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The American Welfare State at Twilight

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ABSTRACT
The triumph of George W. Bush in the 2000 presidential election is further evidence of the waning viability of the American welfare state. Since 1980 various strains of conservatism have vied for control of domestic policy through the Republican party, the most recent variant being 'compassionate conservatism'. Democrats have responded by disavowing their liberal heritage and moving toward the centre. This reflects the replacement of a 'social model' with an 'economic model' for social policy. The Left can be rejuvenated by adopting three themes for domestic policy: mobility, empowerment and restructuring. These are consistent with the 'third way' in social policy, as centrists have advocated in the United States and the United Kingdom.

On the cusp of the new millennium, the welfare state no longer provides a valid template for the domestic policy of advanced nations. In the United States, the 2000 presidential election had become a referendum on the American welfare state. For months the vice president had portrayed the plebiscite in stark terms, encouraging voters that a vote for Gore would save Social Security and Medicare. Boldly, Republican candidate George W. Bush disregarded the conventional wisdom that social insurance for pensioners was the 'third-rail of American politics' and called for partial privatisation of Social Security and reform of Medicare. To be sure, the outcome of the closest presidential election in modern times would be much disputed, attributed to the tattered coat-tails of Bill Clinton, the intrusion of a spoiler, Ralph Nader, to say nothing of Florida voting irregularities. Nonetheless, Vice President Gore ran a populist, liberal campaign, one propelled by the greatest economic expansion in the nation's history; yet, he failed to prevail in the Electoral College.

Instead of continuing the economic legacy of a two-term New Democrat, Gore's revival of liberalism had been outmanoeuvred by a 'compassionate conservative' who as governor of Texas had tried to put his state's entire public welfare system out to bid.[1] Among Bush's advisors

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were Marvin Olasky (1990, 1992, 1997) who championed inserting religious values in social policy and Stephen Goldsmith, who had privatised municipal services while mayor of Indianapolis (Jeter, 1997). If this prospect were not ominous enough, social programme advocates were faced with the long shadow of the first Republican president and Republican Congress since the Eisenhower administration that would oversee reauthorisation of the 1996 federal welfare reform act, in addition to the Child Care Development Fund, the Elementary and Secondary Education Act, the Food Stamp programme, transitional Medicaid benefits, and vital child welfare programmes, including the Child Abuse Prevention and Treatment Act and Promoting Safe and Stable Families (Ryan, 2000). Indeed, the 2000 presidential election represented the convergence of several forces which, together, posed the prospect of continued entropy of the American welfare state.

To be sure, proponents of federal social programmes experienced a respite from the conservative assault on the welfare state when Democrats resumed control of the Senate after the defection of a Republican. After passage of a massive tax cut, Democrats anticipated that President Bush's legislative reach had exceeded his grasp of federal revenues and planned to force him to draw operating funds from a widely popular Social Security programme that had been protected by a 'lock-box'. That strategy was derailed by the September 11 terrorist attack; Democrats quickly joined Republicans in bipartisan efforts to strengthen national security, mount a war against terrorism, and restart a flagging economy. The fiscal obligations of these initiatives plunged the federal budget into deficit, and Social Security, no longer inviolate, subsidised the new agenda. The domestic agenda was once again in the hands of conservative Republicans.

PROLOGUE

Although the Right has long held antipathy for social welfare, the recent conservative assault on the welfare state began during the 1970s. Frustrated that conventional channels of institutional criticism were controlled by liberal academics in American universities, conservatives established a parallel system of think tanks to advance their agenda. By the late 1970s, conservative policy institutes, such as the American Enterprise Institute (AEI) and the Heritage Foundation in Washington, DC, the Hoover Institution at Stanford and the Manhattan Institute in New York had fielded a cadre of impeccably credentialled scholars. The conservative policy institutes soon developed a remarkable capacity to massage data, craft it into policy monographs, and distribute them

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nationally to the print and electronic media, all within their mission as non-profits, dedicated to educating the public about social policy. Only rarely was the sub-text of the venture admitted, as did William J. Baroody, Jr, AEI's president in 1981:

