

The Collapse of Bill Clinton's Third Way

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In the waning years of his administration, Bill Clinton seized on the idea of the third way to frame his achievements in office, anxious to be remembered for something other than scandal. The notion of a third way--a policy and politics threaded between the market and old style social democracy--is inherently ambiguous. But in the United States, which never embraced many of the main tenets of postwar social democracy, charting a third way is especially murky. Some versions of the third way envision a more ambitious role for government than that of the American federal government even in the heyday of postwar liberalism; others propose that government do considerably less.¹

Part of Clinton's political genius--his election in an era when Democrats appeared doomed to lose presidential contests and his against-all-odds reelection and impeachment survival--lay in his ability to be many things to many people. His initial electoral rhetoric excited the hopes of both traditional Democrats and the self-proclaimed new Democrats. In the end, however, Clinton presided over the implementation of very constricted version of the third way whose short-term political and market successes mask the limits of its institutionalized policy achievements. With the exception of the expanded earned income tax credit and the increased minimum wage, the administration did little to address the sharp inequality that has become the hallmark of the American road to prosperity. Despite much talk about job training, it failed to create elements of the "intelligent and active" welfare state described by Frank Vandebroucke in this volume. Indeed, it is striking how much the administration ultimately drew on only two policy tools--tax expenditures and minor regulation--for all its initiatives after the health care debacle.

Likewise, Clinton's longer term political accomplishments--coalitional as well as ideological--remained

¹ Contrast Anthony Giddens, The Third Way: The Renewal of Social Democracy (Cambridge, U.K.: Polity Press, 1998) with the much more straightforwardly pro-business Democratic Leadership Council's Mandate for Change Will Marshall and Martin Schram (eds.) (New York: Berkley Books, 1993).

sharply circumscribed. Clinton's greatest political contribution was to block the Republican right's bid for power. But he did not press forward with a new inclusive social agenda. By moving to the right on welfare, crime, and urban issues, he helped inoculate Democrats from attack around these racially-driven wedge issues—but this rightward movement came with significant costs to racial minorities and the poor. Nor was Clinton successful at revitalizing a new public philosophy. After twelve years of Republican attack on government; at best, the portrayal of government as menace has been replaced by the sense that government is largely irrelevant.

This article assesses the Clinton administration in light of third way approaches toward a new progressive politics. I begin by defending the claim that such progressive aspirations can be discerned amidst the inchoate but often deliberately hybrid approach to politics and policy embodied in the administration's early initiatives. I then examine how basic features of American politics and institutional organization made progressive strategies so difficult to pursue and made a tepid centrism such an attractive alternative. I conclude by identifying the strategic approach that progressive politics now needs to pursue and I consider some steps that move in that direction.

The Eclipse of the Progressive Path

Clinton's campaign rhetoric and early policy proposals can be read in two ways: one is a centrist approach designed primarily to inoculate Democrats against criticism on issues of values and "big government." But a more ambitious and transformative strategy can also be discerned, one that embraced activist government but sought to establish new premises for public action and to create new mechanisms to achieve its goals.ⁱⁱ

This transformative strategy had three components: 1) To counter distrust of the federal government, policy would work through market mechanisms or the states and it would "reinvent" government; 2.) To counter racially-charged "wedge" issues, such as crime and welfare, policy would set clear expectations for individual responsibility and impose sanctions on bad behavior. It would, however, provide resources to assist people if they lived up to their part of this bargain. The President encapsulated this bargain in the aphorism, "If you work, you shouldn't be poor." 3.) To counter arguments that social spending was too expensive, policy would highlight the long-term benefits of "investing" in people so that they could be productive workers and citizens.

This approach to policy can be distinguished from two Democratic alternatives. It most visibly departed

ⁱⁱ See Bill Clinton and Al Gore Putting People First (New York: Times Books, 1992).

from "old Democratic" policy orientations in its forthright embrace of responsibility and expectations for individual behavior as conditions for beneficiaries. But it also envisioned a different relationship between government and the market than traditional New Deal policies. "Old Democratic" policies had combined a social strategy of strengthening labor plus providing compensation (such as unemployment insurance) for market losers. Growing difficulties with these policies, their inability to improve the lot of most workers, and their failure to reconnect workers to the labor market lay behind Clinton's alternative. Clinton adopted an aggressive market-oriented internationalism, evidenced in his support for the North American Free Trade Act (NAFTA). And instead of passive compensation, Clinton championed policies that would actively assist individuals in making the transitions that markets made necessary.

