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US Social Policy in the 21st Century: The Difficulties of Comprehensive Social Reform

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Introduction – A Fragmented Social Protection System

Historically there has been a strong link between financial crises, economic recessions and social policy developments in the USA. Unemployment compensation represents a direct policy response to the massive layoffs that characterize the American labour market during financial crises. For instance, the Social Security Act of 1935 created unemployment insurance precisely to help workers mitigate the impact of employment loss. During the Great Recession of 2007–09, employers quickly adjusted the size of their workforces in response to changes in demand (CBO 2010). The flexibility of the US labour market, with a low degree of employment protection, means that displaced workers become quickly exposed to social risks, notably a loss of health care coverage. As a result, Congress has to continuously extend unemployment insurance beyond the statutory 26 weeks.

There is no comprehensive American welfare state in the European sense of the word, with universal coverage of social risks such as the loss of employment, old age and poor health. Instead, American social policy is a two-tier system, with the upper tier being social security, mostly contributory old age benefits, survivors and disability benefits administered by the federal government. The second lower tier represents the social assistance system. Programmes are built around the needs of poor families with children, practically excluding childless individuals (Berlin 2007: 17). Such programmes are generally demeaning and deliver extremely meagre benefits.

I distinguish three periods in American social history. The first period corresponds to the enactment of the modern American welfare state with the Social Security Act of 1935. The second (1965–75) corresponds to the second stage of development of American social policies, with a piecemeal expansion of social security programmes and the creation of additional anti-poverty schemes. The third entails restructuring and retrenchment for the most vulnerable, notably with the replacement of Aid to Families with Dependant Children (AFDC) by Temporary Assistance with Needy Families (TANF) in 1996.

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The Social Security Act (1935)

The Social Security Act of 1935 established a sharp distinction between social insurance and public assistance programmes. Whereas social security was viewed as a 'sacred governmental obligation', welfare programmes were seen as a 'handout to barely deserving people' (Skocpol 1988: 296). The law established two social insurance programmes on a national scale to help meet the risks of old age and unemployment: a federal system of old-age benefits for retired workers and a federal-state system of unemployment insurance. The Act also provided federal grants-in-aid to the states for the means-tested programmes of Old-Age Assistance and Aid to the Blind. These programmes supplemented the incomes of individuals who were ineligible for social insurance programmes. Aid to Dependent Children (ADC) was the principal component of the lower tier of the social security system. The basic idea was that husbandless women should be able to look after their children in the same way as white married middle-class women did (Skocpol 1992). This programme was modified to Aid to Families with Dependent Children (AFDC) in 1961.

The Age of Expansion (1965–75)

Public assistance programmes were broadened and expanded in an ad hoc fashion between 1965 and 1975. The period 1960–75 corresponds to the second stage of the expansion of the American welfare state. The War on Poverty was launched through the Economic Opportunity Act of 1964 in order to improve the education and job opportunities of the poor. The programmes included Neighbourhood Youth Corps to provide local training, Community Action Programmes (CAPs) to promote urban renewal in deprived areas and Head Start. However, there was no attempt to coordinate anti-poverty programmes with economic policies. As a result, the Great Society programmes oscillated between the implementation of active labour market policies such as job-creation and training programmes and an attempt to change the behaviour of the poor (Russel 2004: 34–9).

In addition, the Social Security Amendments of 1965 created Medicare and Medicaid. Medicare provided for the medical needs of persons aged 65 or older regardless of income. Medicaid (federal grants to the states for Medical Assistance Programmes) provided medical assistance for persons with low income and resources. Finally, the public assistance provisions of the Social Security Act were broadened in 1972. The cash assistance programmes for the aged, blind and disabled were replaced by the mainly federally administered Supplemental Security Income (SSI) programme.

The Food Stamps programme was created in 1964 to improve the nutrition of low-income families. The programme was placed under the responsibility of the US Department of Agriculture (USDA). The other nationally uniform programme for low-income individuals is the Earned Income Tax Credit (EITC). EITC was initiated in 1975 as a means to stimulate employment and combat welfare dependency (Stoker and Wilson 2006: 35).

Restructuring and Retrenchment (1980–2008)

From the 1980s onwards, support for working families was considerably extended, whilst anti-poverty programmes were radically scaled back. In the 1980s, the debate on public assistance was dominated by a moral underclass discourse with strong racial undertones (Gilens 1999). This discourse proved extremely pervasive, and progressive democrats lost the battle of ideas in the 1990s (Weaver 2000; Daguerre 2007, 2008).

The fact that the welfare caseload expanded in the 1990s – the number of AFDC recipients rose from approximately 11 million in 1987 to 14 million in 1994 – accentuated the public perception according to which the public assistance system was too generous and unsustainable. By the early 1990s, AFDC had become the most unpopular social programme in the country (Weaver 2000). In August 1996, President Bill Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, which replaced AFDC with Temporary Assistance for Needy Families (TANF).

TANF ended entitlement to cash assistance and imposed a five-year limit on welfare benefits. TANF funding mechanism was a block grant to each individual state. The block grant was fixed and was based on the level of expenditure in the mid-1990s under the old AFDC programme. The primary goal of TANF was to reduce the welfare caseload, which had reached a peak in 1993–94. The TANF funding mechanism provided a financial incentive for states to move families off welfare: if their caseload declined, states could retain the funds that were used to pay benefits. TANF was rated as a tremendous success on both sides of the political spectrum (Daguerre 2008). The welfare caseload dropped from 14.4 million recipients in March 1994 to approximately 6 million recipients in September 2002 (DHHS and TANF 2009). In 2006 TANF was reauthorized for another five years.

