon stressed the importance of cutting the size of government, whether or not it was linked to inflation. Weinberger suggested that the president introduce a constitutional amendment limiting not spending but the revenue the government could collect (Memo to the President from Caspar Weinberger, 8 November 1974, EPB Memoranda, Oct-Nov 1974, Seidman, Box 24, GRFL).

⁴⁷ "E.P.B. Meeting Minutes, Nov. 8-10, 1974," meeting of November 8, Seidman, Box 20, GRFL. That the Administration's handling of the economic challenges had become scattered is indicated by the following draft memo that was approved by the Economic Policy Board Executive Committee for inclusion in the president's upcoming speech:

The medicine required to stop inflation is strong medicine and it has painful side effects. It causes a slackening in economic activity and an increase in unemployment. I deplore these side effects but I cannot change them. There is no other medicine which will cure the inflation disease. While the disease we are trying to control is ravaging 213 million Americans, the unfortunate side effects of the cure are concentrated on a relative few of our citizens. The individual surtax is the means by which the more fortunate majority of us are asked to contribute a small amount each to help those who bear the burden of the cure for inflation, and thus permit the cure to continue."

Fortunately, the message was toned down before delivery ("E.P.B. Meeting Minutes, Nov. 11-17, 1974," meeting of November 13, Seidman, Box 20, GRFL).

elections a week earlier, the Democrats had achieved large gains, enough to raise the possibility of a "veto-proof" Congress. Given this threat, Ford and his advisers recognized the need to shape the debate on how to resolve the recession. On November 18 the EPB Executive Committee concluded that contingency plans were needed for dealing with the recession.⁴⁸ Accordingly, by the end of November the Administration had pushed its budget limit up to \$302.2. The EPB argued that the president needed to build public confidence by publicizing his concern with economic conditions by announcing support of a tax reform bill in the House, trade reform, public service jobs, and budget deferrals and rescissions. With non-Administration economists pushing for tax cuts, Greenspan hinted in early December that a tax cut might be in order to stimulate the economy.⁴⁹

Part of the reason the Administration moved slowly was that no one in the Administration (and, Greenspan argued, no one outside the

⁴⁸ "E.P.B. Meeting Minutes, Nov. 18-30, 1974," meeting of November 18, Seidman, Box 20, GRFL. Ford had suggested in his September 12 address that his advisers were to commence work on these contingency plans quickly.

⁴⁹ Treasury Secretary William Simon still favored a surtax (Hargrove and Morley, 1984: 411). But L. William Seidman (executive director of the EPB) argued that it was time for the Administration to listen to outside economists. The EPB agreed, however, that spending as an anti-recession tool outside the automatic stabilizers "is generally blunt, delayed, and out of phase" ("E.P.B. Meeting Minutes, Nov. 18-30, 1974," meeting of November 27, Seidman, Box 20, GRFL).

Administration) forecast the severity of the slump that was to come (Ford, 1979: 202, 227). It was not until November 26 that Greenspan indicated to Ford that the recession might be worse than feared. In a memo, he indicated that revised estimates for the first half of 1975 had moved closer to the bottom of the range of possibilities that seemed credible earlier. In the "midst of a marked contraction in production, employment, and incomes," he told Ford to expect two quarters of decline in 1975 with a sharp increase in unemployment to the 7.0-7.5 percent range. And that, he warned, might not be the worst: "While we expect a bottoming out during the first half of next year, we cannot rule out the possibility of a more extended slide. In any event, it is difficult to envision an economy that would be strong enough in the second half of 1975 to reduce the rate of unemployment."⁵⁰

⁵⁰ Memo from Alan Greenspan to the President, November 26, 1974, "Current State of the Economy," *Economy: Legislative Review*, November 1974, Seidman, Box 63, GRFL. The forecast got worse in December, as the following exchange at Press Secretary Ron Nessen's January 8, 1975, press conference indicates:

Reporter: Can you give us any kind of a feel for how the Cabinet reacted when he [Greenspan] opened his presentation? Were those his precise words when he said "The economy is bad"?

Nessen: Yes.

Reporter: How did the Cabinet respond?

Nessen: They listened to the rest of his report. There was no comment.

Reporter: Did they laugh, or was there any type of reaction?

Nessen: I don't think it is something to laugh at, Tom. They did not laugh.

Through December the White House heard from all sides that it needed to act. Meetings with his economic advisers, bipartisan leadership of Congress, the Labor-Management [Advisory] Committee, and non-governmental economists made it clear to Ford that the sentiment for a tax cut, in particular, was overwhelming. The Labor-Management Committee, consisting of representatives of these constituencies, called for a \$15 billion tax cut for individuals and a \$5 billion cut for business. On December 20 the EPB held a full-day session discussing the problems in the economy and came to agreement on the need for a temporary tax cut. The following day Ford supported the idea, but indicated no willingness to support new spending programs (Porter, 1980: 109-113). While Ford signed legislation regarding unemployment compensation and public sector jobs in December (discussed below), his response to the worsening economic picture came in his State of the Union Address in January.⁵¹

Reporter: Did they cry, Ron?
Nessen: Not all of them.

⁵¹ Porter (1980), an Administration official, describes the phases of the Administration response from October 1974 to January 1975. The EPB had some difficulty reaching consensus on most of the particulars of the proposed tax bill ("Tax Proposals and Options," 26 December 1974, Taxes 11/74 - 12/74; same title, 4 January 1975, Taxes 1/75 - 2/75; both Seidman, Box 166, GRFL). As is common with tax bills, the details of the proposals were still being worked out the day the president was to deliver his address to announce the cuts.

Tax Cuts

The major thrust of Gerald Ford's plan to stem the recession consisted of tax cuts. His revised economic program, announced first in a televised speech on January 13 and then elaborated in the State of the Union Address two nights later, again stood on three legs. First, his anti-recession plan called for individual tax cuts of \$12 billion and business cuts (via an investment tax credit) of \$4 billion. These would be rebates on 1974 taxes. A more permanent income tax cut would be put into place if the revenues from energy taxes were adopted. Along with these cuts he intended to submit proposed budget cuts to Congress in order to hold down the rate of increase in federal spending and to hold down the size of the deficit. Second, his anti-inflation plan declared that there would be no new spending programs outside energy and that increases in federal pay and cost of living adjustments in retirement programs would be limited to five percent. Third, his energy program called for import fees, excise taxes, and price decontrol of oil and gas to spur conservation, an acceleration of research and development, a synthetic fuels program, and increases in automobile gasoline mileage. Although the energy and inflation proposals had obvious implications for economic growth, I will focus here on those parts of the program specifically designed to fight recession.

Ford's tax cut proposals went first to the House Ways and Means Committee. There, the bill created a rift among Democratic committee leaders and less senior members. The dispute concerned oil depletion allowances, which were special tax breaks granted to oil and gas interests to compensate them for the finite nature of their resource. These allowances had long been a target of liberal opposition, but oil state representatives had always been effective in trading support of the allowances for support on other members' bills. While Ways and Means originally planned to phase out the allowance, liberals on the committee went to the House Democratic Caucus and convinced the caucus to ask for a rule allowing an immediate cut-off (of allowances) amendment to be introduced on the floor. Wilbur Mills, chair of Ways and Means, then refused to take the bill to the floor and instead stripped all the provisions relating to the depletion allowances from the bill.

As far as the tax cuts were concerned, the committee approved \$19.8 billion in cuts -- \$16.2 billion for individuals and \$3.2 billion for businesses. Part of the cut would be a rebate on 1974 taxes while part would consist of reductions in withholding in 1975. \$2.2 billion in tax increases were also included. Compared to the president's plan, the bill provided more relief for lower income individuals and less for the middle and upper income groups, but a meeting between Ford and AFL-CIO

president George Meany suggests that Ford was prepared to accept from Ways and Means a distribution of benefits and per capita limits on rebates that resembled that of the Labor-Management Committee.⁵² Republicans were mixed in their response. Overall they indicated a support for cuts that were smaller, less lengthy, and more targeted to the middle class. Six Ways and Means Republicans were generally supportive though they preferred a lump-sum payout. In their view, the bill was "not as much a measure to provide immediate economic stimulus as . . . a bill to redistribute income on a permanent basis" (*Congressional Quarterly Almanac 1975* [CQA], 101). Five other Republicans found the bill as a whole unsatisfactory. On February 27 the House passed the bill (HR2166) with a provision to repeal the oil depletion allowance. The vote on the final bill was 317-97; Democrats supported the bill 238-37 while Republicans voted 79-60 in favor.

While the House bill was fairly close to the president's proposal, in the Senate Finance Committee several changes were made. First, the cuts were made deeper and shifted somewhat more to the middle class. Second, oil depletion allowances were retained. Third, permanent rate

⁵² Memo to the President from L.W. Seidman via Donald H. Rumsfeld, 16 January 1975, George Meany, Seidman, Box 195, GRFL; Memorandum of the meeting with the President and George Meany and L. William Seidman, 17 January 1975, George Meany, Seidman, Box 195, GRFL.

reductions in the first four tax brackets was approved. Fourth, a bonus payment of \$100 for each Social Security recipient was introduced. Finally, some additional tax credits were added, including a 5 percent credit for the purchase of a newly-constructed house (up to \$2000). On the Senate floor these provisions remained largely intact except that an oil depletion repeal that excluded independents was added to the bill. The bill contained \$23.3 billion in cuts for individuals, \$7.4 billion for businesses, \$3.7 billion in tax increases, and \$3.4 billion in new Social Security spending and \$0.2 billion in emergency unemployment benefits. The Senate passed the bill 60-29, with Republicans and southern Democrats voting against the bill by margins of 4-19 and 7-9, respectively. The Republican objections concerned nearly all facets of the bill: the increased size of the cuts, the additional federal spending, and the permanence of some of the provisions.

The conference committee report was issued on March 26. Individual cuts were targeted at \$18.1 billion, business cuts at \$4.8 billion, tax increases at \$2.0 billion, Social Security spending at \$1.7 billion, and emergency unemployment benefits at \$0.2 billion. The weaker Senate form of the oil depletion allowance repeal was adopted. The bill that emerged was closer to the House and Ford plans, but Republicans in the conference were dissatisfied with provisions for a

Social Security benefit, a home purchase credit,⁵³ and tax reductions extending through 1975. (It was virtually certain that Ford would have vetoed a final bill along the Senate lines.⁵⁴) Only one Republican agreed to sign the report while five refused. Representative Barber Conable (R-New York) declared that the president should not feel trapped to support the bill despite its genesis in the White House (*CQA 1975*, 111).

Despite the Republican opposition in the conference, on the floor Republicans were more mixed in their view. The House passed the bill on March 26 by a vote of 287-125 with Republicans in opposition 55-82.⁵⁵ This vote indicated that Ford would probably be able to sustain a veto. On the same day, the Senate voted 45-16 to pass the bill, with Republicans slightly opposed (11-14). The bill then went to the president. For the next two days an extraordinarily intense political operation developed at the White House as the Administration struggled

⁵³ While the Housing and Urban Development Department favored the idea of a 5 percent tax credit, the Council of Economic Advisors argued that single-family housing was not the problem and that favoring this idea would not necessarily mollify Congress or have a positive impact on the economy.

⁵⁴ Note, 22 March 1975, Taxes - Tax Reduction Act, 3/75 - 4/75 (1), Marsh, Box 32, GRFL.

⁵⁵ Opposition in the House to some of the bill's new and revised provisions led to a vote to send the bill back to the conference committee. The vote to send the bill back was shy of a majority by a vote of 197-214.

to decide whether or not the president should sign the bill.

From Capitol Hill the advice to Ford varied but most Republican members assured him that a veto could be sustained. Most argued that pockets of opposition in Congress to any one of the specific provisions in the bill could be enough to sustain a veto. Representative Robert Michel (R-Illinois) argued that well over half of the Republicans supporting final passage of the bill could be persuaded to sustain a veto and that absent members of both parties would be a good source of pro-veto votes. There was some question regarding whether Democrats who voted against the bill would be able to withstand the expected pressure from the Democratic Caucus and the party leadership. In general, canvassing of Republicans showed that moderate Republicans were the most problematic regarding a veto, with Senators Robert Dole (R-Kansas), Robert Packwood (R-Oregon), Charles Percy (R-Illinois), and Howard Baker (R-Tennessee) all indicating to the Administration that they would vote to override or that there was a strong possibility that they would do so. Despite all this, the legislative liaison staff informed the president that they thought he could sustain a veto in both the Senate and House.⁵⁶

⁵⁶ Memo to Jack Marsh from William T. Kendall and Patrick E. O'Donnell, 28 March 1975, "Tax Reduction Act of 1975," Economy, February 1975 - March 1976, Friedersdorf, Box 11, GRFL; Memo to the President from Vernon C. Loen through John Marsh, Don Rumsfeld,

Democratic advice to Ford was more skeptical. Representative Joe Waggoner (D-Louisiana) warned that a second bill might well be worse from the Administration's point of view and include an increased cut and aspects of tax reform. Moreover, by vetoing the bill the president risked the adverse future reactions of Finance Committee Chair Russell B. Long (D-Louisiana) -- "Long would carry a grudge" -- and new Ways and Means chair Al Ullman (D-Oregon).⁵⁷ Waggoner also saw additional political risk in that the president would be vetoing the bill for what would be seen in the public as relatively minor sections of the bill. Representative Dan Rostenkowski (D-Illinois) told liaison officials that "the President would make a terrible mistake by vetoing the bill." Rostenkowski pointed out that the bill was not much bigger than the president's request, that he needed to let the bill take effect as an experiment in pumping up the economy, and that a veto would suggest that he wants legislation entirely his own way. In Rostenkowski's view the president was far better off signing as an indication of his willingness

and Max Friedersdorf, 28 March 1975, "Tax Reduction Act Conference Report (HR2166)," *Economy*, February 1975 - March 1976, Friedersdorf, Box 11, GRFL. The liaison staff still recommended that the president sign the measure while making it clear that he expected reciprocal action in the future.

⁵⁷ One member of Ford's congressional liaison team concurred, noting that Long would be very hard to deal with in the future and that Ullman, whom the Administration needed for future legislation, would be weakened by a veto.

to compromise and therefore putting the onus on Congress to compromise in the future.⁵⁸

In the White House, Seidman argued that the "permanent" nature of some of the congressional provisions was the most troubling aspect of the bill and good grounds for a veto. Although Congress seemed to apply the provisions for only one or two years, given a weak economy and upcoming elections all the provisions would likely be extended. On the other hand, it would be difficult to sell this logic to the public considering the widely-accepted view that stimulus was needed quickly. It was rather dubious, according to Seidman, that any significantly better bill would be forthcoming.⁵⁹ He did warn that Republicans such as Conable had indicated that Republicans who voted against the package felt that they put themselves on the line for the president -- failing to veto the bill would unleash poor morale and a weakened effort to stem

⁵⁸ Memo to the President from Max L. Friedersdorf, "Tax Reduction Bill," 27 March 1975, Economy, February 1975 - March 1976, Friedersdorf, Box 11, GRFL. The liaison official noted that "Dan thinks the world of the President and wants to help him. . . . He is *very* sincere in his support of the President." For other Democrats, see Memo to Jack Marsh from Russ Rourke, 29 March 1975, Taxes - Tax Reduction Act (3), Marsh, Box 32, GRFL.

⁵⁹ Memo to the President, "Tax Cut Bill," [27 March 1975], Economic Affairs, Taxes-Tax Cuts 1975 (1), Seidman, Box 105, GRFL. See also Memo to the President from William Simon, "Tax Matters," c. 15 March 1975, Taxes - Tax Cuts, 1975 (1), Seidman, Box 105.

spending.⁶⁰ At bottom, however, Seidman, along with Greenspan, did advise the president to sign the bill because it would have positive economic effects and it would bolster public confidence.⁶¹ Treasury Secretary William Simon urged a veto. With a recently completed economic review indicating that unemployment would be worse than earlier anticipated while inflation would fare better, Ford signed the tax cut into law on March 30.⁶²

Public Works and Public Sector Jobs

As with the tax cuts, both Democrats and Republicans quickly converged on the idea that some kind of public jobs provision was a necessary element of anti-recession strategy. Ford demonstrated his willingness to move down this policy path early in his presidency when,

⁶⁰ Memo to the President from L. William Seidman, "Tax Bill," 28 March 1975, President - Memos to 10/74 - 3/75, Seidman, Box 145, GRFL; Memo for the President from Robert K. Wolthius, 28 March 1975, "Tax Bill," Taxes - Tax Reduction Act (2), Marsh, Box 32, GRFL. See also the Letter from Barry Goldwater to the President, 31 March 1975, Taxes - Tax Reduction Act (3), Marsh, Box 32, GRFL.

⁶¹ Memo to the President from L. William Seidman, 28 March 1975, "Tax Cut Bill," Roger Porter Chronological File March 18-31, 1975, Seidman, Box 279, GRFL. See also Memo to the President from Jack Marsh, 28 March 1975, "Tax Bill," Taxes - Tax Reduction Act (3), Marsh, Box 32, GRFL.

⁶² Minutes of the Economic Policy Board Executive Committee Meeting, 17 March 1975, including attachments, E.P.B. Meeting Minutes, March 12-18, 1975, Seidman, Box 21, GRFL.

after meeting with labor leaders in September 1974, he released additional funding for a public service jobs program operating under the auspices of the Comprehensive Employment and Training Act of 1973, a complex piece of legislation designed more to rectify structural unemployment than cyclical unemployment.⁶³ In effect, this action was an acceleration of CETA spending totaling \$415 million and 85,000 jobs.

By the time Ford made his major inflation address in October, several jobs proposals were under consideration in Congress. The programs varied somewhat in their size, targeted populations, and triggers, but the proposals, from both parties, indicated commitment to substantial outlays for public jobs. Two Republican plans called for \$4 - 4.5 billion and about 500,000 jobs (S2993, HR16926); three Democratic plans ranged widely in proposed spending (\$500 million - \$2 billion in S4079; \$1 - 4 billion in HR16596; \$6.3 billion in HR16150), with the largest of the three anticipating 900,000 jobs. When Ford recommended the creation of a Community Improvement Corps targeted toward small-scale and short-term beautification projects in his October 8 address, his proposal came in at the low end of the spending and jobs figures.

⁶³ Clague and Kramer (1976:84) note that the recourse to public jobs in the recessions of 1971 and 1974-75 was appealing because private industry had not significantly expanded after the 1971 recession, training and educational programs for the unemployed had achieved only limited success, and job growth in state and local government outpaced the rest of the economy.

Activation of the \$500 million - \$1 billion program would depend on state and national unemployment rates and jobs would go only to those who had exhausted their unemployment benefits.⁶⁴ Although some hearings were held on Ford's plan in October, interest in the plan was minor -- only the Chamber of Commerce expressed much interest in the idea, and its interest was grudging.

