NATIONAL AND STATE DIMENSIONS OF MAJOR POLICY CHANGE: THE REAGAN ‘REVOLUTION’ REEXAMINED

by

HOLLEY ELIZABETH TANKERSLEY

(Under the Direction of Arnold Fleischmann)

ABSTRACT

The body of literature investigating why, when, and how major policy changes take place in a federal system of governance is fragmented at best. Some scholars suggest that national policy changes are initiated by partisan realignment and institutional change. Others identify change as a simple matter of top-down intergovernmental implementation. Studies of state politics focus rather narrowly on variation or diffusion of policies among the states. The present study both challenges and combines these prevailing views by determining whether policies can change from the bottom up – with states as the catalyst for changes in both the direction and content of the policy agenda at the national level.

The evolution of American federalism dictates the need for scholars to reconcile national policy outcomes with theories and findings concerning state-level policy innovation and diffusion, especially as the states grow in importance and power as a consequence of devolution. If the national government impacts state policymaking, and states influence one another to adopt similar policies, then it would stand to reason that states have a residual impact on national policy. To account for the role of the states in national policy change, this dissertation explores the causal relationship between Ronald Reagan’s policy agenda (1981-1988) and policy adoptions in the states during the Reagan administration. In doing so, this dissertation tests the
theoretical possibility that public policy diffuses from the state to the national level, a theory that challenges the traditional depiction of policy diffusion as an exclusively top-down process.

Results of event history analyses, along with Granger causal analysis based on both pooled regression models and vector autoregression, indicate that both the relative liberalism of state policy and the extent to which states adopted policy innovations had a significant impact on Reagan’s policy liberalism and policy agenda, while presidential influence on state policy adoptions was virtually nonexistent. These findings suggest that scholars should broaden the scope of studies of national politics to include the potential influence of states in a federal system.

INDEX WORDS: Policy diffusion, Policy change, Policy agenda, State politics, State policy, Ronald Reagan, Presidential rhetoric
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by

HOLLEY ELIZABETH TANKERSLEY
B.A., Birmingham-Southern College, 1999
M.P.P., Georgetown University, 2002

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by

HOLLEY ELIZABETH TANKERSLEY

Major Professor: Arnold Fleischmann
Committee: Paul-Henri Gurian
Audrey A. Haynes
Jeffrey L. Yates

Electronic Version Approved:

Maureen Grasso
Dean of the Graduate School
The University of Georgia
August 2006
DEDICATION

This dissertation is dedicated to my parents, Randy and Johnnie Tankersley.

In memory of my grandparents: R.J. and Lillian Holley and Saul and Gara Tankersley.

And for Uncle Bill: in the fulfillment of a promise I made a long time ago
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CHAPTER 1
POLICY CHANGE IN THE UNITED STATES

In spite of cyclical trends in American federalism between centralization and decentralization, it is held that the system inherently strives toward balance between central national dominance and the countervailing forces of subnational flexibility and discretion. It assumes that the advantages of the American non-centralized, non-disciplined party structure and prolific interest group activity are the protection of state and local interests which operate upon and are reflected at the federal level. Yet one must ask: to what extent does the history of public policy development at the federal level…offer credence to this theory? (Haider 1973, p. xii).

Political scientists conduct research in a field that is constantly changing, with the emergence of new events, issues, policies, and leaders on a regular basis. Yet the discipline seems to concentrate heavily on accepted patterns, regularities, and immutable features of politics to the near exclusion of studying how, when, and why changes take place. Equilibrium rules the day, whether maintained by gridlock (Riker 1980; Chubb 1988; Skowrownek 1993; Ragsdale and Theis 1997), democratization (Lowi 1985; Dahl 1990; Baumgartner and Jones 1991; 1993; 2002), structural complexity (Chubb and Peterson 1989; Tsebelis 1995), or partisan decay (Bartels 1991; Brady 1988; Wattenberg 1990). The public policy literature has a similarly narrow focus, devoting substantial attention to the adoption of exclusively national policies, diffusion of policies among the states, and a top-down view of intergovernmental policymaking and implementation. This dissertation enhances prevailing views of policy dynamics by suggesting that policy change may also occur from the bottom-up, with states influencing the focus and direction of national policy. The theory of state-to-national diffusion described in the
present study is validated by examining the presidency thought to reshape national policy the most during the last twenty-five years – that of Ronald Reagan.

The Role of the States in National Policy Change

So much scholarly and popular attention is paid to national politics and policy that scholars tend to ignore the basic building blocks of national politics: the states. States are critical agenda-setters in policy change. Depending on one’s interpretation of the 10th Amendment and the Necessary and Proper Clause, the states are given considerable authority to regulate innumerable spheres of public policy. At the very least, James Madison makes clear in Federalist Paper #10 that the founders considered the existence of regional authorities who could manage factions to be critical to the success of the republican form of government. While clearly important, studying the impact of the national government on state policy is therefore inadequate; an examination of the national response to state policy actions is crucial to understanding how federalism functions.¹

The development of theories of policy innovation and change is not new territory for scholars of state politics and policy. These political scientists have long focused on developing appropriate methodologies and empirical models that adequately explain and predict the adoption of new public policies in the American states, a process known as state policy diffusion. The standard for state policy diffusion studies was set by Jack Walker (1969) and Virginia Gray (1973), who adapted the work of communications scholar Everett Rogers (1962) to explain the diffusion of political innovations across the states. Walker and Gray both attempted to explain variation in state policy adoption, investigating why some states adopt new policies more rapidly

¹ Following the nomenclature used in studies of federalism and intergovernmental relations, the term “national” (i.e., national government) is used to describe the collective governance of the president, Congress, and U.S. Supreme Court. The term “federal” (or federal government) refers to the political system that includes subnational governments organized and presided over by a central authority.
than others. Their findings established that each state’s degree of innovativeness is predicated upon the demographic characteristics of the state population (e.g., urbanicity, average income per capita, education) and the state’s political context (e.g., party competition, dominant ideology). Additionally, Walker (1969) developed the idea that state policy diffusion is influenced by the notion of social learning; that is, states adopt policy innovations based on their perceptions of the policy successes (or failures) encountered by their neighboring states. The process of horizontal policy diffusion suggests that a few states are truly policy innovators; therefore, state policy diffusion is characterized by policy experimentation and communication of results.

