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A New Democrat?

The Economic Performance of the Clinton Presidency

JOHN W. BURNS AND ANDREW J. TAYLOR

When it comes to talk about the Clinton legacy, one question repeatedly asked—if not as often as more awkward alternatives—concerns the president's political philosophy. What kind of a Democrat has Bill Clinton been? It is now part of political folklore that during the 1992 presidential campaign, Clinton declared himself a “New Democrat.” On economic issues, the New Democrat label meant that Clinton intended to stake out positions more conservative than those adopted by previous Democratic presidents. The liberal era of big government, he declared once in office, was over. And indeed, as president, Clinton has certainly promoted major legislation that breaks with liberal orthodoxy. The 1996 welfare overhaul, for instance, ended the sixty-year-old Democratic policy of Aid to Families with Dependent Children. Moreover, a 1997 legislative agreement with congressional Republicans pledged to balance the federal budget for the first time since 1969.

Yet not all of Clinton's major economic policy initiatives have tracked in a New Democrat direction. Although unsuccessful, the president sought to enact sweeping reform of the nation's health-care system. His plan relied on more not less government intervention, on old not new Democrat principles (Skocpol 1996). In 1993, Clinton tried to get Congress to accept a \$30 billion economic stimulus package. That year he also promoted and approved one of the largest tax increases in U.S. history—\$240 billion over five years. Designed to erode the deficit—which is a

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conservative economic-policy goal—that legislation, in liberal fashion, contained a tax hike targeted mainly at the wealthiest Americans.

In this article, we examine the Clinton economic record in order to discover whether the president has governed as a New Democrat. This task is important in at least two regards. First, for reasons of democratic accountability, it is critical for citizens of this country to be able to evaluate whether presidents have followed through on campaign pledges. Second, over the course of the post-World War II era, Democrats and Republicans have generally favored different macroeconomic, fiscal, monetary, and regulatory policies (Coleman 1996; Hibbs 1987; Quinn and Shapiro 1991; Tufte 1978).¹ Consequently, which party wins control of the presidency has significant implications for the U.S. economy.² Democratic administrations have tended to stress lowering unemployment and interest rates, stimulating economic growth, spending federal money on domestic programs, and increasing government regulation of business. Republicans, conversely, have emphasized lowering inflation and spending less money on federal projects. *Vis-à-vis* Democrats, they have also stressed lower deficits and less government regulation of business and have been less inclined to place emphasis on economic growth and reducing interest rates.³ If Clinton is, as he claims, a New Democrat, he will, at the very least, reveal himself to be an anomaly. We may even be witnessing a shift in the economic policy outcomes that can be expected under Democratic administrations.

To assess Clinton's performance, we compare policy outcomes in the Clinton era with those of other postwar Democratic and Republican presidencies. We evaluate four policy areas: macroeconomic policy, fiscal policy, monetary policy, and regulatory policy. We understand that presidents alone do not control economic outcomes. They operate within an environment requiring compromise and negotiation with Congress, especially but not only during periods of divided government. In addition, the Federal Reserve wields significant power over monetary policy, which in turn gives the nation's central bank influence over general macroeconomic conditions. All presidents are also at the mercy of the domestic business cycle—swings in the U.S. economy that politics cannot completely explain—and of the policies of other countries, as well as of the vicissitudes of international capital markets. Presidential action is just one of several variables that affect U.S. economic health.

Nevertheless, although far from all-powerful, presidents retain significant influence over the direction and health of the nation's economy. The president's policies set

1. Among other things, the legislation included a capital gains tax increase and an increase in the effective top marginal rate of income tax to 39.6 percent.

2. Beck (1982) argues that the party of the presidency has much less impact on the economy than other scholars maintain. Alesina and Roubini, with Cohen (1997) argue that Democratic and Republican administrations do produce different economic outcomes, but the differences reveal themselves only in the first half of a presidential term (67–110).

3. These partisan tendencies are offered only as general patterns gleaned from the literature on parties and economic and regulatory policy. Discrepancies clearly exist. In the 1980s, for instance, many Republicans, led by supply-side economics devotee Representative Jack Kemp (R-N.Y.), pressed for dramatic reductions in interest rates to stimulate higher economic growth. For a good synopsis of partisan theories of economic preferences, see Keech (1995, 66–99).

the fiscal and regulatory policy agenda and therefore greatly shape outcomes in those areas (Light 1999). Fiscal and regulatory policies affect macroeconomic conditions, and presidents, it has been shown, exert much influence over the policies of the Fed (Havrilesky 1995). In any event, examining outcomes is more manageable and fruitful than analyzing presidential intentions and policies. Presidential intentions, unlike economic outcomes, can be nebulous and often symbolic. They are also, for better or worse, not the basis on which Americans cast their votes (Fiorina 1981; Popkin 1991).

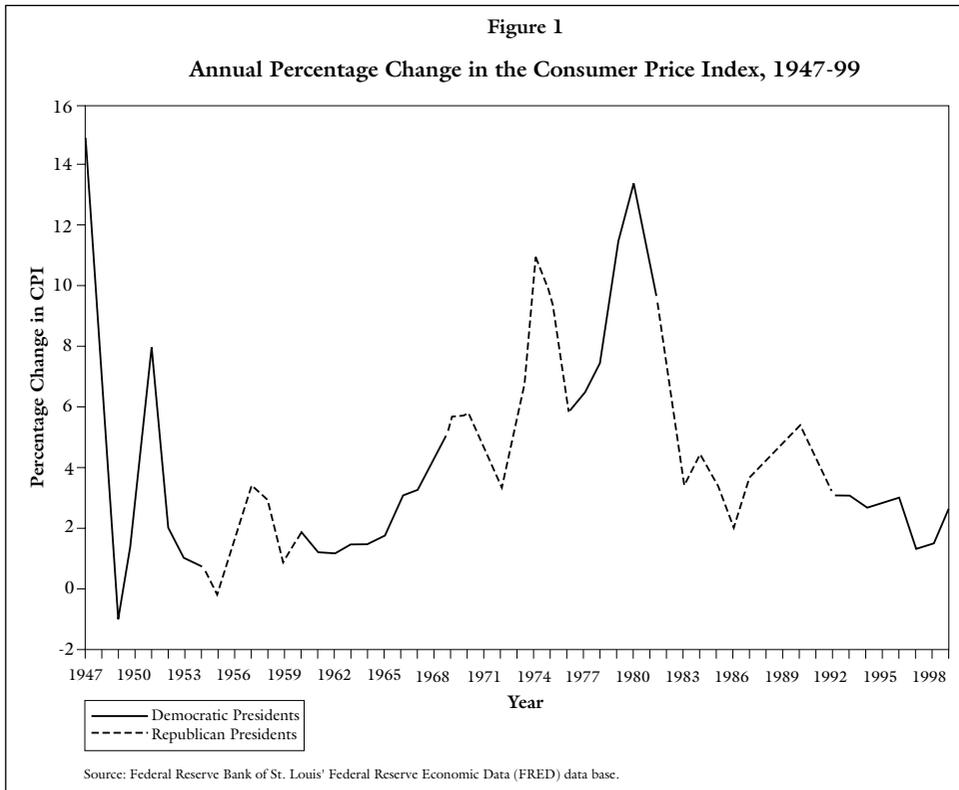
Macroeconomic Policy

We begin with an analysis of inflation and unemployment, two significant measures of macroeconomic conditions in the United States. As we suggested earlier, Democratic and Republican administrations have been associated with differing levels of inflation and unemployment since the New Deal. When compared with their Republican counterparts, Democratic presidents have tended to lower the rate of unemployment and tolerate relatively high levels of inflation. Some studies claim these policy differences result from the class base of the parties (Hibbs 1987; Tufte 1978), whereas others maintain that differences in macroeconomic outcomes derive from Democrats and Republicans' differing beliefs about how to generate economic growth (Coleman 1996; Quinn and Shapiro 1991). Whatever the specific causes of the phenomena, one point seems clear: fluctuations in inflation and unemployment outcomes depend significantly on the partisanship of the president. If Clinton is a New Democrat, he should therefore tolerate less inflation and more unemployment than have previous Democratic administrations.