> The public philosophy that has guided American policy for decades is undergoing change. For more than four decades, the philosophy of Franklin Delano Roosevelt's New Deal prevailed, in essence calling upon government to do whatever individual men and women could not do for themselves.
>
> Today we see growing signs of a new public philosophy, one that still seeks to meet fundamental human needs, but to meet them through a better balance between the public and private sectors of society. (1982: 2)

The election of Ronald Reagan suffused public policy with conservatism in several ways. Staff of conservative think tanks were moved into the upper levels of the federal bureaucracy with the expectation that this would provide opportunities to reverse the liberal vector in social programmes. Soon, conservative intellectuals dominated the social policy debate: Charles Murray's *Losing Ground* (1984) served as the first assault on public assistance, followed quickly by Lawrence Mead's *Beyond Entitlement* (1986), which provided the rationale for the first conservative imprint on welfare reform, the 1988 Family Support Act. While Murray and Mead were defining the welfare policy debate, conservative intellectuals at the think tanks had loftier ambitions: AEI published monographs advocating increasing competition in Medicare, while Peter Ferrara at Heritage proposed privatising Social Security.

Conservative success in social policy divided liberals. Congressional Democrats who had felt the brunt of the conservative juggernaut, grudgingly conceded the need to rethink the basis for social policy. 'We now stand between two Americas, the one we have known and the one toward which we are heading', admitted Senator Edward Kennedy at the end of the Reagan presidency, 'The New Deal will live in American history forever as a supreme example of government responsiveness to the times. But it is no answer to the problems of today' (Broder, 1988: A25). In response to a third consecutive presidential election loss, a group of centrist Democrats founded the Democratic Leadership Council (DLC) and a complementary think tank, the Progressive Policy Institute (PPI). Following the defeats of Carter, Mondale, and Dukakis, the DLC finally fielded a successful ticket of 'new Democrats': Bill Clinton and Al Gore, both DLC founders. With the reelection of Clinton to a second term, despite the intervening Republican takeover of Congress, the DLC's manifesto became dominant within the Democratic party. Explicitly, the DLC

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rejected conventional liberal prescriptions in social policy, instead advocating time-limits in welfare reform, liberalisation of international trade, and punitive measures to fight crime (Stoesz, 1996).

While Democratic politicians opted for *realpolitik* by moving to the centre, the academically inclined *liberati*[2] continued to publish polemics focusing on the role that race, class, and gender played in thwarting opportunity and maintaining oppression. The tentative alliance between the new Democrats and *liberati* was shattered when President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, radically conservative legislation that not only ended the 60-year family welfare entitlement, but also devolved family welfare to the states as a discretionary programme.

The *liberati* castigated Clinton for his opportunism, but continued to endorse a welfare state from which the public was gradually defecting. Fay Cook and Edith Barrett, for example, sampled over a thousand Americans as well as select members of the House of Representatives during the late 1980s. Respondents from the public and the House of Representatives favoured increases in social insurance programmes, but preferred not to expand public assistance benefits. 'The picture painted by these data is hardly what one would have expected given the so-called crisis in rhetoric of the 1980s', Cook and Barrett concluded, 'when opponents of social welfare argue to the federal administration that social welfare programmes had lost their legitimacy in the eyes of the public' (1992: 163). Yet, Cook and Barrett's conclusion was, in retrospect, premature; indeed, public support for social welfare was rapidly diminishing. The public was unwilling to increase benefits for Aid to Families with Dependent Children (AFDC) and Food Stamps even though these programmes were among the most pommelled during the Reagan administration. That most Americans favoured the status quo for programmes as inadequate as public assistance was hardly cause for celebration. Congressional support was more problematic. To their credit, the researchers intended to survey both houses of Congress, but Senators refused to participate, a fatal omission since the Senate was controlled by Republicans from 1980 to 1986, a party that was adverse to welfare programmes.

A more doctrinaire, liberal approach to the plight of the American welfare state was presented by Ted Marmor, Jerry Mashaw, and Philip Harvey who admitted that the public was anything but enthralled about social welfare. 'The public has made it clear that it does not wish to roll back the clock, but the welfare state shows no signs of experiencing a renaissance either', they admitted. 'Public confidence in the durability of welfare state institutions remains low' (1990: 57).