Receipt of Food Stamps was also made increasingly conditional upon complying with stricter work requirements, although such requirements were much less draconian than those of the TANF programme. Work requirements apply to all working age individuals between 15 and 60. Individuals must participate in training and accept employment offers (Stoker and Wilson 2006: 43). Participation in Food Stamps declined dramatically from 1994 to 1995, but steadily increased in 2001, as the result of the recession. The Bush administration (2001–08) expanded the programme in 2002. The Farm Security and Rural Investment Act of 2002 (FSRIA) relaxed eligibility criteria, made Food Stamp benefits more accessible, softened sanctions in case of overpayments to Food Stamp recipients. As a result, and in contrast to TANF, Food Stamps represents the first most important programme for low income families in contemporary American society.

The second most important programme for low-income families is the EITC, the scope and the generosity of which has been steadily increasing since the late 1980s, in an attempt to promote 'an alternative to welfare'. Since 1993, EITC benefits have been extended to childless workers, but benefits are more generous if the individual has a qualifying child, that is, any child under the age of 19 or under age 24 if a full-time student.

In the 1990s, Presidents Bush (senior) and Clinton took several important steps to provide medical assistance to children and to working families. In 1989, Medicaid coverage was expanded to include children under the age of six and pregnant women in families with incomes below 133 per cent of the poverty line. In an attempt to provide heath coverage to previously uninsured low-income children, the Balanced Budget Act of 1997 created the Children's Health Insurance Program (CHIP), a matching federal grant programme to the states. CHIP does not provide coverage for parents and does not benefit low-income workers without children. State and federal policies have thus singled out children in the receipt of various cash assistance and in kind programmes, but adults are increasingly excluded from this expansion as they are expected to earn their living through paid work.

American social policy is based on the premise that the main source of income for working age individuals should be their wages. Social programmes should focus on helping low income workers as opposed to providing social assistance recipients with hand outs (Stoker and Wilson 2006: 17). Benefits should encourage work efforts either directly through in work subsidies such as the EITC or directly through programmes such as Medicaid, Transitional Medical Assistance (TMA), and, to a lesser extent, Food Stamps. Out of work benefits are reduced to a meagre minimum and conditions of access are so restrictive (as in TANF) that they act as a deterrent, thus coaxing benefit recipients into taking any kind of paid employment.

Rising Economic Insecurity and the Great Recession – The Road to Collapse

The social equilibrium is based on the premise of a strong, dynamic labour market with an abundance of low paid jobs. This equilibrium became extremely fragile as a result of the continuing deterioration of labour market conditions, with an increasing fraction of the population being exposed to income insecurity and volatility (Hacker 2006). This equilibrium was also based on the availability of cheap credit to sustain individual consumption. With the rise in unemployment and the drying up of credit, as in the Great Recession of 2007–09, this equilibrium collapsed.

Deterioration of labour market conditions

One of the most fundamental changes in recent American history is the rising economic insecurity of the middle class. Such insecurity amounts to a fundamental breach in the American social contract as defined by the Social Security Act in 1935. This contract is based on the premise that working age individuals should support themselves and their families through paid employment. The problem is that work no longer provides adequate protection against social risks in contemporary American society.

According to Hudson (2007: 289), three events increased the level of segmentation in the American labour market: deindustrialization and the decline of organized labour, a large increase in the relative size of immigrant workforce, and the growing prevalence of non-standard work arrangements.

Secondary labour markets are characterized by poverty level earnings, the absence of employer provided health insurance, and employment in a job that is limited or uncertain in its duration (Hudson 2007: 294). There are in fact three labour markets, with a primary and secondary labour market but also an intermediary labour market whose workers have no access to pension or health insurance, or both. The intermediary labour market makes up about 42 per cent of the labour market for wage and salary workers. A little more than a third of American wage and salary workers have jobs in the primary market while almost one in five is employed in the secondary labour market. Crucially, 'between the early 1970s and the late 1990s labour market dualism increased substantially and there was also a substantial redistribution of jobs from the primary to the secondary labour markets' (Hudson 2007: 306).

Since the mid-1970s the earnings of male workers have become more unstable, with a major effect on overall income stability. Transfer incomes – cash benefits received by families – have also grown more unstable since the 1970s (Rockefeller Foundation 2010: 17).

Meanwhile, health care costs continued to increase and it was only during mid-1990s' job miracle that employers in the retail and hospitality sector offered generous and affordable health care plans in an effort to lure prospective employees. As soon as the economy started to deteriorate again, in 2001, employers dropped the comprehensive health care plans which had benefited low-paid workers. But neither the expansion of EITC nor the piecemeal broadening in Medicaid coverage could compensate for the decline in wages and the rise in health care costs respectively. This explains the major increase in financial insecurity since the mid-1980s.