Figure 1 displays the annual December-to-December percentage change of the consumer price index (CPI) from 1947 to 1999. As stated, we can see that the years when Democratic presidents occupied the White House generally exhibit higher rates of inflation than those years when Republicans controlled the presidency.⁴ In New Democrat fashion, the Clinton administration breaks with this general pattern. The mean inflation rate under Clinton stands at 2.3 percent, about half that achieved by Democratic administrations and even lower than the postwar Republican average.

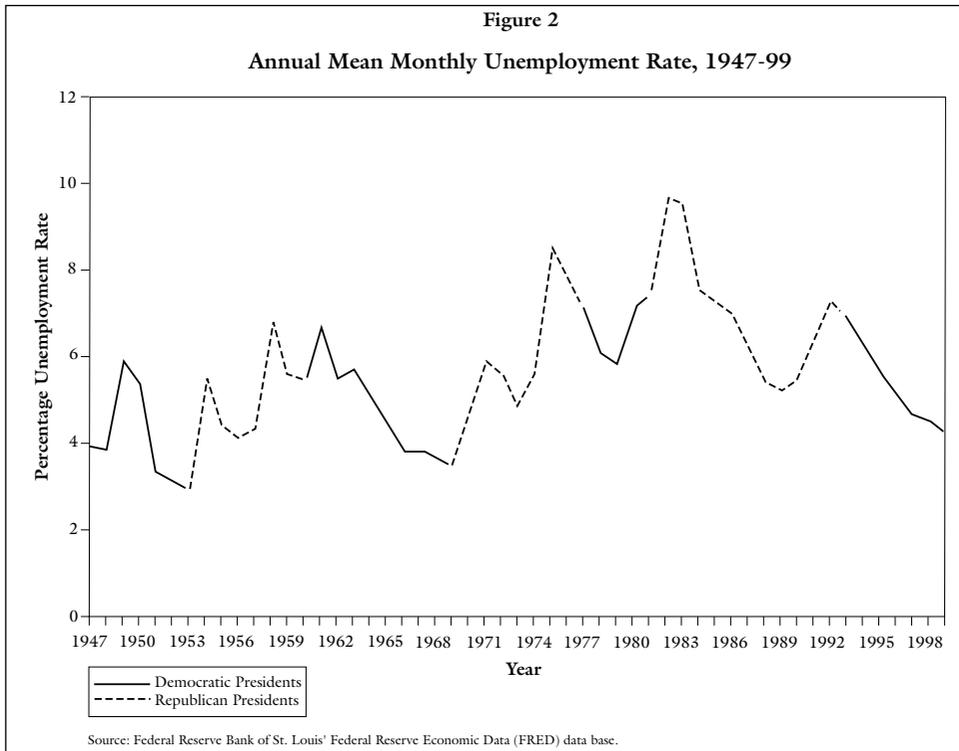
As alluded to earlier, no economic condition is entirely within the president's control. Indeed, long-term political and economic developments in the United States have undoubtedly contributed to the low level of inflation during Clinton's presidency. The decades-long decline in the membership and power of labor unions has resulted in a lessening of pressures for wage and benefit increases, a situation that the increased job insecurity of the 1990s has only intensified (Blecker 1994; Gordon 1994). In addition, breakthroughs in computer technology and the worldwide drop in oil prices have con-

4. There have, of course, been exceptions. The Kennedy administration, for instance, experienced some of the lowest inflation of the postwar era, whereas the second Nixon administration and the Ford presidency witnessed some of the highest.



tributed to a decline in the cost of doing business in the United States (Mandel and Farrell 1998; Zuckerman 1998). The OPEC oil shocks, the Vietnam War, and burgeoning federal budget deficit, on the other hand, conspired to trigger an overall spike in prices from the early 1970s through much of the 1980s (Berman 1994, 37–59; Matusow 1998). Whatever the impact of exogenous forces, however, it must still be noted that Clinton's performance on inflation clearly does not hurt his New Democrat credentials.

The same can be said for unemployment. Figure 2 shows this other critical macroeconomic indicator, specifically, the mean monthly unemployment rate by year since 1947. The figure shows, as expected, that unemployment has been lower under Democratic administrations than under their Republican counterparts (Hibbs 1987; Tufte 1978). The mean unemployment rate for Democrats, excluding Clinton, stands at 4.3 percent, much lower than the 6.1 percent average for Republicans. To be sure, it must be said that Clinton is bringing unemployment down, and as the thirty-year low of 3.9 percent for April 2000 illustrates, his record has been extremely impressive during the second term. But again, Clinton's performance looks like that of a different kind of Democrat. As if to underscore the point, the president has been a vocal advocate of free trade. Labor unions have assailed the North American Free Trade Agreement, the World Trade Organization (WTO),



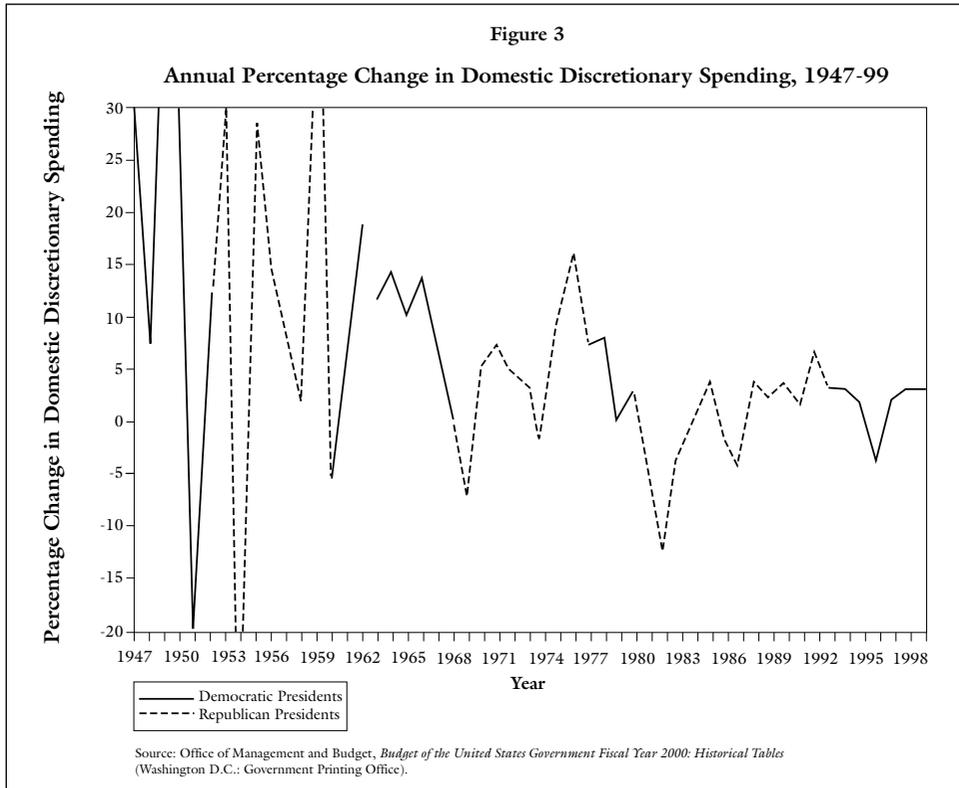
and permanent normal trade relations with China as costing jobs in the United States.⁵