It was not until December that both Democrats and Republicans in Congress felt pressed to move on the jobs legislation. Rejecting the Administration's proposal, Congress passed a two-part jobs program. First, in an Emergency Public Jobs Program targeted to high unemployment areas, the bill provided \$2.5 billion in fiscal year 1975 through Title VI of CETA for state and local governments to hire unemployed workers to perform community service jobs in health, education, sanitation, day care, recreation, and so on. About 300,000 jobs were anticipated. Second, through the Job Opportunities Program,

⁶⁴ To the Administration, this plan was preferable to, for example, expanding CETA, because short-term, small-scale projects were easy to wind down. If unemployment triggers were no longer being met, one could simply stop funding new projects. With CETA, however, you were more likely faced with the prospect of throwing people out of work ("Public Service Employment," 3 October 1974, Employment Assistance Programs, Seidman, Box 64, GRFL). Similar sentiments were voiced concerning the use of agencies such as the Economic Development Administration for relief of cyclical unemployment (Memo from Howard M. Smolkin to Walter Scott, "Employment Assistance Programs," 29 October 1974, Employment Assistance Programs, Seidman, Box 64, GRFL).

the bill accelerated federal spending for public works projects that were labor-intensive. Despite misgivings about the programs' cost, the speed-up of public works, and that the jobs would be available to workers who had not exhausted their unemployment insurance, Ford signed the legislation. Party divisions during congressional deliberations were relatively restrained, with the question of whether workers had to exhaust their benefits before claiming a new public job causing much of the disagreement. Republicans complained that the bill as written improperly treated public jobs as a viable option for the unemployed rather than a last resort. Despite this, support for the individual bills in the House and Senate as well as the conference compromise was overwhelming with strong bipartisan support.

In the spring of 1975, however, with a more Democratic Congress, job creation became a more contentious issue. Through the unusual route of an appropriations bill, Representative George Mahon (D-Texas), the chair of the Appropriations Committee, announced that he and the party leadership agreed that the jobs "emergency" dictated that new job creating programs be constructed though no specific request had been made for the programs or the funds. In fact, the Emergency Employment Appropriations Act -- as refined by the full House and Senate and conference committee -- became the heart of the Democrats'

job-creation strategy. Specifically, in a \$5.3 billion bill, Democrats allocated \$1.6 billion for new public service employment (e.g., through the CETA Title VI program), about \$410 million for summer employment for youth, and the remainder for acceleration of public works projects, funding new maintenance and construction projects suggested by government agencies, and providing loans to small business.

Republicans accepted the first two provisions. Indeed the day after the Appropriations Committee surprised the Administration with its announcement, Ford introduced a measure requesting the funds for public service employment and the youth jobs program -- the parties had no disagreement about the size of these programs.⁶⁵ The real debate centered around the remaining \$3.3 billion in the bill, which Republicans argued was too costly and too inflationary. The Republican strategy was to stick with Ford's policy of emphasizing tax cuts and some minimal public sector employment -- Ford's January Plan had called for no new spending programs. Office of Management and Budget Director

⁶⁵ There was still some difference, however. Ford sought to provide additional funding for already existing jobs with the \$1.6 billion while Congress sought to create new jobs. Within the Administration there had been some previous debate about the idea of continuing the public service employment programs: the Department of Labor favored the idea, OMB was skeptical whether such a program would quench the congressional thirst for more spending (Memo to the President from James T. Lynn, "Labor Department Public Employment Proposal and Alternatives for Economic Recovery, [n.d., c. 25 February 1975], Employment Assistance Programs, Seidman, Box 64, GRFL).

James Lynn requested publicly that the president veto the Democratic bill, and the House Republican Policy Committee concurred on March 12, arguing that the Democratic proposal would create poor jobs, lacked targeting to areas of extreme distress, and amounted simply to a shopping list of agency requests that had already been rejected or found wanting. Generally, Republicans stood by this position, voting against the bill in the House by 55-88 (original) and 49-91 (conference). Senate Republicans split on the original vote 12-11 (the vote on the conference version was a voice vote). Not surprisingly, Republicans in areas hard hit by the recession found it difficult to vote against the bill, particularly since they anticipated a presidential veto.

Ford indeed vetoed the bill on May 28, and Democrats immediately set out on an override effort. The original votes for the bill indicated that the Democrats had enough support for a successful override. Indeed, House Majority Leader Thomas P. O'Neill (D-Massachusetts) asserted that "We will not be facing a more important issue this session than this veto. The battle lines are clearly drawn -- no other issue divides the ideals and priorities of the Democratic and Republican parties [more] than the issues of this urgently needed job-creating appropriations bill" (*CQA 1975*, 799). Representative Jim Wright (D-Texas), the head of a Democratic Steering and Policy

Committee task force on the economy, agreed. Across the aisle, the thinking was the same: "If the majority cannot win this one, it cannot win any of them," challenged the House Minority Leader Robert Michel (R-Illinois). In fact, after heavy Administration lobbying, the Democrats did not win. With Republicans supporting the president's veto by a margin of 19-123 (along with close to two dozen Democrats), the override fell five votes short (Reichley, 1981: 328-29). Ford considered the vote to be perhaps the most important vote for the Administration since he became president.⁶⁶ Just over one week later the Congress approved and the president signed legislation providing for the public jobs and summer jobs arrangements of the vetoed bill.

Jobs programs created yet another battle in 1976. On March 20, 1975, the House Democratic leadership unveiled a \$5 billion local public works program for fiscal years 1976-1977 intended to produce 250,000 jobs (about two-thirds of the funds represented accelerated spending; the rest was new). Two months later, with not much debate, the House passed the measure by a vote of 313-86; Democratic support was near unanimous, while Republicans split 62-71. The Senate passed its version of the bill in late July, but the two chambers then entered a months-long debate over the formula for distributing \$9 billion in formerly-

⁶⁶ "Notes of the Cabinet Meeting, June 4th, 1975," 1976/06/04 Cabinet Meeting, Connor, Box 4, GRFL.

impounded wastewater treatment funds. A conference report was not issued until late December; the Senate adopted the report by voice in December, while united Democrats and a split Republican party passed the bill in the House the following January. The \$6.1 billion bill as passed called for \$2.5 billion to speed up public works projects, \$1.5 billion for countercyclical assistance to local and state governments to eliminate the need to cut programs or raise taxes, \$1.4 billion for wastewater treatment facilities, \$500 for the Job Opportunities Program, and \$225 million in new urban development and business working-capital loan programs. While party differences were somewhat subdued, Republicans did complain about the cost of the bill, triggering mechanisms that were too lenient, and the addition of new programs such as countercyclical assistance.⁶⁷ After Ford vetoed the bill, the Senate failed to override the veto by three votes.

Congressional Democrats, with substantial Republican support, immediately went to work on a cheaper version of the bill. As passed the new bill authorized \$3.95 billion through fiscal 1977, with \$2 billion for state and local public works projects, \$1.25 billion for countercyclical

⁶⁷ Sentiment inside the Economic Policy Board was unanimously negative to the countercyclical assistance idea. The Administration's view is expressed in a Letter to Mayor Moon Landrieu from William Simon, n.d., Countercyclical Assistance Act of 1975, Seidman, Box 55, GRFL.

aid, and \$700 million for wastewater treatment plants. Ford, charging that the bill was inflationary, reduced discipline at the state and local level, and would have no quick effect on the economy, again vetoed. This time, however, Republican defections were sizable enough to override the veto. With strong bipartisan support evident, Ford signed the appropriations for the programs into law on October 1.

The Administration's performance on job creation programs rankled many congressional Republicans. In a memo to the Economic Policy Board, a legislative liaison staffer reported that House Republican leaders felt that "we do not have a recognizable program to combat measures such as the Humphrey-Hawkins Bill."⁶⁸ Moreover, the liaison staff found "great concern that we do not have a publicly visible program that emphasizes job creation in the private sector. Our

⁶⁸ The Humphrey-Hawkins bill, first introduced in 1974 and then again in 1975, sought to put enforcement power into the Employment Act of 1946. Its legislative history paralleled that of the earlier bill: the bill was continually weakened over time in order to widen support. For example, a call to reduce unemployment to 3 percent in 18 months was increased to four years, the right to sue for a job was eliminated, attention to inflation targets were added, and so on. The idea of the bill was to have the president -- not Congress -- set economic goals and plans to reach them. Once approved this overarching plan was to guide Congress. If the goals were not reached, countercyclical aid, jobs programs, and so on were to kick in automatically. The irony of this program was that in a radical veneer it managed to endorse most of the features of the fiscal state, particularly presidential leadership and automatic policy solutions. Failing to reach the floor in 1976, the bill finally passed in weak form in 1978 as a largely rhetorical statement that the president should seek low unemployment and low inflation.

approach has been passive and negative. . . . the public does not have a recognition that we propose anything other than letting the economy heal itself." Not surprisingly, it was the party's conservative wing that had the most difficulty with the Administration's lack of a positive program and occasional compromises with Democrats (Rae, 1989: 112-113, ch. 5). Representative Jack Kemp (R-New York) complained about lack of coordination between executive and legislative branch Republicans on job creation, noting that "the Republican Party is in disarray and often without candidates *because* of this confusion on the Party's position, not vice versa. If the President will choose to align himself on economic and social issues with the traditional position of conservatives he will find a natural constituency coalescing around him in the Congress. . . . [O]n aggregate, [the electorate] sees little advantage to electing one party over another."⁶⁹

This deterioration of congressional-executive Republican relations -- particularly with House members -- was striking given the Administration's avowed strategy to consider the House Republicans its

⁶⁹ Memo to the Economic Policy Board from William F. Gorog, "Administration Job Creation Initiatives," [n.d., c. January 1976], Unemployment -- Esch-Kemp Bill, Seidman, Box 109, GRFL. Kemp's remarks are as paraphrased by Gorog. Senator William Brock voiced similar complaints about eroding the party's "philosophical consistency" in early 1975 (Memo to Jack March from William T. Kendall through Max L. Friedersdorf, "Senator Brock's Speech . . ." 14 February 1975, Congressional Relations, Memoranda, 1-2/75, Kendall, Box 12, GRFL).

base. But it should have been no surprise. In the first Cabinet meeting of 1975 the Administration strategy was stated clearly by the president's political advisers: based on the president's concept of "floating coalitions," support would have to be built on an issue-by-issue basis. Indeed, according to the advisers, "we must be willing to move to the Democratic side of the aisle to get support; in fact we must be willing to move to the center and even perhaps slightly left of center to draw the Democratic votes necessary."⁷⁰ The decentralization of power within both parties had greatly complicated congressional-executive relations.⁷¹ In this complex environment, party members would not be penalized on future issues for not going along with the White House. Given the logic of Keynesian politics in the fiscal state, that final piece of strategy was a virtual invitation to defect in a recessionary environment.⁷²

⁷⁰ Moderate Republicans in the House supported this approach as early as December, 1974 (Memo to the President from Ken Cole, "Report on Meeting with Republican House Members . . ." 19 December 1974, Cole, Kenneth (3), Seidman, Box 175, GRFL). See also Reichley (1981: 325-327, 332-336). Overall, Ford's relationship with Congress is assessed positively by both participants and scholars.

⁷¹ For an earlier example see Memo to the President from William Simon, "Tax and Trade Legislation," 20 November 1974, Simon, William E. 10/74 - 12/74 (2), Seidman, Box 205, GRFL.

⁷² "Minutes of the Cabinet Meeting May 7, 1975," 1975/05/07 Cabinet Meeting, James E. Connor, Box 4, GRFL. See also Economic Policy Board Meeting, 4 December 1974, E.P.B. Meeting Minutes, Dec. 1-12, 1974, Seidman, Box 20, GRFL, for an indication of attention to congressional Republicans early on in the recession-fighting process.

Unemployment Insurance

Extending unemployment insurance coverage is perhaps the most consistent response to recession in the postwar period. This is not surprising -- individuals who need help are clearly identifiable, areas with especially high unemployment are easily targeted, the additional aid is temporary in nature, and refusing to extend aid would register with many voters as a lack of empathy that would be difficult to explain away. Still, there can be battles along with the relative consensus, as we saw in the 1957-58 recession. In 1974-75, however, extending unemployment compensation was largely consensual. An important obstacle to consensus was removed early on when all sides agreed that permanent reform of the system should be separated from the need for short-term changes.

Ford first proposed extending unemployment insurance in his October 1974 speech. Congress did not act until December, when economic data indicated that a sharp decline was in progress. In short order, Congress approved a two-part program. First, in the regular, permanent program -- the program for all workers who qualified for unemployment coverage -- Congress added another 13 weeks of coverage, as Ford had suggested. In April 1975 another 13 weeks was

added, for a total of 65 weeks.⁷³ These 26 additional weeks were set to expire at the end of June. Second, a special, temporary program was established to provide up to 26 weeks of assistance for 12 million workers who fell outside the unemployment insurance system, especially farm and domestic workers and state and local employees. Unlike the regular program, where costs were shared between the federal and state governments, in the special program all costs were borne at the federal level. This program was set to expire at the end of 1975.

With the extension to the regular program due to expire at the end of June, the White House and Congress began discussing possibilities for extending coverage yet again. The package adopted was essentially what the Department of Labor sought.⁷⁴ First, in the regular program, 65 weeks of coverage would be available until the end of June, 1976, 52 weeks would then be available until the end of 1976, and 39 weeks thereafter. Beginning in January 1976 the possibility of receiving 65 weeks would depend on a state's unemployment rate, and a state could

⁷³ The standard program had provided workers with up to 26 weeks of benefits. Then in 1970 the law allowed for another 13 weeks in periods of high unemployment. With the weeks added in December 1974, a total of 52 weeks was available.

⁷⁴ "Department of Labor Proposal for Extending the Duration of Unemployment Insurance Benefits," 25 April 1975, E.P.B. Meeting Minutes April 21-22, 1975, Seidman, Box 21, GRFL. See also "Further Extensions of Unemployment Benefits," 23 March 1975, Unemployment Insurance (1), Seidman, Box 109, GRFL.

require that a worker accept job training to receive more than 39 weeks of benefits.⁷⁵ Second, coverage in the special program would extend to 39 weeks through June 1976, 26 weeks would be available until the end of the year, and the program would be eliminated thereafter. All of these revisions were overwhelmingly accepted in both bodies and by the president; party differences were muted throughout.

Housing

By the time of Gerald Ford's October 8, 1974 inflation address, Congress had already acted with the assistance of the Nixon Administration to increase the availability of home mortgages. Ford's October proposal to aid the housing industry called for an emergency one-year program that allowed the federal government to purchase conventional mortgages and government-insured mortgages from banks. With \$3 billion available for such purposes, the intent was to free private funds for more mortgage loans. Dispute over the measure was negligible -- it sailed through Congress in one week.

In 1975, however, housing policy to stimulate the economy was more divisive. Seeing housing as a key to recovery, the House

⁷⁵ Another provision, that workers would face cutoffs of benefits if they refused to accept a non-relevant (to their training) or low-paying job, was eliminated in the conference committee meetings.

Democratic leadership announced early in 1975 that emergency housing help would be a significant part of the Democratic response to recession. Subsequently the House passed a bill largely authored by Banking, Currency, and Housing Chair Henry S. Reuss (D-Wisconsin) that called principally for mortgage interest rate subsidies for the purchase of new homes. The White House, taking the view that housing would benefit from a more general recovery rather than drive that recovery, saw inflation as the most likely result of the program. House Republicans preferred a continuation of the 1974 mortgage purchase program and introduced an unsuccessful bill to that effect; they voted 32-81 against the Democratic program. Ford vetoed HR4485 in June as costly and ineffective and noted that he favored a continuation of the mortgage program (in fact he was releasing the last \$2 billion of funds available) along with a plan to help prevent foreclosures on the unemployed (a bill in Congress, HR5398, addressed this issue). Congress responded by passing a second bill that extended the 1974 program through mid-1976 and provided some help for the unemployed who faced foreclosures; on July 2 the president signed the bill.⁷⁶ Although funds were

⁷⁶ More specifically, the extension of the 1974 program was added to HR5398. Although Congress acceded to the president in this case, in another the roles were reversed and congressional pressure forced the Department of Housing and Urban Development to release \$264 million for a homeowner subsidy program for moderate-income families that had been suspended since early 1973. HUD proposed some reforms to

appropriated for the program in October, the Administration sat on the funds until January.

Tax Cuts Revisited

Toward the end of 1975, Congressional Republicans had become frustrated with the Administration's approach to the recession. First, they complained that the Republican strategy was too executive-driven. Second, they feared that the Republican program appeared to voters as a string of negatives, of presidential vetoes, rather than a positive statement. These sentiments re-emerged regarding the question about whether and how to extend the tax cuts enacted earlier in 1975 that were due to expire at the end of the year. Ford's staff handled the first problem by ensuring that congressional Republicans were kept informed.⁷⁷ The second problem was handled with a simple but politically attractive plan: the president would not extend tax cuts unless

reduce the cost of the program that had the support of Treasury, Labor, and Seidman. OMB, CEA, and Commerce opposed reviving the section 235 funds -- or felt the Administration should take its chances in the lawsuit that had been filed to open up the funds. Ford sided with HUD after Secretary Carla Hills assured the president that she could transfer from section 8 funds (rental subsidies) to meet the fiscal year 1977 outlay (Memo to the President from L. William Seidman, "Reactivation of Suspended Homeownership Subsidy Program, 9 October 1975, Housing: Undated and October 1974 - July 1976 (5), Seidman, Box 71, GRFL).

⁷⁷ Memo to the President from Jack Marsh, 6 October 1975, Taxes - Tax Cuts/Spending Limitation Proposal 10/75 - 12/75, Marsh, Box 32, GRFL.

Congress agreed to a cap on spending.⁷⁸

Both parties were interested in extending the tax cuts. For obvious reasons, neither was interested in seeing tax withholding increase on January 1 of an election year. Although Democrats had been working out the details of a tax cut extension, Ford's action shifted the initiative to the Administration.⁷⁹ On October 6, Ford proposed \$27.7 billion in permanent tax cuts with \$20.7 billion going to low and middle-income individuals and the remainder to business. Ford also pledged to veto the cuts unless they were accompanied by a commitment to keep spending for the upcoming fiscal year below \$395 billion (which was \$28 billion below current budget projections).

Democrats complained that Ford's proposal was "pure politics," that it would be irresponsible to make such a commitment in the absence of budget proposals from the White House, that the tax cuts would

⁷⁸ Treasury Secretary Simon presented the first suggested this kind of link in mid-1975 when he argued that the Administration should cut a deal with key Democrats, especially on the Budget Committees, that had the Administration accept the Democratic projections for the deficit for fiscal year 1976 if the Committees would guarantee that spending be kept below their own \$367 billion figure (Minutes of the Economic Policy Board Executive Committee Meeting, 23 May 1975, E.P.B. Meeting Minutes, May 21-31, 1975, Seidman, Box 21, GRFL).

⁷⁹ In a Cabinet meeting on October 8, Ford and his major economic advisers stressed the significance of not wavering on the proposed plan and of staying on the offensive rather than being reactive to Congress ("Cabinet Meeting , October 8th, 1975," 1975/10/08 Cabinet Meeting, James E. Connor, Box 5, GRFL).

handily boost the economy during the first three-quarters of 1976 while the budget cuts would not begin to take effect until the last quarter, and that Ford was disrupting the newly-revised congressional budget procedure inaugurated by the Congressional Budget and Impoundment Control Act of 1974. The White House attempted to paint the program more as an effort to gain control over spending rather than an effort to spur the economy, but either way a public relations blitz was unleashed to pressure Congress. Republicans on Capitol Hill were reasonably pleased with the approach. Conable suggested that "It's a bold grasp for presidential initiative where there hasn't been any" (*CQA 1975*, 135).