While groundbreaking, both Walker (1969) and Gray (1973) acknowledge that their studies fail to address a more basic question underlying policy innovation and diffusion, namely, the puzzle of where innovations are initiated. Both scholars assume that innovation begins with the first adoption of a new policy, but neither indicates that the “first adopter” is also the innovator; indeed, both studies imply that innovators are choosing to adopt an innovation from a number of other policy choices. Walker, in his call for studies of state policy diffusion to form the basis of a “more comprehensive theory of governmental policymaking.” (1969, 888), specifically notes the imperative for future research to address the question of innovation initiation. However, subsequent scholarship seized not on the “big picture” aspect of Walker’s inquiry into policy development, but focused instead on his assertion that social learning drives horizontal policy diffusion.

It is not surprising that state politics and policy scholars would be tempted to focus on horizontal diffusion; the structure of the federal system provides for a natural and fascinating comparison of the states’ institutions, populations, and policy preferences. Furthermore, the 1980s began the gradual emergence of the “devolution revolution”, a massive reorganization of
intergovernmental authority and responsibility in major policy arenas. As a consequence, scholars already interested in horizontal diffusion and social learning were supplied with numerous new test cases that allowed them to study competitive federalism from both the political economy and public choice perspectives (Peterson 1981; Tucker 1984; Peterson & Rom 1989; Wood 1991; Berry & Berry 1992; Brace & Jewett 1995; Soss et al. 2001; Hacker 2004). This focus, along with a broadening investigation into the role of public opinion on state policy adoption (Page & Shapiro 1983; Erikson, Wright, & McIver 1993; Stimson, MacKuen, & Erikson 1995; Hero 1998) led state policy diffusion scholars further away from solving the puzzle of how or where state policy innovations are actually initiated.

Scholars of state policy innovation and diffusion have typically paid little attention to the source of policy innovations. In the standard formulation of policy change, public policy innovations are formally initiated at the national level by the national political parties, the U.S. Congress, the federal judiciary, or the president and his executive agencies (Polsby 1984, Light 1999); states then choose to adopt national policy innovations as a matter of downward pressure catalyzed by political solidarity, administrative or legal requirement, or fiscal necessity (Riker 1964; Elazar 1966; Walker 1969; Kettl 2004). Employing this assumption has worked well for most state policy diffusion studies whose aims were to examine and establish the importance of understanding policy learning and horizontal policy diffusion. Ironically, if scholars take for granted the assumption that policy change is initiated at the national level and controlled by national institutions, they miss the opportunity to demonstrate the importance of state politics.

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3 Walker (1969) and Welch & Thompson (1980) note that the initiation of a policy by a national institution does not necessarily mean that the institution has itself formally adopted the policy by way of statute or regulation; rather, central institutions generate nationally accepted standards and norms (i.e., “suggestions”) that are communicated to state institutions.
research to studies of national institutions and policymaking. If scholars changed the focus from explaining diffusion to exploring innovation and policy change, state policy research could be more fruitful, producing the comprehensive theory of governmental policymaking that Jack Walker envisioned.

**Conventional Perspectives on Major Policy Change**

The majority of quantitative and qualitative studies of major policy development and change are centered on national institutions, national political forces, and national leaders. This is regrettable when one considers that, in a federal system of governance, state compliance with national policy proposals is a prerequisite to substantive programmatic change. Without the cooperation or capitulation of state governing institutions, policy change is simply a suggestion made by national institutions. This is especially true in the current era of devolution and decentralization, as the onus of policy innovation, administrative responsibility, and democratic accountability is ever more placed on state governments. These devolutionary trends, which have been programmatically manifested as dual federalism and “creative federalism” during the 1960s and 1970s, and Reagan’s “new federalism” in the 1980s, place substantial policy control in the hands of state governments. Therefore, if, when, and how the national political agenda is accepted and incorporated at the state level determines whether wholesale policy change will occur.

While many studies of policy change fail to address broader questions of statism and federalism, the subjects of American political development and American exceptionalism have at their heart questions of the uniqueness of American political structures and policy regimes. Public policies play a significant role in defining the character and identity of the nation; major changes in public policy should be considered as part of any discussion of systemic political
change. That necessitates a focus on states as key players in American public policymaking. An apparent ideological shift in American governance, manifested in the devolutionary trends of the 1980s and 1990s, coupled with mounting evidence and recognition that the states play a major role in national policy changes, raises new questions about the processes by which wholesale policy changes are generated in a complex federal system with a considerable central authority.