Fiscal Policy

We now examine the Clinton record in historical perspective with respect to three indexes of fiscal policy: discretionary domestic spending, the federal budget deficit, and taxes. We begin with discretionary domestic spending.⁶ Democrats are the party most closely associated with domestic spending, through their traditional support of social welfare programs and public works projects. At times, Republicans also have supported domestic expenditures, but they have been far more likely than Democrats to voice concerns about wasteful government spending (Hibbs 1987). Figure 3 displays the annual percentage change of discretionary domestic spending

5. Democrats have not always been the more protectionist of the parties. Prior to the Second World War, protectionism was an important part of Republican philosophy. Moreover, congressional Democrats have generally been more protectionist than their presidential allies (Goldstein 1993).

6. Mandatory spending refers to entitlement programs, such as Social Security and Medicare. Because politicians retain more direct control over discretionary spending than they do over mandatory spending, we focus on only the former here. Whereas discretionary spending programs require the enactment of annual legislation to appropriate funds, mandatory programs experience automatic funding increases as the population of recipients changes. Mandatory spending therefore does not require changes in legislation and can increase regardless of presidential action.



from 1947 to 1999 and largely confirms our expectations.⁷ The figure demonstrates that years when a Democrat was president tended to have larger increases in discretionary domestic spending than those years when a Republican occupied the Oval Office. Notice, for example, the relatively large and consistent increases in the mid-1960s.⁸ Spending in the Clinton era, however, has more closely resembled that of Republican regimes, with the conspicuous exception of Ford's term and a few years of Eisenhower's terms. Indeed, Reagan's terms aside, mean annual percentage increases in discretionary domestic spending under Clinton have been smaller than those of Republican presidents since 1960. Clinton even kept spending down for 1994 and 1995, fiscal years for which he made the budget assisted by Democratic majorities in Congress.

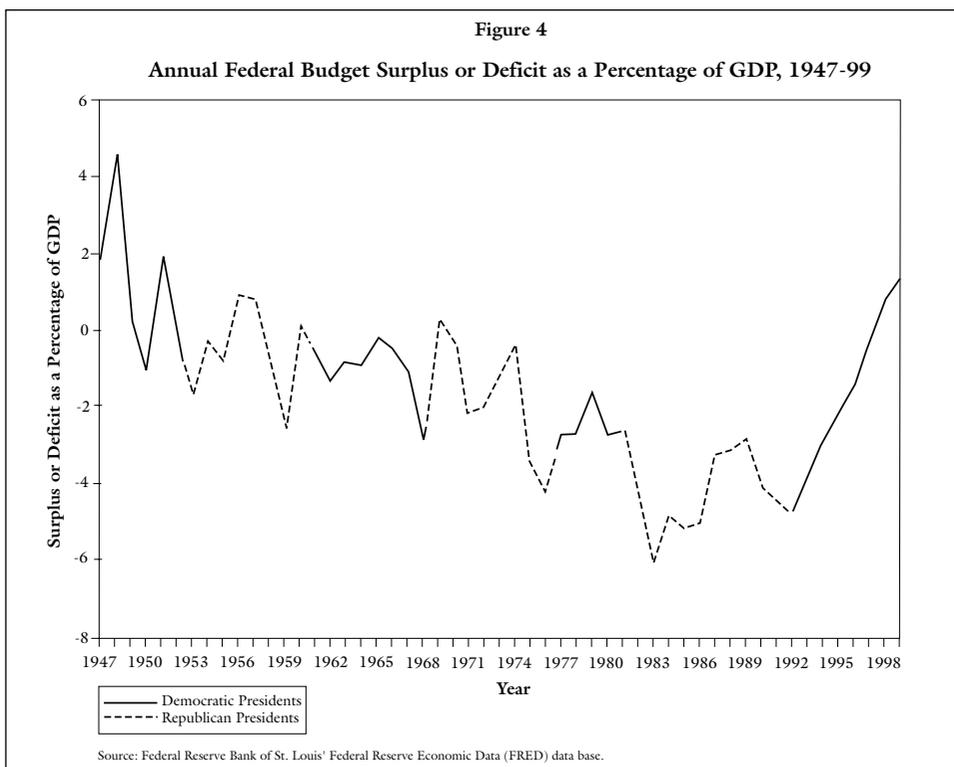
Clinton's New Democrat credentials also need to be examined in light of the aggregate budget. A prominent feature of Clinton's agenda has been a commitment to

7. The data were calculated differently for the 1963-99 period than they were for the 1947-63 period. The Office of Management and Budget (OMB) did not calculate discretionary spending to 1962, and therefore we had to compute amounts from the agency's functional categories. Some of these categories mix discretionary and mandatory spending. The functional categories used between 1947 and 1962 do not change.

8. There are larger increases in isolated years during the Truman and Eisenhower administrations. Recall, however, that the pre- and post-1962 data are not directly comparable.

improve fiscal health. Unfortunately for this analysis, however, our expectations of partisan performance on the deficit are less clear-cut than they are in other economic policy areas. Although Republican presidents have consistently pledged allegiance to deficit reduction, Figure 4 demonstrates that throughout the postwar era, Democratic administrations have generally been more fiscally responsible. Alberto Alesina and Nouriel Roubini, with Gerald Cohen (1997, 193–95) make a similar observation. In the 1950s, President Eisenhower may have vigorously pursued a balanced budget (Morgan 1990), but during the 1980s and 1990s the Reagan and Bush administrations allowed the deficit to balloon to its highest levels in history. Because all postwar Republican presidents have had to contend with divided government, congressional Democrats share the responsibility for any deficits. Still, to a large extent, small deficits may not necessarily be unique to Republican presidencies.