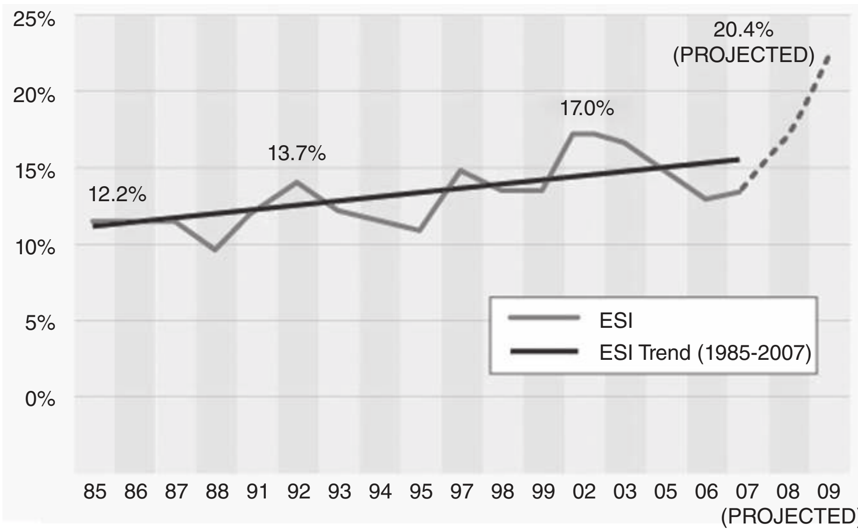
Rising economic insecurity

The most significant phenomenon in the last 25 years has been the rise of financial insecurity as measured by the economic security index (Rockefeller Foundation 2010). This measures the share of Americans who experience at least a 25 per cent drop in their available family income whether due to a decline in income or an increase in medical spending or a combination of the two, and who lack an adequate financial safety net to catch them when they fall. A higher ESI therefore indicates greater insecurity. According to the ESI, financial insecurity has increased. Indeed, in 1985, 12.2 per cent of Americans experienced a major economic loss sufficient to classify them as insecure in the ESI. During the recession of the early 2000s, this had risen to 17 per cent. In 2007, the picture had improved (13.7 per cent), but measured insecurity remained higher than in the 1980s. Projections suggest that in 2009, the level of economic insecurity experienced by Americans was greater than at any time over the past quarter century, with approximately one in five Americans (20.4 per cent) experiencing a decline in available household income of 25 per cent or greater (see figure 1).

By the early 2000s the purchase of the American dream – an education, a car, a house, combined with regular trips to the mall – had become increasingly unaffordable, thus squeezing middle-class families, precisely when labour market rewards reached an all time low (Hacker 2006).

Figure 1

Risk of financial loss has increased from 1985 to 2007 for all Americans (with 2008–09 projections)



Source: Rockefeller 2010: 3.

However, there was no political pressure to expand income transfers partially because of the low salience of inequality-related issues but also because of easy access to borrowing allowed low and middle-income households to sustain consumption or to purchase a home (Brandolini 2010: 219–20; Appelbaum 2010). The American dream rested on gigantic levels of personal debt, with devastating consequences for those households affected by the mortgage crisis in the summer of 2007, which marked the onset of the Great Recession (2007–09).

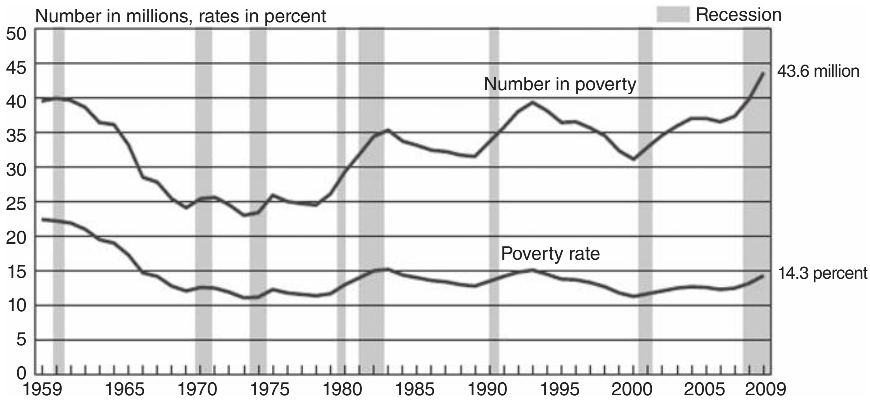
The Great Recession

Because so many Americans rely solely on the labour market and access to credit to sustain their livelihoods, when these two sources of income dried up simultaneously, as in 2007–09, American citizens found their lives literally turned upside down.

Even prior to the Great Recession, there was a gradual increase in national poverty rates in the previous 10–15 years. While there was a sizeable decline from 1993 until 2000, poverty rates have increased to almost the same rates since the early 1980s and 1990s in similar recessionary periods (see figure 2). A similar trend occurs by age. With the exception of seniors of 65 years and older, the poverty rate for all other age groups has risen with the highest

Figure 2

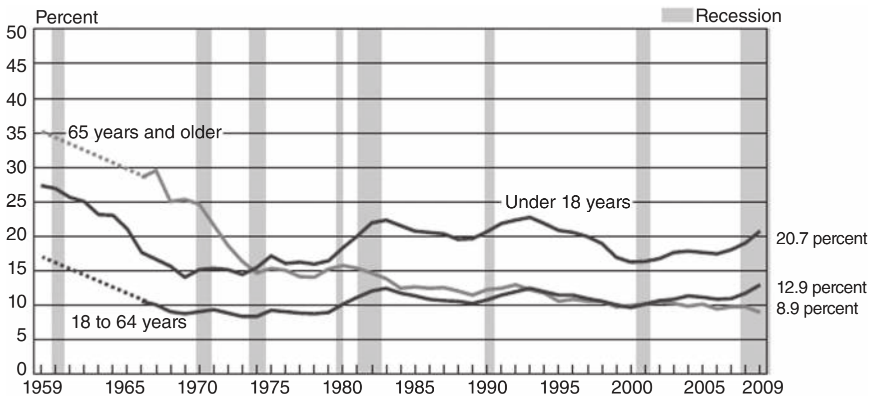
Number in poverty and poverty rate: 1959–2009



Source: US Census Bureau, Current Population Survey 1960 to 2010 Annual Social and Economic Supplements.