Indeed, as Democratic tax cut proposals worked their way through the House, Republicans used every available opportunity to attach the spending cap to the tax and other legislation. Democrats, in a difficult position, nearly acceded to the demand at one point, rejecting a spending cap by a narrow 202-220 vote. When the House finally passed a one-year tax-cut measure on October 23, Republicans kept true to their pledge to reject the plan, and House Minority Leader John J. Rhodes (R-Arizona) confirmed that Ford would veto the bill.

In the Senate, a six-month tax cut extension was approved with much less solid Republican opposition. While Democrats supported the bill nearly unanimously, Republicans divided evenly. Because this tax

cut only extended six months, some Republicans accepted the argument that commitments to cut spending could be part of the new budget process in the first half of 1976 -- in fact the budget resolution then being drawn up contained such a provision. The six-month extension was adopted by the conference committee, while other differences between the House and Senate bills were split. Both the House and the Senate accepted the bill by voice vote on December 17.

The same day, Ford vetoed the bill because it contained no commitment to keep spending below \$395 billion in fiscal 1977. On December 18, the House failed to override the veto as conservative Democrats abandoned the party leadership and few Republicans voted to override the president.⁸⁰ Finally, Democratic leaders in the House and Senate came up with a compromise package that cut taxes \$8.4 billion (\$7.4 billion to individuals) over six months and contained a pledge to restrain fiscal year 1977 spending if the tax cuts were extended beyond June. The bill's language contained neither a commitment to a specific spending level nor a commitment to dollar-for-dollar cuts in

⁸⁰ The failure to override the veto was somewhat of a surprise -- many observers, including Republicans themselves, believed that House Republicans would drop their objections to the tax cut measure. Apparently, however, most Republicans were convinced that another tax cut vote would be taken after the veto override failed; they did not believe that the Democrats would allow taxes to increase on the first day of an election year, particularly if the public was likely to blame the Congress for the increase.

spending to match any tax cuts, and Congress retained the right to ignore the commitment if economic conditions so warranted. Both chambers overwhelmingly passed the bill on December 19, and the president signed the tax cut extension four days later. While Ford had to accede to the lack of firm figures, congressional Democrats had to abandon the idea that they could extend the tax cuts past June without some kind of offset.⁸¹

Other Remedies to Recession

In a recession year, even the most ordinary of legislation is sometimes given the cachet of being an anti-recession program. Rather than focus on every conceivable recession-related program, in this chapter I have been guided by what the political participants and observers during the eras stressed as being the primary measures meant to deal with recession.⁸² Budget politics in general, of course, are

⁸¹ Internal memos indicate that Ford probably would have accepted less than he got. If all other desirable possibilities failed, Ford may have continued withholding at its current (1975) levels for sixty days (W.F. Gorog, "Senate Tax Cut / Spending Limit Strategy," 12 December 1975, Taxes-Tax Cuts, 1975 (2), Seidman, Box 105, GRFL).

⁸² Like in 1957-58, acceleration of highway construction funding was approved to fight the 1974-75 recession. There was little debate over the idea. With all the other remedies being proposed, the highway measure did not attract the same political attention as did similar ideas in 1957-58. Similar bipartisan support -- including the Minority Whip -- emerged when Congress blocked Ford's November 1974 plan to raise

fought out in recession-fighting terms, and these are more comprehensively analyzed in the roll call analyses of the preceding chapters. One can certainly generalize that the Democrats tended to authorize and appropriate more for a wide swath of bills than the president would like, arguing that the extra funds would assist economic recovery. The president would just as consistently argue that his appropriations targets were adequate and that one could not ignore inflation, and he would occasionally veto to punctuate his point. Still, the two sides were remarkably close when one considers the net stimulus to the economy of their proposals. After its second budget resolution for fiscal year 1976, Congress planned for a \$50.6 billion deficit, while the Administration's latest revision in July 1975 had the desired deficit at \$47.5 billion.

One serious structural reform of the fiscal state framework was proposed during the recession: bringing the Federal Reserve System under tighter congressional control.⁸³ Henry S. Reuss (D-Wisconsin), chair of the House Banking, Currency, and Housing Committee

food stamp prices. Anti-recession options available to the Administration in July 1975 are listed in "Summary of Options," 25 July 1975, E.P.B.: Quarterly Domestic Economic Review, July 1975, Report for the Quarterly, Seidman, Box 58, GRFL.

⁸³ The Budget Control and Impoundment Act of 1974 did not emerge because of the recession. It will be discussed in chapter 8.

proposed a measure (HR3160) in 1975 that would have had Congress order specific monetary policies for the Fed to follow regarding interest rates and the money supply and would direct the Fed to allocate credit to specified priority uses. While Fed chairman Arthur Burns expressed great concern to Administration officials about the proposal, the bill died in committee on a 19-20 vote. Seven Democrats joined thirteen Republicans to defeat the measure. The Administration strongly opposed the measure and there was no apparent support from Democratic leaders. Instead a more general nonbinding resolution suggesting lower interest rates and looser monetary control while requiring the Fed chairman to attend two hearings per year on the Fed's upcoming plans was passed overwhelmingly by both parties. The E.P.B. saw this as a "near-optimum resolution of what started out as a very dangerous threat."⁸⁴

THE RECESSION OF 1980

The 1980 recession was a long time in coming. Unlike the other two recessions discussed in this chapter, the 1980 recession was widely

⁸⁴ Meeting Minutes of the Economic Policy Board Executive Committee, 2 April 1975, E.P.B. Meeting Minutes, April 1-8, 1975, Seidman, Box 21, GRFL.

anticipated -- in 1979. But in fact 1979 was a year dominated by inflation, especially following the second oil price shock administered by the Organization of Petroleum Exporting Countries. It was also a year of tremendous difficulty for President Jimmy Carter because of the economy and the taking of American hostages in Iran. With his popularity and job approval ratings dipping below those of Richard Nixon, Carter took to the woods at Camp David in the summer of 1979 to mull over the future course of his Administration. When he emerged after several days of discussions with consultants, politicians, and experts he reorganized his Cabinet (including the firing of his Treasury Secretary Michael Blumenthal, the transfer of Federal Reserve chair G. William Miller to Treasury, and the selection of Paul Volcker to head the Fed), attempted to focus the country's attention around energy problems, and declared that the country had entered a deep malaise where for the first time it viewed its future more negatively than its past.

Focusing on Inflation, Worrying about Recession

The widely-held view during 1979 that recession was just around the corner created a historically-unique situation where recession cures were part of the popular political dialogue well before the actual onset of recession. Slower growth than in 1978 -- though not yet contraction --

confirmed the worst expectations of many observers. Despite the decline in growth, consumer price inflation accelerated to an 11.3 percent annualized rate. In this context, traditional Keynesian nostrums were less useful than in the past. Slowing down growth in order to cool inflation had not worked in 1979; unless one was willing to abandon fine-tuning for economic shock therapy -- such as a deep, lasting recession -- some other solution was called for.⁸⁵

Republicans in Congress were attempting to fashion some alternative approach to economic management, some way to deal with both inflation and unemployment at the same time. They focused particularly on restoration of economic incentives that they felt had been eroded by large government, encouragement of investment and capital formation, and, most centrally, boosting a weak rate of productivity improvement.⁸⁶ Individually many of the ideas were not new but they were perceived differently -- tax cuts, for example, may well have been a major part of John F. Kennedy's economic program but they were not then touted as curing inflation. What was different in 1979 and 1980

⁸⁵ Woolcock (1984) presents an overview of Carter's economic policies.

⁸⁶ "This commitment [to new ideas for creating jobs and growth] is not based on one specific bill, but on the entire concept of restoring incentives in areas where they have all but been destroyed" (Representative Jack Kemp, in "Governing Team Day," Republican National Committee Library, files).

was that these old ideas, as well as some new ones, were viewed as solving new problems; tax cuts are supposed to stimulate growth and inflation, not decrease them. Interest in productivity and capital formation again were not new, but there was an increased emphasis placed on their centrality in economic analysis.

But Jimmy Carter found it difficult to look beyond the standard solutions.⁸⁷ Responding to the Republican pressure and discontent among Democrats, Carter's economic advisers told him in late 1979 he had two options for the budget and economic policy in 1980.⁸⁸ The first option was to maintain the current policy posture, offering no major

⁸⁷ Hargrove (1988: 70-71) indicates that Carter's sincere desire to balance both inflation and unemployment was responsible for the notable stop-go nature of his economic policy. Each decision became a correction of a previous decision in light of recent politics and economics.

⁸⁸ The Economic Policy Group was the Carter version of Ford's EPB. Unlike EPB, however, it was never clear whether EPG was intended to be an analytical center or a coordinator of economic policy. The group started out very large but eventually a more manageable Steering Committee was developed. Carter asked Stuart Eizenstat, the head of his Domestic Affairs and Policy Staff (DPS), to monitor the EPG, but the connections between the EPG and the president remained ambiguous:

No one seemed to be in charge and people were going in different directions. Everyone felt powerless. When Alfred Kahn, head of the Council on Wage and Price Stability, tried to resign in the Summer of 1979 and was dissuaded by the president, he told [Charles] Schultze [chair of the CEA] that he considered himself a fifth wheel; Schultze responded, 'No, I am.' And Eizenstat amazed Kahn by saying that he did not feel in on final economic policy decisions either (Hargrove, 1988: 75-76).

new initiatives except perhaps a youth employment program. A fiscal year 1981 budget deficit of \$14-16 billion was forecast. The second option was to keep the current policy and add a "modest package" that would deal with long-term productivity improvement and control of inflation. The suggestions here included liberalization of depreciation for tax purposes, possible incentives for savings, and a youth employment and education program, among others. The projected deficit under this scenario was \$21-23 billion. If Carter chose the second path, they suggested, he could package some of the research and development and productivity-related spending already in the base budget with the new initiatives to form a long-term program for productivity improvement and inflation control.⁸⁹

Carter's advisers recommended the second option. The present path, they argued, could be viewed only as one of restraint and slow

⁸⁹ Memo to the President from Bill Miller, Stuart Eizenstat, Fred Kahn, and Charlie Schultze, "Final Options on the Budget and Economic Policy," 20 December 1979, White House Central Files [WHCF], Subject FG-104, FG12 7/1/79 - 12/31/79, Jimmy Carter Presidential Library [JCL]. Alfred Kahn -- the Chairman of the Council on Wage and Price Stability -- was suggesting as far back as April 1979 that the Administration had to consider the possibility that fiscal measures to control inflation were severely limited and that new solutions needed to be pursued -- especially a focus on productivity. He expressed concern that recommendations to the president were "excessively sanitized" (Memo to the Vice President, W. Michael Blumenthal, Charles L. Schultze, James T. McIntyre, and Stuart Eizenstat from Alfred Kahn, "Attached Memo on Inflation Strategy," 17 May 1979, WHCF, BE-16, BE4-2 8/18/78-1/20/81, JCL).

growth that provided little hope that the government was dealing structurally with the roots of its economic problems. The second option would not have much effect in such a large economy, but it was a start in the process of decreasing the share of gross national product absorbed by the government. There is no reason to wait until the necessity of a stimulus package becomes clear, they argued, because these are not stimulus ideas in the traditional manner. In any case, the budget would still be very tight and the Administration would still project a fall in the deficit despite anticipated increases in unemployment. Finally, if he did not act, the Congress would, and he would have to defend a "do-nothing" posture during the primaries and general election. The advisers had informed Carter earlier that there was both a loose consensus and a sense of urgency from both Democrats and Republicans to do something about productivity. Republicans, they reported, had taken the initiative away from the Democrats.⁹⁰

Despite the strong endorsement, Carter was not interested in increasing the size of the deficit.⁹¹ To him, larger deficits meant more

⁹⁰ Memo to the President from Alfred Kahn and Frank Moore, "Congressional Consultation on Inflation," 25 July 1979, Stuart Eizenstat 286, Tax Cut Proposal [CF, O/A 731], JCL.

⁹¹ Aside from budgetary control, Carter's chief strategy against inflation was an incomes policy that attempted to keep price and wage increases within voluntary guidelines.

inflation, and the economic tools available only allowed him to tackle one problem at a time (White and Wildavsky, 1989: 22). Doing something inflationary in order to decrease inflation and increase growth, in an environment of extremely high inflation, was not a risk he was prepared to take. And with no official recession underway, it made sense in his view to stick with the established medicine for curbing inflation. Schultze made one final plea just before Christmas. Stuart Eizenstat, the head of Carter's Domestic Policy Staff, was not happy with the business-oriented recommendations of the Economic Policy Group Steering Committee⁹² and urged Carter to listen to the "quite reasonable" concerns of organized labor about the projected budget. Carter's view remained unchanged despite the last-minute appeals.⁹³

⁹² Memo to the Economic Policy Group Executive Committee from Stuart Eizenstat, "Tax Proposals: Accelerated Depreciation," 13 December 1979, WHCF, FG-95, FG6-18, 1/20/77 - 1/20/81. As the head of the DPS, Eizenstat played a key role in the transfer of information to the president. Along with Vice-President Walter Mondale, Eizenstat was the most attentive of Carter's advisers to the major interest group supporters of the Democratic Party. The DPS efforts to link up with traditional Democratic interest groups brought strong opposition from the Office of Management and Budget and the Treasury (Hargrove, 1988: 43). Between the tug of politics and economics, "the president and his advisers would split the difference, often making no one happy" (Hargrove, 1988: 81). Moreover, many Administration officials complained that Eizenstat was not an "honest broker" of various ideas and that "domestic policy" seemed to have a continually changing definition. See also Campbell (1986: ch. 5-6) and Thompson (1991) on institutional structure in the Carter Administration.

⁹³ Memo to the President from Charlie Schultze, "Final Budget Decision," 22 December 1979, WHCF, FI-11, FI4 12/1/79 - 12/31/79;

Budgetary Restraint to Fight Inflation

Things were bad in 1979. They got worse in early 1980. By the end of February, both Carter and Federal Reserve chairman Paul Volcker were speaking of economic crisis. One White House aide told *Newsweek* that "Grown men, thoughtful men, are scared. It's time to be scared."⁹⁴ While some Keynesians, notably in the Congressional Budget Office, asserted that a balanced budget would do little for inflation but almost surely accelerate the now official recession, most of the political talk centered around the symbolic importance of such a balance and the -- it was hoped -- favorable impact such a move would have on public and financial market expectations (White and Wildavsky, 1989:

Memo to the President from Stuart Eizenstat, 22 December 1979, WHCF, FI-11, FI4 12/1/79 - 12/31/79; Memo to the President from Stu Eizenstat, 26 December 1979 (Lane Kirkland letter to President attached), WHCF, FI-11, FI4 1/1/80 - 1/31/80, JCL. Carter's willingness to distance himself from his economic advisers on this matter helps to explain why in 1980 Carter's contacts with his economic advisers sank to the lowest levels of his Administration. Carter met three times as often with his national security advisers and four times as often with his staff advisers as he did with the economic advisers. The proportions had been more balanced in previous years (Orman, 1987: 35, 38, 40; cf. Thompson, 1991). Obviously other factors are involved as well, most notably the taking of American hostages in Iran and the Soviet invasion of Afghanistan.

⁹⁴ Actually, one can see fear creeping in as early as the middle of 1978. In that year of strong growth some officials were warning of a return to 1974-75 conditions in both inflation and unemployment (Memo to W. Michael Blumenthal, Stuart Eizenstat, Alfred Kahn, James McIntyre, and Charles Schultze from Barry Bosworth and Robert Russell, "Short-Term Inflation Policy Options," 1 June 1978, WHCF, BE-16, BE4-2 8/18/78 - 1/20/81, JCL).

29-30).

Still, the Administration was concerned about traditional responses to an economic downturn. With the economy slowing, the Administration attempted to prevent Democrats in Congress from pushing for stimulative fiscal policy. Secretary Miller warned the Joint Economic Committee that

If we should at this point introduce a more stimulative fiscal policy, and we are wrong about the recession and the resilience of the economy is demonstrated once again, what we will have done is add to inflationary forces and we will see them showing up again in the economy and we will have many years where we will be set back a long way in our effort to starve out inflation.

On the other hand, if we are more restrained and it turns out the economy deteriorates, we can move quickly to respond, and we would be prepared to move quickly to respond in some counteraction.⁹⁵

This message -- wait now and ask questions later -- was not enthusiastically received on Capitol Hill. Indeed, White House relations with Congress had been strained since the time Carter first took

⁹⁵ U.S. Congress, Joint Economic Committee, Hearings Before the Joint Economic Committee on the Economic Report of the President, 1 February 1980, p. 57.

office.⁹⁶ For four days before the committee, the Administration's senior economic advisers were told productivity, growth, and business investment were not promoted by the current economic policy. Administration officials consistently brought the issue back to restrained budgets as a sign of seriousness on inflation.⁹⁷ Schultze insisted that some steps were being taken on the supply side -- the focus was not only demand restraint. And from Fed chairman Paul Volcker the committee heard that doing almost anything now about depreciation, capital formation, and the like would encourage deficits and inflation. To Senator Lloyd Bentsen (D-Texas), however, this view meant that "we are playing the thing like they did in 1974. That obviously wasn't

⁹⁶ Members of Congress had several complaints about the Administration, including the perceived poor quality of the legislative liaison team (this improved over time), the failure to exploit the power of the presidency for the political benefit of party members, the overload of legislative initiatives, and Carter's distance from and disdain for Congress. Although the Administration made efforts in all these areas, tensions remained through the end of Carter's term. Among scholars both Ford and his liaison team receive high marks, while the Carter effort is criticized (Davis, 1983: 64-66; Jones, 1983: 117-121; cf. Rarney, 1983, and McCleskey and McCleskey, 1984; Jones, 1988: ch. 4-5). Jones (1988) argues that the Carter effort toward Congress improved during his term; unfortunately the policy problems got continually more difficult. Despite the generally negative assessments (from within the White House also), Yarbrough (1984: 165) and Jones (1988: 206) note that Carter's legislative success rate was in fact as good as or better than Lyndon Johnson -- a president often praised for his legislative skills.

⁹⁷ See Schultze's exchange with one Joint Economic Committee Republican on the utility of demand management (U.S. Congress, Joint Economic Committee Hearings on the 1980 Economic Report of the President, 1 February 1980, p. 107).

successful."⁹⁸

Unemployment for the first three months of 1980 was about 0.5 points higher than in the second half of 1979, but stable. Inflation, by contrast, was increasing at about 1.3 percent per month. Despite the fact that the economy was in recession, then, the attention remained largely on inflation. Budget restraint was not moderating inflation. Carter's advisers and staff urged him to be on the offensive promoting his policies, a public education role for which Carter evinced little enthusiasm. While some members of Congress grappled to find some alternative model to understand the economic problems -- especially focusing on the supply-side problems in the economy -- the Administration took the view that the cure for unsuccessful Keynesianism was more Keynesianism.⁹⁹

Over the latter part of February and the early part of March, then, the Administration's economic team set out to refashion its

⁹⁸ U.S. Congress, Joint Economic Committee, Hearings Before the Joint Economic Committee on the Economic Report of the President, 5 February 1980, p. 103.