There is a significant body of literature that addresses policy change across several subfields of political science. Scholars in the area of policy studies, public administration and implementation, and agenda-setting have all contributed to a common understanding of policy change. The vast majority of policy studies begin with the assumption that policy innovation and change are initiated at the national level via governing institutions, think-tanks and policy shops, and interest group entrepreneurs. Policy scholars such as Kingdon (1995), Light (1999), Polsby (1984), and Burnham (1970), neglect discussions of federalism and policy diffusion altogether; readers are left to infer that the heft of federal influence makes state compliance inevitable. Research in the area of public administration and intergovernmental relations tacitly acknowledges the influence of federal structures and intergovernmental relations on policymaking, but instead of pinpointing the locus of policy innovation and change, these studies place a primary focus on the nature of policy mandates, fiscal federalism, and administrative rules and regulations (Lindblom 1968; Welch and Thompson 1980; Glick and Hays 1991; Sabatier 1991; Derthick 2001; Kettl 2004). Finally, studies that explore the dynamics of the policy agenda rely on a complex interaction of public opinion, electoral politics, and national institutions to explain how national political officials help to accelerate significant policy changes (Shepsle 1979; Carmines and Stimson 1981; Krehbiel 1991; Stimson 1991; Baumgartner and Jones 1993; 2002).
Scholars in the field of political science have ordinarily regarded policy change as a by-product of systemic ideological or partisan change. This linkage between policy or programmatic change and elected political officials has traditionally been conceptualized as a product of party realignment. Burnham (1970) makes the seminal argument that non-incremental policy change cannot occur without the catalyst of a national realignment. Skocpol (1980), Skowroneck (1982), and Polsby (1984) also theorize that wholesale policy change is unlikely to occur unless it is precipitated by a real, perceived, or anticipated crisis in the political system. More recently, Lewis-Beck and Squire (1991) and Weatherford (1992) have argued that critical elections do not automatically produce policy change; rather, political parties (and political entrepreneurs) must “consolidate” political change by pursuing those “issues and cleavages” that triggered the shifting coalitions and electoral outcome of the critical election. Unfortunately, these studies also largely ignore the critical role that the American states play in not only comprising an electoral majority, but also adopting a national policy agenda.

Rather than focusing on the structural design of American democracy, realignment theory hinges on the outcome of presidential elections. American political culture, as well as the policies and institutions that it shapes, is dominated by the presence and visibility of the national executive. The American presidency is perceived to be the most illustrious and familiar political institution in the nation, if not the world. While there is some ambiguity surrounding whether the American system was designed to accommodate an energetic executive or a relatively weak figurehead, it is clear that the American public now expects the president to at least appear as a central and powerful leader.

Among the demands of the modern presidency, the advent of which is marked by FDR’s seemingly dynastic administration, is the public expectation that presidents formulate a thematic,
perhaps even visionary, agenda that encompasses multiple policy areas (Light 1982; Neustadt 1990; Campbell 2000; Sinclair 2000). Judging both anecdotal and empirical evidence, the popular, normative paradigm of the president as the nation’s chief legislator has come to fruition. Multiple scholars have demonstrated that modern presidents have increasingly dominated both the congressional agenda and congressional outcomes (Mayhew 1991; Gleiber & Shull 1992; Cohen 1995; Covington et al. 1995; Kingdon 1995).

Despite the perception of the president as an all-powerful leader who can alter political and policy outcomes at the touch of a button, numerous scholars have pronounced the modern presidency as a relatively weak political institution. Though a popular and skillful president may advance his agenda, very few presidents actually alter the terrain of the American policy battlefield. Indeed, most presidents are rarely successful in bringing about major policy change; they face extraordinary cross-pressures, and must navigate a complex web of political strategy inside the Beltway (Neustadt 1980; Kraft & Vig 1984; Light 1999). However, American history and popular culture are full of examples of apparently seismic policy shifts, the most celebrated and studied of which is the New Deal. So why is it that some presidents are associated with the accomplishment of major policy change despite occupying a “weak” office while others are not? The dominant explanation of presidential success with policy change rests on realignment theory. Most studies assume that major programmatic change at the national level is almost always preceded by a political realignment (Burnham 1970; Sundquist 1973; Sinclair 1977, 1985; Beck 1979; Brady & Stewart 1982). In this formulation of policy change, a newly elected president rides a fresh, dynamic majority electoral coalition into office, and subsequently solidifies that majority by pursuing the agenda that lured new groups into his party’s coalition. Thus, according to realignment theory, Abraham Lincoln (1860), William McKinley (1896), and
Franklin Roosevelt (1932) stormed into office on a wave of national discontent, and wholesale policy change naturally followed.

However, there is an increasing amount of evidence to suggest that realignment may not be the only explanation for national policy change. Indeed, realignment theory has increasingly come under attack from critics who argue that it is an elegant yet dated explanation of systemic political activity and change in the United States (May 1986; Sundquist 1989; Bartels 1998; Mayhew 2002). Scholars cite low rates of congressional turnover (Brady 1978; Sinclair 1985), the advent of the “base-less” party system (Shea 1999), and the failure of presidential victors to consolidate their electoral majorities into governing coalitions (Weatherford 1992, 2002) as evidence that partisan realignment and policy change are not inextricably linked. Aside from ideological or partisan realignment, then, what could possibly stimulate significant change in American public policy? Nelson Polsby (1984) and Paul Light (1999) indicate that the president, despite potential weaknesses in the presidency as an institution, is in a powerful and unique position to harness popular attention and political capital in a way that allows him to control the political agenda and initiate new policy innovations. In fact, initiating policy innovations and capitalizing on control of the political agenda may be necessary for presidential success in manipulating Congress, and especially in maintaining a popular majority for re-election (Light 1982, 1999).

Baumgartner and Jones (1993, 2002) argue that presidential involvement in the process of agenda control and policy change can be influential; however, they caution against placing too much emphasis on the president as the singular agent of policy change. Instead, Baumgartner and Jones argue that rapid policy change appears to be the work of the president because he is able to control issue definition via rhetoric and agenda control; the actual causes of policy change are
much more decentralized (2002, 243). This is in contrast to scholars who argue that policy change simply follows cyclical shifts in ideology, partisanship, and public opinion (e.g., Stimson 1991). If one accepts Baumgartner and Jones’s model of policy dynamics, it would follow that major policy change is infrequent, precisely because agenda control is not a particularly easy feat for presidents to accomplish. Indeed, it takes a great deal of political strategy and skill to maintain such control in the modern political system. Policy equilibrium, not policy change, is the most likely outcome in a massive federal republic such as the United States.