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Indeed, survey research indicated that the public retained little allegiance for the liberal rationale for welfare. A 1988 study by Public Agenda, a non-partisan non-profit polling organisation, revealed that only a minority of Americans were willing to pay more than $25 per year to expand 'government's role in social welfare' (Doble and Melville, 1989: 59). More profoundly, an extensive survey on the eve of the 1996 welfare reform act showed broad support for conservative provisions of welfare reform not only on the part of the general public, but amongst African Americans and welfare recipients as well. By significant majorities, respondents thought that recipients abused benefits and engaged in fraudulent activities, and that welfare undermined the work ethic; across all of the subgroups sampled, a majority of respondents favoured time-limits on receipt of welfare benefits (Farkas and Johnson, 1996: 40).

Public ambivalence about social welfare served as pretext for passage of PRWORA, a capitulation by Clinton that boosted his campaign against Bob Dole in 1996. To Clinton's fortune, his apostasy for signing welfare reform legislation was buffered by robust economic growth and expansion of wage supplements, particularly the minimum wage and the Earned Income Tax Credit. Moreover, many welfare recipients had been working in the underground economy all along, and welfare reform simply provided sufficient inducements to become formal participants in the labour market through welfare-to-work programmes (Klein, 2000: 213). Still, the termination of the federal family welfare entitlement emboldened conservatives who had designs on larger social programmes, specifically Social Security and Medicare. In an important symbolic statement, Clinton conceded the point, announcing that 'the era of big government is over'.

COMPASSIONATE CONSERVATISM

As an ascendant Right dominated domestic policy, some conservatives felt compelled to soften its harshness. 'Compassionate conservatism' thus directly addressed the incongruence between the primary sects of conservatism and social welfare. In preferring lower tax rates, diminished government regulation, and federal subsidies for business, *corporate* conservatives portrayed the welfare state as inimical to commerce. *Traditionalists*, sometimes called 'social' or 'cultural' conservatives, alleged that federal social programmes intruded into the privacy of the family and corroded community norms with respect to reproductive freedoms and sexual preference. *Libertarians* shared the objections of corporate and traditionalist conservatives, contending that federal social programmes entailed burdensome taxes and subverted individual rights and responsibilities.

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Compassionate conservatives, in contrast, not only voiced concern for the underprivileged, but also proposed to help them through the extensive network of non-profit agencies, their strategy eventually crystallising as the 'faith-based' initiative of President Bush.

In crafting 'compassionate conservatism', President Bush stole a page from the Clinton game plan. During his second term, Clinton had blunted conservative efforts to shape social policy by a strategy of 'triangulation,' repeatedly moving to the ideological centre. But, it was only a matter of time until an aspiring conservative adopted the same tactic. This, of course, is what George W. Bush would finesse so adroitly (Lowi, 2000: WK19). The younger Bush would have not been successful had not Clinton been so indulgent, however. For the same reason that Nixon could go to China, Clinton would have been the perfect candidate to revisit the major social insurances, Social Security and Medicare, and the ideal time for review would have been after the implosion of the Gingrich 'revolution' following the 1994 Republican take-over of Congress. Yet, Clinton dallied, and the ensuing scandal and impeachment depleted his political capital. As it was, Clinton only went so far as to empanel a commission to review Social Security; ominously, the commission split into three groups, each advancing varying degrees of privatisation. Having exhausted his public credibility, Clinton dodged reforming the social insurances, assuming that the 'third-rail' of American politics was too risky for conservative raiding. George W. Bush proved Clinton wrong by employing 'compassionate conservatism' to triangulate social policy, in so doing providing an *entrée* to restructuring Social Security and Medicare.

'Compassionate conservatism' can be traced to 'the mediating structures' project that AEI undertook in the late 1970s, under the direction of sociologist Peter Berger and theologian John Neuhaus (1977). According to Berger and Neuhaus, many social problems in modern America could be attributed to the dominance of 'megastructures' (big government, big business, big labour, and professional associations) over the individual; however, this could be reversed by social policy that reinforced 'mediating structures' (the family, civic associations, the neighbourhood, and the church). The elevation of religion in cultural analysis was furthered by the successor of Berger and Neuhaus, theologian Michael Novak, whose screed, *Toward a Theology of the Corporation* (1980) conveniently dropped 'big business' as a megastructure, leaving the institutions associated with liberalism – government, labour, and the professions – as the source of the nation's ills.