This approach also differed from the centrist "new Democratic" orientation of the Democratic Leadership Council (DLC). Formed by a group of moderate southerners in the mid-1980s as an alternative to the "big government" of northern liberal Democrats, the DLC embraced themes of individual responsibility and advocated using market mechanisms rather than government wherever possible.ⁱⁱⁱ But its agenda did not emphasize public investment or the need to increase benefits along with responsibility. The DLC was concerned with repositioning the Democrats on the existing political and policy spectrum, not with changing existing conceptions of "left and right."

The expansive version of Clinton's strategy aimed to reinvigorate the Democratic coalition by shifting the axes of debate to overcome the recurring divisions over race and values that had blocked major Democratic social policy initiatives since the 1960s and to revamp government programs to address widespread public concern about new economic and social conditions. The broad social programs would promote a commonality of interests among the poor and the middle class while the emphasis on values would remove a crucial wedge issue dividing them.^{iv} This underlying political aim is evident in the central priority given to health reform, which was designed as a popular security-oriented program that would benefit both the poor and the middle class and secure an ongoing role for government.

ⁱⁱⁱ See the DLC Manifesto, Mandate for Change Will Marshall and Martin Schram (eds.) (New York: Berkley Books, 1993).

^{iv} For an elaboration of this strategy see the arguments of the president's pollster, Stanley B. Greenberg, Middle Class Dreams: The Politics and Power of the New American Majority (New York: Random House, 1995).

With the failure of health reform and the election of the Republican Congress in 1994, Clinton effectively dropped the transformative agenda, while retaining much of the rhetoric. Under the guidance of his new advisor Dick Morris, the administration instead pursued a centrist “triangulation strategy” to paint himself as a reasonable middle between the extremes of congressional Democrats and Republicans. Politically, this meant appealing to the middle class on terms that limited the government role. It essentially ignored the inclusive aspect of the earlier approach, eliminating the less well-off and bothersome questions about inequality from the political equation. In policy, this switch was evident in such crudely transparent ploys as the “Middle Class Bill of Rights” announced soon after the 1994 election – tax credits designed to assist the middle class in sending their children to college. Clinton’s second term was far more noted for what his Labor Secretary Robert Reich called “tiny symbolic gestures” (TSGs), such as backing school uniforms, than for new third way initiatives.^v

Political and Institutional Barriers to a Progressive Third Way

In crafting a third way approach, the Clinton administration faced distinctive institutional and political barriers that make it particularly difficult to move onto the path of an expansive third way in the United States. Three factors stand out as obstacles. The first is the meager institutional legacy of American liberalism, which left few building blocks from which to launch active and intelligent state action. Second, is the difficulty in the American political system of striking the kinds of legislative bargains that third way approaches often entail. Third, the political temptations of a diffuse centrism aimed at the middle class are especially strong in the American context. The atrophy of political organizations capable of mobilizing popular support left Clinton--and Democrats more broadly--with the uncertain power of public opinion as a key political resource. When public opinion proved unreliable during Clinton’s first two years in office, the President retreated to a defensive, nonactivist centrism as the least risky course

The limited reach of New Deal liberalism left few institutions on which to build the new approach. In contrast to Britain, where Tony Blair could make renewed commitment to the National Health Service a key aspect of his program, Clinton spent all his early political capital trying to fashion a public framework for universal health coverage. Although the widespread criticism of the process he chose is largely deserved, the limited institutional

^v Robert B. Reich, “We Are All Third Wayers Now,” The American Prospect no.43 (March-April 1999), pp.46-51.

structure on which to build made the task inherently risky. Most of the American middle class receives its key social welfare benefits through the “shadow welfare state” of employer-provided health care, supplemental pensions, sick days and other benefits.^{vi} These privately-provided benefits are publicly subsidized through the tax system but because they are part of the private employment contract, there is little public politics that surrounds them. Moreover, the extensive reliance of the middle class on the shadow welfare state creates a sharp institutional divide with the less-well off who rely on public benefits.