Controlling the agenda does have a major political payoff, allowing the president to remain on the offensive and portray himself and his office as the protectors of the public’s policy demands and preferences (Kingdon 1995, 151). On the other hand, if a president takes office with an agenda too big, complex, or controversial to push easily through the legislative process, he will be reduced from a change agent – advancing broad programs of policy change that constitute a broad shift in governance – to an advertising agent who must rely on his powers of communication and persuasion to advance only a few primary and non-programmatic issues (Neustadt 1990; Campbell 2000).

Presidential policy initiation is seemingly quite visible; one need only tune to the annual State of the Union address or follow media coverage of whistle-stop, campaign-style tours of states as presidents attempt to gain support for a new program. Presidential elections are full of policy proposals and promises that become public agenda items. Absent the explanation provided by realignment, it is unclear where these innovations originate. The structure of the presidency over the last three decades suggests that presidents do not borrow or even contend with policy proposals from other institutional players at the national level. The growth of the administrative presidency paradigm (Durant 1992; Golden 1992; Warshaw 1995) and power
struggles between the president and Congress (Light 1999; Neustadt 1990) suggest that policy innovations touted by the president are not born in the bureaucracy or the legislative branch. Neither do first-term presidents (or the White House staff, for that matter), who are notoriously risk-averse, have the time, information, expertise, or resources simply to invent feasible or popular policy proposals and innovations that will help them to consolidate and capitalize on their electoral majorities (Light 1999).

If modern presidents do not get their policy or programmatic proposals from the usual institutional suspects, then where are presidential policy proposals born? One presumes that there is no retail outlet for popular policy proposals that produce preferred results…or is there? On closer inspection, the federal arrangement in the United States, which effectively creates 50 discrete policy incubators, serves as a market for public policy, providing resourceful presidents with a ready-made and previously vetted policy agenda that can quickly be adapted for national programmatic purposes.

**An Alternative Perspective on Major Policy Change**

While the bulk of empirical evidence suggests that changes in national institutions are responsible for major policy changes at the national level, it fails to consider adequately the role of states as policy laboratories, facilitators of national electoral politics, and sources of policy innovation. Scholars should focus on the development of a new theory of policy change that accounts for the structural impact of the nation’s federal political system rather than relying so heavily on theories of institutional change to explain or predict policy development. Changes in national institutions could theoretically initiate policy change; however, the states constitutionally function as sub-governments. States therefore play a natural role in policy feedback, accepting new policies when they agree and protesting or lobbying for alternatives.
when their policy preferences are not enacted. Therefore, the federal structure of American
government dictates that policy change relies on the process of policy diffusion, or the rate and
extent to which institutions and constituent governments adopt policy innovations. The need to
consider the impact of structural governance on policy diffusion is more crucial now than ever,
as scholars, political actors, and the public slowly recognize the states as the building blocks of
American politics.

The key to reconciling an understanding of major policy change with an understanding of
state policy diffusion is the linkage of policy invention (i.e., the initiation of a policy innovation)
and policy adoption and diffusion. The source of a policy innovation will to some extent dictate
the manner in which that innovation diffuses. The source of the innovation is critical to
understanding diffusion and policy change because changes in and control of the policy agenda
are so crucial to advancing policy outcomes (Peterson 1981; Kingdon 1995; Light 1999). If an
innovation is born at the national level, then the diffusion process can only be expected to move
horizontally across government agencies and then downward to state and local governments.
This is the dominant paradigm in much of the policy change literature. But what if state
governments and state institutions are actually the sources of policy innovation? Subsequent
adoptions of the policy must occur horizontally across states; is it possible that the groundswell
of innovation in the states then becomes the model and source for national policy programs and
major policy change?

In the pages that follow, I set out to answer this question. In doing so, I develop a theory
of state-to-national (i.e., upward) policy diffusion that accounts for the unique role of American
states as policy innovators that make pragmatic policy choices. This theory differs from previous
research by proposing that a relatively decentralized federal system not only locates the origin of
policy change with state governments, but also allows policy innovations to actually move upward, producing the facade of major policy change at the national level. I propose that this upward diffusion is facilitated by the electoral imperatives of the modern presidency, which limit the president to governing rhetorically, as though he is perpetually campaigning. Only three studies to date explore the theoretical possibilities of upward diffusion (Boeckelman 1992; Mossberger 1999; Shipan & Volden 2005), while the link between state and national policy changes remains relatively uncharted territory.

In order to investigate the source of state and national policy change, a handful of scholars have suggested turning the traditional notion of downward vertical policy diffusion (and accordingly, national policy change) on its head. Keith Boeckelman (1992) suggests that states exert some influence on national policy adoptions. Karen Mossberger (1999) examines the possibility that changes in the national policy governing enterprise and empowerment zones were initiated by state governments. Most recently, Charles Shipan and Craig Volden (2005) find evidence that the diffusion of innovations in anti-smoking policy moved vertically upward from city governments to state governments. To date there has been no major theoretical development or comprehensive, large-N study conducted to test for the possibility of upward policy diffusion.

The theory proposed in this dissertation suggests that the link between state and national policy diffusion rests with the modern demands of presidential campaigning, agenda-setting, and policymaking. Due in large part to the structure of the Electoral College, states have taken center stage as the building blocks of national electoral competition. Studies have shown that presidential candidates concentrate more of their campaign time, money, and resources in states that are deemed critical to their election efforts (Gurian 1993). As a result, the policy preferences of electorally “important” states may be overrepresented in the rhetorical, if not the
literal, political agenda. Lewis-Beck and Squire (1991) suggest that it is entirely likely that a presidential candidate will craft a rhetorical agenda drawn from the public opinion and policy preferences of a state’s citizens, especially if he deems that state to be of high electoral importance. Consequently, there should be little substantive national change to be found in the president’s agenda precisely because his proposed policies are already in place in many states. In other words, real policy innovation and change begins in the American states, only to be adopted by presidential candidates in search of a solid national majority. As suggested by Donald Haider (1973), the advantages of fluid and shifting political coalitions in a relatively weak party system subsequently accrue to the states in the form of enhanced, though perhaps indirect, control over policymaking.