Figure 3

Poverty rates by age: 1959–2009

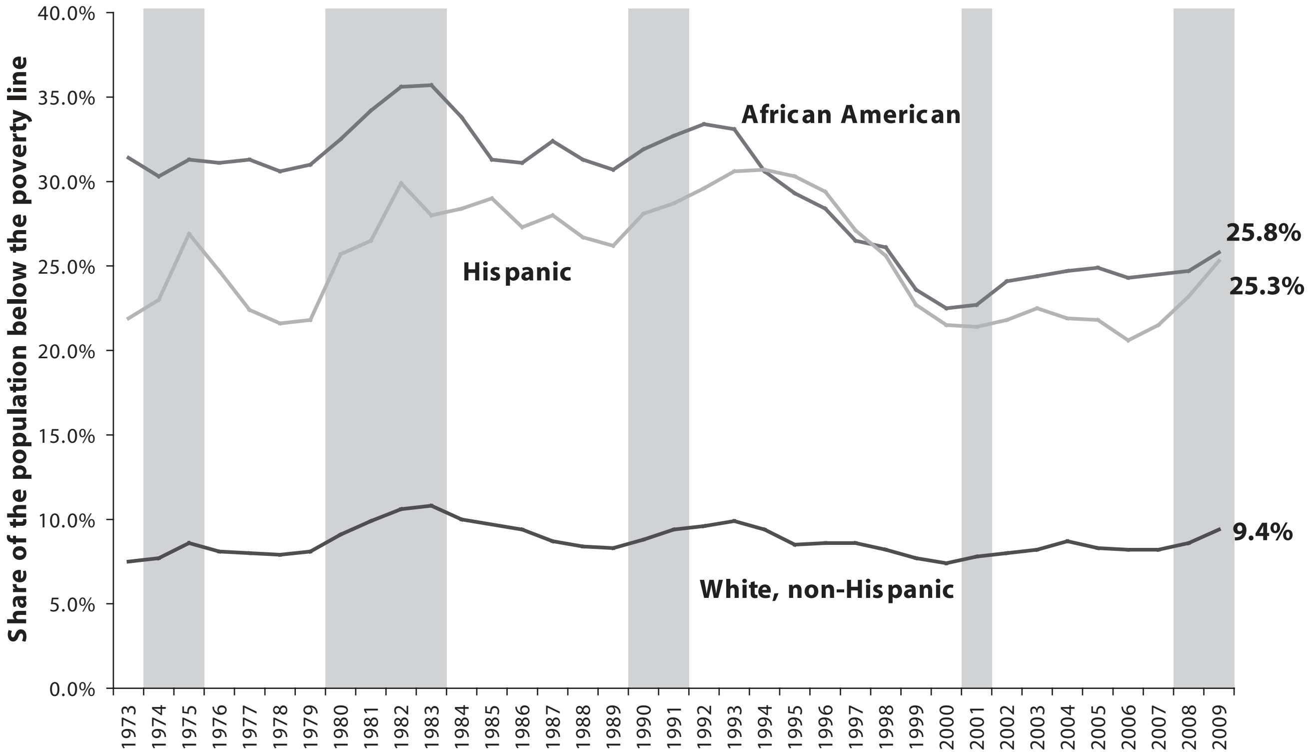


Source: US Census Bureau, Current Population Survey 1960 to 2010 Annual Social and Economic Supplements.

increase for individuals under 18 at 20.7 per cent (see figure 3). The rates for poverty in minors are reaching recessionary levels from the early 1990s and 1980s. Among ethnic groups, Blacks have the highest poverty rate reaching 25.8 per cent, followed by Hispanics with 25.3 per cent; however, poverty rates are still below those during the 1990s and 1980s (see figure 4).

Figure 4

Racial and ethnic disparities persist over time: poverty rate by race and ethnicity, 1973–2009



Source: US Census Bureau, Current Population Survey 1960 to 2010 Annual Social and Economic Supplements.

Although income insecurity and poverty were by no means the sole problems of a minority, the Great Recession laid bare the holes of the American safety net. In a context of historically high unemployment rates by US standards (10 per cent in December 2009, 9.6 per cent in November 2010), the social protection system was unable to contend the rising tide of poverty and hunger. In 2008, nearly 50 million Americans were poor, including nearly one in five children, and hunger – defined as inadequate access to food – affected more than 50 million Americans, including almost one in four children (Institute for Policy Studies 2009).