In any event, Clinton's deficit politics separate him from his Democratic predecessors. By 1998, with the budget in surplus for the first time since 1969, Clinton had clearly rejected the post-1980s higher-deficit environment. As Figure 4 shows, the Clinton presidency has coincided with a spectacular deficit reduction. Moreover, given that deficit reduction was a major feature of a Clinton agenda that emphasized fiscal responsibility, this change is in keeping with the philosophy of a new kind of Democrat. Clinton has actively pursued deficit contraction; it has not been, as was the



case for other Democrats, simply a fortunate consequence of unrelated macroeconomic policies.⁹

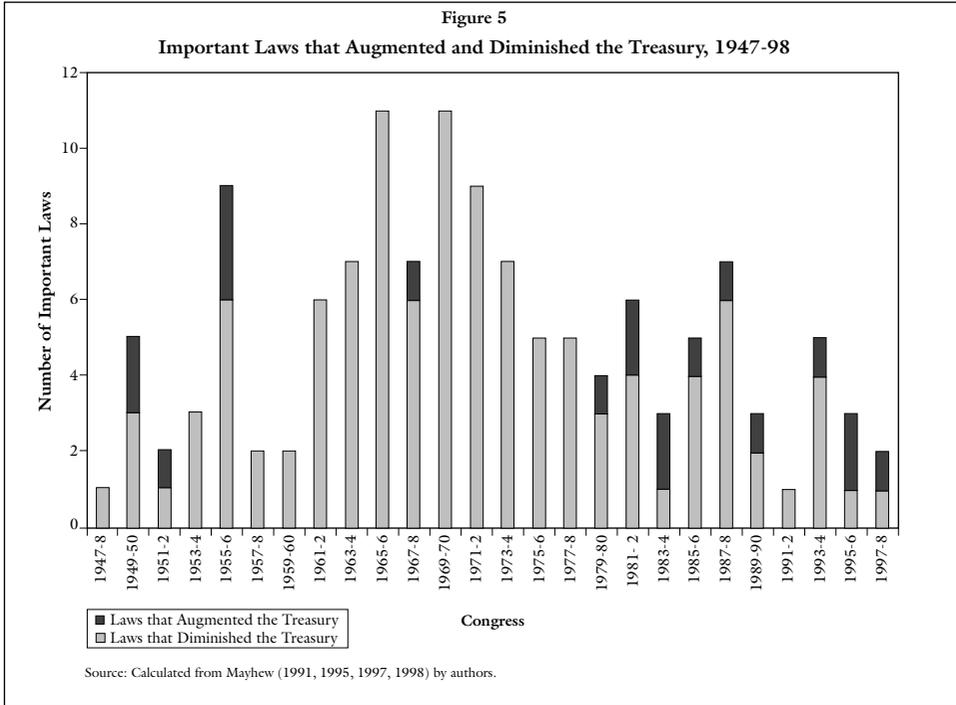
To be sure, several accounts of economic policymaking in the Clinton era suggest that, at least initially, the president gave deficit reduction a lower priority than measures such as his 1993 economic stimulus plan and proposed middle-class tax cut (Meeropol 1998, 227–36; Weatherford and McDonnell 1996; Woodward 1994). Indeed, Clinton did not really emphasize the deficit in his 1992 campaign until H. Ross Perot focused attention on it. The Republican capture of Congress in 1994 also contributed to the stress the administration placed on deficit reduction. Nevertheless, the president and budget hawks in his administration—such as Leon Panetta, Alice Rivlin, and Robert Rubin—clearly took an approach to deficits that differed substantially from the Keynesian posture Democratic presidents have traditionally adopted.

An examination of important laws passed during Clinton's administration that have had the effect of either significantly augmenting or depleting the Treasury highlights his performance on the deficit. We would expect Democrats to preside over the enactment of more legislation diminishing the Treasury, principally because of their support of New Deal-type spending programs and demand-side tax cuts. To explore this issue, we took Mayhew's (1991, 1995, 1997, 1998) data set of important laws enacted between 1947 and 1998, which forms the core of his study of government productivity during unified and divided government. Mayhew (1991, 34–50) explains that he created this data set by examining both contemporaneous descriptions of the legislative output of Congresses as presented in major newspapers and retrospective analyses of laws in significant policy areas as reported in books. Utilizing descriptions of Mayhew's important laws in the *Congressional Quarterly Almanac*, we identified the domestic laws that presented the Treasury with large costs or revenues. Coding criteria were naturally somewhat subjective, but for the most part such laws made their character apparent.¹⁰

Figure 5 illustrates the amount of legislation passed that augmented or depleted the federal Treasury from 1947 to 1998. We can see that the Clinton era looks most like the Eisenhower and Reagan-Bush periods. The most important legislation that augmented the Treasury during the first Clinton administration was, of course, the 1993 deficit-reduction law, which was designed to cut the deficit by \$496 billion over five years. In 1997, moreover, the president signed into law an

9. Stein (1994) reveals that the Democratic presidents of the postwar era were much more interested in dealing with other economic problems. Small deficits were a by-product of their policies and of the nature of the U.S. economy, not directly their objective. With respect to fiscal constraint, Eisenhower is Clinton's true peer.

10. Other types of legislation were not included. Among them were the regulatory and deregulatory laws we examine later. Also not included were laws pertaining to foreign policy, broadly defined as trade, foreign aid, national security, and immigration policies, as well as laws that dealt with intergovernmental relations, governmental organization, and the political process.



agreement with the Republican Congress to balance the budget by 2002.¹¹ Because of the great fiscal impact of these laws, it seems fair to say that Clinton’s deficit-reduction policies are at least somewhat responsible for the country’s current fiscal health.¹² Indeed, the 1993 bill was purely the president’s baby. It was passed without a single congressional Republican vote, and Clinton had to work extremely hard to get the necessary number of Democrats to support it (Bailey 1999, 89–93; Quirk and Hinchliffe 1996). These examples contrast greatly with the fiscally expansive legislation passed under other Democratic presidents, especially Kennedy and Johnson.¹³

A major cause of the demise of deficits has been a dramatic increase of federal revenue, which in turn has a number of causes, not all of them directly attributable to actions of the Clinton administration. Favorable macroeconomic conditions have pushed people into higher tax brackets without changes in extant law. But the 1993 deficit-reduction legislation that raised taxes \$240 billion over five years clearly

11. As Palazzolo (1999) has pointed out, the intention of the 1997 legislation may have been to balance the budget by 2002. In reality, however, it asked little of Clinton and his contemporaries in Congress. The deepest spending cuts were delayed until 2002.

12. The 1997 budget agreement actually contained two parts, although one of these laws, the Taxpayer Relief Act, cut taxes.

13. The two deficit-reduction laws under Truman were increases of income and excise taxes.

helped.¹⁴ To evaluate Clinton's New Democrat credentials on taxes fully, however, we should also analyze the shifting of the tax burden during his tenure. After all, tax increases have been a feature of the post-1981 deficit era and are not unique to Democratic presidents. Significant tax hikes also occurred under Reagan and Bush.¹⁵

With respect to the tax burden, Clinton again looks like a New Democrat. Despite the 1993 deficit-reduction legislation that raised the top effective marginal income-tax rate to 39.6 percent, Clinton has not perceptibly shifted the individual tax burden. We would have expected a Democratic president to alter policy to force the rich to pay more, but under Clinton the rich are contributing as much to total revenues from the individual income tax as they did in the 1980s. Indeed, it has been argued that the pattern under Clinton closely resembles that under Reagan and Bush—that is, the highest-income quintile of the population has carried more of the tax burden only because its share of national income has increased (Wildavsky 1998). Further, Clinton may have raised the effective marginal tax rate a little, but it is still considerably lower than the 50 percent of the early 1980s and much lower than the huge punitive rates of the 1960s and 1970s.