A Unified Theory of Policy Change: State-to-National Policy Diffusion

The literatures on state policy diffusion, intergovernmental policymaking, and presidential policymaking and agenda-setting can be reconciled to create a unified theory of how national policies or national policy programs are formed and changed. Taken together, these perspectives suggest at least two routes for major policy changes. The first maintains that major changes in American public policy are initiated by national political forces, especially the president, who seeks agenda control as a way to gain influence over the Congress and to maintain an electoral majority. “National” policy innovations then diffuse downward to states, which adopt the new policies at rates influenced by a combination of social and political variables. Alternatively, policy invention may occur within particularly innovative states and diffuse horizontally to other states, following the traditional notions of states as policy laboratories and competitive constituents in a federal government.
Existing theories of state policy diffusion and presidential policymaking can be integrated to form a unified theory of policy change that accounts for structural federalism: that is, state policy innovations diffuse upward to the national government, thus indirectly instigating major policy change at the national level. By failing to account for the role of states in national politics, scholars cannot fully appreciate the electoral and structural impacts of the federal system. The argument advanced by this dissertation is that major programmatic or policy change at the national level could be influenced by the federal structure of American politics in addition to being instigated by changes in American institutions. Specifically, I suggest that policy innovations are initiated in states and then diffuse vertically, from the states upward to national institutions. Viewing policy change in this manner -- as a bottom-up process of policy diffusion -- demonstrates the oft-ignored and understated power and impact of the American states in the political system (Gray 1973; Brace & Jewett 1995). It also challenges the dominant perspective that policy change hinges on partisan, ideological, or electoral changes in governing institutions, suggesting instead that the structural characteristics of American government (especially federalism and its allowance for sub-national factionalism) drive major policy change and development at the national level.

The crux of the theory presented here rests on the idea that presidents govern as though they are campaigning (Tenpas 2004). Fiorina (2002) and Polsby and Wildavsky (2004) argue that presidents must focus on mobilizing factions – not building coalitions – in order to win elections in a weak-party system. In order to do so, presidential candidates must avoid taking extreme positions on issues and must engage multiple groups in order to form an electoral majority. Maintenance of this electoral majority is a necessary part of the new president’s first administration. Both Sinclair (1977) and Burnham (1970) imply that presidents cannot
anticipate the mood or policy preferences of the public, but are forced instead to react to those preferences. Stimson, MacKuen, and Erikson (1995) agree that presidents react to public preferences, but argue that this reaction is formed in rational anticipation of previously unrevealed public preferences, or a coming shift in the “public mood.” Regardless of the timing of presidential reaction, the basic idea is that presidential policy does not lead, but instead follows, public opinion. Presidential policy proposals may then be viewed as a simple reaction to pre-existing approval or disapproval of a given policy.

The theory of state-to-national diffusion suggests that presidents simply seize on popular trends in state policy innovation and diffusion and adapt these innovations for their own rhetorical and electoral purposes. This has two major benefits for a president or a presidential candidate: (1) his rhetorical policy agenda (if not his active policy agenda) is already proven to be popular with at least a plurality of citizens across multiple states, thus guaranteeing an electoral majority that will be pleased with his choice of policy proposals, and (2) Congress will want to go along with the president’s agenda precisely because it addresses the established policy preferences of their constituents. Thus, national institutions effectively accept state policies in an effort to consolidate and appease a new electoral coalition that presumably represents the will of the majority.

There is evidence to suggest that the perception of major national policy change is nothing more than a symbolic smoke-screen that presidents exploit for the sake of gaining political capital. Miller and Shanks (1982) use data from the NES and from presidential statements to conclude that much of the Reagan administration’s “revolutionary” policy program was already being implemented well before the 1980 election. Stimson, MacKuen, and Erikson (1994; 1995) suggest that the resurgence of conservatism started in the states as a pragmatic
reaction to increasing budgetary deficits caused by social welfare spending. Rather than initiating actual substantive policy change, Reagan took advantage of pre-existing policy innovations to both take advantage of and change voters’ perceptions of related policy proposals at the national level. This explanation of policy change is not a radical departure from existing studies; Baumgartner and Jones (1993; 2002) note that the federal system of governance allows states and the national government to, “coalesce into a single system of positive feedback, with each encouraging the other to adopt stronger policies,” (2002, 232). Policy change in a federal system becomes a recursive process; studies must therefore account for policy actions taken by both state and national institutions.

In sum, this study highlights the significance of the American states in a federal system of governance, and posits that states are not only critical to national electoral politics, but also generate policy innovations and major national policy change. Therefore, it is likely that many policies that appear to be part of a national presidential agenda are pre-existing innovations that are either accelerated or made more partisan or ideological by presidential candidates. In other words, the diffusion of policy innovations happens not from the top-down (from the president and his party to the states and state parties), but from the bottom-up (with presidents and presidential candidates picking up on strong policy movements in the states and adopting them for their own gain in electoral votes or popular approval). This runs counter to the majority of the literature on policy innovation and diffusion, which suggests that most policy innovations are diffused vertically to the states or horizontally across the states (Rogers 1962; Gray 1973; Walker 1969).
Scope and Plan of the Dissertation

This dissertation is concerned with the process by and extent to which the American states impact national policy change. The major policy goals of the first term of the Reagan administration are identified and compared to the timing of adoption of those policies at the national and state levels. I expect to find that, contrary to the dominant scholarship on policy diffusion, much of the national policy “revolution” that occurred during the Reagan administration was simply rhetorical, having already been enacted by a majority of states prior to Reagan’s election. Such a finding would suggest that vertical policy innovation and diffusion is not only a top-down process, but may also occur from the bottom-up, with states (rather than national institutions) as the real source of innovation in American public policy.