Likewise, in the area of job training and retraining, the New Deal left a paltry institutional legacy. One of the striking features of postwar employment policies in the United States was the narrow definition of the problem toward which policy should be directed: unemployment measured by a single statistic was the problem, economic growth was the remedy. Employment policy reflected the triumph of this particularly narrow form of Keynesianism. The public employment service remained a small state-run agency focused at the bottom of the labor market. In the absence of a strong public role, private job placement services came to dominate the market. Nor did public training ever become institutionalized. Despite the regular creation of “manpower programs” from the 1960s on, retraining never played a significant role in American economic policy and job training programs remained remedial and isolated from the labor market.^{vii} Extensive evaluations studies showed that these programs did little to improve the job prospects of the participants.

Without an institutional base on which to build, the Clinton administration found it difficult to devise effective programs and nearly impossible to arouse strong support for a greater government role in employment and training. Public opinion polls generally showed support for training but few workers had actually had experience with public training programs and, given their track record, had no reason to believe that such programs would be effective. Business and organized labor voiced support for improved training but neither saw these programs as essential to their interests. In the face of this broad but shallow support, Clinton did not expend much political capital on job training despite its centrality to his initial policy strategy. Instead, like Blair, he began to focus on education. But in this domain, the U.S. federal government, in contrast to Britain, has quite limited influence. At all

^{vi} Christopher Howard, The Hidden Welfare State (Princeton, N.J.: Princeton University Press, 1997).

^{vii} See Margaret Weir, Politics and Jobs: The Boundaries of Employment Policy in the United States (Princeton, N.J.: Princeton University Press, 1992), chapters 2-3.

levels of schooling, states play a much greater role in the financing and delivery of education. Thus, despite the prominence of rhetoric about education in the last years of the Clinton administration could not easily or directly chart a progressive third way strategy for education.

In addition to these institutional handicaps, Clinton's quest to chart a third way faced formidable political obstacles. One of the serious political problems that most third way initiatives confront is the lack of a natural constituency. Reich has argued that the fundamental challenge of third way strategies in Europe and the United States is to build political support from two naturally opposing interests, the winners and losers from globalization. Many third way approaches involve complex two-step processes that roll back some protections, requiring some groups to face more risk in return for other kinds of government assistance. This type of process requires building alliances of opposing interests, enacting policies that draw only tepid support, or passing programs that some interests deeply oppose.

Such political tasks are difficult everywhere but they are especially troublesome in the United States. The lack of party discipline, the remarkable power of narrow interest groups, partisan budget wrangling, and the limited resources that Presidents have to enforce bargains all make such two-step approaches particularly difficult to enact. Many of Clinton's early policies envisioned these types of complex policy trades. For example, welfare reform initially sought to combine time limits with the promise of subsidized work for people who were unable to find work in the private sector. The market-opening NAFTA was to be combined with a much-enhanced system of job training. A proposal to create "high performance workplaces" envisioned a trade-off between business and labor in which business would make employee organizing easier and unions would agree to allow nonunion forms of representation in the workforce.^{viii} None of these bargains was ever struck. In the first two cases, the market half of the initiatives were ultimately put into place with very little of the complementary governmental assistance. The third initiative, the high performance workplace, became the province of a commission whose report, issued after the 1994 congressional elections, failed to attract serious political attention.

The opposing parties in these cases had no incentive to compromise nor did the President have any power to sanction them or induce them to bargain. The expanded earned income tax credit, the President's greatest

^{viii} See the U.S. Department of Labor and U.S. Department of Commerce, Commission on the Future of Worker Management Relations, Report and Recommendations (December 1994).

legislative success in promoting his promise that “if you work, you shouldn’t be poor,” was an exception to these political dynamics. It passed as part of a complex budget package during Clinton’s first year, backed by only Democrats. As a significant but low-visibility program implemented through the tax system and rolled into a larger budget package full of desired legislation, the EITC benefitted from a rare instance of Democratic party unity and interest group indifference.^{ix} Other successful initiatives linked to a progressive third way position tended to be small, low-budget programs that involved little federal action, such as the very modest “school-to-work” grants to the states.