⁹⁹ There was of course not total consensus on this view. One staffer noted that the Administration needed to "discriminate between the inflation of the 1970s -- in whose aftermath we live -- and the inflation of the 1960s -- with whose neo-Keynesian ideas we are currently mesmerized. . . . [G]overnment finds itself today in the peculiar position of applying remedies which are designed to damper an enthusiasm that does not really exist. . ." (Memo to Lloyd Cutler from Philip Bobbitt, "Inflation: Its Cause and Cure," 3 March 1980, Counsel's Office, Cutler, 80, Inflation 3/1-11/80, JCL).

economic policy. Specifically, since inflation had not abated, they were looking at measures to attack inflation. From the start the major focus was on rejecting the idea of mandatory wage and price controls being floated by some Democrats -- including Senator Edward M. Kennedy (D-Massachusetts), Carter's rival in the presidential primaries and caucuses. Instead, a balanced budget via spending cuts was the consensus remedy. Advisers such as Lloyd Cutler (the president's general counsel) suggested that he do as much independently of Congress as he could. Actions would be viewed more positively by the public than "mere legislative proposals." He could tell Congress that he was taking action while their deliberations were pending, not afterwards. Finally, he could make clear that he held the initiative with dramatic moves such as a moratorium on regulation. To lessen internecine interest group fighting among Democratic constituents, Eizenstat recommended an across-the-board budget cut of three to four percent.¹⁰⁰

In putting together the March version of the anti-inflation plan, Carter's staff had what was probably its most extensive and productive contact with rank-and-file and leadership Democrats, particularly the

¹⁰⁰ Memo to the President from Lloyd Cutler, "Anti-Inflation Program," 10 March 1980, Counsel's Office, Cutler, 80, Inflation 3/12-31/80; Memo to the President from Stuart Eizenstat, "Anti-Inflation Program," 6 March 1980, WHCF, BE-20, BE4-2 3/1/80 - 3/31/80, JCL.

latter (Carter, 1982: 527).¹⁰¹ Beginning March 6, White House staff met with congressional party leaders from 46 to 80 hours (estimates vary) in an effort to balance the budget. A week later, they had a rough sense of what to do but no detailed package (White and Wildavsky, 1989: 31-32; Jones, 1988: 195; Sinclair, 1983: 181). With an announcement scheduled for March 14, Carter was under some pressure to make a decision even without full consensus on the specifics. Carter rejected balancing the budget by revising the automatic cost of living adjustments in entitlement programs or instituting a one percent across-the-board cut in these programs. He also passed on any kind of overall spending limitation or freeze. Finally, he declined to raise revenues through increasing tobacco and alcohol taxes, placing a surtax on upper income earners or corporations, or increasing the collections staff at the Internal Revenue Service.¹⁰²

The program announced on March 14 consisted of a balanced

¹⁰¹ Schultze described it as akin to parliamentary government (Hargrove and Morley, 1984: 493). Honeymoons are short. Two months later, as recession concerns became the co-equal of inflation, he perceived "a new low in performance for the Congress" (Carter, 1982:529). Speaker Thomas P. O'Neill (D-Massachusetts) remained detached from the balanced budget ideas (White and Wildavsky, 1989: 34). For contacts with the business community during this period, see Ferguson and Rogers (1981: 34-37).

¹⁰² Memo to the President from G. William Miller, "Intensified Anti-Inflation Program," 12 March 1980, Counsel's Office, Cutler, 80, Inflation 3.12-31/80, JCL.

budget; restraints on consumer credit, money market funds, and the liabilities of non-Federal Reserve member banks through the Credit Control Act of 1969; enhancement of the voluntary wage-price guidelines; energy conservation to reduce the impact of oil price shocks (largely through an oil import fee); and "structural" reforms to promote productivity, savings, and research and development.¹⁰³ Under the budget heading, the chief actions were reductions or cancellations of most of the new spending proposed in the earlier January budget and rescissions and deferrals of spending in a wide range of existing programs. With revised upward estimates of some spending since January, however, the \$13 to 14 billion in projected cuts had a net effect of cutting only \$3 to 5 billion for fiscal 1981. Revised revenue increases along with the proposed gas tax put the budget at anywhere from balance to about \$12 billion in surplus. The "structural" changes consisted of a call for deregulation of selected industries and an announced intention to seek productivity-enhancing tax cuts some time in the future. Several of Carter's advisers warned him that while the debate in Congress would be primarily on his terms as the First Budget

¹⁰³ Carter's first budget included a large increase in spending compared to fiscal 1980, but much of the difference came from inflation. The budget was less restrained than the fiscal 1980 version, however; the earlier budget actually called for providing the government with less than its current services total (i.e., what it would take to maintain programs in their current funding levels).

Resolution (setting totals on spending and revenue) was debated, when the appropriations season came in the summer it would be difficult to maintain this momentum.¹⁰⁴

In the House, the Budget Committee passed a budget resolution that looked essentially like Carter's revised budget (Sinclair, 1983: 182-90). Cuts were made in federal hiring, state and local aid (not in Carter's list), CETA, retirement benefits, the Postal Service, and slightly in defense, among others. At the same time the Budget Committee responded to increasing calls for a productivity-enhancing tax cut by endorsing \$10 billion in business tax cuts. (The prior month the Joint Economic Committee had endorsed Senator Lloyd Bentsen's idea to cut business taxes by \$25 billion.) While the House Budget chair, Robert Giaimo (D-Connecticut), had been willing to write off liberal Democrats in order to get Republican support, the package as constructed was intended by the House leadership to be a budget that could unite Democrats (White and Wildavsky, 1989: 41). On the floor, several alternatives were offered to the Giaimo plan, including a Republican offering that extended and expanded some of the budget cuts but did not veer too sharply from the Giaimo plan. The Giaimo plan passed 225-

¹⁰⁴ Memo to the President from Anne Wexler, Al McDonald, Hedley Donovan, Lloyd Cutler, "Anti-Inflation Program Follow Through," 21 March 1980, Counsel's Office, Cutler, 80, Inflation 3/12-31/80, JCL.

193.

The Senate version of the Budget Resolution included more spending for defense, less for domestic spending, and kept the same revenue as the House plan. When the Senate refused to change its position on defense spending, Democrats in the House rejected the conference compromise and sent the bill back to conference.¹⁰⁵ Republicans voted against the compromise as well. Both Carter and O'Neill had called for rejection of the conference report. O'Neill found himself arrayed against all the other major Democratic leaders, including Majority Leader James Wright (D-Texas), Whip John Brademas (D-Indiana), and Democratic Caucus Chair Thomas S. Foley (D-Washington). After a second conference in which domestic spending was increased by less than \$1 billion, both the Senate and the House approved the compromise on June 12 -- Democrats in both houses supported the measure, Republicans in the House voted overwhelmingly against the package and Republican Senators split about evenly. The primary Republican complaint was that the budget was balanced but that it was a "fake balance" because everyone knew the economy was deteriorating and that many of the budget numbers were likely to

¹⁰⁵ Immediately after voting to send the bill back to conference, the House voted to instruct the House conferees to accept the Senate figures for defense.

change.

Still, the approval of a balanced budget was no small achievement, and the Democrats proved willing -- to the Administration's pleasure -- to use the new reconciliation procedures in the 1974 budget act that allowed the Budget Committee to direct the authorizations committees to compile about \$8 billion in cuts, direct Ways and Means to come up with extra revenue, and place the whole set of proposals in a single no-amendment package (Sundquist, 1981: 229-30). In other words this procedure "reconciled" the spending approved by the authorizing committees with the spending limits approved by the Budget Committee. Carter was the key here -- had he not consulted extensively with members of Congress before his March address and kept firm on budget restraint through the spring there would probably have been less commitment in Congress to using the new and controversial procedures.¹⁰⁶

As the economic picture darkened toward the middle of 1980, it became increasingly apparent that there was little interest in voting on the binding Second Budget Resolution before the election. Deficits

¹⁰⁶ On the other hand, Carter lost on his highly unpopular oil import fee request. The conference committee scratched from its planning any assumption that the tax would pass. The Congress rejected the tax, Carter vetoed their resolution of rejection, and Congress overwhelmingly overrode the veto. The Democratic leadership on Capitol Hill had sided with Carter.

could not be avoided, but after a year of balanced budget rhetoric few members of Congress wanted to vote for a deficit just before the election. Indeed, the Second Resolution was passed after the election and it did contain a deficit of \$27.4 billion, just under \$3 billion less than the Carter mid-July estimate. But its real spending level had decreased from the first resolution and room was included for a \$30-40 billion tax cut to be enacted perhaps in 1981. Party views were mixed -- the parties were strongly opposed to each other in the House (the Republicans were trying to insert more impoundment power for their upcoming president) while the Senate saw a 48-46 approval of the compromise and two divided parties.

Defusing the Recession

One is tempted to report of the 1980 anti-recession effort what historian Forrest McDonald (1965: 117) wrote of early New Hampshire political history: "not much happened." But that portrayal would be inaccurate. "Some things happened but not much got accomplished" might be a better summary. The sequence of response was unique: as I mentioned above, anti-recession talk was in the air in 1979; all that was missing was a recession. Some ideas -- such as anti-recession public works -- were attached to legislation in 1979. Nonetheless, although the

recession arrived in January, it did not become the center of political attention until May or June. On May 28 Carter for the first time used the recession as a significant tool in his dealing with Congress: urging defeat of the conference committee report on the First Budget Resolution because of its tilt toward defense spending and away from domestic spending, Carter noted that the country could not afford to let the recession get out of hand by further cutting programs that aid people in economic downturns (*CQA 1980*, 118). By that time the decline in growth and employment was dramatic and impossible to ignore. The economy experienced its sharpest one-quarter GNP drop since the Great Depression. Leading indicators in April showed the greatest drop in their 32-year Commerce Department history (White and Wildavsky, 1989: 50-51). Yet inflation never went away as a serious concern. Even in 1974-75, which many writers point to as the start of stagflation politics, politicians of both parties were able to focus their attentions predominantly on recession. 1980 was different. One senses a marked lack of enthusiasm in considering any of the standard anti-recession devices. For politicians in 1980, recession appeared to provide precious little political capital. Below I review some of the anti-recession

measures considered in 1980.¹⁰⁷

Taxes. In this context, attention turned to tax cuts, particularly tax cuts that could be packaged as both anti-recession and anti-inflation. Some discussion of tax cuts had emerged during the debates over the budget resolutions. For the most part, the question in these debates was whether or not to allow room in the budget plan for a tax cut in fiscal 1981. Although there was no need to be specific about the actual shape of the tax cuts for the purpose of the budget resolution, most of the early discussion centered around business tax cuts that would allegedly increase productivity, decrease inflation, and decrease unemployment through increased business purchases of capital and other equipment. Moreover, more efficient American production, it was argued, would boost the American economy by improving the international competitiveness of American industry. Senator Bentsen and Representative James Jones (D-Oklahoma, Budget and Ways and Means Committees) were the most prominent Democrats calling for tax cuts. On the Republican side many voices were heard, including Conable's

¹⁰⁷ The discussion is limited to new initiatives that are reasonably clearly designed to combat recession. For example, CETA public service jobs were reauthorized in 1980 at the same level as 1979, but these jobs would have existed regardless of the recession. Therefore, while voting on this reauthorization was undoubtedly affected by the recession, it is relatively difficult to talk about such a reauthorization as a new anti-recession response.

introduction (along with Jones) of the 10-5-3 accelerated depreciation plan and the Kemp-Roth individual tax cut which called for a 30 percent reduction in individual tax rates over a three-year period. In late February, Bentsen (as the chair) convinced the Joint Economic Committee to endorse his idea of a \$25 billion business tax cut to improve long-term productivity. Most of the suggestions circulating early in 1980 were not particularly new -- many had been circulating since tax politics in general took a more conservative turn in 1978 (Witte, 1985: ch. 10). However, they took on a new urgency in the economic conditions of 1980, and their claims to boost growth became more attractive as unemployment rose.

One of the striking differences between the tax proposals of 1980 and those of the other recessions is that no one was talking about immediate tax cuts to boost the economy in 1980. With the underlying concern about inflation and with the existing deficit for fiscal 1980 expected to be about \$60 billion, members of both parties saw very little room for tax cuts and Carter had been adamant that the deficit had to be controlled.

The most significant tax politics of the year began in the summer at the depths of the recession. With the Credit Control Act collapsing consumer spending, unemployment had risen sharply in the second

quarter. Unlike in the other recessions discussed above, monetary policy in 1980 was not expansive. In fact, once the Federal Reserve switched to a system of targeting the money supply rather than interest rates, money tightened considerably and interest rates in the first half of 1980 were extremely high. The restrictions on credit simply exacerbated this ongoing condition.¹⁰⁸

Miller suggested to Carter on June 16 that he might want to begin thinking about tax cuts.¹⁰⁹ In that context, Republican presidential nominee Ronald Reagan -- warning against what "could well become the worst recession in half a century" (*CQA 1980*, 296) -- announced on June 25 his support of a 10 percent personal income tax rate cut for 1981 and for the first phase of an accelerated depreciation plan for business that allowed them to write off capital equipment more quickly. Costing \$22.3 billion, the proposals had the enthusiastic support of most Republicans in the House and Senate.¹¹⁰ The following day Senate

¹⁰⁸ Schultze and Blumenthal, believing monetary policy had been too loose, had pressured the Fed through the media in late 1978 to tighten the money supply, but Carter called a halt to the effort (Hargrove and Morley, 1984: 485).

¹⁰⁹ Memo to the President from G. William Miller, "Budget Review Session," 16 June 1980, SE 192, Economic Program [FCF, O/A 727] [1], JCL.

¹¹⁰ About \$19-20 billion was accounted for by the personal tax cuts. These were the figures for fiscal 1981. The cost for calendar year 1981 was expected to total about \$35 billion.

Democrats responded with SRes481, directing the Senate Finance Committee to report a tax cut bill by September 3 (and forming a Senate Democratic Task Force on the Economy to develop a "comprehensive" economic policy). On the same day, Senator Robert Dole (R-Kansas) offered the Reagan plan as an amendment to a debt-limit bill, arguing that it offered growth without inflation and that it was not a gimmick but a restructuring of the tax code. Moderate and liberal Republicans who feared the deficit implications of the three-year Kemp-Roth plan found the one-year Reagan plan palatable. With only one defection in each party, the Dole amendment was tabled (killed).¹¹¹ One staffer summed up the situation this way: "Right now, the economy - tax cut scene is chaotic, Democrats are going in all directions, and the President is behind the curve."¹¹²

The Finance Committee plan was announced on August 21. Gaining the support of committee Democrats and Republicans as well as Reagan, the plan called for tax cuts of \$39.4 billion in fiscal year 1981 -- \$22 billion for individuals, \$15 billion for business, and \$2 for small business. The individual cuts, which would take effect on January 1,

¹¹¹ Senator Lowell Weicker (R-Connecticut) crossed party lines to vote with the Democrats.

¹¹² Memo to Anne Wexler from Al From, "A Democratic Economic Strategy," 10 July 1980, SE 286, Tax Cut Proposal [CF, O/A 731], JCL.

included rate cuts, increases in personal exemptions, and a reduction in capital gains taxes that were to offset increases in Social Security taxes and inflation. The business cuts called for accelerated depreciation,¹¹³ tax rate reductions, research and development credits, and restructuring of the rates to keep more small business in the lower tax brackets.

That was as far as a tax cut got in 1980. Party leaders discouraged Finance chair Russell B. Long (D-Louisiana) from bringing the bill to the floor.¹¹⁴ President Carter had made it clear that he had no interest in signing a tax bill in 1980.¹¹⁵ But forced to respond by the Finance Committee action and the wide-ranging tax cut hearings in Ways and Means¹¹⁶ (and to garner the blessing of supporters of

¹¹³ Bentsen determined that the 10-5-3 categorization of his original plan was too costly and suggested 10-7-4-2. The number refers to the length of time it would take to write off a piece of equipment.

¹¹⁴ A vote on whether to discuss the bill was finally held and defeated on September 25.

¹¹⁵ Despite potential problems (see below), Schultze says that he and the other major economic advisers thought Carter should act quickly, if only to have something positive to run on. As in 1979, they were overruled (Hargrove and Morley, 1984: 495).

¹¹⁶ One member of the legislative liaison staff reported that Ways and Means Democrats generally favored the cautious Carter approach, "But they are not firm. If a stampede develops, most will join it rather than be run over by it" (Memo to Frank Moore from Jeff Peterson, "Tax Cut Sentiment," 24 July 1980, SE 286, Tax Cut Proposal [CF, O/A 731], JCL). On testimony before Ways and Means, see Memo to Gene Godley et al. from Jeff Peterson, "House Members' Testimony on Tax Cut," 24 July 1980, SE 286, Tax Cut Proposal [CF, O/A 731], JCL.

Edward Kennedy), he indicated on August 28 that he would propose a cut of \$27.6 billion in 1981. Carter not only thought that cutting taxes was the wrong thing to do economically,¹¹⁷ but his staff was warning him that he faced severe political difficulties if he changed direction on taxes. As Eizenstat put it, "We have a minefield to walk through and our approach to any tax reduction must be very delicate, exquisitely well-timed and coordinated . . ."¹¹⁸ Eizenstat's memo lays out the basic thrust of the president's argument: the March inflation plan included both a short-term and long-term focus; the long-term focus aims at structural solutions for inflation, helps alleviate unemployment, and concentrates on productivity, savings, and industrial policy; next year the long-term arrives and we will introduce an economic revitalization tax package (the Administration did not want this package to appear to be a stimulus bill).¹¹⁹ Eizenstat warned Carter that at

¹¹⁷ Internally, a debate between the Commerce and Treasury Departments formed a backdrop to the decision-making. Treasury warned that "narrow provisions" in a tax bill (e.g., research and development support) would engender a slew of narrow congressional provisions. Commerce responded that the U.S. needed to catch up with the actions of its main international economic competitors. Eizenstat had solicited the views of a wide range of departments and agencies.

¹¹⁸ Memo to the President from Stuart Eizenstat, [n.d.], Economic Policy, SE 192, Economic Program [CF, O/A 727] [1], JCL.

¹¹⁹ The support of the Economic Policy Group Steering Committee for a revitalization plan is expressed in Memo to the President from the Economic Policy Group Steering Committee, "Economic Program for the 1980s," 21 August 1980, Counsel's Offices, Cutler 72, Economy.

least eleven specific steps were needed to execute this strategy, several of which involved the Congress, but it does not appear that much groundwork was laid with Congress for the revitalization package -- with the exception of convincing party leaders to hold off any floor votes on a tax cut.¹²⁰ Relaying the concerns of staffers, Eizenstat warned that a precipitous change to a pro-tax-cut position would alienate several electorally important groups, including labor.¹²¹

Party leaders and the rank-and-file in the House supported Carter's view that inflation and spending should be brought under control before tax cuts were enacted. O'Neill announced as early as

11/79 - 8/80, JCL. Eizenstat's assessment of the EPG statement -- too conservative, not enough spending, ignores concerns of our central constituencies, is too geared toward business -- is in Memo to the President from Stuart Eizenstat, "Economic Program," 23 August 1980, SE 192, Economic Program [CF, O/A 727] [1], JCL.