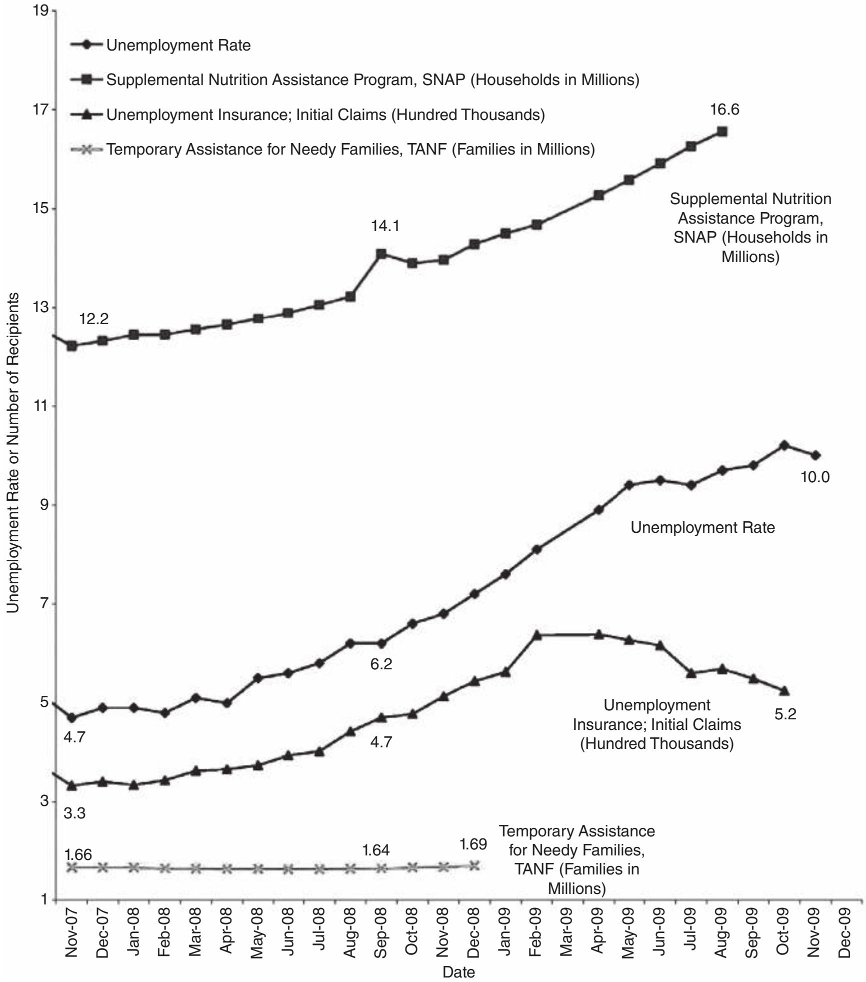
The crisis had been most severe in America's industrial heartland. Two million manufacturing jobs had been lost in the recession, thus accentuating the pattern of de-industrialization which has characterized the evolution of the economy since the 1970s (Institute of Policy Studies 2009: 4). Moreover, underemployment was also on the rise, with blue-collar workers being the hardest hit. The study *Battered by the Storm* estimates that the number of underemployed workers had risen to 11 million, which made the combined total of underemployed and unemployed 27.4 million workers, or 17.5 per cent of the workforce. Poverty had also risen, and in 2008 about 40 million people, or 13.2 per cent of the population were living in poverty, the highest level in over a decade. In addition, people of colour and children were suffering the most. As housing aid programmes had been cut back since the 1980s, low income individuals were often left with the option of either paying for food or rent. Food Stamps had become the only means-tested programme for low-income individuals and their dependants, but benefits levels are very low and only cover food expenses. In the recession, as unemployment increased, more individuals qualified for Food Stamps (SNAP), thus increasing the volume of Food Stamps caseloads (see figure 5). According to the report *Battered by the Storm*, in August 2009, 36.5 million Americans (16.5 million households) received SNAP benefits, a one-third increase in participation since the recession began, and one in eight Americans was receiving Food Stamps, an all-time high (Institute for Policy Studies 2009: 21).

Political commentators and scholars multiplied the calls for 'a society of opportunity', in true American tradition (Hacker 2006; Haskins and Sawhill 2007). But in extremely unequal society, social opportunity had become the privilege of an oligarchy, whose capacity to influence policymakers was much greater than that of the middle class (Winters and Page 2009). It was in this context that the presidential candidate Barack Obama ran his campaign in 2008. For the first time in decades, the presidential hopeful raised the issue of social justice and ran on a platform of change, repeatedly challenging the Republican policies of tax cuts for the most affluent (Mettler 2010: 803). In his accepting nomination speech at the Democratic National Convention in July 2008 in Denver, he underlined that he was here to restore America's promise, a society of opportunity for those who work hard:

> Our government should work for us, not against us. It should help us, not hurt us. It should ensure opportunity not just for those with the most

Figure 5

Unemployment rate and number of supplemental nutrition assistance program (SNAP), unemployment insurance, temporary assistance for needy families (TANF) recipients



Source: Ron Haskins, the Brookings Institution, 5 January 2010, Comments on Social Safety Net Volume,
http://www.urban.org/events/firsttuesdays/upload/Haskins-Social-Safety-Net.pdf (accessed 7 January 2011).

money and influence, but for every American who's willing to work. That's the promise of America – the idea that we are responsible for ourselves, but that we also rise or fall as one nation; the fundamental belief that I am my brother's keeper; I am my sister's keeper.

It is important to underline, however, that it was only in the last stages of the presidential campaign, in September 2008, that the financial crisis really started to unfold. Whilst the Bush administration adopted the Economic Stimulus Act in February 2008, its main intervention consisted in bailing out the banks with the Troubled Asset Relief Program (TARP). In January 2009 the new Obama administration had to address the social consequences of the crisis. What has been the Obama administration's response to the plight of middle-class and low-income individuals?

The Obama Administration's Policy Response – Not Bold Enough?