In addition to these institutional and political obstacles, progressive initiatives suffered from the very demobilized political environment in which they had to be enacted. Clinton’s political strategy was fashioned with this demobilized polity in mind. Rather than aiming to rally broad support for proposed initiatives, the strategy sought to use public opinion polling to discern which policies a majority would likely support. This strategy made Clinton’s policies popular in the abstract but it created problems for enacting them. The complex policies balancing right and left approaches in new ways were popular but their complexity made them harder to enact in the American political system. Moreover, public opinion turned out to be an unreliable political resource. Public support for as measured by public opinion polling often proved shallow or subject to persuasion based on other considerations. Majorities for such issues as universal health care evaporated when narrow well-financed interests from the insurance industry tapped into public fears about losing what they had.

Third way approaches everywhere suffer from the lack of a natural constituency, much less a universal agent, as social democracy claimed to have in the working class. But in the United States, the problem is more severe. Within the American political system, there is very little organizational infrastructure for mobilizing grassroots constituencies of any kind. The atrophy of local political party organization and its replacement with a politics driven by consultants, polls, media, and money has reached its apex in the United States.^x The mainline incentives surrounding political competition are not linked to building organizations that incorporate citizens into

^{ix} See Bob Woodward, The Agenda: Inside the Clinton White House (New York: Simon and Schuster, 1994).

^x Margaret Weir and Marshall Ganz, “Reconnecting People and Politics,” The New Majority: Toward A Popular Progressive Politics Stanley B. Greenberg and Theda Skocpol (eds.) (New Haven: Yale University Press, 1997), pp.149-171; Manuel Castells, The Information Age: Economy, Society and Culture, Volume II, The Power of Identity, (Blackwell Publishers, 1997), pp.309-353.

political life in a regular way nor are they connected to efforts to mobilize broad groups of citizens to participate in elections. Instead, as Marshall Ganz has argued, the goal is simply to win over swing voters among those already likely to participate in elections.^{xi} The liberal political forces most likely to support a progressive third way were no exception to this pattern and, if anything, were less likely to mobilize popular support than the right. Decades of a Democratic Congress and sympathetic court system had provided liberals with political channels that did not require grassroots mobilization. The result of this style of politics is a well-documented skewing of political participation and political power toward the upper middle class.^{xii}

The importance of public opinion and the absence of mobilized political organizations gave many policy battles during the Clinton administration a virtual cast. Political elites referred to opinion polls but, with the exception of the Christian right, there was very little mobilization. In some instances, public opinion provided a good resource to defend existing programs; for example, in 1995 when Republicans backed away from budget balancing plans that would have reduced spending on health care for the elderly. But only in rare exceptions did it provide sufficient force to take positive action. One such occasion was the passage of the increased minimum wage in 1996. Undoubtedly the very high public support for the increase helped push some Republicans, fearful of being tagged as a do-nothing Congress, into supporting the measure. In general, however, the uncertain links between public opinion and election results made the impact of polls on political elites tenuous.

These institutional and political obstacles to a progressive third way meant that much of what the President did succeed in accomplishing reflected the conservative side of his agenda.. In exchange for NAFTA and time limits on welfare, some compensating spending did occur but it fell far short of the kind of job system so integral to the third way vision.

The Social Consequences of the Path Not Taken

In the face of these obstacles, Clinton's policies and his politics tacked toward a bland centrism that did little to chart new approaches to using government. Politically, it focused on the broad middle class, defending

^{xi} Marshall Ganz, "Voters in the Cross-Hairs: How Technology and the Market Are Destroying Politics," The American Prospect 16 (Winter 1994), pp.100-109.

^{xii} See Sidney Verba, Kay Lehman Schlozman and Henry E. Brady, Voice and Equality: Civic Voluntarism in American Politics (Cambridge, Mass.: Harvard University Press, 1995).

existing programs that serve them with much less attention to including the poor.