¹²⁰ Memo to G. William Miller from Al McDonald, "Plan/Timetable for Preparing Economic Positions," 9 July 1980, WHCF, FG-104, FG12 1/1/80 - 8/31/80; Memo to Stuart Eizenstat from Anne Wexler and Al From, "Congressional Support for the President's Economic Program," 19 August 1980, SE 192, Economic Program [CF, O/A 727] [1], JCL.

¹²¹ Eizenstat disagreed with one staff plan that suggested that the Administration could trade a tax cut for concessions on wages and prices. Labor, in his view, did not want a cut, and business assumed a tax cut was inevitable regardless of the Administration's near-term view. The concerns of other staffers with the possibility of a tax cut or trading a cut for wage and price concessions are in Economic Program, SE 192, [CF, O/A 727] [1]. Similar concerns about the political effect of business-oriented tax cuts on Democratic constituencies were expressed in late 1979 when Carter's chief economic advisers were recommending a tax cut (Memo to Stu Eizenstat from Bob Ginsburg, "January Economic Proposals," 7 December 1979, WHCF, BE-14, BE4 7/1/79 - 3/4/80, JCL).

June 27 -- two days after the Reagan announcement -- that he saw no way to complete action on a tax bill in 1980. No tax bill was reported by the Ways and Means Committee; the committee reiterated its position on September 16. Following the election -- which transferred the presidency and the Senate to the Republicans and weakened the Democratic position in the House, the interest in enacting tax legislation had waned in both parties. O'Neill made the obvious official when he announced that Carter promised him he would veto any post-election tax cut (*CQA 1980*, 298).

Unemployment Compensation. Perhaps no other policy area better indicates the difference between the anti-recession politics of the first two recessions discussed here and 1980. Given markedly different economic conditions and an officially much shorter recession than in the other two cases, Congress was unable to push through President Carter's request for additional unemployment insurance.¹²²

In his economic revitalization address on August 28, Carter called for federally-funded supplemental unemployment benefits for the long-

¹²² The "official" statement of the Republican National Committee in February 1980 was that unemployment insurance should be the predominant response to recession ("The Republican Position on Jobs for Americans," Republican National Committee, Jobs Subcommittee of the Advisory Council on Human Concerns of the Republican National Committee, Republican National Committee Library, files).

term unemployed.¹²³ Specifically, Carter requested 13 additional weeks of unemployment compensation. The House on September 30 passed the president's request by a 336-71 vote (100-50 Republican, 236-21 Democratic), providing 10 additional weeks for those who had exhausted their 39 weeks of eligibility.¹²⁴ The additional weeks would be available from October 1980 through the end of March 1981, at a federal cost of \$1.4 billion. Republicans on the Ways and Means Committee and in the House tried to target the aid more to high unemployment states; Barber Conable, the senior Republican on the Ways and Means Committee, argued that the Democrats were using an electoral distribution and timing scheme that made certain that benefits got spread as widely as possible. (Of course, this game is played two ways: the net effect of the Republican effort to narrow the distribution of funds very well might have been to defeat the bill, thus denying Democrats any electoral benefits.) In the Senate the proposal got tangled up with reforms of the regular unemployment compensation and extended benefits programs. The Senate also added restrictions at the behest of Republicans that prevented supplemental benefits from going

¹²³ Unemployment compensation reform earlier in Carter's term had increased the number of people potentially covered by the program.

¹²⁴ The extended benefits program, which provided 13 weeks in addition to the standard 26, had kicked in nationally late in August 1979.

to workers who refused to accept new work, who were fired, or who quit their positions. Democrats added a lower trigger to allow the program to kick in earlier. The Senate approved the bill by voice vote, but with the two bills so far apart a conference meeting was never held.

Countercyclical Aid. The idea of countercyclical aid, first introduced during the 1974-75 recession, re-emerged in 1980. This time the proposal consisted of two parts: countercyclical aid to assist states and localities facing serious revenue shortages because of the recession, and targeted fiscal assistance to aid local communities that were in some measure still suffering the effects of the 1974-75 recession. White House staff worked extensively to remove objectionable provisions from the House version being developed in late 1979. Specifically, the White House argued that these twin programs were better than other anti-recession ideas, that the president could resist other costly anti-recession measures if he had these programs, and that the president would be in grave trouble in urban areas without the package because as things stood targeted fiscal assistance would be the only additional money spent during the primary season.¹²⁵ On January 31 the House passed

¹²⁵ Memo to Stu Eizenstat and Jim McIntyre from Ralph Schlosstein, "Meeting with Congressman Jack Brooks on Counter-Cyclical Aid," 13 November 1979, SE 177, Counter-Cyclical [CF, O/A 727], JCL. Schlosstein expressed concern in a later memo that the Office of Management and Budget was planning to leave countercyclical assistance out of the fiscal 1981 budget, despite the fact that the Administration

HR5980 and authorized \$1 billion for the joint aid and assistance program. Republicans joined southern Democrats in opposing the measure, with most of the criticism reserved for the targeted fiscal assistance proposal and for the formulas distributing the funds. The Republicans unsuccessfully recommended reducing the dollar figure by \$475 million to the amount originally approved by the House early in 1979. Although the Senate had passed a version of the bill in 1979 -- in anticipation of the much-awaited recession -- the Senate would not agree to a conference on the two versions of the bill and the measure effectively died.

Later in the year both the House Government Operations Committee and the Senate Finance Committee included \$1 billion for a similar package in their revenue sharing bills. In a floor amendment, however, the House disapproved the plan in favor of an alternative that allowed the states back into the revenue sharing program in fiscal 1982 (at this time revenue sharing funds went to localities). An effort in the Senate led by Bill Bradley (D-New Jersey) to attach the program back into the wider revenue sharing bill failed by a 24-68 vote. Senators from both parties argued that since the recession might be over, it made better

(and Carter himself) had strongly and publicly supported this program since arriving in office. He suggested it was "utterly ridiculous" to consider eliminating program funding as the country headed into recession.

sense to wait; if conditions were worse than expected, the matter could be revived in the future. In any case, revenue sharing had some political advantages not shared by countercyclical assistance, not the least of which was that it spread resources to more state governments than would countercyclical assistance and it did not have triggers to shut the aid off if the economy sufficiently improved.

Housing. Stimulation of housing construction was a feature of all three recession periods discussed in this chapter.¹²⁶ The modest 1980 version of this standard response was included as part of the overall reauthorization of housing programs. Under the rubric of the Section 235 Homeownership Assistance Program, Congress allowed more affluent families to qualify for 75 percent of the \$165 million in funds already appropriated for subsidized loans to low-income families. This special exemption for middle-class families was to expire in June 1981. The idea behind the plan was that including middle-class families in the program would accelerate the expenditure of already- appropriated funds. The bill also authorized activation of a temporary program of payments to assist possible defaulters. Although other facets of the

¹²⁶ Or at least stimulation of housing purchases. Skeptics suggest that these programs encourage purchases but not necessarily construction. However, while construction is preferable for economic stimulus, even encouraging purchases should accelerate purchases during the recession and provide some lift to the economy.

overall bill caused some conflict, debate on these provisions was essentially non-existent, and the provisions were accepted by the Administration. Carter signed the bill on October 8.

Public Works. The major public works proposal to deal with the recession came in a bill to fund the Economic Development Administration. In 1979, Carter had asked Congress to expand significantly the lending power of the EDA (to fund public works, business loans, educational assistance, and so on, in areas facing continuing economic distress). Both the House and Senate approved Carter's proposed course late in 1979, but with a significant difference: the House version of the bill contained a \$2 billion anti-recession public works provision that would become effective if the unemployment rate exceeded 6.5 percent. Republicans in the House failed to eliminate the provision during the floor debate. The White House made it clear that it agreed with the Republican complaints that the program cost too much and would likely not go into effect fast enough to help the economy. For nine months the conference committee was frustrated by the insistence of Representative Robert A. Roe (D-New Jersey), chair of the House Public Works Subcommittee on Economic Development, that the public works provision remain in the bill.

In the summer of 1980, with unemployment growing, Carter

agreed to a trimmed down public works plan in order to move the bill. But Carter's reversal had no effect on the process. The members of the Senate Public Works and Banking panels were not interested in the concession. Also unenthused about Carter's switch was Senator Ernest Hollings (D-South Carolina), chair of the Appropriations subcommittee that handled the EDA. Just before the election, Roe relented and the public works plan was scratched from the EDA bill.

Youth Employment. Finally, Carter in his original January 1980 budget proposed a youth employment and educational assistance program targeted to youth in poor areas. The bill was designed as a remedy to structural unemployment more than as a response to the recession, and the politics of the bill reflected that fact. Only \$150 million in immediate funding was anticipated for the startup costs of the program. But although there was strong bipartisan support for this Administration idea,¹²⁷ it did not clear Congress in 1980. In the Senate, concerns about possible sub-minimum wages for youth and about raiding other education funds to pay for the program, among others, derailed efforts to bring the proposal up for a vote.

¹²⁷ The 1980 Republican platform incorporated aspects of the program (*CQA 1980*, 441).

CONCLUSION

After this long review of the party responses to three postwar recessions, it is now time to tease out general findings and themes. I will refrain from repeating arguments made during the sketch of the cases. First, I will examine the tendencies in the case data. Second, I will consider the findings in this chapter in the light of fiscal state constraints.

Tendencies in Responding to Recession

Examination of these three recessions shows that there are no policies that are distinctively Democratic or Republican. It is not the case, for example, that only Democrats argue for public sector jobs or that only Republicans call for tax cuts. Both parties indicated that they were willing to choose from and support the entire array of anti-recession proposals at various times. From the point of view of voters, this convergence over generalities is likely more notable than divergence over specifics. When one adds in the intra-party differences noted in this chapter and reflected in Senate-House and Presidential-Congressional maneuvering, then distinctive "party" positions become even more difficult for voters to ascertain.

We do, however, see different partisan proclivities. Democrats generally were willing to run larger deficits in order to stimulate the economy, though this bias nearly evaporates in 1980. One important way this difference is reflected is in the ongoing battle over targets and triggers. Indeed, these battles over scope -- when does a program activate and whom does it benefit -- are the most familiar aspect of anti-recession politics. As a rule, Democrats preferred lower triggers and widely-targeted audiences (though with some significant intra-party differences of opinion as outlined in the cases above) while Republicans took the opposite tack. Democrats proved marginally more interested in public jobs and public works, though little was accomplished in this direction except for 1974-75. Republicans placed a much stronger emphasis on the automatic healing effects of the unemployment compensation system.

What are the policy responses? Across the three recessions, policies considered are fairly consistent. We do not see much discussion of welfare or other transfer payments -- most of these, of course, are working automatically. We do not see much serious discussion of sector specific solutions, even as the decline is generally acknowledged to be

more severe in some industries than others.¹²⁸ We do not see much discussion of structural changes in the fiscal, monetary, or budgetary policy processes.¹²⁹ Acceleration of spending, unemployment insurance extension, housing assistance, tax cuts, public works, and public jobs constitute the bulk of the discussion. (Monetary policy is discussed below.) They are also listed in order of the likelihood of their adoption. The most contentious debate occurs in the latter three areas. Indeed, proposals in these areas were successful only in the 1974-75 recession.¹³⁰

The key to their success appears to be the depth of the economic decline in a given recession. We see this perhaps most clearly by comparing the response of the Eisenhower and Ford Administration. Ideologically, these two Republican presidents were centrists or moderates in their own party; given that the center of gravity in the Republican party had shifted leftward over time (Rae, 1989; Reichley,

¹²⁸ In both 1975 and 1980 there was discussion, and some action, encouraging the government to speed up its purchases of U.S.-manufactured automobiles, but there was no pretense that these were stimulus programs on the order of magnitude of the housing assistance programs.

¹²⁹ The 1974 Budget Act certainly grew out of frustrations related to economic conditions -- inflation provided President Nixon a pretext for widespread impoundment of congressionally-appropriated funds -- but it did not emerge as a result of the recession.

¹³⁰ Although, as noted above, public jobs were funded through the CETA program in the 1980 recession.

1981), we might expect a Ford stance more accommodative to stimulation. But in their rhetoric and economic commitments both presidents were more alike than different. Once they began acknowledging the recession, each made it clear that he would support stimulation of the economy parallel in scope to the depth and length of that decline. Eisenhower, in a relatively short recession, could adopt modest steps. Ford, in a more protracted decline, could adopt bolder steps. Ford also appeared interested in using public jobs as a tool to defuse opposition to his predominant early focus on inflation.¹³¹

We see in each recession policy "programs" put together to deal with recession. As a rule, regardless of party or branch these programs consist of a wide-range of stitched-together pieces of legislation consisting of both the new and the old that are a "program" only ex post facto. 1980 provides the closest thing to an exception to this rule: the Republican "program" was stitched together of old elements, but exclusively dealing with taxation. Carter's August "economic revitalization" program was more in the traditional vein -- mostly old, some new -- with an innovative twist: promises to take action the

¹³¹ Table 7-1 indicates that when Ford first accepted public jobs, in October 1974, the Democratic margin in Congress was not strikingly different from that faced by Eisenhower.

following year.¹³²

Another notable tendency in the response to recession is the lag between the onset of the recession and any action designed to ameliorate the recession's effects. Even in 1980, when a recession had been widely anticipated through much of 1979, we do not see extended discussion of the problems of the recession itself (i.e., as opposed to inflation) until midyear. In the other two cases the response was delayed as well. The lateness of the response does provide more credence to the argument that actions taken are likely to be pro-cyclical in impact. Of course the potential problem with this argument is that it assumes that we will do a markedly better job predicting the end of the recession than we did predicting its beginning. Based on these three cases, such an assumption seems reasonable; each administration's internal projections, specifically the projections of the Council of Economic Advisers, was accurate in predicting the business cycle trough. But the lingering effect of many of a recession's features, notably unemployment, can justify some relatively "late" action.

Part of the reason for the delay is the imprecise nature of economic forecasting and economic knowledge -- in all three of these

¹³² Actually, Carter's promise to take action on taxes was even more subtly shaded, because it was not clear whether the program would take effect in fiscal 1982 or fiscal 1983.

recessions officials were surprised by the extent or rapidity of the decline, whether measured by employment, growth, or production. The presidents were cautious also because each feared the consequence of jittery public confidence -- Eisenhower in particular was inclined to understate the seriousness of the situation. As he learned, however, such caution can also lead to shaky public confidence about the president's understanding of the problem when the economic figures do not show the encouraging improvement that the president insists is just around the corner. Finally, this delay is a result of the strong influence official unemployment rates play in conceptions of when recession "really" starts. In each case, decline was tolerated for months -- until the official unemployment rate began to show significant increases. This over-emphasis on unemployment figures, to the neglect of other indicators of decline, is a result of the conservative Keynesian formulation built in the U.S. during the formative era of the fiscal state.¹³³

One effect of this delay is that the response to recession was, in these three cases, initiated by the non-presidential party in Congress,

¹³³ Official unemployment statistics, as is well known, mask as well as reveal important economic trends. The masking is possible because the official rate excludes those who have given up trying to find employment and excludes those who are underemployed. It also does not measure the number of jobs lost during a recession, although this figure may have more significant consequences for the economy.

whether minority (1980) or majority (1957-58, 1974-75).¹³⁴ The reluctance of the president to act precipitously and the reluctance of the presidential party in Congress to rebuke its president leads to an initially passive approach by the presidential party. Once anti-recession activity is underway the source of initiatives is more balanced, both because of an effort by the president and the presidential party to control the situation and minimize the political damage and by the desire of the opposition party in Congress to put the burden of leadership on the president. From the opponent's point of view this sequence allows for criticism of the president's slow reaction and then, once he has been allowed to dominate the scene and respond, criticism that he proposes too little. To reverse the aphorism, too late and too little.

All of these factors affect the relationship between the president and his party in Congress. Each recession goes through three broad phases where the congressional party embraces the president's view, then distances itself, then embraces the president's view again. This second embrace results from either improved economics (1958, 1975, partially 1980) or a sense that the other party will so fully appropriate the political gains from a given issue that it is best to fight to keep that issue

¹³⁴ See Jones (1970) for a discussion of the options open to the minority legislative party. The strategic choices to be made are equally appropriate for a "majority" party facing a president of another party.

off the agenda (partially 1958 and 1975, 1980).

We saw in the roll call analysis that a classic Keynesian recession tends to dampen -- though not eliminate -- party distinctions across the aggregate of budget-related votes. Notwithstanding the dance of sequence, what do the case studies -- which focus on the major policy responses -- suggest about this general finding?

First, while in each case we do see some significant differences between the parties, the debate between the president and the non-presidential party in Congress presents sharper party differences than does the congressional debate. Even on the major votes reviewed here we see significant defections from the presidential party, particularly on votes of final passage. We also see, on occasion -- most notably on taxes in 1958 -- an agreement not to disagree on an important issue. And, as noted above, much of the debate that does go on within Congress revolves around triggers and targets rather than opposing policy prescriptions. This latter point is less true in 1980, where congressional Democrats tried at points to revive Keynesian-style policy prescriptions (usually with the tacit though unenthusiastic acceptance of the Carter Administration); Republicans generally did not join in this effort, largely because they found it untenable to view 1980 as a classic recession amenable to Keynesian methods. The point here is that the

public may perceive more of a debate than the overall roll calls would indicate -- or even the roll calls on the major issues themselves -- because of the salience of the president's opinion on these key issues. But this perception merely reinforces the image of the president as centrally responsible for economic policy.

Second, the case studies indicate the importance of House-Senate differences in policy solutions. In the roll call analysis "the party" means the party in the House of Representatives; the case studies indicate that we should think of both bodies when we talk of "the party." Particularly during the 1980 recession, the Democratic attempt to inject some Keynesian thinking into the policy mix foundered frequently because of House-Senate differences. This tendency makes it that much more difficult for voters to discern contrasting congressional party positions.

Case Studies and the Fiscal State

What do these cases tell us about the components of the fiscal state? I take each component in turn.

Location of Fiscal Policy in the Executive Branch. I noted above that the out-party leads in efforts to combat the recession. After this initial period, the president and his party become more active in defining the agenda, though they do not exclusively control that agenda. What is

remarkable in all three of these cases, however, is the extent to which the subsequent policy outcomes are bounded by the views of the president. Presidents may complain about bills at the margins, but it is rare (at least in these three cases) for a policy to succeed that has strong presidential opposition. It remains the president, then, who will largely determine the nature, pace, and scope of policy response to the recession. Even Jimmy Carter, perceived by both scholars and the public alike as one of the most besieged and unsuccessful presidents in recent memory, controlled the response to the recession of 1980. Particularly after his first budget came to be viewed as insignificant in defusing inflation, Carter led an extraordinary effort to push through a balanced (or surplus, with the oil import fee) budget. Later, Carter would argue that the conference report on the budget resolution should be defeated because its defense funding was too generous. After the defeat a new compromise was not significantly less accommodating to defense spending, but the Carter balanced-budget focus remained. Most significantly, Carter was successful in his effort to avert a tax cut -- despite widespread views that such a cut was inevitable.¹³⁵ Even if his view was not popular, Carter's unyielding posture on the tax cut issue convinced Congress to avoid bringing the issue to a vote. Many of the

¹³⁵ The "conventional wisdom" in 1958 was also that a tax cut was inevitable.

major initiatives to deal with the recession, such as countercyclical aid, unemployment compensation, and youth employment came from Administration initiation. While the Administration did not get what it wanted in these areas, in other areas it did not get programs it opposed. That is, an Administration might not get everything it wants, but it generally can live with that which is done.