The apparent similarities between the Great Depression and the Great Recession led pundits to draw parallels between Franklin Delano Roosevelt and Barack Obama.

George Packer in *The New Yorker* wrote:

> For the first time since the Johnson Administration, the idea that government should take bold action to create equal opportunity for all citizens doesn't have to explain itself in a defensive mumble. That idea is ascendant in 2008 because it answers the times. These political circumstances, even more than the election of the first black American to the highest office, make Obama's victory historic. Whether his Presidency will be transformative, in the manner of Roosevelt and the handful of predecessors named by F.D.R. in 1932, will depend, in part, on history – it's unclear whether today's financial troubles will offer a political challenge, and an opportunity, of the magnitude of the Great Depression. (Packer 2008)

In the early months of the Obama presidency there was a sense of opportunity, neatly captured by Rahm Emanuel, the White House chief of staff, when he declared 'you don't ever want a crisis to go to waste' (cited in Krugman 2008). Similarly, in the *Washington Post*, President Obama wrote about the sense of urgency of his fellow citizens:

> What Americans expect from Washington is action that matches the urgency they feel in their daily lives – action that's swift, bold and wise enough for us to climb out of this crisis. Because each day we wait to begin the work of turning our economy around, more people lose their jobs, their savings and their homes. And if nothing is done, this recession might linger for years. Our economy will lose 5 million more jobs. Unemployment will approach double digits. Our nation will sink deeper into a crisis that, at some point, we may not be able to reverse. That's why I feel such a sense of urgency about the recovery plan before Congress. (Obama 2009b)

The tone of these speeches, the sentiment that these were extraordinary times for America and that the country was at a crossroad owing to the financial meltdown, allowed the media to replay the drama of the Great Depression, with Barack Obama stepping in the shoes of FDR.

However, as pointed out by Skocpol and Jacobs (2010), and Mettler (2010), the analogies between the Great Depression and the Great Recession are more apparent than real. Three main differences can be identified.

First, a crucial difference was the timing of Obama's access to power. By contrast to Franklyn Delano Roosevelt, who acceded to the Presidency in 1932, i.e. three years after the financial crisis of 1929, Barack Obama became President in January 2009, at a time when the full consequences of the crisis were still unknown – and, as it turned out, vastly underestimated (Krugman 2010; Appelbaum 2010).

Second, Republicans and Southern Democrats were ready to support very extensive job creation programmes as a result of the severity and the length of the Great Depression. Indeed, by 1932 all other courses of action had been exhausted. This was not the case for Barack Obama, who faced from the start fierce opposition from the Republicans in Congress, notably in the Senate. He thus had to compromise to obtain the vote of Independents such as Joe Lieberman and moderate Republicans like Olympia Snowe in order to avoid a filibuster. Unfortunately for Barack Obama, he looked increasingly like a talented deal broker as opposed to a decisive President inspired by a vision for America. To disillusioned voters, talks behind closed doors seemed very similar to the 'old Washington ways' that the President had so eloquently denounced in his campaign.

Third, unlike FDR, with the exception of health care reform, Barack Obama did not plan to create new social programmes. Instead, the White House intended to build upon existing social policies, largely continuing the politics of tax cuts and piecemeal extension of Medicaid and Food Stamps which characterized the action of the Clinton and Bush administrations. The strategy of expansion by stealth underpinned the Recovery Act signed by President Obama in February 2009.

The Recovery Act made tax cuts the primary vehicle for providing relief to Americans: tax cuts amounting to US$288 billion, 37 per cent of the US$787 billion stimulus package. The largest of these tax cuts was the President's Proposal Making Work Pay Tax Credits which was based on extension of EITC (Mettler 2010: 810). The Recovery Act represented an extremely generous stimulus package that sought to counteract the absence of automatic stabilizers in the US social protection system. According to the Center on Budget and Policy Priorities, 'seven provisions of the recovery act . . . – including three tax credits for working families, two improvements in unemployment insurance, expanded nutrition assistance, and one-time payments to senior citizens, veterans, and people with disabilities – and estimated that these provisions will result in 6.2 fewer Americans (including 2.4 million children under 18) being counted among the nation's poor in 2009' (Pavetti 2009).

Unemployment insurance (UI) provides a safety net for workers who have lost their jobs through no fault of their own. The duration of unemployment insurance is 26 weeks in most states, but historically the federal government funds additional weeks of benefits in response to an economic downturn.

American social policy rests on the assumption that unemployment will be necessarily of short duration, except in harsh economic times, when Congress can extend the duration of benefits. Neither Food Stamps nor Medicaid represents a nationwide safety net for the unemployed, as these programmes provide benefits in kind (Atkinson and Micklewright 1991). Moreover, unemployment insurance excludes a great number of people with erratic work history or who have left their employment without 'good cause', accentuating further the economic hardship of these individuals and their dependants. Indeed, in 2008 only 22 per cent of unemployed workers in low-income families reported receiving unemployment compensation, compared with 34 per cent in moderate-income families and 39 per cent in higher income families. Former TANF recipients are particularly vulnerable and very few qualify for the benefits when losing their jobs (Simms 2008: 3).