Monetary Policy

Although the Fed ostensibly makes monetary policy, social scientists have discovered considerable presidential influence on monetary-policy processes and outcomes. Such influence is expressed through both the appointment of Fed members and direct lobbying of the central bank (Chappell, Havrilesky, and McGregor 1993; Havrilesky 1995; Krause 1994). Moreover, it has been argued that Democrats and Republicans have different preferences with regard to monetary policy (Alesina and Sachs 1988; Grier 1991), with Republicans being much less willing to pay for economic growth in terms of higher inflation and therefore being more predisposed to call for higher interest rates and slower growth of the money stock (Hibbs 1987; Woolley 1988). Monetary policy should thus be a part of any examination of presidential economic performance, and we should be able to find out whether Clinton fits the traditional Democratic mold.

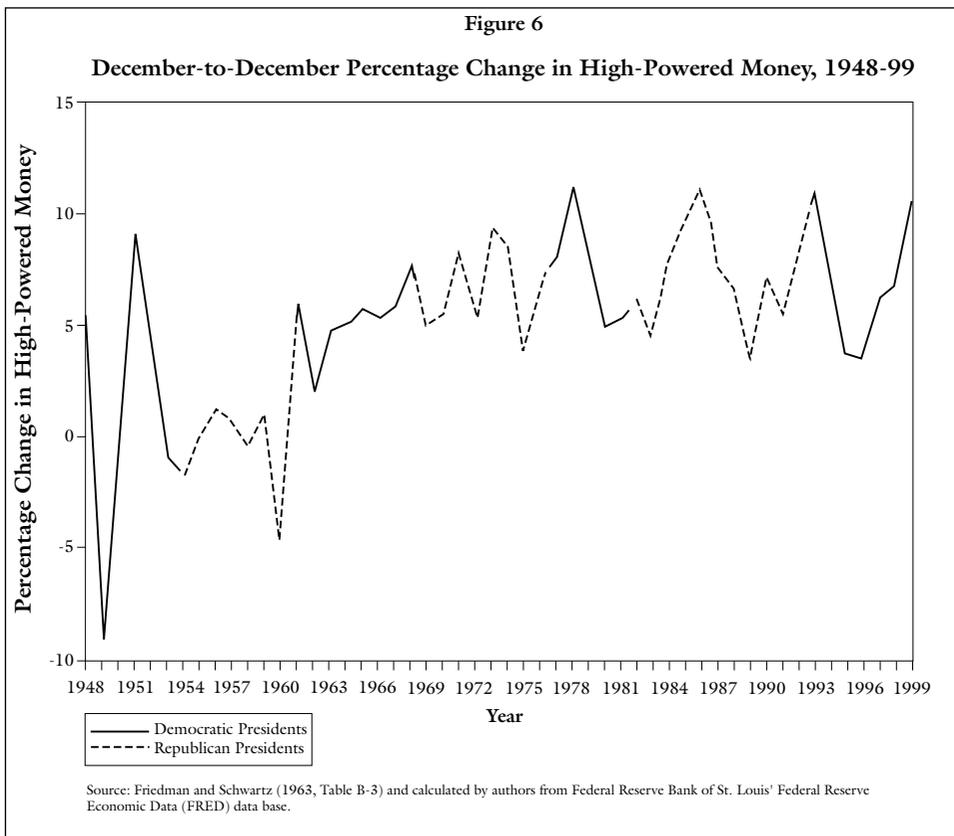
We consider two instruments of monetary policy to help us examine Clinton's performance. The first of these is Milton Friedman and Anna Schwartz's (1963, 50) "high-powered" money measure of the money supply. High-powered money is defined as money in circulation plus vault cash plus deposit liabilities of the Federal Reserve to banks. The latter two make up bank reserves. If Clinton is a different type of Demo-

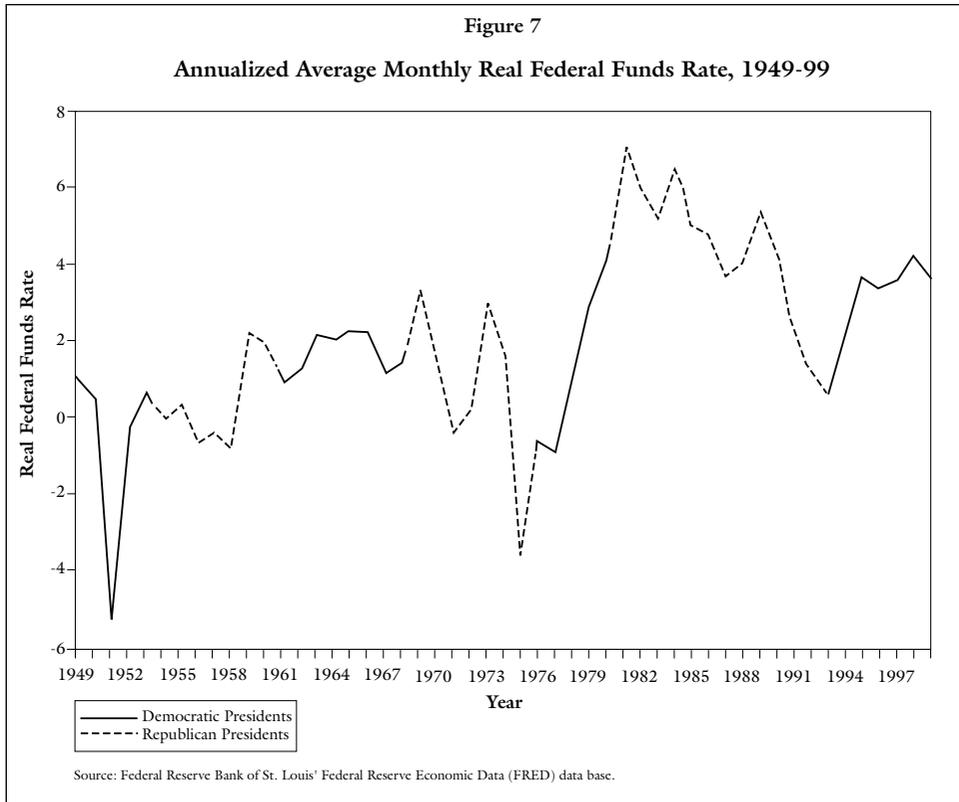
14. It must be said, however, that in the late 1990s effective federal tax rates began to come down for all Americans. The reduction was owing primarily to such things as the child tax credit, education-related tax reductions, changes in individual retirement accounts, and reductions in capital gains tax rates.

15. Specifically, these laws were the 1982 Tax Equity and Fiscal Responsibility Act, the 1984 and 1987 deficit-reduction laws, and the 1990 Omnibus Budget and Reconciliation Act.

crat, we ought to see the money supply growing at a less rapid clip than it did during the other postwar Democratic administrations. Figure 6 reveals the December-to-December percentage change of high-powered money between 1948 and 1999. It shows that there is relatively little difference across the parties and that Clinton is in the middle of the pack. Mean annual presidential scores for Democrats illustrate the point further. High-powered money has grown an annual average of 7.0 percent during the Clinton years compared with 2.2 percent, 4.2 percent, 5.9 percent, and 8.0 percent for Truman, Kennedy, Johnson, and Carter, respectively. To a large extent, and especially during the Carter years, these Democratic administrations consciously pursued an expansive money supply (Stein 1994, 218). Although outcomes show annual average money-supply expansion to be not particularly extraordinary during Clinton's terms, his administration has certainly not adopted this strategy.