During the 1980s, evangelicals moved aggressively into the political

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arena. Expanding their influence through the Christian Coalition, religious conservatives inserted 'traditionalist' values within the Republican Party platform, calling for school prayer, an end to abortion rights, and the primacy of the family in social affairs (Pines, 1982), in the process driving liberal Republicans into exile. While the evangelical position *vis-à-vis* social welfare was initially adversarial, this shifted under the influence of a journalist, Marvin Olasky (Mitchell, 2000: A1). A former Marxist and converted Christian, Olasky interned at the Heritage Foundation in 1990 in order to compose *The Tragedy of American Compassion* (1992), a book that invoked the virtue of sectarian charities of the nineteenth century as a preferred basis for social provision. Olasky's call for faith-based social services spread rapidly through conservative circles after attracting the attention of Newt Gingrich, eventually becoming ensconced in PRWORA as the 'charitable choice provision', authorising government contracts with sectarian agencies to further welfare reform.

In formulating 'compassionate conservatism', Republican candidate George W. Bush drew heavily on Olasky. Appearing on the eve of the Bush campaign, Olasky's *Compassionate Conservatism* outlined the breadth, as well as the controversy, of the concept:

> It is a full-fledged programme with a carefully considered philosophy. It will face in the twenty-first century not easy acceptance but dug-in opposition. It will have to cross a river of suspicion concerning the role of religion in American society. It will have to get past numerous ideological machine-gun nests. Only political courage will enable compassionate conservatism to carry the day and transform America. (2000: 68)

In his Philadelphia acceptance speech, Bush placed 'compassionate conservatism' at the centre of his campaign, in order 'to put conservative values and conservative ideas into the thick of the fight for justice and opportunity' (quoted by Didion, 2000: 68). Reiterating the theme at a University of Notre Dame commencement address, Bush identified 'compassionate conservatism' as 'the third stage of combating poverty in America', following Johnson's War on Poverty and Clinton's welfare reform (Allen, 2001: A1). Thus, Bush asserted a revisionist centrism, portraying conservatism as a catalyst for social justice, a moral high ground long held by liberals.

Bush subsequently emphasised a series of initiatives in domestic policy, all with a conservative imprimatur. He proposed a $1.3 trillion tax cut, rebates from which would go to all taxpayers, though disproportionately to upper income families. With respect to education, Bush proposed to spend $13 billion over five years in order to up-grade student performance, in addition to a controversial proposal that would provide vouchers to families with children in failing schools, which could be used for

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private, parochial schools. The Bush plan to privatise Social Security called for allowing contributors to designate 2 per cent of the 12.4 per cent withholding tax to investments. Regarding Medicare, Bush allowed uninsured families a $2,000 tax credit, and individuals a $1,000 credit for purchase of health insurance; the Bush pharmaceutical plan encouraged the states to offer coverage through Medicaid, part of a longer term strategy of restructuring federal health programmes through the marketplace. Finally, Bush proposed a $24 billion initiative to subsidise 'faith-based' social services ('From Social Security': 32–4).

The implementation of the Bush agenda would rest largely with the appointments to be made within the executive service, most of whom resided in conservative think tanks during the Clinton interregnum. 'After eight years of Clinton, the idea folks on the center-right will have an opportunity to shop their ideas', noted an AEI scholar. Recognising that AEI's ideological bent is a better complement to compassionate conservatism than the more rambunctious ideologues at Heritage, AEI scholar Douglas Besharov described the Institute's role candidly: when George W. Bush appoints senior officials within his administration 'this whole place empties out' (Milbank, 2000: A39).