As many low-wage workers tend to be new entrants into the labour market or have difficulties holding down jobs especially when they have family dependants and child care issues, cycling back between benefits and jobs is a relatively common occurrence. Short-term job tenure reduces workers' chances of qualifying for unemployment compensation. The earning requirement is usually based on income earned in the earliest four of the five quarters completed before unemployment, and as a result earnings in the last quarter do not count. Typically short-term employees find it hard to qualify. In addition, in order to qualify, workers must have left their employment for a good cause. Pregnancy, child care issues, domestic problems or a spouse's job-related move are not considered good reasons for employment contract termination, thus making it difficult for women with child care responsibilities or domestic issues to qualify for UI in a number of states. Women who may want only part-time work do not qualify for UI in 20 states. In addition, due to the severity and the length of the current recession, nearly 51 per cent of UI claimants had exhausted their regular UI benefits in 2009.

In response to the recession, in 2008 Congress created the Emergency Unemployment Compensation Programme (EUC), which provides up to 33 weeks of additional benefits to unemployed individuals who have exhausted their state benefits. The Recovery Act adopted in February 2009 extended this programme through December 2009 (Pavetti 2009). The Recovery Act included financial incentives for states to broaden the scope of unemployment benefits. Additional funding (US$40 billion) was allocated to increase benefit levels by US$25 a week. In November 2009, Congress approved a further extension of up to 14 additional weeks in every state, with an extra six weeks of benefits for those workers in states with an average three month unemployment rate above 8.5 per cent (Institute for Policy Studies 2009: 14–15). The most recent additions to unemployment insurance and benefit extensions came with HR 4853, The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act in November of 2010. The bill extended tax cuts while simultaneously extending unemployment insurance and unemployment benefits until December 2012.

Under the Recovery Act, all public assistance programmes received additional funding whilst the scope and the level of benefits was tremendously enhanced. Last but not least, the Recovery Act also provided an additional US$4 billion for employment and training initiatives under the Work Investment Act of 1998 (WIA). The Act also made clear that services should be provided primarily to recipients of public assistance and other low-income individuals. This provision existed already in the WIA, but this clause was never really implemented, which justified this precision in legislative language.

How can we qualify the approach of the Obama administration in relation to welfare reform and the safety net and was there a break with the approach of the Bush administration (2001–08)? Three characteristics emerge from the analysis of the Recovery Act and from interviews conducted in December 2009 with senior officials from the Department of Labor and the Office of Family Assistance in the Department of Health and Human Services (DHHS). Experts within various think tanks such as the Center for American Progress, Brookings and the Center on Budget and Policy Priorities were also interviewed.

First, the Obama administration's response built upon existing public assistance programmes, notably Food Stamps, unemployment insurance and, to a lesser extent, TANF. The Recovery Act, however insufficient according to many liberals, remained an exceptionally generous financial effort to raise the nation's safety net and to alleviate the plight of low-income families. According to Ron Haskins, a Republican expert on welfare reform at Brookings, 'the act was very generous. The Obama administration is outrageously liberal, they have done a lot for low-income families' (interview with Ron Haskins, Brookings, Washington DC, December 2009). In the words of a career civil servant in the Office of Family Assistance commenting on the Obama administration, 'their heart is in the right place. The others could not care less' (interview, Office of Family Assistance, Washington DC, December 2009).

Second, there is a new emphasis on well-paid jobs which require post-secondary education, as the best way to raise the general level of skills, promote the competitiveness of the US workforce at the global level and ensure that Americans are prepared to take up new job opportunities (Office of Management and Budget 2009). The administration believes that some of the jobs that have been destroyed in the manufacturing sector will not come back, thus enhancing the need to prepare American workers and young people to get a better education in order to have access to good jobs. This agenda is driven by the President himself, who has called for each American to commit 'at least one year or more of higher education or career training' (Obama 2009a).

To this end the administration has launched the New American Graduation Initiative, announced by Barack Obama on 14 July 2009. The initiative aims to add 5 million college graduates by 2020, and devotes US$12 billion to community colleges. The programme will help students who cannot afford four-year university education as well as adults who want to get better skills (*Washington Post* 2009). In sum, for the Obama administration, individuals must become or remain employable in a competitive labour market. An improved distribution of skills and education in the US labour force should suffice to address the problems of income insecurity. The problem is that the unemployment remains high (9.4 per cent in December 2010). According to some critics (Krugman 2010), the Obama administration has failed to respond adequately to the severity of the job crisis. However, social policy reform in the USA remains extremely difficult due to a set of circumstantial and institutional constraints.

Conclusion – Circumstantial and Institutional Constraints Impede Social Reform

By circumstantial constraints I essentially mean two different but interrelated phenomena. First, the polarization of American politics and the shift to the right. Second, the incapacity of the White House to frame a coherent economic narrative that would win over voters disappointed by the partial failure of the Recovery Act.

Since the mid-1990s the centre of political gravity has decisively moved to the right, both within the Democratic and Republican parties. Although President Barack Obama repeatedly urged Republicans and Democrats to overcome their differences for the greater good of the nation in extremely difficult times, this bipartisan rhetoric was completely ineffective and, to some extent, counterproductive. Even in early 2009, that is, before the mid-term 2010 elections, the chronic lack of discipline amongst Congressional Democrats meant that President Obama had to compromise with Conservative Democrats and Independents to ensure support for legislative reform, especially in the Senate (Skocpol and Jacobs 2010: 35–6). By contrast, there was much more unity within the Republican party, and Obama's original stimulus plan gained virtually no votes from Congressional Republicans (Skocpol and Jacobs 2010: 28). Moreover, Republican opposition hardened and became bolder as the Tea Party movement gained political momentum, thus weakening the White House and its political allies.