What about interest rates? Here, we examine the performance of the real federal funds rate, the rate at which banks lend reserves to one another overnight. In the light of extant hypotheses about how this indicator should behave under Democratic administrations, we expect unemployment to be associated with rate cuts under Democrats and inflation to be associated with interest-rate increases under





Republicans (Havrilesky 1987; Hibbs 1987). Figure 7 shows the annualized average monthly real federal-funds rate and reveals that the Clinton performance, in New Democrat style, is closer to those of past Republican presidents than to past Democratic presidents. Clinton's average annual score for this indicator is 3.0 percent, whereas for all other Democrats it is 1.2 percent, and for postwar Republicans it is 2.3 percent.

Long-term interest rates have been a little lower under Clinton, however. The mean monthly real interest rate per year on the Treasury's thirty-year bond was 1.4 percent for Carter, 6.3 percent for Reagan, 4.8 percent for Bush, and 4.6 percent for Clinton through December 1999. For many economists, the Clinton interest-rate containment is the direct product of the declining deficit (Kolhuri and Giannaros 1987; Miller and Russek 1996). And, in turn, the declining deficit is, at least in part, a product of the Clinton policies we mentioned earlier. Indeed, as Bob Woodward (1994) has pointed out, much administration thinking during the creation of deficit-reduction legislation in 1993 was aimed at pleasing the bond market. Still, government debt is relatively high today, and along with Clinton's more centrist macroeconomic policies, the result is that Clinton does not fair so well when compared with Kennedy and Johnson. The mean monthly real interest rate per year on the Treasury's

twenty-year bond was 2.8 percent for Kennedy, 2.0 percent for Johnson, and 4.8 percent for Clinton through December 1999.¹⁶

If questions remain as to Clinton's New Democrat credentials on monetary policy, one need only consider his appointments to the Fed. In early 1996 and in 2000, the president decided to renominate Alan Greenspan, a Reagan appointee and Ford's chairman of the Council of Economic Advisers, to be chairman of the Board of Governors for his third and fourth terms. In June 1996, two fairly moderate advocates of tight money, Alice Rivlin and Laurence H. Meyer, joined the board after Clinton rejected the potential candidacy of the more liberal Felix Rohatyn. Later, other moderates, such as Edward Gramlich and Roger Ferguson, were nominated to the central bank. Even Carol Parry, who was nominated in the summer of 1999, is not the liberal that many think she is (Beckett 1999). Thomas Havrilesky's (1995) quantitative work on administration signals to the Fed also corroborates the New Democrat approach. In his research, Havrilesky finds that the administration made only three requests to loosen monetary policy, in 1993 and 1994, and three requests to tighten.¹⁷

Clearly, traders in U.S. equity markets have appreciated Clinton's monetary policy. On January 19, 1993, the Dow Jones Industrial Average (DJIA) and the broader Standard and Poor's (S&P) 500 index closed at 3255.99 and 435.13, respectively. In early 2000, the DJIA reached 11500, and the S&P 500 reached 1500. The average annual return for both measures was just more than 26 percent from January 1993 through January 2000. By a considerable margin, these numbers are the best annualized returns during any presidential tenure since World War II. Indeed, at number one in annualized returns for the DJIA, Clinton is the only Democrat in the top five—he is followed by Reagan at 16 percent, Bush 13 percent, Eisenhower 13 percent, and Ford 12 percent. The closest any Democrat gets to Clinton is Kennedy's 8 percent annualized increase.¹⁸ Clinton's performance is a clear repudiation of a Keynesian "consumption-led" approach that has been the hallmark of Democrats, and it seems to be more like the Republicans' "investment-led" philosophy (Quinn and Shapiro 1991).

It must be reemphasized, however, that primarily the Fed determines monetary policy. Presidents—and Congress—may directly pressure the Fed and help create the economic conditions that facilitate certain types of money-supply and interest-rate policies, but the Fed is at least quasi-autonomous. To that extent, although the Clinton performance on monetary policy is that of a New Democrat, current U.S.

16. Because the Treasury did not issue twenty- and thirty-year bonds consistently throughout the post-1960 period, there are some gaps in the data. Hence, we do not have directly comparable long-term interest-rate data.

17. Havrilesky coded the administration's tight and loose money appeals by examining stories in the "What's News" section of the *Wall Street Journal*.

18. The other scores are Truman 7 percent, Johnson 5 percent, Nixon 3 percent, and Carter 1 percent. Stock prices come from *The New York Stock Exchange: Daily Price Record*.

interest-rate and money-supply policies are not solely his handiwork. Gennifer Flowers—reflecting much expert sentiment even if it does sound like sour grapes—puts it this way: “I think Bill gets too much credit for the good economy. I think Alan Greenspan did most of the work” (qtd. in Chait and Glass 1998, 20).

Regulatory Policy

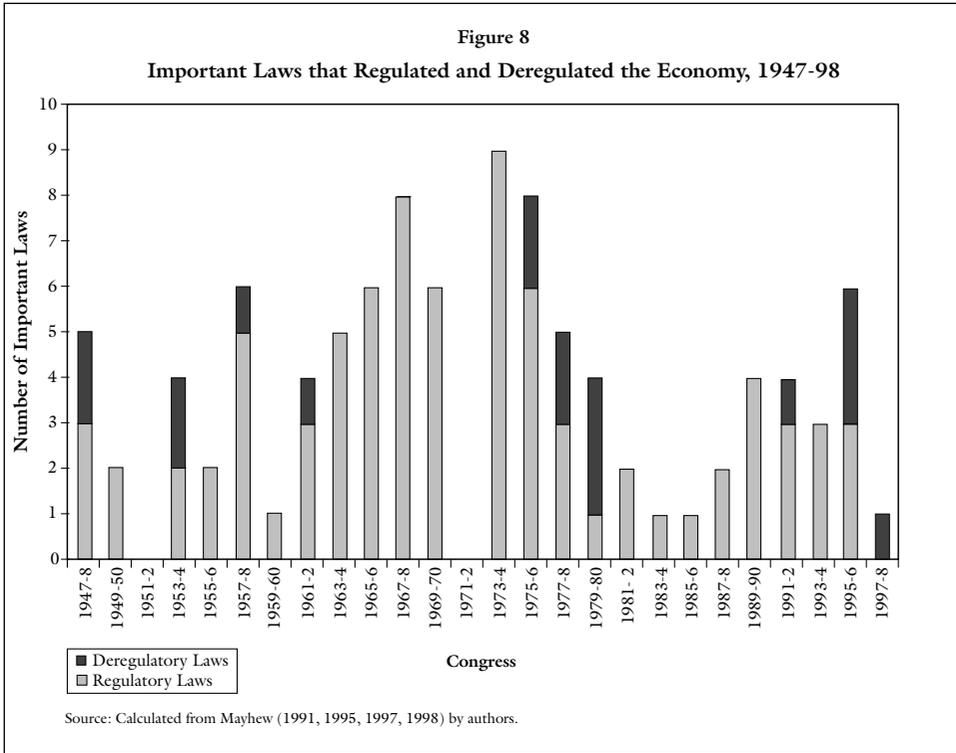
Regulatory policy is extremely difficult to discuss parsimoniously, and therefore any examination of the Clinton record here must be incomplete. We can, however, come to grips with the issue by employing three indicators of regulatory activity that, although fairly blunt, will help us put Clinton into historical perspective. The first is an analysis of the Mayhew (1991, 1995, 1997, 1998) data that we presented in the section on fiscal policy. In this case, instead of identifying important laws that either augmented or depleted the Treasury, we present the laws in the data set that ostensibly regulated or deregulated the economy. As with the fiscal bills, we examined the content of the legislation and made a judgment as to whether the law increased or decreased federal government regulation. We made the same estimation by reading about the content of the legislation in the relevant *Congressional Quarterly Almanac*.¹⁹

