

What Third Way? Clinton, New Democrats, and Social Policy Reform

President Clinton came to office determined to govern as a New Democrat seeking Third Way solutions to a range of problems. More specifically, he was committed to pursue two major reforms in the social policy arena. First, he pledged to overhaul the US's health care system. Second, he promised to "end welfare as we know it." Indeed, the latter had been one of the defining themes of Clinton's effort to portray himself as "a different kind of Democrat." In the end, however, Clinton was not so much defeated as humiliated in his efforts at health care reform and while he did sign, and take credit for, a major revision of the welfare law in August 1996 this conservative legislation was, in reality, largely the product of congressional Republicans.

Furthermore, on both issues, Clinton's actions divided the Democratic Party. The effort at health care reform left the Democratic Leadership Council, effectively the official voice of the New Democrat movement, exasperated. Particularly in the aftermath of the 1994 mid-term elections, a conventional wisdom developed which blamed the administration's Health Security Act (HSA) for undoing Clinton's reputation as a New Democrat and instead allowing opponents to portray him as a Big Government Democrat. Conversely on welfare reform, while New Democrats urged Clinton to sign the 1996 welfare reform bill forwarded by the Republican Congress, liberal Democrats expressed their dismay at what they saw as a radical conservative move to end an entitlement for some of the most vulnerable American families.

This paper, however, will argue that there is too much "benefit of hindsight" in the analysis of Clinton's actions in these policy areas. It would obviously be difficult to argue that the *eventual outcomes* in either health or welfare represented a successful negotiation of a path between conservative and liberal ideas which created a lasting 'Third Way' synthesis; but, if the administration's *initial designs* in these policy domains are disentangled from the subsequent political rows, then it is possible to discern an attempt at innovative policymaking combining elements of conservative and liberal agendas.

More specifically the HSA attempted to achieve the liberal goal of universal health coverage (as well as the more consensual aim of cost containment) through what was a relatively conservative means given the other options available. That is, the HSA embraced the principle of managed competition rather than either the single-payer or the so-called "pay-or-play" alternatives. Given that the administration was committed to substantive reform managed competition represented the option with the least Big Government style intrusion. With regard to welfare reform, prior to signing the Republican version of reform Clinton had presented his own plan in the summer of 1994. The Work and Responsibility Act (WRA) is now seen as little more than a steppingstone to the 1996 reform but it was in fact significantly different from the later law. The WRA did demand that welfare recipients endeavour to engage with the world of work but, unlike the 1996 law, it promised continued government support to people who made a good faith effort to comply with this demand even if they failed to do so. In short, the WRA proposed a conservative reform but one still restrained by liberal commitments.

After arguing that there was a Third Way discernible in the Clinton administration's original health and welfare proposals the paper will conclude by reflecting on why these efforts came to nothing. Primarily the White House found that while it wanted to develop ideologically hybrid solutions to complex policy problems it was unable to persuade the wider polity of the merits of this approach, particularly in an era of increasingly intense partisanship.