In this adversarial climate, any seemingly liberal initiative is immediately seized upon by Republicans, thus paralyzing the administration. A typical example is TANF reauthorization: any attempt to change the legislation and to re-establish a sense of entitlement to cash assistance would be immediately exploited by Republicans as an attempt to undermine the work ethic and to reward welfare dependency. In the words of an interviewee, 'this is a highly toxic debate'. As a result, the administration has preferred to steer clear of any controversy and has chosen not to reopen this Pandora's box publicly.

Second, the Recovery Act failed to win over impoverished Americans to the cause of social spending precisely because it was not bold enough to visibly improve the daily experiences of these citizens. The White House's strategy was based on the hope that jobs would come back in tandem with economic growth, and it did not seem to have any other plan when this hope failed to be realized in 2010 (Skocpol and Jacobs 2010: 28). Moreover, expansionary policy at the federal level was undercut by spending cuts and tax increases at the state level, especially as states are not allowed to run a deficit. Finally, the White House, then absorbed in the battle over health care, did not explain the Recovery Act's incomplete success. To keep repeating, as Democrats did during the mid-term election campaign, that job losses would have been far worse without the stimulus package was essentially a defensive position. This line could not measure up to the incessant Republican message that federal spending was the cause of the nation's economic woes, and that there was no difference between the bail out (TARP) and the Recovery Act. The Tea Party movement played on the idea that Washington politics always benefit the rich and powerful, which again reinforced the ideological backlash against federal government and social spending.

Alongside these circumstantial constraints, three sets of institutional constraints impede the development of comprehensive social reform in the USA. First, the White House's strategy of building upon existing social programmes is limited by the invisibility and the fragmentation of these programmes. Second, political institutions in the USA are much more responsive to pro-business and wealthy individuals' interests. Third, the complexities of the legislative process limit the influence of the presidency and make it difficult to enact ambitious new social welfare programmes (Jacobs and King 2010: 799).

First, the American welfare state is hidden (Howard 1997), divided (Hacker 2002) and submerged (Mettler 2010). Almost a third of social spending in the American welfare state consists of tax breaks, notably the EITC and home mortgage reduction, which are much less visible than social programmes such as TANF, unemployment insurance, Food Stamps and social security. The problem with tax breaks is that they have less of a stimulative effect than direct spending, which means that they are also less likely to be supported by potential beneficiaries. Moreover, the lack of comprehensive coverage, the superposition of layers of social programmes without any single coherent logic, the superposition of federal and state rules add to the complexity of social policies. The invisibility and complexity of social programmes 'do little to engender positive attitudes among recipients toward such policies' (Mettler 2010: 809). Unlike FDR in 1934–35, Barack Obama is not starting from scratch but is instead trying to redirect resources and programmes in a more redistributive way.

Health care reform is a case in point. Historically the pre-eminence of market mechanisms in health care conditioned the development of the American welfare state. Indeed, as Béland and Hacker explain (2004: 47), private social benefits originally limited the scope of government intervention. National health insurance plans were rejected when the Social Security Act was adopted in 1935; the multiplication of tax breaks for employers and fringe benefits in the 1940s and 1950s enabled to establish private schemes as a credible alternative to a federal health insurance scheme, thus limiting the scope of government intervention to older workers and to the poor, with the creation of Medicare and Medicaid in 1965. This is what Béland and Hacker (2004) call private policy feedbacks. With the benefit of insight, this helps understand why a public health insurance proposal – the public option in the Obama health care plan – was swiftly rejected in the Senate in the fall of 2009. Health care reform takes place under totally opposite premises in Europe and the USA: whilst in Europe health care provision has been subjected to a logic a logic of creeping privatization, in the USA health care has been nationalized by stealth, almost timidly except for the elderly and to a lesser extent young people, with considerable state variation in terms of health coverage.

Second, comprehensive social reform is particularly difficult enterprise as pro-business interests enjoy much more political influence than low income Americans who may not even vote regularly (Skocpol and Jacobs 2010: 55). Moreover, there is no organic alliance between organized labour and the Democratic Party, and the influence of trade unions has been in steady decline since the mid-1970s. Congress is much less responsive to the demands of low income citizens than to the demands of wealthy individuals and corporations (Bartels 2008). In fact, American political scientists have recently rediscovered the mechanisms of contemporary class war: Hacker and Pierson (2010) explain how since the late 1970s the most affluent members of society continuously expanded their financial position to the detriment of labour and middle class interests through a logic of policy drift. In this context, any additional spending on existing programmes or the introduction of new social policies can be portrayed as socialist or anti-American, as the influence of the Tea Party movement, duly relayed by Fox News, has made it clear over the summers of 2009 and 2010. In short, opponents of social programmes are much better funded, organized and programmatically coherent than their supporters (Jacobs and King 2010: 796).

Third, the power of the Presidency in initiating legislative reforms is severely limited by the complexities of a legislative process that is both 'individualised and diffuse, and therefore nearly immune to efforts by presidents to form supportive coalitions' (Jacobs and King 2010: 798). Indeed, as neither Congressional leaders nor presidents can control the vote of legislators even when one party is in control of both the White House and Congress, as was the case before the mid-term congressional elections in November 2010, the lawmaking capacity of the White House is extremely constrained (Jacobs and King 2010: 799). There is considerable delay and deadlock in the legislative process, which reinforces the rejection of Washington politics by ordinary citizens and accentuates the impression of elites talking to themselves over byzantine legislative details.

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