The Ford Administration provides another example. Sundquist (1981: 218-222) argues that the Democrats in Congress, through the use of new budget procedures (see chapter 8), controlled and defined the response to the recession. But this view may result from too close a focus on the politics of the (then new) budget resolution process. It is undoubtedly true that the Democratic Congress approved a series of measures that provided more stimulus for the economy than Ford would have preferred. But Ford was equally able, through liaison and through use of the veto, to prevent policies that he deeply opposed and to refine those that he could accept. And it is worth remembering the conditions: the Democrats, with an overwhelming margin in the Congress; an unelected president who was unpopular for his pardoning of Richard Nixon; the most severe downturn since the Great Depression; the aftermath of one of the major scandals in U.S. history. The accomplishments of both the Congress and the president must be

evaluated in that context.

What these cases show is that presidential beliefs and ideas matter. Clearly, the cases show that Congress does play a role in economic policy -- I am not arguing that the president has absolute control over policy initiation and development.¹³⁶ Rather, the point is that each of these three presidents had a fairly strong sense of what they wanted to focus on in economic policy and, during the recessions, they were able to maintain that focus and have it create the outer boundaries on acceptable solutions to the economic problems at hand. This argument again may seem most surprising for Carter, who has been widely (and justifiably) criticized for his policy lurches from stimulus to restraint and back again. But while the charge holds well for his term, during the recession of 1980 Carter's economic policy was rather more consistently focused on restraint, and he defied both his advisers and Congress to pursue that course.

Automatic Stabilizers Take Away Potential Party Issues. As I indicated above, automatic stabilizers, especially in the form of transfer payments, were not a major part of the policy discussion in any of these three recessions. Two automatic stabilizers were discussed frequently.

¹³⁶ There has been increased interest in recent years in the interdependent power of Congress and the president. See, for example, Peterson (1990) and Bond and Fleisher (1990).

Deliberations over unemployment compensation focused on extending the length of the benefits. While there were debates about the specifics of targeting, triggering, and so on, these were essentially bipartisan policy changes. There is no evidence that either party tried to appropriate this issue as its own during subsequent election campaigns. The other automatic stabilizer that received some discussion was of course tax cuts. In 1958 the parties agreed not to disagree. In 1975 both parties agreed that tax action was in order, with the Democrats offering a larger cut that was somewhat more beneficial for the lower-income brackets than the Republican-initiated bill. In 1980, the parties had their most serious differences over tax policy. Overall, automatic stabilizers remain off the table for partisan advantage -- with the important exception of tax cuts. Even in this area, however, action is much less dramatic than political rhetoric might suggest.

Split Control Between Monetary and Fiscal Policy. The case studies do not dwell on monetary policy because most of what the parties are doing during these recessions does not dwell on monetary policy. In the 1958 and 1975 recessions, monetary policy was loosened in an attempt to spur recovery. In 1980 monetary policy remained tight to discourage inflation. Although discussions between the president's economic advisers and the Fed chairman were common, they did not

involve specific bargaining or policy trade-offs (Hargrove and Morley, 1984). None of the parties in these three recessions adopted any strong, consistent, public views on monetary policy that was a major part of their political arguments or that would be likely to resonate with the public. Complaints about the Fed were intermittent and scattershot.

As for institutional change, with the exception of the Reuss bill in 1975 no serious structural changes of the Fed-Congress or Fed-President relationship were contemplated or initiated in these three periods. And the Reuss bill had minimal support, even among Democrats. Whether all this constitutes "fedbashing" or not -- i.e. keeping the Fed independent so that both Congress and the president can use it as a scapegoat -- is not material here. What is significant is that the parties' control over monetary policy is comparatively less than that over fiscal policy, the public views things this way, and neither party has seriously tried to change this split.

Macroeconomic Goals Encourage Plebiscitary Voting. All three of these recessions resulted in repudiation of the presidential party. In 1980 the repudiation was reflected in the defeat of Jimmy Carter who had won office complaining about the sluggish growth of the Ford era. Eisenhower's vice-president, of course, lost the 1960 election. In Congress, the presidential party suffered losses of incumbent-seats and

open-seats that were among the postwar highs in 1958, 1974, and 1980. Much research shows that these losses were largely performance based, and the influence of macroeconomic conditions is a notable though not solitary contributor to the defeats. Members of Congress risk defeat if their president performs poorly. That policy differences between the parties tend to be greater in non-recession years -- years when congressional seat losses are minor -- than in seat-losing recession years suggests both that performance is the focus and that voters assign responsibility to the president. They will reach the president through Congress if necessary. Indeed, if voters were holding *Congress* accountable for economic conditions it is rather odd that in the 1957-58 and 1974-75 recessions they punished not the majority party but rather the party of the president. The large Republican losses in the first two recessions and the Democratic losses in the last send one message: do more. Given that both parties choose from the same portfolio of remedies with great regularity it is not clear what exactly constitutes the policy substance of this exhortation.

Keynesianism as a Constraint. In a way, recessions could be good for parties. Parties could emphasize their differences with their rivals not only in rhetoric but in action. They could lay out distinctive visions of state-society relations and some vision of the "good society." In the

fiscal state, however, recessions do not help parties. Not only do the structural components just discussed (and refined) create problems, so does Keynesianism itself. If the economy is working well, economic issues fall from public attention. If the economy is working poorly, the parties find themselves rushing to proffer rather similar solutions to the problems. I mentioned above that the solutions to recession were chosen from a consistent range of alternatives and that all of these alternatives fit easily within a Keynesian understanding of economic problems and Keynesian prescriptions for defusing those problems.

As Keynesianism moved from accepted doctrine (1958) to questioned doctrine (1975) to contested doctrine (1980) the debate between the parties on the major policies did appear to heighten. More conservatively, we see a distinction between the experiences of 1958 and 1975 on one hand and 1980 on the other. Put another way, there is nothing surprising about the policies considered in 1958 or 1975. By 1980, politicians are having a difficult time describing the problem that faced them, let alone analyzing it and prescribing a cure. In 1980 most of the trusty standards of the past -- even unemployment insurance -- fail. While Republicans began rushing off to greet supply-side economics, pro-growth/anti-inflation/productivity-oriented tax cuts and the like, Democrats were still holding hands with Keynes. Though he

had little to tell them about their current dilemma, without his grip they were not quite sure where to go. If Keynesian understandings become less tenable, or if Keynesian problems are no longer the most pressing problems, parties have an opportunity to overcome at least one of the constraints of the fiscal state. We turn to the implications of the fiscal state for American parties and politics in the final chapter.

Chapter 8

Parties, Politics, and the Fiscal State

The influence, appeal, and centrality of political parties depends heavily on the nature of the state and the nature of the policy within which parties operate. Some policies -- e.g., trade policy -- are particularly well-suited to be the basis of strong parties, others -- e.g., fiscal policy -- encourage weak parties. State structures will by design or inadvertence either increase or decrease the likelihood that parties will play a centrally important role and will be perceived that way by voters and elites. Parties are not just policy-makers, they are also policy-takers whose salience in the political arena is heavily conditioned by the particular policy focus of the state and the way policy is made in that state. That has been the central argument of this project. For the postwar period, the fiscal state, including both structural and policy components, has been the central focus of American politics -- particularly party politics -- and has been the central force behind the decline of political parties. The fiscal state also provides the insights we need to explain the partial resurgence of American parties.

By examining the formation of the fiscal state I attempted to show that institutional and policy struggles from 1937 through 1946 had serious implications for the long-term position of the parties; weaker

parties were the result of conscious design, unexpected consequence, and an unfavorable policy issue. Then, suggesting that the congressional parties play a particularly important role in American politics -- as the linchpin between the party in the electorate on one side and the party in the system and as organization on the other side -- I examined budget-related roll calls (including authorizations, appropriations, rules, budget resolutions, taxes, and debt limits). Specifically, I argued that we can best explain party cohesion and dissimilarity in the House of Representatives with a model based on the assumptions and predictions of the fiscal state approach -- Keynesianism makes the parties converge when unemployment or inflation is a solitary problem (Democrats become more cohesive, Republicans less), but the potential for party divergence increases when both inflation and unemployment are problems simultaneously. This examination also included a closer look at appropriations and appropriations votes, the north-south divide, and the impact of past cohesion and dissimilarity on current levels. While I uncovered some intriguing sub-patterns in each of these areas, these patterns did not refute the fundamental fiscal state argument and expectations. The overriding point in the roll call analysis was that understanding the decline and rise of party in the House requires us to look at more than the political environment; we also have to consider

the impact of the economic environment on partisanship, conditioned by the logic of the fiscal state. In short, the relevant environment has to include politics, economics, and the state.

Finally, I turned back to qualitative analysis to examine the party response to three recessions. Here I considered more closely the relationship between the president and Congress, the development of anti-recession strategies in both branches, and the implications of these case studies for the basic components of the fiscal state. Looking at the sequence and nature of the response to suggestion, I stressed both the opportunities and limits that the recessions presented to the parties. Though the limits outweigh the opportunities, some modification of the analysis of fiscal state constraints on parties was warranted by the case study analysis.

In this chapter I will consider whether the fiscal state has been structurally changed by reforms in the past two decades. I will then evaluate recent explanations of party resurgence. Next, the applicability of the fiscal state approach to non-U.S. cases will be judged. Finally, I turn to the problems the fiscal state presents for critical realignment, suggest an "interregnum" understanding of the past two decades of American political history, and discuss some social and economic developments that might serve as the basis for full party revitalization.

CHANGES IN THE STATE

The previous chapter briefly discussed the ill-fated Humphrey-Hawkins full employment bill. A follow-up to the Employment Act of 1946, the legislation represented a potentially significant alteration of a key feature of the fiscal state. By the time the bill had passed it had been watered down to the point where it was no real threat to the basic fiscal state framework laid down over forty years before. It was ignored soon after passage.

More significant change was introduced with the Congressional Budget and Impoundment Control Act of 1974 (CBICA). Aside from placing restrictions on the president's powers of deferral and rescission of congressionally-appropriated funds, CBICA transformed the making of budgets within Congress. CBICA created new Budget Committees in each chamber. The task of these new committees was to develop a budget resolution that spelled out total spending and revenues for the upcoming fiscal year as well as allocation of funds into broad program areas. The committees had the power to create reconciliation bills that forced spending and revenue committees in Congress to produce specific amounts of savings. The introduction of these new players in the budget process, then, reallocated some of the power of the traditional budget

committees -- Appropriations, Ways and Means, Finance -- to the new committees. The committees' work would be aided by new congressional institutions, including most importantly the Congressional Budget Office. CBO gave Congress access to the same kind of expert analysis, advice, and information available to the Administration.

Studies of the new budget procedures became a major growth industry in political science in the 1980s.¹ The general consensus appears to be that the budget procedures have not worked well. Huge deficits, habitually late appropriations, common resort to continuing resolutions to keep the government afloat, accounting gimmicks, and more, are attributed to the process.² After the process failed to get significant control on spending, the Gramm-Rudman-Hollings reform in 1985 put in place automatic provisions to produce a balanced budget. By 1990 disillusionment with Gramm-Rudman-Hollings led to reforms that set non-fungible spending caps (i.e., you could not cut defense spending and transfer the funds to discretionary domestic spending) and pay-as-you-go procedures for additional spending. Late in 1991, dissatisfaction with the non-fungible nature of the caps raised the

¹ Schick (1980) provides a comprehensive early assessment; see also Schick (1990).

² White and Wildavsky (1989), however, convincingly argue that it is politics, not process, that leads to these difficulties in the 1980s.

prospect of yet another revision in the budget-making law.³

For our purposes, the question of whether these reforms have created a salutary budget process is secondary to whether they have profoundly changed the assumptions of the fiscal state. In particular, can we still justifiably argue that the fiscal state places predominant responsibility for fiscal policy in the executive branch? Overall, the argument remains justifiable. Certainly the president's power is not what it was. Fisher (1990: 4) notes that the president's budget does not define the process or retain the monopoly of attention as it did once. But the president's budget -- unless utterly lacking in credibility because of overly optimistic estimates of economic growth -- is still taken as important starting point for the process. Peterson and Rom (1989) indicate that the difference between presidential plans and congressional plans on fiscal policy have on average been rather small. To be sure, the allocation of funds from program to program sometimes differs importantly from the president's to the Congress's budget. But the fiscal policy impact of the budgets is typically quite similar (cf. LeLoup, 1983; Ellwood, 1983; Schick, 1983; Witte, 1986; Hansen, 1986; Kamlet and Mowery, 1987; Kamlet, Mowery, and Su, 1988; White and Wildavsky,

³ Testimony by three budget experts -- Louis Fisher (1990), Rudolph Penner (1990), Henry Aaron (1990) -- before the House Committee on Rules, Subcommittee on the Legislative Process, illustrates most of these complaints.

1989).

The experience since the enactment of budget reform in 1974 has been that Congress still waits for the president to initiate major changes in fiscal policy. House Majority Leader Richard Gephardt reiterated this familiar sentiment in 1990: "It's much harder for us to be on offense. The Congress is not meant to be the leading force in the country. It's set up to be a check on presidential power. It can put an imprint on things. From time to time, it can set policy, but that's rare" (*The New Republic*, 14 May 1990: 20). The responsibility of each branch is more diffuse and obscure now than it was before 1974, but both Congress and voters still place the onus of responsibility on the president.

PERSPECTIVES ON THE DECLINE AND RISE OF PARTY

Political Economy

In chapter 2 I argued that our understanding of American party politics could be assisted by integrating insights from the political economy literature. In particular, I stressed Claus Offe's analysis of Keynesianism and the politics of growth and the ways in which party politics interacted with Keynesianism. Without repeating the discussion

in chapter 2, Offe's argument is that the welfare state increasingly becomes insupportable over time, and that the welfare state creates an environment less conducive to meaningful political parties.

Especially in his early writing, Offe (1984) focuses on what it was that determined the limits of the regulatory capacity of the capitalist state. Borrowing from Etzioni's classification of the organizational principles of society, which focused on normative relations, exchange relationships, and coercive relationships, Offe notes that the exchange relationship was central in capitalism. A historical materialist explanation of crisis would focus on problem within the exchange relationship itself, i.e., the exchange relationship creates problems it cannot solve, such as a declining rate of profit. A systemic view of crisis would focus not on the self-regulation of the exchange principle but rather its restriction and questioning by the other two. For capitalism to work, he argues, these three principles of social regulation need to be firmly demarcated. His hypothesis is that capitalism produces structural elements and social phenomena that do not necessarily further capitalist reproduction; rather, they become impediments to that reproduction.⁴ To Offe, exchange relationships regulate an increasingly small core area

⁴ As Offe notes, this argument bears some striking similarities to both Polanyi (1957) and neoconservative critiques of the welfare state (Offe, 1984: 262-63).

and the new problem for late capitalism is preventing administrative power from controlling private exchange relationships. In essence, Offe argues, there are minimum versus maximum levels of state intervention. Below the minimum there will be no capitalist reproduction. Over the maximum means nearly complete political control of the economy. Over time, the minimum level of intervention rises. The difficulty for the state is to avoid economic malfunctions (super-maximum intervention) and political conflicts (sub-minimum intervention), and avoid having the solution of one aggravate the other. The failure to negotiate this balance successfully is reflected in fiscal problems, planning failures, and antagonism toward the state. Within this analysis parties not only deteriorate while Keynesianism is ascendant (see chapter 2) but the conflicts that emerge with the decline of Keynesianism are also unsuitable to party politics.

As I noted above, this analysis lends important insights to both the problems of the welfare state and the problems of political parties. But the data in this thesis suggests that Offe informs us better in understanding the problems of parties during the reign of Keynesianism than when Keynesianism becomes less tenable. If Keynesianism so constrains the parties, it is unclear why the removal of those constraints should further the erosion of parties as meaningful and significant

political institutions. Indeed it is precisely as Keynesianism becomes less satisfying in the 1970s and 1980s that we see party differences in roll call voting increasing. At the elite level at least, parties become somewhat more distinctive during the interregnum between the fall of Keynesianism and the rise of some other guiding idea about defining the key economic problems and providing some prescriptions for dealing with these problems -- i.e., some other paradigm of state-economy or state-society relations. Whether parties will become stronger -- in the sense laid out in chapter 1 -- will depend greatly on the structure and policy of the state.

The fiscal state approach borrows from political economy literature that analyzed Western European countries. Can the fiscal state approach be transferred back to explain party developments in Western Europe? Although this topic can be broached here in only general and schematic fashion, the approach in this thesis does offer some promise in accommodating the recent history of the party systems in Western Europe. Many European countries saw in the postwar period decreased allegiance to parties, more electoral instability, dealignment, and the increased prevalence of catch-all parties, as Offe's model would suggest.⁵

⁵ Signs of party decline were emerging in the 1950s in the U.S.; signs in Europe were more likely to appear around the mid-to-late 1960s or early-to-mid 1970s.

However, with the difficulties of Keynesianism in the 1970s and 1980s many of these same countries witnessed an unexpected revival of party. The basic if highly general point here is that the same rough trend in party politics we see in the U.S. is visible in several European states, especially those European states, such as Britain, most closely associated with Keynesianism (cf. part 4 in Dalton, Flanagan, and Beck, 1984).⁶ Whether these changes will be reflected in "permanent" changes at the voter level are open questions in these countries as they are in the U.S.

There are important differences, of course, in the state structures and economic programs of the various Western European countries and that of the postwar U.S. As Offe's argument suggests, the widespread existence of some kind of Keynesian welfare state is the most common link across the U.S. and European cases (state policy), and the logic of Keynesianism for legislatures and parties appears to work in a similar fashion. When one looks at institutions, however, a wide range of arrangements appears. But it is important to recall that the argument in this thesis is not that the fiscal state is the prototypical state of the advanced industrial democracies. What I suggested in chapter 2 was

⁶ See for example the articles (and bibliography) in Dalton, Flanagan, and Beck (1984); Crewe, Sarlvik, and Alt (1977); Wilson (1979); the essays in Dalton and Kuechler (1990); Esping-Andersen (1990); Mair (1990); Richardson (1991); and Reiter (1991), among many others.

that analysts of American political parties need to take the state seriously. In the U.S., that state is best depicted as a fiscal state that relies heavily on the transfer of cash across economic sectors while placing less emphasis on direct interventionist methods.