This political approach was particularly prone to symbolic initiatives that only provide the form of third way approaches. The first bill Clinton signed– the Medical and Family Leave Act of 1993–provides an example. Available only to workers in companies employing more than 50 people, the law provides only unpaid leave for valid family and medical reasons. Workers in low-wage jobs, least able to afford private help to manage family and medical concerns, are also the least likely to benefit from the law. Likewise in 1996, Congress enacted a new law to increase the portability of health insurance from job to job. The measure did nothing to limit the cost of insurance that a new employer could charge, much less address the problem of those who lacked health care altogether. Even for much of the expanded American middle class, such measures are of limited assistance.

The long stretch of economic growth since 1994 has stripped the urgency from many of the concerns that sparked interest in progressive third way approaches and brought Clinton to power in the first place. Even the wages of those at the bottom of the income spectrum have begun to rise under sustained economic growth. Yet several kinds of challenges remain unmet even in these prosperous circumstances. First is continued inequality. The recent uptick in wages for those at the bottom makes barely a dent in the growth in inequality over the past two decades. Americans have always accepted relatively high levels of inequality, reflecting widespread beliefs in opportunities for mobility. But the levels of inequality–the highest in the postwar era–may be large enough to undermine the American self-understanding as a broad middle class society. Access to good jobs not only determines wage levels, it also determines access to the shadow welfare state benefits, greatly compounding the impact of inequality. The wage and benefits gap between male workers with college education and those with only high school has grown so large that higher education that higher education is increasingly becoming the only route into middle class economic security. This restriction on opportunity channels comes at a time when, in contrast to the 1960s, public systems of higher education are constrained by state budget limits.^{xiii} During the Clinton administration, the Earned Income Tax Credit and the increased minimum wage helped to counter low wages but far more ambitious measures are needed to moderate inequality and to open opportunity.

The second challenge are issues related to gender and the family. Third way approaches–even at their most

^{xiii} See, for example, Roger Benjamin and Stephen J. Carroll, Breaking the Social Contract: The Fiscal Crisis in California Higher Education (Council for Aid to Education, 1998).

progressive-prize market activity, a framework in which caring work fits uneasily. In the United States, welfare reform is only the most egregious example of public policy that fails adequately to confront the tensions between caring work and the market. Child care, long-term care for the elderly, and other tasks related to family life are disproportionately performed by women. Unwilling to increase substantially the public responsibilities for these tasks but anxious to reduce “passive” assistance, the American policy strategy puts the pressure on women to reconcile privately the tensions between markets and families. Obviously household economic status determines what options are open to them. This policy orientation is particularly harsh for households headed by women. Reliance on a single breadwinner has become difficult for most American families; for households headed by women the problems are compounded by the significantly lower wages of women. The inability of American politics to make the problems of single-parent households a public concern plays a significant role in child poverty rates that hover at 20 percent even at the height of the economic recovery. Conservative moralism about unwed motherhood and divorce are part of the story but so is a broader reluctance to take onto the public ledger issues that have been addressed privately. A progressive version of third way policies has to move beyond its preoccupation with markets to acknowledge that these gender and family issues are social concerns, not simply the problems of private individuals.

Finally, the United States faces the challenge of entrenched racially-linked concentrated urban poverty. High levels of growth reduced African-American poverty to its lowest level ever in 1998. But at 26 percent, that rate was still double the national average. Economic growth may be a precondition to reducing such poverty, but, alone, the impact of growth will be limited. Urban poverty has a strong racial geographic element that public policy has more often abetted than mitigated.^{xiv} Longstanding efforts at community development have had to swim against the tide of incentives sending jobs and middle class people out of cities.^{xv} The pattern of job creation over the past two decades—with the majority of entry level jobs created in suburban areas—has exacerbated the isolation of the urban poor from emerging opportunities. The lack of affordable housing in the suburbs and poor public transportation

^{xiv} See Kenneth T. Jackson, Crabgrass Frontier: The Suburbanization of the United States (Oxford University Press, 1985), chap. 11.