Undaunted by the slimmest of electoral victories, Bush's domestic agenda is decidedly ambitious and poses both direct and indirect challenges to the welfare state. Reform of Medicare and privatisation of Social Security erode the foundation of the two social insurances that are the bedrock of the welfare state. This is complemented by a massive tax cut included in a budget package that holds discretionary spending to 4 per cent for the next decade, essentially depriving the Treasury of tax revenues necessary to mount and sustain new social programmes, a successful strategy during the Reagan presidency (Pianin and Kesler, 2000: A1; Kesler, 2001: A1). The Bush presidency would continue the drum-beat: 'President-elect George W. Bush is planning to defy political gravity by pursuing undiluted versions of his campaign proposals to cut every citizen's taxes and put a free-market stamp on Medicare and Social Security', the *Washington Post* reported (Allen, 2000: A1).

FROM SOCIAL MODEL TO ECONOMIC MODEL

Much of the appeal of the Bush agenda is due to its contrast to traditional liberal prescriptions. The distinction between 'social' versus 'economic' models is central to understanding the success of Bush's brand of conservatism. Introduced by Michael Porter as a way to explain the latent economic promise of inner city development (1995, 1997) the economic model contrasts sharply with its socially oriented predecessor.

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TABLE 1. *Models of development*

Attribute	Social Model	Economic Model
Era	Industrial	Post-industrial
Ideology	Democratic socialism	Democratic capitalism
Dominant norm	Equality	Equity
Standard of benefits	Uniform	Variable
Role of beneficiary	Recipient	Consumer
Presumed beneficiary persona	Dysfunctional	Competent
Programmatic focus	Deficits	Aptitudes
Objective	Stabilisation	Upward mobility
Method of finance	Compulsory taxation	Elected contributions
Mode of delivery	Public bureaucracy	Private organisation

As with all ideal types, the power of the differentiation rests less with its discrimination of detail and more with its unity, or *gestalt*. In this case, the social model, a product of the economic and social forces driving industrialisation and the travails of the Great Depression, served, for better (in the case of social insurance) or worse (in the case of public assistance), to provide a measure of security to a vulnerable populace. The American welfare state, established by the Social Security Act of 1935 and elaborated by the War on Poverty of the mid-1960s, evolved consistent with the primary values of the social model, which dominated domestic policy during the middle of the twentieth century. Despite reversals beginning with the election of Ronald Reagan in 1980, this orientation to social policy continues to define American liberalism. Indeed, the social model remains central to the liberal wing of the Democratic party.

Yet, the welfare state enjoyed diminishing credibility in the industrial West. The provision of unconditional entitlements by the national government to assure citizens security from various risks was being reevaluated. In retrospect, the northern European model of the welfare state may well have been a temporal phenomenon: '[the *total* welfare state] dominating the market, the society, the polity, and the culture, penetrating deeply into the lives of individual citizens, emerged in most Western European countries after roughly 1960, and was transformed again rather radically after roughly 1980. Its heyday thus lasted but two decades', noted a scholar of European and North American welfare states (Zijderveld, 1999: 3).

The end of the millennium would witness the twilight of the social model and its institutional manifestation, the welfare state. The conservative imprint on welfare policy was first clearly evident in the 1981

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Omnibus Budget Reconciliation Act which savaged public assistance benefits, the 1983 Social Security amendment which carved away significant social insurance benefits, and the 1988 Family Support Act which mandated that welfare recipients work in exchange for benefits. The following year Catastrophic Health Insurance was repealed only a year after its introduction, the first retraction of a social insurance in the history of the American welfare state. As John O'Connor observed, this was part of a successful strategy to reduce federal revenues for social programmes: 'From fiscal year (FY) 1980 to FY 1989, federal welfare expenditures fell from 54.4 per cent to 49.5 per cent, hitting a low of 48.6 per cent in 1986' (1998: 48–9).

The Clinton presidency failed utterly to reverse the conservative trajectory in social welfare. The failure of the 1993 Health Security Act further signified the depletion of liberal momentum in social policy, a fact punctuated by the 1996 welfare reform act. Paradoxically, even established programmes were unable to spend allocated revenues: despite worsening poverty among the poorest welfare recipients, Temporary Assistance for Needy Families ran a $9 billion surplus (DeParle, 1999: A1); three years after its inception, almost half of the $4.2 billion to provide health insurance to poor children went unspent, despite record numbers of Americans without health insurance (Pear, 2000: A1).