Since this dissertation is motivated by the role of the American states in a large and complex federal democracy, the scope of study includes all fifty states. The field of state politics and policy is unique in that it offers researchers the opportunity to participate in comprehensive, comparative research within a single, unified political system. By comparing the policy adoptions of all fifty states, while controlling for variation in political and social environment, the relationships among state policy innovation and national policy changes can be assessed more easily. These types of comparisons are necessary for the formation of a coherent theory of state-to-national policy diffusion.

The analysis covers the period from 1976 to 1988, twelve years encompassing the prelude to and realization of the “Reagan Revolution” in national politics. Just as the New Deal is considered a watershed moment in American government and politics, many historians and political scientists view the Reagan era as a landmark in American politics, governance, and culture. Reagan’s presidency supposedly marks the beginning of an era of welfare retrenchment,
as well a period of deregulation and restoration of laissez-faire ideals following growth of the social welfare state from the 1930s through the 1970s. Reagan was elected twice by overwhelming margins; this ostensibly gave him a national “mandate” for conservative policy change. If there is any modern-era presidency in which we might expect to see national agenda dominance over the states, the Reagan presidency should be the gold standard. However, so much focus has been placed on Reagan’s landslide victories and dominant presidential personality that there is a lack of focus on whether his policy agenda was already brewing in the states prior to his 1980 victory. Did Reagan launch a real revolution of politics, policy, and governance? Or did he simply moderate old policies that were already operating within many American states? If evidence affirms the first question, then traditional notions of national policy change will be confirmed, leaving only the puzzle of the rate and extent of diffusion to the states. However, if (as I suspect) there is affirmative support for the second question, a new body of theory concerning the existence and operation of state-to-national policy diffusion should be developed.

This dissertation investigates the proposed domestic policy changes that comprised the “Reagan Revolution” and state enactments of that agenda. Was Reagan’s agenda essentially co-opted from state policy innovations? If so, were innovations initiated in the states more likely than other innovations to be successfully passed and implemented by Congress and the administration? In terms of the dependent variable(s), this dissertation is concerned in a broad sense with the Reagan policy agenda and how it was initiated and diffused to constitute major policy change at the national level. To that end, the study is focused on measuring policy change

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4 For tentative suggestions that the conservative policy movement in the states prior to Reagan’s administration, see Miller and Shanks (1982), Miller (1987), Kymlicka & Matthews (1988), Stimson et al. (1995).
in three areas comprising the Reagan Revolution: retrenchment in social welfare programs, movement towards less progressive taxation, and business deregulation.

In the chapters that follow, I lay out in greater detail the concepts introduced in the preceding pages, propose a research design to test the claims of my arguments against accepted and conventional wisdom, present the results of an empirical analysis, and consider the implications of using my approach to study state politics, policy diffusion, and changes in the state and programmatic development at the national level.

Chapter 2 reviews the literature that defines the conventional wisdom about major policy change in the United States. Specifically, I outline the literature that places the president at the center of U.S. policymaking; this perception owes a great deal to the modern practice of presidents governing as though they are still campaigning.

Rather than owing to presidential initiation and implementation, Chapter 3 argues that major shifts in national policy are actually products of pre-existing state policy innovations that national institutions adopt as a matter of political expediency. Specifically, I propose a new theory of policy diffusion that places emphasis on the increasingly important role that the American states play in defining the characteristics of the nation’s policy and political regimes. In laying the foundation for my theory, I review the general scholarly understanding of policy change, including models of ideological change (i.e., political realignment), institutional change, and state policy diffusion.

Chapter 4 details the empirical analyses employed to test the validity of the state-to-national theory of diffusion. The state dimensions of major policy change are established in two parts: (1) an event history analysis of trends in state policy adoption during the period from 1976 – 1988, and (2) a pooled model capturing national ideological influence on state policy
liberalism. A third model (estimated using vector autoregression with a Granger causal analysis) measures state influence on the presidential policy agenda. Taken together, these models present evidence to test claims that wholesale national policy change is not necessarily initiated at the national level, but is instead influenced by and perhaps relies on, state policy innovations that have diffused upward via presidential adoption of popular and successful state policies. Conclusions based on these findings are presented in Chapter 5.
CHAPTER 2

THE ROOTS OF THE REAGAN REVOLUTION

They called it the Reagan Revolution, and I’ll accept that, but for me it always seemed more like the Great Rediscovery: a rediscovery of our own values and our common sense (Ronald Reagan’s Farewell Address to the Nation, January 11, 1989).

Democracies do not generate revolutions (Alexis de Tocqueville, Democracy in America Book III Chapter XXI).

The Founding Fathers were relatively silent on the extent to which policymaking powers and responsibilities should be vested in the executive branch of government. Indeed, with regard to making public policy proposals, Article II of the Constitution specifies only one role for the president: “he shall from time to time give to the Congress information of the state of the union, and recommend to their consideration such measures as he shall judge necessary and expedient.” Article II contains one additional reference to the whole of the policy process: the “take care” clause, which firmly casts the president in the role of chief implementor of legislation passed by the Congress.

However, as the State of the Union address has evolved into a laundry list of presidential policy initiatives backed by serious intent (Cohen 1982), and as presidents in the post-FDR era have attempted to widen their institutional powers via a generous interpretation of the “take care” clause (Howell 2003), the image of the president as the principal policymaking force in American government has grown. Though the Founding Fathers bristled at the thought of an American monarch, their constitutional language created an executive who would be both head
of state and of government (Rossiter 1956; White 1990). In the words of Walter Dean, the result of Article II was to create a president who would be, “the pontifex maximus, a chief priest of the American civil religion” (Burnham 1989, 6). Hence the erroneous elevation of the presidency to the center of the policymaking universe was arguably inevitable.