One would not necessarily want to transfer the fiscal state model to the European context, then, but one does want to consider parties within the structure and policy of those particular states.⁷ Just as European cases will differ from American, past American cases ("the state of courts and parties") differ from the contemporary U.S. case (the fiscal state). Though the five fiscal state constraints for American parties are a plausible starting point for comparison -- Sweden, for example, differs markedly from the U.S. on most of these constraints and has had a strikingly different postwar party history in several ways, including the timing of the onset of decline -- one would need to consider other aspects of European states that do not have a direct equivalent in the U.S.⁸

⁷ To keep the focus on the contemporary state I omit any consideration here of electoral rules and laws, population heterogeneity, and the historical sequence of party development before the formation of the contemporary state, all of which obviously play a role in shaping a country's political parties.

⁸ Arguably, one might suggest that explicit consideration of the position of organized labor would be necessary for analysis of European countries to a degree that is not paralleled in the U.S.

Of the four institutional-structural constraints resulting from the fiscal state (the fifth constraint is policy-oriented), tendencies toward plebiscitary voting and automatic stabilizers appear the most easily transferred to European cases. The separation of control over fiscal and monetary policy is most like the U.S. in Germany and Switzerland; the direct political control over monetary policy (or at least credit allocation) varies widely among other countries. Finally, the president versus Congress constraint would not transfer easily to parliamentary European arrangements. This constraint is important both for how it affects the perception and behavior of voters and how it affects the actions of legislators.

One might want to consider whether in some cases countries display some of the features of a president versus Congress constraint and what the effect of those partial transfers might be. In Britain, for example, economic conditions are attributed to the executive branch and legislators increasingly portray themselves in candidate-centered ways, though in neither case to the degree found in the U.S. (Cain, Ferejohn, and Fiorina, 1987). In both presidential and parliamentary systems based around fiscal issues a relatively good economic performance will move these party-oriented issues off the top of the political agenda, but one suspects that the public in parliamentary democracies confers rather

more responsibility for these happy results to the legislature than is the case in the United States.

The suggestion here, then, is that Keynesianism and its policy outputs produce a phenomenon of party decline and resurgence across many of the advanced industrial capitalist countries. But the particulars of that decline and resurgence vary from case to case. It is the structure of the state that mediates the nature of the decline and resurgence -- i.e., which parts of the party apparatus or party system decay, which stay stable, which enjoy growth while others stagnate, when indicators of decay first appear. To make only the most obvious point, one is not going to get very far in an analysis of European parties by looking at party cohesion and dissimilarity among parliamentary parties for signs of party decline and revitalization. The emergence of new parties, the resurgence of existing minor parties, new voting stability among the electorate (Dalton, 1988: ch. 7-10), and so on, will in Europe display more change than will the level of cohesion and dissimilarity in parliament. Even though fiscal and monetary policy are concentrated in the executive branch in Europe as in the U.S., the demarcation between the executive and the legislature in a parliamentary system is clearly of a different order than that found in the U.S., and that difference suggests further differences in the perceptions of the public, the timing of party

decline, and the pace and nature of resurgence.

American Politics

The increased partisanship in the U.S. Congress and party organizations has resulted in a new surge of interest in American political parties in recent years.⁹ Several different approaches have been offered to explain revived parties. One set of arguments suggests that improved party strength emerged out of reforms in the 1970s that strengthened the position of the party caucus (Hammond, 1991). Another set argues that further reforms that strengthened the position of party leaders led to more consistent parties (Sinclair, 1983, 1989). A third line of argument suggests that party leaders were able to lead most significantly because they were dealing with more ideologically-consistent party members -- leadership in this view is rounding up like-minded members (Aldrich, 1988).¹⁰ Another set argues that voters sent more ideologically-consistent parties to Washington (Collie and Brady, 1985;

⁹ I focus here on party in the legislature. Cotter et al. (1984), Bibby (1990), and Herrnson (1990) provide overviews of the changes in party organization in the U.S. Palebianco (1990) provides a more general overview.

¹⁰ This view is consistent with the notion that presidents are more likely to engage in facilitative leadership -- pushing along a process or change that has substantial support -- rather than directive leadership that points policy or the country in a starkly different direction with little public or political support (Edwards and Wayne, 1990; cf. Peterson, 1990; Bond and Fleisher, 1990).

Brady, 1990; Bense, 1984).¹¹

In an important work, Rohde (1991; see also Ornstein and Rohde, 1978) connects several of these arguments: voters in the 1950s sent to Congress heterogeneous parties, voters began in the early 1970s sending more ideologically-consistent parties to Congress; tension from perceived maldistribution of power within these parties led to the congressional reforms in the 1970s; and leaders were better able to lead more consistent parties. Obviously these competing lines of analysis are difficult to sort out. Were leaders dealing with more malleable members because of ideological consistency, for example, or were strong leaders molding the opinion of a fairly disparate group of party members? One of the problems here is that the roll call votes that help us determine whether we have more consistent party members are themselves perhaps a result of leadership activity. Rather than deal with all these recent approaches in comparison to the fiscal state approach, I will indicate here some of the difficulties with these lines of analysis. Certainly, further exploration of these competing explanations is required.

First, we need to be cautious in making the argument that both voter and legislator have become more homogeneous in their party

¹¹ While Brady makes a general argument along these lines for changes in party cohesion, he expresses skepticism about the significance of the cohesion improvements of the 1970s and 1980s.

preference since the mid-1970s. There is no doubt that secular changes in party coalitions have occurred. But it was in the mid-to-late 1970s that scholars were, for example, writing of Democrats as the "everyone" party and talking about a "one-and-a-half" party system (Ladd, 1977, 1978). The variable nature of party support in this period makes it more difficult to interpret the more unified congressional parties than the more recent studies acknowledge. Indeed, for several elections following 1974 the Democrats were winning suburban Republican seats and representing constituencies whose interests varied from that of traditional Democrats. This does not mean that party members in Congress were becoming less consistent (although one could logically make that argument [Edsall, 1984]), but it does question how much of this consistency we want to explain by reference to voters. Consider also incumbency studies that tell us that voters are quite willing to cross party lines to vote for an incumbent. In 1988 just over half of all Democrats voted for a House Republican incumbent running for re-election, while the same number of Republicans voted for House Democratic incumbents (Abramson, Aldrich, and Rohde, 1990: 270). Moreover, since the 1950s (indeed, since the turn of the century) an increasing proportion of voters has voted for a presidential candidate of one party and a congressional candidate of another party. Many voters indicate multiple party

identifications, where party identification depends on the office being contested. Finally, the charts in chapter 4 indicate that congressional voting cohesion was as high in the 1950s as in the 1980s, yet according to the consistent-member argument, the 1950s parties were highly heterogeneous. Again, the point here is simply that the leap from consistent legislators to consistent voters has to be made with some caution.

Second, the argument about more internally consistent membership in the parties in the House needs to be carefully limited. A glance at the charts in chapter 4 will indicate that in fact the improvement in party dissimilarity has been much more striking than the improvement in cohesion. This would appear to be a difficult distinction to make from with the consistent member framework.

Third, the arguments about the consistency of party membership place significant emphasis on the differences between northern and southern Democrats and the gradual erosion of these differences. Indeed, in chapter 4 we saw that northern and southern Democrats had indeed become more alike in their voting patterns. Yet as southern Democrats were becoming more cohesive in the late 1960s and through the 1970s, northern Democrats were becoming less cohesive. At least part of the decreased dissimilarity, then, has to do with a more confused

northern party. One should also note that while the inclusion of the southern proportion of the Democratic party as a variable in the estimations in chapter 5 proved sometimes significant, several other variables were significant as well. And while the separate north-south estimations in chapter 6 did uncover differences between the response of southern and northern Democrats to the economic and political environment, the general conclusion was that the economic-political model worked well for both segments of the party, even before the 1970s, and that it was reasonable to consider the Democrats to be one party rather than two.

Fourth, the consistent-member approach tends to overlook the position of the Republican party. Rohde (1991: 120-127) notes that the Republicans are generally less cohesive than the Democrats, that their cohesion has not improved as rapidly as the Democrats, and that polarization between the northeastern and other wings of the party has grown (cf. Bailey, 1988: 3-9, 65, 113-14). Rohde, who extends the basic consistent-member approach with his analysis of reform, suggests that the difference lies in the fact that the reform process was centered in the Democratic party. While this is certainly plausible, it does not give us much analytical leverage on the period before the reforms when the Democrats were already more cohesive than the Republicans. The fiscal

state approach does attempt to provide some plausible explanations for these tendencies.

Some areas in the institutional literature -- i.e., improved party cohesion and dissimilarity results from reforms in the institutional structure in Congress -- also deserve further exploration. First, we need to acknowledge that when institutional change coincides with economic change it will be difficult to separate the two analytically. While much of the discussion about reform centers on internal grievances in Congress or grievances with the president, we need to consider the possible connections between economic (external) change and the generation of these "internal" demands. Additionally, rather than suggesting that the institution will increase cohesion and dissimilarity isolated from external events -- or that one need not explicitly refer to these events to explain the levels of unity and difference -- it seems equally plausible to begin with the notion that parties will tend to be more distinctive when they have more to fight about.

Second, I have made an effort in this project to isolate a set of political and economic variables that will affect cohesion and dissimilarity; these variables succeed in explaining a substantial amount of the fluctuation in the data. These variables do (in chapter 6) include a consideration of how party leaders react to developments in the other

political party and their own party's past cohesion. Fine-tuned institutional variables would assist in the construction of econometric tests of alternative models, but accounts emphasizing reform tend to utilize a dummy variable approach. The problem with that operationalization is that it is not supported by the historical data. I indicated in chapter 5 that a re-examination of one such model relying on institutional dummy variables showed that the existence of a party caucus explained neither cohesion nor dissimilarity while a strong centralized leadership structure helped explain cohesion but not dissimilarity. Moreover, in testing the models in chapter 5 I utilized dummy variables for the period after 1974 and dummy variables for the various Speakers since 1949, but these variables did not add explanatory power.

One of the implications of these various literatures is that we do not necessarily have one consistent definition of "strong party." Is a strong party a party where leadership is centralized and is able to extract concessions or conduct exchanges with party members because of either negative or positive sanctions? Or can a strong party be a party where voting is highly cohesive, even if the leadership is relatively weak and dispersed? I suggested in chapter 1 we think about party strength in terms of party control over policy domains and widespread acceptance

of the notion that the parties are responsible for a given policy area. Here I would simply note that what much of our thinking about party strength revolves around is whether the parties are meaningful cue givers to voters, members of Congress, and other branches of government. In this view the question of the role of leadership recedes to the background; the cause of this apparent meaningfulness is not an irrelevant question, but the more immediate question is whether parties do in fact have some meaning or relevance for citizens and participants. Parties can be strong without strong party leaders. But, considering the facilitative leadership model mentioned above and considering the estimations in chapter 6, the reality is likely to lie between these two ideal types (leaders are everything, leaders are nothing). Leadership is important: at different times the transaction costs of getting cohesion can vary, but leadership will generally decrease the costs -- even with a generally supportive group of party members.

As mentioned above, a full-scale examination of these recent models and comparison with the fiscal state approach cannot be attempted here. But I would suggest that the approach in this thesis has some potentially important advantages over these alternative explanations. I have attempted to show that the fiscal state model may be able to shed some light on developments in comparative party

systems, that it tries to find logical connections between party politics at its various levels, and that it seeks to place developments in political institutions within yet larger environments or institutions such as the state.

A NEW LOOK AT REALIGNMENT FROM THE PERSPECTIVE OF THE FISCAL STATE

One of the major debates in American political science over the past ten to fifteen years has concerned critical realignment and the puzzle of the missing realignment. Extrapolating the trends of the other realignment cycles, analysts expected a realignment sometime around 1964 or 1968. No realignment occurred; that is, no realignment in the classic form identified for the 1850s, 1890s or 1930s.¹² These realignments were, among other things, associated with significant shifts of party loyalty and mobilization of new groups, the changes tended to occur at several levels of the political system in the same "critical"

¹² Observers scrutinized every presidential election since 1964 for signs of long-term realignment (Segal, 1968; Phillips, 1969; Burnham, 1968, 1981a; Lawrence and Fleisher, 1987; Hurley, 1991). While some analysts have begun to suggest that we indeed have seen a realignment, but of a rather different sort, one can safely say that the consensus remains that a realignment in the classic sense has yet to occur (Wattenberg, 1990; Buell, 1987; Beck, 1988).

period, long-term voting stability took root, institutional changes were initiated, and major policy changes ensued. When no realignment of this type emerged in the late 1960s, scholars took one of two paths: they tried to make refinements to the model to account for the missing realignment, or they abandoned the idea of realignment altogether, suggesting that even the historical cases presented as critical realignments were not convincing (Shafer, 1991). For present purposes, I will travel down the first path and indicate how a consideration of the fiscal state might assist those operating in this tradition.

The theoretical point to be made is simple. Realignment analysts need to look at the defining issues of a critical realignment and see how these issues play themselves out in practice. In the 1930s the defining issue was the state as an economic actor, embodied in one form in the budget. But this defining issue is inherently problematic because it defuses the issues that led to the new system -- indeed, as we have seen, the issues are particularly defused during periods of recession. As a result the realignment sequence is distorted. Once the state intervenes in the economic/business cycle, any political cycle that depends on the business cycle will be potentially disrupted. Although the underlying driving force behind the critical realignment cycle remains the most underdeveloped aspect of the theory, Burnham (1970) has suggested that

cycles of socioeconomic development, largely based on changes in the division of labor, create the underlying strain that leads to realignment.¹³ Now, if something should interfere with these cycles, and especially their outward manifestations as inflation or unemployment, one should expect that the politics that are said to accompany these economic cycles would also be disrupted. In short, critical realignment theorists left out the state. Though talking about great policy change after realignment, they neglected to consider that this great policy change could work to thwart future critical realignments.

There was no reason to expect a critical realignment in 1964 or 1968, because the New Deal system had gone a long way toward undermining the expression of the sort of economic and social convulsions historically associated with critical realignment. Historically, critical realignments have been, in Burnham's phrase, surrogates for revolution that reconnect the party system around socioeconomic reality. But in a period of reasonably successful managed economics we should not be surprised if the political system does not behave and react

¹³ Sundquist (1973), conversely, argues that there is no underlying driving force to realignment; realignment depends on the fortuitous appearance on the agenda of extremely divisive and salient issues. Berry (1991) suggests that critical realignment can be accommodated to long-wave theories of economic growth and development. The "long swing" cycles identified for the labor process and labor markets also bears some resemblance to the realignment cycles (Gordon, Edwards, and Reich, 1982).

as it did in a period of nationally unregulated capitalism. The result of economic and social turmoil in 1964 and 1968 would be sometimes withdrawal, sometimes alliance, but not critical realignment. Past realignments needed a triggering event before the political explosion would take place; the success of Keynesian policy meant that the necessary triggering event was missing.

Congressional realignment was a necessary component of critical realignment in the past. But congressional realignment is not a sufficient condition for critical realignment. Critical realignment involved three interrelated but distinct realignments: congressional realignment, state realignment (realignment of policy, institutions, and elites), and voter realignment. Throughout American political history these three realignments always seemed to occur simultaneously; it was easy to consider them inextricably linked. Now they are not so obviously connected. Part of the reason for the disconnect may well be that the fiscal state successfully thwarted serious economic downturns or crises, but it also obstructed those triggers that had proved in the past capable of generating lasting change at all three levels of realignment. If the undergirding of the economy introduced in the 1930s and 1940s collapses or if the nature of the disturbances they were designed to ameliorate are no longer the most important disturbances in the economy, then the

possibility for a triggering event and a critical realignment would be enhanced.

THOUGHTS ON THE INTERREGNUM ORDER:

AFTER KEYNESIANISM?

The 1970s, 1980s, and now the 1990s were full of scholarly and popular ruminations about the "crisis" in American politics. The appropriateness of the crisis label is not significant here. Rather, I will indicate how some of the insights of the fiscal state approach might help make sense of the turmoil of the past 25 years. Admittedly, broad brush strokes are employed in painting this particular canvas. I organize these generous extrapolations of the fiscal state approach under the rubric of the interregnum order.

By the mid-to-late 1970s the Keynesian analytical apparatus supporting the fiscal state had come into serious dispute. The difficulties Keynesianism had explaining the condition of the U.S. economy in this period, the increasing integration of the world economy, and the lack of relevant policy prescriptions provided by the Keynesian framework served to both raise a large theoretical battle within the economics profession (Chrystal, 1983; Thurow, 1983; Dow, 1985; Blinder, 1989) and

create confusion among politicians and policy makers about what economic course to follow. For parties, these problems with Keynesianism have weakened at least one of the constraints on contemporary political parties. As I suggested above, the U.S. is in an interregnum period where past understandings about the empirical and normative relationship between state and economy is in question. Political actors grope for another organizing framework; the options are not clearly articulated. It is not clear what is next.

This interregnum nature is well reflected in the debates about the recession in 1990-1991. With ongoing massive deficit stimulus, additional stimulus appeared untenable. On the other hand, the standard monetary prescriptions were slow to produce growth. As of this writing, discussion centers around minor stimulus via tax cuts, frankly because other options are not self-evident. New organizing frameworks for state-society and state-economy relations are only in their incipiency. Given this confusion, it is not surprising that politicians rush to assert the old-time religion and that the parties talk about using the same policy instruments, though in marginally different ways.

These current debates are actually the second wave of the interregnum order. The first wave was rather different in nature, except that it too resulted from a determination to move past the Keynesian

limits of American politics. I suggested in chapter 4 that 1963-64 and 1969 provide important switchpoints in the aggregate roll call data: the earlier date tends to represent the approximate zenith of cohesion and dissimilarity in the early 1960s while 1969 generally reflects the nadir of postwar cohesion and dissimilarity and the beginning of improvement in both these indices.¹⁴ While intervention analysis would not support the statistical significance of these two switchpoints, a visual scan suggests that this zenith-nadir interpretation is plausible.

What might these switchpoints represent? I would suggest that we see in this data an incipient and ultimately failed attempt to replace the Keynesian logic of American politics -- this period was the first wave of the interregnum order. As a number of scholars have documented, the New Deal coalition seemed to have lost its cohesiveness and its electoral strength by 1964.¹⁵ In 1964, I suggest, serious struggle began over the replacement of that 1930s system -- a system which had indeed transformed the nature of the American state. Through 1969, the Great

¹⁴ "Generally" is the key word here -- all the time series do not follow precisely this pattern.

¹⁵ Indeed, Burnham (1968) notes that the results of the 1964 presidential election resembled none of the elections from 1932 to 1936 but, rather, resembled the voting distribution common from 1896 to 1928. The difference between 1964 and 1896 is that in 1896 the Democrats were stronger in the western and southern "colonial periphery" while the Republicans won the northeastern and midwestern "metropole," but in 1964 the Democrats were dominant in the metropole and the Republicans stronger in the periphery.