The diminishing credibility of the social model provoked a debate about the future of the welfare state. Speaking for defenders of the status quo, Paul Pierson concluded that, despite conservative designs around social retrenchment, 'the welfare state is unlikely to undergo radical change' (1994: 181). In spite of conservative hegemony in domestic affairs, some liberals, such as Joel Blau (1999) continued to advocate a liberal agenda for future social programmes. Others contended that a reassessment was in order. Robert Morris called for an alternative agenda, one 'that is consonant with the current attitudes of a majority of citizens' (1986: 212). Subsequently, David Osborne popularised non-governmental responses to social problems in *Reinventing Government* (Osborne and Gaebler: 1992). In *Rethinking Social Welfare*, Christopher Jencks concluded pithily, 'In America, social-welfare policy cannot afford to be seen as offering the indolent something for nothing' (1992: 234). By the end of the 1990s, calls to restructure the welfare state eclipsed apologies on the part of its defenders. In retrospect, the welfare state had become less a beacon for ameliorating future social need and more a rudderless vessel in uncharted waters. By measures legislative and fiscal, the welfare state had become an ideological archipelago, increasingly isolated from the mainland of domestic policy.

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REORIENTING THE LEFT

The triumph of conservatism has not only become a defining feature of domestic policy, but it has highlighted features of the economic model in the process (Yergin and Stanislaw, 1998). In designing a post-industrial alternative to the welfare state, Europeans focused on the metaphysics of philosophy while Americans were concerned with more practical applications of ideology. In France, Pierre Rosanvallon contended that the 'passive expense' of public assistance, premised on civil rights, should be replaced by 'active expense' of individualised wage contracts, premised on procedural rights, in order for the welfare state to assure inclusion of marginalised populations (2000: 95). Extrapolating a vector that had been announced, yet poorly executed by Bill Clinton, British Prime Minister Tony Blair invoked a 'third way' marking ideological terrain 'between progress and justice' (1998: C7). Anthony Giddens charted the Third Way beyond the conventional parameters of liberalism and conservatism. In so doing, Giddens quite aptly identified a middle ground between the polemics of the social and economic models. 'Social democrats have to shift the relationship between *risk* and *security* involved in the welfare state, to develop a society of responsible risk takers', he observed, 'People need protection when things go wrong, but also the material and moral capabilities to move through major periods of transition in their lives' (1999: 100). In charting new philosophical territory, Giddens clearly favoured the economic model, by defining *positive welfare* as a product of activities of individuals, government, and private agencies, all necessary for 'wealth creation'. Optimally, positive welfare is reflected in 'investment in *human capital*', Giddens averred. So redesigned, social programmes would reflect a new paradigm for domestic policy: 'In place of the welfare state we should put the *social investment state*, operating in the context of a positive welfare society' (1999: 117).

The European version of welfare state restructuring moved quickly into the international arena. Under 'the Berlin Communique,' heads of 14 governments endorsed a three-point agenda in order to reconcile social obligations with global markets. First, education and work training were promoted in order to make the welfare- and working-poor economically self-sufficient. Second, civil society would be strengthened by reinforcing citizen responsibility, opposing hate crimes, and employing technology to fight crime. Finally, an international compact was proposed focusing on free trade, buffered by debt relief for developing nations. Although important facets of domestic policy, such as the environment and information technology, had yet to be addressed, the drafters of the Berlin document were convinced that they had the outline for a post-welfare state

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formulation for domestic policy: '[We] have brought stability to public finances, tackled social exclusion, pioneered reform as well as investment in public services and are now engaging with the construction of a reformed European social model' (Blair *et al*., 2000: A19).

By contrast, American consideration of a post-welfare-state formulation of domestic policy was less coherent. Since the 1980s, the Progressive response to hegemonic conservatism has been laggardly and haphazard (Dionne, 1991). Bill Clinton, as a New Democrat, trumpeted themes that began to verge from the social model – opportunity, community, responsibility – even if their assurance continued to rest on the federal social infrastructure of the welfare state. Yet, with increasing interest, liberal philosophers sought to formulate a coherent whole out of a lengthier list of legislative losses to conservatives. Anticipating the 1996 federal welfare reform, Mickey Kaus advocated substituting the welfare state with the 'work-ethic state' (Kaus, 1986: 1992). E. J. Dionne, Jr (1996) argued that liberal and conservative ideologies as well as their respective political manifestations, Democrat and Republican, were artifacts of industrialism and a new infrastructure was needed to guide domestic policy through the post-industrial era, then engaged in historic reversion in calling for a *neo*-Progressive movement. Meanwhile, the institutional organs of American liberalism, such as the Economic Policy Institute and *The American Prospect*, continued to advance liberal prescriptions for public policy, as the Center for Budget and Policy Priorities generated reports on the pernicious effects of conservative social policies for the poor.[3]