Indeed, it is odd that so much attention should accrue to a solitary actor in a multi-institutional government with constitutional separation of powers and checks and balances. However, the presidency has become the dominant focus of American politics in the last 70 years, commanding the majority of the public’s attention and serving as a focal point for party politics. This narrow focus on the presidency as the center of the American political universe does the public a great disservice: it suggests to scholars, politicians, and citizens alike that major political and policy changes are inexorably tied to changes in the national executive. Thus, our understanding of how systematic democratic policy change occurs is misguided, and efforts to analyze and influence public policy become increasingly ineffective. Placing the development of presidential power, and the ostensible centrality of presidential politics, in its proper systemic and historical context is key to an understanding how American government really works.

**Understanding Presidential Policy Change: Was the ‘New Deal’ New?**

Most presidential scholars, including Pfiffner (1994), Neustadt (1960; 1990), Dahl (1990), Heclo (1977), and Skowrownek (1993), view Franklin Roosevelt’s four-term administration as the catalyst for the development and evolution of modern presidential politics. Elected during a period of significant national and international upheaval, Roosevelt was faced with a profound political challenge: the burden of addressing overwhelming economic and social policy problems would proffer him the opportunity to make significant political gains for himself and his political party. Roosevelt’s mark on the presidency manifested itself in both policy
innovations and the advent of modern presidential politics. The New Deal was unparalleled in its size and scope as a major shift in the structure and tenor of public policy. It centralized a significant amount of policymaking authority and administrative discretion in national institutions, and it created a vast expansion of the social safety net (Howell 2003; Neustadt 1990; Skocpol 1980; 1995; Skowronek 1993). By creating over 14 new agencies, commissions, and authorities, and well over 25 new programs, Roosevelt also significantly expanded the role of the government in citizens’ lives, and increased the governing capacity of national institutions (Skocpol 1980). At the same time, FDR perfected the art of presidential rhetoric, using emerging technological resources, national economic misery, and war-time patriotic fervor to secure his (and his party’s) popularity with the public (Kirkendall 1968; Lewis-Beck and Squire 1991).

There is little doubt that FDR altered the personal political style of those presidents who followed, and his consolidation of the New Deal electoral coalition sustained the Democratic Party for almost 50 years (Geer 1992; Jeffries 1990). However, historians and political scientists have begun to reevaluate the New Deal’s substantive impact on public policy, arguing that FDR did not bring about major national policy change, but perhaps brought existing yet limited innovations from the backburner to the forefront of the American political agenda (Fleck 2001; Geer 1992; Jeffries 1990; Kirkendall 1968; Lewis-Beck and Squire 1991; Rockefeller 1962; Skocpol 1995). New Deal policies were based largely on the overarching idea that government intervention is a correction to market failure, with an emphasis on creating economic opportunity for individuals while providing aid for those enduring difficult economic and social circumstances (Geer 1992; Skocpol 1995). Contrary to historical perception, such government intervention in American financial markets was not a New Deal innovation. Historians William Barber (1985) and Richard Kirkendall (1968) note that Herbert Hoover had implemented
administrative regulations on the financial industry that were similar to those Roosevelt formally shepherded through Congress as the Securities and Exchange Act of 1934. Additionally, many of the public works programs that constituted the core of New Deal employment relief efforts were next-generation steps in environmental conservation programs created by the Hoover administration as well as the Wilson and Taft administrations (Clements 1984; Hawley 1986).

To what degree have historians and political scientists overstated change and underestimated the degree of continuity between the Hoover administration and the New Deal? Smith and Carroll (1981) argue that the New Deal was largely a non-ideological, pragmatic response to a pressing economic and social emergency, and that New Deal policies did little to change the face of American policy because they excluded minorities, women, environmental concerns, and consumer protections from major programs. Lewis-Beck and Squire (1991) go beyond anecdotal historical evidence to conduct an empirical test of the degree of policy change from New Era policies (those established by Harding, Coolidge, and Hoover from 1923 – 1933) to the programmatic avalanche of the New Deal. Measuring eleven indicators over five dimensions of governmental activity, they find almost no substantive, statistically significant policy changes from one administration to the next. This conclusion is anathema to our understanding of American political development in the early- to mid-20th century, throwing into doubt the common understanding of the New Deal as a radical shift in American public policy. Lewis-Beck and Squire (1991) are concerned that the lack of policy change indicates an American state that is stuck in a vicious cycle of stasis; if there is no systemic policy change, then there is little need for the public to utilize the national policy feedback loop, and politicians

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5 The five dimensions of governmental activity and their indicators are: (1) stabilization – GNP growth, public construction; (2) regulation – mergers, federal trade regulations; (3) redistribution – tax burden, farm income, employee wages; (4) police power – federal prisoners, denied requests for immigration; (5) administration – government growth, centralization.
perceive no need for further policy change. Thus political responsiveness to democratic demands is slowed to a halt.

While it is critical to recognize the implications of policy continuity for democracy, it is equally important for scholars to investigate and identify the origins of policy continuity. Why might one observe such unexpected stability across outwardly disparate political administrations? Scholars have suggested three major reasons to explain the lack of major national policy change from Hoover to Roosevelt. First, presidents who serve in successive administrations face similar environmental imperatives. The same political struggles, the same policy problems, and the same group of political actors are likely to linger from year to year, so presidents face analogous conflicts during their administrations (Kirkendall 1968; Greenstein 2004; Heclo 1977). In reacting to these challenges, even presidents from opposite ends of the ideological or partisan spectrum are presented with the same set of finite policy alternatives, given the political feasibility of such alternatives in the political environment (Greenstein 2004). As a result, different presidents may be forced into choosing among identical policy alternatives, despite their ideal policy preferences.