Figure 8 shows the data by Congress and reveals Clinton’s New Democrat credentials to be paltrier in relation to regulatory policy. Only the telecommunications, agriculture, and the pesticides legislation of 1996 and the Food and Drug Administration overhaul of 1997 can be considered deregulatory in the 103rd, 104th, and 105th Congresses. None of these acts was really part of the president’s agenda. On the regulatory side of the ledger for these three Congresses are family and medical leave, California desert protection, direct lending of educational financial aid, health-insurance portability, a minimum-wage hike, and safe drinking water legislation. A cataloging of policy outcomes, of course, also does not include Clinton’s activist health-care proposal that Congress killed in 1994. This record differs from that of the Carter and Reagan years, when significant deregulation took place. The Carter years, for example, saw airline, trucking, and banking deregulation, as well as the relaxing of standards for clean air and water—during unified Democratic government, too. Here, it is Jimmy Carter who is the anomalous postwar Democratic president, not Bill Clinton.²⁰

This assessment of Carter loses force when we use another measure of regulatory behavior, however: the annual number of pages in the *Federal Register*. These data, shown in figure 9, are a fairly good surrogate for the quantity of executive-

19. We were not concerned with laws that altered intergovernmental relations, dealt with social policy such as crime control, or, like campaign finance, ostensibly altered the political process. Obviously, foreign policy laws and all of the laws in the deficit data set were also excluded.

20. Truman’s two deregulatory laws were Taft-Hartley and the portal-to-portal bill, both of which were antiunion and congressional Republican agenda items.



branch rule making, which is the most common form of government interference in U.S. society and economy. The years with the most pages are 1979 and 1980, continuing a trend that began with the second Nixon administration. The assessment of Clinton, however, remains the same. To be sure, increased regulatory activity began during the Bush administration, as the 1990 Clean Air Act and the Americans with Disabilities Act also illustrate. Indeed, Bush earned the moniker “the regulatory president” (Rauch 1991), but the Bush level of regulation was maintained in the Clinton years.

Consistent with this evaluation was the president’s issuance of Executive Order 12866 in September 1993. That order reaffirmed the Office of Management and Budget (OMB) as the agency charged with central clearance of regulatory rules, but, for the most part, returned rule clearance to the pre-Reagan days. Whereas Reagan used the Office of Information and Regulatory Affairs within the OMB to make sure proposed rules were not, as his Executive Order 12291 stated, “undertaken unless the potential benefits to society from the regulation outweigh the potential costs to society,” Clinton’s order called merely for a justification of costs, and the OMB no longer has the authority to hold up rule making.²¹

21. For more on the use of central clearance in rule making, see Ball 1984, Cooper and West 1988, and Weidenbaum 1997.

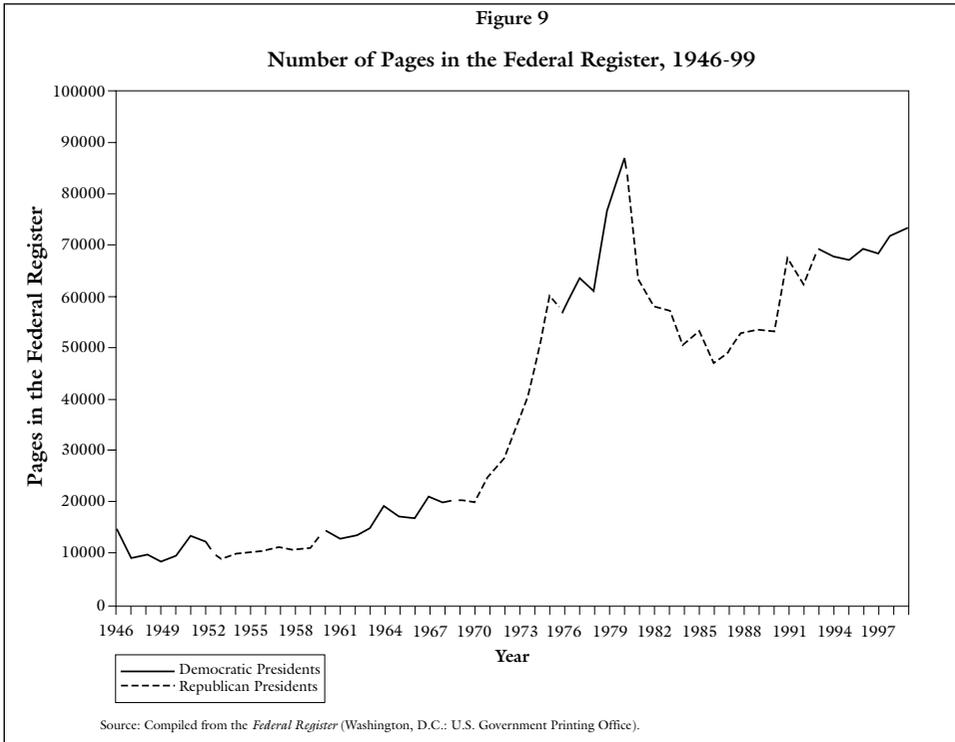
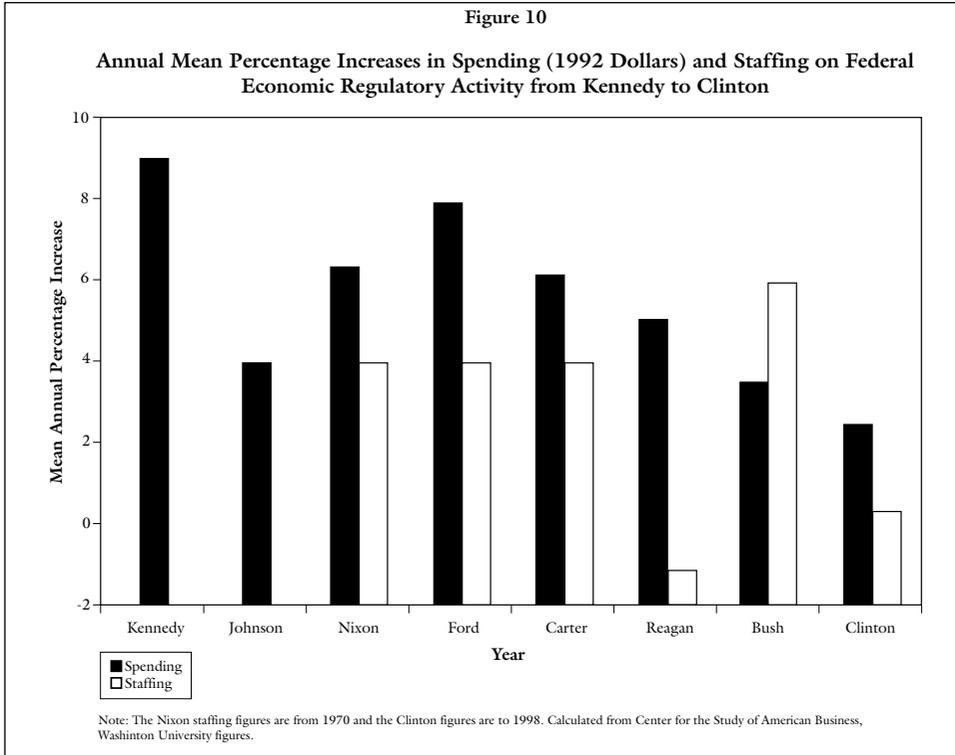