After a decade of oversight, the topography of a post-liberal formulation to domestic policy remains cluttered. Jeffrey Berry (1999) has argued that the basic securities afforded by the welfare state allowed for the emergence of a 'postmaterialist' agenda, emphasising quality-of-life issues, such as the environment, consumer protection, and civil rights. Berry's assertion that Progressives were taking on new causes notwithstanding, ample evidence – the failure of health care reform and the devolution of welfare – indicates major fault lines beneath the substructure of the welfare state. On the eve of the 2000 presidential election, David Kennedy took a bold step, endorsing the evolutionary drift of the Berlin Communique. 'The challenge of the future is to devise – and to legitimate – a set of new institutions that will allow for a measure of politically accountable control over our own economic and social environment', he observed. 'Those institutions are not likely to look like the ones the New Dealers created. They will not be national institutions, but international ones' (2000: A31). Yet, Kennedy provided no benchmarks from which to gauge future progress. Without the philosophical under-pinning

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of the European Third Way, American social thought appeared at best opportunistic, at worst transient.

THEMES FOR DOMESTIC POLICY

Although the Third Way is inchoate with respect to finance and governance (Teixeira, 2000), it features defensible themes that could provide the foundation for American domestic policy. Indeed, to the extent that a post-liberal and post-conservative configuration for social policy is crafted within a post-industrial context, the next era in domestic policy is likely to be oriented around three themes: mobility, empowerment, and restructuring.[4] Fully amplified, they provide the benchmarks for a new era for domestic policy.

Mobility addresses the chronic inability of the poor to participate in the social and economic mainstream. Even under the most propitious circumstances, a robust economy with low unemployment, poor Americans tend to remain mired in poverty. The nation's experience with welfare reform, for example, amply demonstrates a conundrum: while welfare recipients are eager to participate in the labour market, their earnings are so low that they often remain eligible for cash assistance in addition to Food Stamps and Medicaid (Stoesz, 2000a). Research shows that welfare reform has offered most of the welfare poor little more than an opportunity to join the ranks of the working poor. Their upward mobility can be accelerated through wage supplements, such as the Earned Income Tax Credit, and asset building, such as Individual Development Accounts. As these examples illustrate, a primary vehicle for such benefits has become the refundable tax credit, a rebate available through the Treasury Department.

Empowerment allows beneficiaries a choice of service provider. While choice has been a privilege enjoyed by more affluent Americans, it has become a lightning rod issue in social welfare because of its role in public education reform. Limited introduction of school vouchers, particularly those favouring low-income families, has presented a paradox for Progressives: while human service professionals have opposed choice in public education, minority families have favoured virtually any alternative to substandard public education. Gradually, liberals have begun to explore options in education, such as magnet and charter schools. By the end of the century, 2,000 charter schools had been established in the US. Beyond education, choice has been an option in housing through the Section 8 programme. Although it has yet to alter the public welfare bureaucracy, the Treasury Department's Community Development Financial Institution Loan Fund has underwritten a nationwide network of financial services in low-income communities.

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Restructuring refers to the flattening of public bureaucracies, an initiative most directly attributable to David Osborne (Osborne, 1988; Osborne and Gaebler, 1992) who consulted on the National Performance Review. While restructuring is justified by efficiencies that accompany the application of information technologies, it has become controversial due to its association with ideological assaults on federal social programmes. Indeed, conservatives have effectively used variations of restructuring – *devolution* of family welfare to the states and *privatisation* of state welfare activities – to diminish the federal role in social welfare. Yet, there is nothing to prevent Progressives from using the same efficiencies to craft the next generation of human service organisations along principles consistent with post-industrialism. Progressive restructuring would logically encourage the formation of nimble non-profits that could provide a range of publicly needed services while remaining competitive with the for-profit sector (Stoesz, 2000b).