Society was the visible reflection of the effort to build a new political coalition through creating a new political settlement regarding the role of the state. This effort had its genesis in the growing domination of the Democratic Party by northern liberals beginning in the late 1950s. Beginning in 1969, the Great Society came under increasing attack from both southern conservative Democrats and Republicans, both of whom accepted the state inaugurated by the New Deal but opposed the idea of replacing the New Deal/Keynesian organization of American politics with the Great Society. Budgets -- the defining charter of the modern state -- were the logical locus for the attack. Unlike the New Deal, the Great Society was not institutionalized to a great degree and depended on the continued dominance of the Democratic party in presidential and legislative elections.¹⁶

The Great Society, then, represented the first wave of the interregnum order. The major reason the interregnum state was subject to such immediate attack was that the Great Society was a policy

¹⁶ There were of course exceptions to this broad statement, most notably the Medicare program. Note also that the opponents of the Great Society were not immediately exhibiting high levels of cohesion and unity. Many, particularly in the Republican party, were worried about finding themselves on the wrong side of history again. Richard Nixon embraced Keynesianism but not the Great Society. Nonetheless, some of his reforms (not all enacted) of welfare, job training, and general revenue programs were careful to indicate concern with some of the Great Society issues without necessarily adopting the Great Society specifics.

realignment built in the absence of electoral realignment.¹⁷ Electoral realignment was thwarted because the new fiscal state muted economic crisis. In the absence of such crisis, politics ran on two tiers -- Keynesian and Great Society -- in this interim period. These two tiers are paralleled by the oft-noted split within the Democratic party between the "old" economic liberals and the "new" social liberals. Budget struggles began increasing before the major reforms of 1974, suggesting that the budget was increasingly the locus of political struggle and not simply the depository of technical changes in the policy-formulation process.

Inflation and unemployment were relatively low in the 1960s, growth and investment high; the success of macroeconomic fine-tuning took those issues more-or-less off the "front burner" and opened political space for the other defining issues of the 1960s. Parties based on New Deal issues had great difficulty incorporating the new political forces of the 1960s that squeezed into the widening political space (Baer and Bosisis, 1988). This failure encouraged the attempt by some party members to realign policy assuming, apparently, that the voters would follow. By the 1970s, these "new" issues became vulnerable to attack

¹⁷ The Democrats lost 48 seats in the 1966 House elections and 4 more in 1968, bringing them approximately back to their pre-1959 level. The 1966 and 1968 elections lowered the Democrats' Senate advantage from 36 to 14 seats.

because of the renewed focus on traditional, Keynesian economic politics.

In this context, what is the meaning of the rise of Ronald Reagan? Reagan achieved some success in attacking parts of all the New Deal tenets mentioned earlier: regulation, size, economic management, social management, intergovernmental relations, and international political economy. But he did not attempt to eradicate these bases of economic undergirding. Rather, Reagan's ostensible goal appeared to be a virtually full repeal of the Great Society. Ironically, like the Great Society before him, Reagan hosted a policy realignment on fragile electoral reeds.¹⁸ Congress has remained stubbornly Democratic while Republicans continue to win presidential elections. But until voters sense that a stronger party system is in place -- in the sense of party strength laid out in chapter 1 -- they will continue to vote

¹⁸ Resentment of Reagan's aggressive budget strategy by Great Society defenders is reflected in Speaker O'Neill's lament (LeLoup, 1982:321) that

I have never seen anything like this in my life, to be perfectly truthful. What is the authority for this? Does this mean that anytime the President of the United States is interested in a piece of legislation, he merely sends it over? You do not have any regard for the process, for open hearings, discussion as to who it affects, of what it does to the economy? But because a man who does not understand or know our process sends it over, are we to take it in bulk? . . . Do we have the right to legislate? Do we have the right to meet our target or can he in one package deregulate, delegislate, the things that have taken years to do?

for the president and members of Congress on a different basis.

In pursuit of the Great Society and then in pursuit of its elimination, over time the budget became transformed from an economic instrument to a more fully economic, social, military, and regulatory instrument.¹⁹ The budget became the prize. Making the budget's goals so extensive, and parts of the budget so resistant to change, made it more difficult to use as a prime fiscal tool. As if to highlight how little Keynesianism could tell us about contemporary political economy, by the mid-1980s neither the budget deficit nor discussions about the deficit had any obvious relationship to the condition of the economy.

The impression one now gets from Washington is that few people know where to go next. Both Democrats and Republicans are crowding to get into the political center but finding there is little there in the way of governing principles that will do much to solve the current confusion. One could not better describe an interregnum order. The congressional parties are distant from their electoral base. They are dancing inside a

¹⁹ As I noted in chapter 4, two congressional studies neatly illustrate the changes wrought by the interregnum state. U.S. Joint Economic Committee (1963) provides detailed discussion on the subject of how to make the budget more intelligible as a reflection of national economic trends and as a causal agent of those trends. The tone is distinctly economic fine-tuning. The same committee's 1969 report reflects a much wider concern with the social and regulatory importance of the budget; the necessity of meeting social needs is the predominant tone. The confidence that economic management was relatively technical (creating space to worry about other concerns) comes through clearly.

jar.

Beyond the Interregnum Order?

Throughout this thesis I have argued that fiscal policy is for several reasons not a particularly desirable arena around which to organize party politics: fiscal policy issues do not provide the basis for a strong party system as trade issues did. I also noted that one could argue that even if Keynesianism still worked, the problems Keynesianism solves may no longer be the central economic problems. In Offe's (1983:239) words: "The Keynesian welfare state, so to speak, has operated on the basis of the false theory that the problems it is able to deal with are the only problems of the capitalist political economy, or at least the permanently dominating ones." Indeed Keynesianism can be viewed as a system that once handled quite well the surface manifestations of more deeply rooted economic problems, without necessarily addressing those problems explicitly.

What are the alternatives? What might encourage voter participation? What policy areas might be conducive to strong parties? That is, what policy areas might be the domain of the congressional parties, be areas on which the parties offer distinctive differences, and be areas about which voters and elites care?

One possibility is that supporters of political parties should look more closely than they have previously at the idea of a balanced budget amendment. If nothing else, such an amendment would force to the surface explicit considerations of the proper mode of state-society relations. While the deficit may be a result of this conflict over ends (White and Wildavsky, 1989), a deficit in the hundreds of billions of dollars also allows one to submerge this conflict. Forcing the issues to the surface could possibly introduce alternative arenas for party contestation beyond the relatively fruitless domain of fiscal policy.

Perhaps more important for present purposes, however, is to consider important developments in the economy and society (Block, 1990; Burtless, 1990). Worldwide changes in production and labor markets over the past two decades have had profound effects on the U.S. economy and have raised a host of new issues to prominence.²⁰ Productivity, infrastructure investment, technological flexibility, human capital investment, competitiveness, and international competition are the most obvious. In the U.S., changes in production intersect with a deteriorating position in the world economy and widespread concern

²⁰ Suggestive accounts of these transformations are Block (1977); Harrison and Sum (1979); Epstein (1981); Bluestone and Harrison (1982); Gordon, Edwards, and Reich (1982); Noyelle (1982, 1983); Noyelle and Stanback (1982); Cohen and Rogers (1983); Bowles, Gordon, and Weisskopf (1984); Block (1990); and Burtless (1990).

about trade deficits, declining living standards, and stagnant incomes. Concerns about personal identity and family security appear to tie together many of these fears in much the same manner as trade policy in the late nineteenth century.

Can these issues, concerns, and fears become the basis of a new period of party strength? Prominent members of the two parties have broached the issues: Richard Gephardt in the 1988 Democratic primaries attempted to make the case for trade protection. Democrats in the 1992 primaries pitched their message at "the middle class" (variously defined) and debated the merits of trade promotion, trade restriction, and strategic trade policy. In the Republican party, several conservatives (notably 1988 presidential primary candidate Jack Kemp) have stressed the notion of the "opportunity society." To date these forays into the thicket of issues above has been tentative. It is not clear exactly where the axis of conflict over these issues might be located. Indeed American political history provides little reason to hope that an intellectual or ideological transformation will occur independent of some kind of major socioeconomic crash. But the fiscal state, even with considerable strains, has so far proved resilient in preventing such a crash from occurring. One can hardly encourage a crash in order to revive parties at the voter level, but the slow disintegration of trust in politics is equally foreboding.

This discussion only scratches the surface of one particular set of concerns that might be relevant for party politics. One could certainly develop a more detailed and inclusive (or alternative) picture of present socioeconomic trends.²¹ But for present purposes, the explication above adequately points to trends one might want to track regarding the potentialities of party revival.

BEYOND THE TRIPARTITE PARTY

Much of our understanding about American political parties is compartmentalized. With the rise of the tripartite model of parties -- party as organization, party in the electorate, party in Congress²² -- political scientists began to develop sophisticated theories of each of these compartments. Receiving less extensive consideration was the connections between these different components. One of the tasks of party theory should now be to link these components together and

²¹ Other authors point to the rise of "postindustrial society" as the critical development for the party system (Drucker, 1967; Phillips, 1975; Ladd, 1978). Others point to the loss of faith that capitalist society promises a desirable future (Connolly, 1981). Finally, some point to the salience of racial issues (Carmines and Stimson, 1989; Edsall and Edsall, 1991).

²² The specific components of the triad might be stated slightly differently in other accounts.

reintegrate the study of political parties.²³

An integrated approach would force us to be more cautious about overstating the impact of the revival of party in one particular arena such as organization or Congress. As I indicated in chapter 2, one of the central premises underlying the fiscal state approach is to attempt to link together developments at different levels of party. Why is it, for example, that signs of party revival among the electorate are virtually non-existent at the same time that we see revivals in other parts of the party system? Theories stressing the advances in organizations or Congress typically do not venture into that territory, but in fact such territory is vital. Realignment of party elites while ever larger numbers of voters distance themselves from both the parties and politics may simply reflect another variant of the policy-realignment-without-the-voters scenario discussed above. Even if we found that voters were sending ever more pure parties to Washington, we should be concerned if that is happening because attrition (and flight) from the electorate is leaving an ever smaller pool of active citizens that just happens to have stronger party views than non-active individuals. We should not overlook the negative in one area of parties in order to stress the positive

²³ Baer and Bositis (1988) provide an excellent overview of the theories of U.S. parties and argue that it is time to move away from the trinity model of parties and toward a unified model.

in another.

The fiscal state has important implications for several levels of party. Parties in the system become less important as more of the important policy-making becomes executive policy. Parties in Congress see their cohesion and dissimilarity affected by both political and economic variables that are themselves mediated by Keynesian understandings of the political economy. Parties among voters tend toward decline as they perceive the president to be responsible for economic policy; with this view they are free to vote in a plebiscitary manner and to stress the individual candidates for Congress rather than the party. As members increasingly present themselves in candidate-centered campaigns, party organizations become threatened by the rise of a private market of campaign services. The organizations recast their direction to be able to provide services to candidates, but these reorganizations cannot take place until the party system is thrown into such flux by both the first and second wave of the interregnum order (i.e., the Great Society and the problems of the Keynesian paradigm) that funds pour into party headquarters, initially the Republican headquarters.²⁴

²⁴ This point is not well enough recognized in arguments about revived party organizations. While it is true that new technologies greatly assisted fundraising efforts, it is also the case that increased funds were necessary before large-scale investments in technology were

Why have we had a revival of parties in the Congress but no corresponding revival in the public? The basic reason is that the fiscal state constraints on parties are still powerful, even with the declining usefulness of Keynesian policy. The structural limits -- president versus Congress, monetary versus fiscal policy, automatic stabilizers and uncontrollable spending, and plebiscitary voting -- and the perceptions and behaviors these lead to among voters have not been replaced. And until a new organizing framework supplants Keynesianism for policy-making, voters will continue to view congressional party performance as uneven and, to some extent, incomprehensible as they perceive their world changing rapidly while political elites slowly shift positions but in a pattern that is difficult to decipher. If the desultory and, to most observers, irrelevant debate over anti-recession tax cuts in early 1992 is the best the parties can offer to deal with new economic realities, can we really blame the voters for not responding more enthusiastically to the changes in the legislative parties?

In the long run, we should not expect much improvement in the voters' party until either congressional parties are oriented around a policy domain that is the purview primarily of congressional parties and is understood by the voters that way, or the American political system

possible.

generates highly cohesive and tightly integrated presidential-congressional parties in the direction of but not necessarily identical to parliamentary systems. Even then, the fiscal state approach warns, we must pay close attention to the structure of the state and the implications of its policy outputs to develop a complete picture of the potentialities of party in a given place and time. In the short-run voters face the choice of exit, voice, or loyalty (Hirschman, 1970). In past decades all too many have chosen to exit.

Unlike the sense of foreboding and predetermination in many of the accounts of party decline over the past twenty years, this thesis has suggested that there are no inexorable laws of party decline. The parties' position is changeable: there is no inherent logic of history, the welfare state, postindustrialism, bureaucracy, or institutions that should lead us to assume that American parties are necessarily doomed. Revival is not easy, but parties can be made relevant. We need not be omniscient to think about state structure and state policy in ways that would be relatively advantageous for political parties and thus accessible to popular input. States are shaped not only by forces but by politics. In the case of political parties the cure for the problems of politics is indeed more politics.

Appendix
Budget-Related Roll Call Votes, 1947-1986

Table A-1
Major Budget-Related Categories

<i>N</i>	<i>Percentage of Votes Considering:</i>					
	<i>Appropriation</i>	<i>Authorization</i>	<i>Debt Limit</i>	<i>Tax</i>	<i>Budget Resolution</i>	
1947	38	42.1	28.9	0.0	21.0	7.9
1948	29	40.4	28.0	0.0	15.6	6.3
1949	41	16.0	73.0	0.0	4.5	0.0
1950	44	11.2	75.8	0.0	11.2	0.0
1951	48	60.3	28.2	0.0	8.0	0.0
1952	28	51.3	44.0	0.0	0.0	0.0
1953	28	51.3	25.7	6.5	6.5	0.0
1954	31	14.7	52.8	0.0	17.6	0.0
1955	30	11.1	63.8	2.8	5.5	0.0
1956	35	17.1	82.7	0.0	0.0	0.0
1957	56	56.9	40.3	0.0	0.0	0.0
1958	42	16.0	68.5	6.9	0.0	0.0
1959	48	27.8	66.3	4.3	4.3	0.0
1960	39	20.5	64.1	5.1	15.4	0.0
1961	54	28.0	67.2	1.8	3.7	0.0
1962	47	23.4	46.8	7.2	7.2	0.0
1963	64	31.6	50.5	12.6	6.4	0.0
1964	59	23.6	67.3	1.6	6.8	0.0
1965	71	19.3	66.7	2.6	2.6	0.0
1966	67	30.2	54.3	3.0	13.5	0.0
1967	89	45.3	42.0	7.7	3.3	0.0
1968	79	32.5	60.0	0.0	7.5	0.0
1969	62	42.4	45.6	0.0	13.0	0.0
1970	97	28.9	62.8	2.0	2.0	0.0
1971	103	37.6	53.2	1.8	1.8	0.0
1972	106	43.8	45.7	6.6	1.8	0.0
1973	199	30.9	53.3	5.0	4.0	0.0
1974	161	38.4	54.6	1.2	1.2	1.2
1975	251	30.0	44.7	4.4	16.7	4.8
1976	222	35.7	49.3	1.8	7.7	5.9
1977	255	31.1	45.9	2.0	10.1	11.7
1978	294	33.5	45.8	3.0	7.0	9.0
1979	270	31.5	43.5	4.0	3.3	16.3

	<i>N</i>	<i>Percentage of Votes Considering:</i>				
		<i>Appropriation</i>	<i>Authorization</i>	<i>Debt Limit</i>	<i>Tax</i>	<i>Budget Resolution</i>
1980	249	41.7	37.6	3.2	5.6	13.3
1981	157	44.4	39.2	1.3	4.6	13.0
1982	217	31.3	45.4	0.0	5.4	16.0
1983	190	35.5	50.8	1.4	3.9	2.0
1984	200	36.3	51.8	3.0	2.0	6.5
1985	227	33.8	51.5	4.4	2.7	7.6
1986	212	39.7	46.7	1.8	1.4	7.9

Table A-2
Selected Major Policy Areas

	<i>N</i>	<i>Percentage of Votes Considering:</i>				
		<i>Trade</i>	<i>Defense</i>	<i>Agriculture</i>	<i>Rules</i>	<i>All Rule for Immediate Passage</i>
1947	38	0.0	0.0	31.6	7.9	2.6
1948	29	0.0	0.0	9.3	10.3	3.4
1949	41	0.0	13.7	9.1	19.5	4.9
1950	44	4.5	0.0	4.4	6.8	0.0
1951	48	2.1	6.1	8.0	14.6	4.2
1952	28	0.0	18.4	3.7	21.4	10.7
1953	28	0.0	22.5	6.5	3.6	0.0
1954	31	0.0	11.7	3.0	22.6	3.2
1955	30	0.0	8.3	8.3	20.0	6.7
1956	35	0.0	14.3	19.9	20.0	8.6
1957	56	0.0	12.8	5.5	1.8	1.8
1958	42	0.0	13.7	11.4	31.0	11.9
1959	48	2.1	10.7	17.1	2.1	2.1
1960	39	2.6	2.6	7.7	15.4	5.1
1961	54	0.0	7.5	11.2	5.6	3.7
1962	47	0.0	0.0	19.8	14.9	2.1
1963	64	4.7	6.4	15.8	12.5	3.1
1964	59	3.4	0.0	11.8	8.5	5.1
1965	71	2.8	3.9	14.2	11.3	0.0
1966	67	1.5	0.0	1.5	6.0	0.0
1967	89	0.0	2.3	4.4	5.6	0.0
1968	79	3.8	6.3	10.1	5.1	1.3
1969	62	0.0	18.0	6.5	8.1	3.2
1970	97	0.0	8.9	3.0	8.3	1.0

Percentage of Votes Considering:

	<i>N</i>	<i>Trade</i>	<i>Defense</i>	<i>Agriculture</i>	<i>Rules</i>	<i>All Rule for Immed- iate Passage</i>
1971	103	0.0	11.9	9.1	6.8	2.9
1972	106	0.0	12.1	0.9	13.2	3.8
1973	199	1.5	11.5	12.4	9.5	4.5
1974	161	2.5	15.6	3.6	15.5	10.6
1975	251	0.8	14.0	6.4	10.0	4.0
1976	222	0.9	16.7	2.3	12.2	4.0
1977	255	1.6	15.2	7.0	7.8	0.0
1978	294	4.4	12.7	5.6	5.4	0.0
1979	270	0.0	14.2	0.7	5.2	1.5
1980	249	2.0	6.9	3.2	14.1	4.8
1981	157	0.0	21.6	9.9	9.6	2.6
1982	217	0.9	15.0	4.1	9.7	3.2
1983	190	3.2	8.9	5.4	27.4	10.0
1984	200	0.0	14.5	4.0	9.5	5.0
1985	227	0.0	19.1	11.6	17.2	4.0
1986	212	2.8	17.1	3.7	14.6	2.4

Notes: (1) The Trade column in Table A-2 includes only those votes falling into one of the five categories in Table A-1. Another 199 trade votes were used to calculate the indices reported in chapter 1. (2) The first Rules column in Table A-2 includes all votes considering rules. The second column, a subset of the first, includes only those votes calling for a suspension of the rules and immediate passage of the bill with no amendments. (3) As mentioned in the text, these figures omit all consensus votes -- votes that feature 90 percent or more of the members of one party voting in the same direction as 90 percent or more of the members of the other party.

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