Figure 10 reveals a final indicator of regulatory behavior: the mean annual percentage change of spending and staffing on economic regulatory activity by the federal government during separate administrations since Kennedy.²² Calculated by the Center for the Study of American Business at Washington University (CSAB), these figures form a pattern that resembles what the *Federal Register* data revealed about the Clinton performance. That is, whatever the overall levels of regulation—and they have certainly increased, especially in the 1970s and during the Bush years—Clinton has not really been adding to them. Indeed, as far as spending is concerned, Clinton's tenure has so far seen the smallest mean annual increases. This showing is consistent with the data on discretionary domestic spending we presented earlier. It also suggests that Clinton may have ideas about new regulation, but government downsizing from the National Performance Review, the squeeze on the discretionary part of the budget, and now congressional Republican oversight have hobbled the growth of federal regulatory capability (Skrzycki 1996). Intent exists, but implementation is difficult. To some extent, the CSAB data obfuscate our understanding of Clinton's record on regulation. But, clearly, in this area, he is less conspicuously a New Democrat.

22. We look at increases, rather than raw totals, of spending and staffing because, to a very large extent, each year's levels are based on those of the previous years. The same logic applies to our analysis of discretionary domestic spending. We show raw totals for the *Federal Register* data, however, because there is no theoretical link between the number of pages in the *Register* in one year and the number of pages in it the next year.



Conclusion

Our analysis of economic outcomes makes a strong case that Bill Clinton is indeed a New Democrat. We are left, however, with an intriguing question. Given Clinton's performance in other areas of economic policy, why are his New Democrat credentials relatively weak in connection with regulation? Ideology and the politics of fiscal policy in the 1990s may provide an answer. Although Clinton has clearly moved Democratic economic policy in a more conservative, New Democrat direction, he has maintained a commitment to certain aspects of the liberal agenda. The failed health-care initiative stands as the most prominent liberal economic policy espoused by the president. Moreover, according to some accounts, it was Clinton's economic advisors who persuaded him to emphasize deficit reduction in the 1993 budget; the president's initial inclination was to push for more liberal initiatives to stimulate the economy (Weatherford and McDonnell 1996; Woodward 1994). As a result, Clinton's ideological predisposition has not completely restrained him from pursuing liberal economic policies.

The president needed an acceptable arena in which to pursue liberal policies. Regulatory policy provided it. Over the past decade, the political dynamics of fiscal policy have made regulation an extremely appealing instrument by which politicians can pursue policy goals. Since the early 1980s, fiscal constraints in Wash-

ington have transformed much policy made by elected officials, making it increasingly regulatory and less overtly distributive or redistributive in nature. Now, federal favors often involve the alleviation of regulatory burdens for one's constituents—or perhaps an augmentation of that burden for their competitors—rather than the traditional pork barrel. According to Pietro Nivola (1997, 1998), presidents are further attracted to regulation as a way of paying off political supporters because whereas pork-barrel distributive policy is generally aimed at specific geographic targets, regulatory policy can be applied across the whole of a president's national constituency.

Clinton's relatively liberal record on regulatory policy is therefore a product of both his ideology and the realities of fiscal politics in the 1990s. He campaigned as a New Democrat in 1992 and 1996, and his predispositions are certainly more conservative than those of his Democratic predecessors. Nevertheless, he remains a Democrat. He has promised certain types of governmental activism in the economy, especially in the areas of health care, the environment, and education. Those proposals not only have emanated from the president's own ideological beliefs, but have been politically necessary to activate his Democratic base. Indeed, since the Republicans' antigovernment strategy in the 104th Congress backfired following the government shutdown, the appeal of pursuing regulatory policy initiatives has only increased.

Yet fiscal constraints, Clinton's New Democrat promises, and the urgings of moderate economic advisers have limited the scale of activist initiatives. Spending proposals, therefore, have had minimal costs, as the final AmeriCorps legislation demonstrated (Waldman 1995). Otherwise, liberal policies had to take the form of regulating the private sector. Clinton has expressed his Democratic credentials and tangibly pleased many supporters by using the authority of the government in this (fiscally) less-expensive manner. Going after Microsoft and tobacco, regulating the health-care sector, calling for minimum-wage hikes and strict ergonomic standards, and favoring new environmental regulations shift much of the costs of activism to nongovernmental entities.

Regulatory policy has also been appealing because presidents have greater control over outcomes in that area. Whereas Congress, the Fed, and the fluctuations of the business cycle serve as a buffer between presidential action and fiscal, monetary, and macroeconomic outcomes, executive directives can institute regulations fairly rapidly.

Perhaps this combination defines a "New Democrat." Clinton and the philosophy do not just inhabit ideological real estate somewhere in the middle of the ideological spectrum, characterized by being neither liberal nor conservative. Instead, the political realities of the early to mid-1990s, as well as the New Democrat ideology, may have conspired to create a coherent economic philosophy. New Democrats emphasize government's role in creating incentive structures and punitive procedures to direct private economic activity, but they are less interested than were previous Democratic presidents in using fiscal and monetary policy to fine-tune the

economy.²³ Overall, New Democrats reject the Keynesian focus on stimulation by boosting demand, but theirs is not a particularly laissez-faire approach to the economy. Interestingly, it has already been suggested that of all postwar Democratic economic policies, Clinton's economic policy most resembles that of the Kennedy administration. To a certain extent, both presidents focused on using government to enhance economic growth by increasing the nation's productive capacity, not by stimulating demand in the Keynesian fashion as attempted by the fiscal policies enacted from the mid-1960s to the late-1970s (Weatherford and McDonnell 1996).

Whether New Democrat economic philosophy will survive the potentially different politics of the era of budget surpluses that we have entered is another question. Whether Democrats who adopt the label will have the stomach for anti-inflationary policy during times of low growth or rising unemployment is debatable as well. Clinton has had to face neither situation, and he has already proposed that much of the surpluses should be devoted to propping up Social Security, the largest social welfare program in the United States.²⁴ Changing times may therefore undermine the New Democrat philosophy, and the public may again see substantial differences between the economic outcomes associated with presidential parties. At least for the moment, however, Bill Clinton has challenged our understanding of the linkage between presidential parties and economic outcomes. He campaigned as a New Democrat, and, when viewed in historical perspective, he has generally governed as one.

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23. To a large extent, David Osborne and Ted Gaebler (1992) advocated such a philosophy. Members of the 1992 Clinton campaign staff read and appreciated their book *Reinventing Government*, and Clinton and Al Gore often cited it.

24. To be fair, Clinton has shown a commitment to paying down the publicly held debt as well.

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