PROTOTYPES

While any consensus about the philosophical superstructure of a post-industrial social policy has eluded the academy, entrepreneurs in the field have deployed seminal innovations. To varying degrees, these entities not only reflect the themes of mobility, empowerment, and restructuring, but they are also providing services to populations traditionally served by federal social programmes.

- For over a decade, the Youth Services Authority of Savannah/Chatham County, Georgia has pooled categorical funds, outfitted family advocates with laptops, and sent them into the field to serve in poor neighbourhoods. Significantly, the Youth Futures Authority has reported outcomes on its programme efforts, revealing improvements in several important variables, such as the number of children behind grade in school, the number of teen pregnancies, and the incidence of founded child abuse ('Ten Year Report', 1999).
- In New York City, former congressman Floyd Flake has used his position as pastor of Allen African Methodist Episcopal Church to construct a $23 million network of community development ventures. Seeing the future as a social entrepreneur, Flake recognises just how fundamental the change in social policy has been: 'Those of us who have made a commitment to stay in an urban community have decided that *this* is our paradise', he observed. 'We are going to rebuild that paradise – and we understand that it means some paradigm shifts' (Baker, 2000: 28).

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- Billy and Debbie Shore have explored even more remote reaches of capitalism, founding Share Our Strength (SOS) and Community Wealth Ventures (CWV), hybrid organisations that profit from their role in niche markets (Shore, 1999). By the late 1990s, SOS and CWV had a payroll of $2.7 million and contributed $8.5 million to nutrition organisations serving the poor (Thompson, 1999).

Innovative organisations such as these tend to defy conventional classification, yet there is little question that they enhance the public interest. Others are outside the traditional parameters of human services, yet they contribute to the commonweal just the same. A host of socially responsible investment funds have been created that marry capitalism with social justice. The Ben & Jerry's ice-cream company and Working Assets Long Distance function within competitive markets, however, their social consciousness has made them moral icons in the business culture.

DENOUEMENT

For two decades, the ideological foundation of the American welfare state has been eroded by conservatives who have pulled public philosophy to the Right. The programmatic manifestations of that accomplishment are undeniable; indeed, the conservative triumph in welfare reform may well presage more Draconian designs on social insurance programmes. As the 2000 presidential election so clearly evidences, welfare liberalism no longer provides the public a convincing rationale for domestic policy. Embracing classic liberal positions with respect to the welfare state, Al Gore, despite the greatest economic boom in the nation's history, was trumped by a governor whose track record in social policy was dubious, yet whose disenchantment with traditional social policy resonated with a broad spectrum of voters. If the presidential election highlighted the dismal quality of the Florida election infrastructure, it also revealed how vulnerable the American welfare state had become.

The challenge to Progressives remains the crafting of a post-liberal formulation for domestic policy that is more compelling than conservatism. The challenge to conservatives will be to amplify their compassion so that it addresses the quite tangible needs of marginalised Americans. The obvious solution to the domestic policy conundrum would be a synthesis of social and economic models, the synergy from which would catalyse a new generation of entities that advance the public interest. The result would be a public philosophy beyond the ideological prefixes that proliferated during the final decades of the twentieth century, which so clearly demonstrated the exhaustion of traditional forms:

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liberalism and conservatism. Attuned to the European Third Way, but conforming to American sensibilities, such a formulation would be dynamically pragmatic as well as populist. Regardless of social epistemology, this exercise would serve the necessary purpose of designing a post-industrial domestic policy, one that draws on the best traditions of, yet supersedes, welfare liberalism as well as compassionate conservatism.

NOTES

1 Gore's rejection of his New Democrat credentials in favour of a classic liberal ideological stance has been described aptly by Sullivan (2000: 6).
2 The coinage refers to what Lawrence Mead referred to as the 'literary left' (1988: 46) and what John Judis meant by the 'cultural left' (2000: 46), essentially university-based liberals who had forsaken pragmatic politics in favour of political correctness.
3 For a typical agenda of these entities, see Kuttner (2000).
4 These have been placed in historical context by Stoesz (1998).

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