^{xv} See Alice O'Connor, “Swimming Against the Tide” Urban Problems and Community Development Ronald F. Ferguson and William T. Dickens, (eds.) (Washington D.C.: Brookings Institution Press, 1999), pp.77-121.

systems create ongoing obstacles for those who try to cross these geographic divides. The great variation in local school systems and the deterioration of urban schools presents a further barrier to the urban poor. Immigrants, who have scaled some of these hurdles through use of ethnic networks, are often held up to show that such problems can be solved without government assistance. Yet, the experience of immigrant groups is far from uniform and it is unclear how the distinctive resources of ethnic solidarity survive into the second generation. Moreover, as the high rates of black segregation attest, distinct groups confront different racial barriers as they attempt to cross those boundaries.^{xvi}

The Clinton administration did very little to confront this set of problems. Its centerpiece strategy for addressing cities—urban empowerment zones—envisioned an “in place” remedy to the problems of the urban poor. Yet, like its predecessor, the enterprise zones launched both in Britain and in many American states, this market-incentive strategy has not evidenced much success. Other efforts to address residential segregation more directly proved controversial and were dropped after white protests. The urban social problem that has declined most dramatically during the Clinton years is crime, although the contribution of public policy to this outcome is hotly contested. This success is tarnished by the very high rates of incarceration—especially of African-American males—that accompany it. The limited strategy of local development and incarceration are constitute containment-type strategies that are out of step with third way ideas about breaking down barriers to market participation. Geographic separation of races into distinct political jurisdictions is a central barrier that a progressive third way must address.

The Future of Progressive Strategy in the United States

The political divisions and institutional difficulties that hindered movement toward third way policies are deeply ingrained in the American polity. There is little reason to believe that much more can be achieved by pursuing the political and policy strategies that animated the Clinton presidency. Instead, the experience of the Clinton years points to the importance of two long-ignored activities for progressive forces. The first is to build a progressive presence in state-level policymaking, where many of the key decisions about institutional design are now lodged. The second is to rebuild grassroots organization that facilitates the emergence of a common agenda among the liberal interest groups, which have for too long gone their separate ways.

^{xvi} Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the American Underclass* (Cambridge: Harvard University Press, 1993).

Since the New Deal, liberal forces have concentrated their political and policy activities at the federal level. The power of rural interests in state legislatures, the limited administrative capacities, and the restricted policy agenda in the states all focused liberal interests on the federal government. But key institutional decisions relevant to third way strategies now rest in the hands of the states. The meaning of welfare reform depends on what kind of assistance states offer and on the systems they do or don't build for opening opportunity to former recipients. Likewise, job training now consists largely of block grants to the states and vouchers for individuals. Education has always been predominately a state function and is likely to remain so. Only six percent of expenditures for primary and secondary education come from the federal government. While the federal government plays a greater role in financing higher education, states are in charge of the public systems of colleges and universities. This division of responsibility in the federal system means that the states bear responsibility for building institutions that deliver the services of the active and intelligent welfare state. The federal role is still significant but for the foreseeable future, it is likely to be restricted to block grants, assistance through tax expenditures, and limited forms of regulation.

In addition to focusing on institution building in the states, progressive forces need to build grassroots organization and arenas in which diverse interests can fashion common agendas. The top-down approach of the Clinton administration—its attempt to sell policies assembled on the basis of public opinion polls—was crafted for the demobilized context of American politics. But the conservative bias in the interest group world and the overrepresentation of high income voters in elections makes policy strategies based on public opinion very risky. The only way to counter this handicap is by rebuilding a grassroots progressive presence, capable of making plausible electoral threats and organized to intervene in policy conflicts. The renewed efforts of unions to emphasize organizing and to mobilize politically are an important step in this direction. But the low levels of unionization make it essential that ongoing links across groups—such as community-based groups and environmental organizations—be built as well.

Clinton's political genius got him elected and allowed him to hang onto office under extraordinary pressures. Those same political skills led him to accept policies that elevated markets without defining a new role for government. Unless policies can be crafted to ensure that the benefits of markets are more broadly shared, the third way will remain little more than a justification for capitulating to the conservative agenda.