In creating economic policies, Hoover and Roosevelt faced identical, competitive cross-pressures from interest groups and political movements that had made political inroads during the 1920s and 1930s. Regulation of the economy was a political issue made salient by both the Populist and Progressive movements. The Progressives, particularly, were key advocates of banking and securities regulation, as well as economic protections for workers and consumers (Barber 1985; Kirkendall 1968). Policy change in a democratic system is notably constrained by outside forces; when formulating economic policy, both Hoover and Roosevelt would have
had to consider the progressive political pressure building in the electorate (Smith and Carroll 1981).

A second explanation for policy continuity across presidential administrations rests with neo-institutionalist theory. Neo-institutionalism suggests that various government agencies or groups are autonomous, rational political actors. To protect their political power and resources, these agencies gather information and anticipate the demands of the national policy agenda; this information is then strategically used to lay the groundwork for future programs even before a new administration takes office (Kingdon 1995; Lindblom 1968; March and Olsen 1984). The policies of the old administration undergo incremental changes in preparation for the new administration’s programmatic demands; quantifiable changes brought about by the new chief executive are therefore negligible. Historical evidence suggests that this, too, occurred during the transition from Hoover to Roosevelt. Both the Congress and federal conservation bureaus projected Roosevelt’s shift in resource and infrastructure policy and began altering existing policies even before Hoover exited the Oval Office (Clements 1984; Kirkendall 1968).

The final explanation for the absence of major policy change across presidential administrations is the direct result of the fast-paced nature of presidential politics. Newly elected presidents enter office with a need to consolidate their electoral majority and demonstrate to other institutional actors, especially Congress, that the executive branch is not solely a reactive— but instead an energetic—political player (Greenstein 2004; Neustadt 1990; Weatherford 1992). The chief executive therefore needs a clear, concise, and politically feasible policy agenda that can be put into place immediately. Because a new president has neither the time nor the resources to craft such an agenda once in office, he must reuse and recycle existing policy proposals (Baumgartner and Jones 2002; Milward and Laird 1996). Where might a new
president look to find reasonable and popular policy alternatives? Kingdon (1995) suggests that policy proposals developed in earlier time periods can be extremely influential for politicians seeking new policy ideas. Scholars argue that Roosevelt’s New Deal agenda was modeled in part on Woodrow Wilson’s war-time domestic agenda and rhetoric, placing an emphasis on economic mobilization as a way to fight battles abroad and combat recession at home (Kirkendall 1968; Lewis-Beck and Squire 1991).

Although there is considerable evidence to suggest that the New Deal constituted a simple, yet rapid, expansion of New Era policies previously underway at the national level, many scholars and historians have suggested that FDR drew on state and local policy innovations to inform national policy change (Kirkendall 1968; Rockefeller 1962; Skocpol 1995; Fleck 2001; Teaford 2002). General perceptions of the Great Depression are that the Jeffersonian ideal of federal decentralization failed because incompetent and inefficient state governments were unable to handle the economic crisis. However, after the initial shock of the market crash, governors mobilized and instituted significant policy reforms and changes; political scientist Jon Teaford (2002) argues that state-level policy responses were both more dramatic and more timely than federal policy reforms. The Hoover administration was slow to respond to the Depression, and the Congress was focused largely on short-term relief efforts; consequently, governors began to complain that the national government was overly concerned with bureaucratic regulations, while their own state governments were more acutely aware of the suffering, and therefore more compelled to move quickly towards policy innovations (Patterson
As a result, many governors and state legislatures began Keynesian-style progressive reforms on their own.\(^6\)

As early as 1930, states began to centralize their own policy authority by assuming jurisdiction over local governments, with some states increasing their share of locally-administered anti-poverty and education programs by more than 50% in the span of a year (Patterson 1969; Teaford 2002). Other states made substantive policy changes by extending poor relief to all citizens rather than limiting such programs to only the elderly and disabled (Skocpol 1980; 1995). Additional innovations in public assistance included the creation of unemployment relief programs and the establishment of temporary or emergency aid programs, with some states going so far as to create infrastructure projects to provide jobs for their unemployed (Teaford 2002, ch. 3). State governments made especially innovative policy changes in the areas of regulatory and fiscal policy. By the time of Roosevelt’s inauguration in 1933, a majority of states had already implemented major financial reforms, including either establishing or increasing state income tax rates, placing caps on property taxes, adopting general sales taxes (almost unheard of in the United States before 1930), lifting inheritance taxes, creating legislation to allow bond issues to finance the construction of manufacturing plants, and regulating large corporations while issuing extra protections for labor unions (Patterson 1969; Teaford 2002). State policy innovation did not go unnoticed by then-presidential candidate Franklin Roosevelt; not only did he laud the states as “courageous and innovative” policy laboratories, but he also clearly stated his intention to convene a meeting with all governors in the opening weeks of his administration (Patterson 1969, 79).

\(^6\) Many states innovated across multiple policy areas. Among the most innovative states were California, Illinois, Indiana, Kansas, Michigan, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Washington, Wisconsin, and West Virginia. See Teaford (2002) and Patterson (1969) for a detailed account of these reforms.
Considerable anecdotal evidence indicates that policy changes thought to be responses to presidential leadership are actually changes wrought in response to other elements of the political environment, or perhaps reactions to the promise of a new president who has invigorated the public imagination about how institutions could serve their citizens. The degree to which Franklin Roosevelt’s New Deal represents a continuity of American public policy is significantly more interesting than the degree to which he changed the policy agenda. Indeed, policy continuity is much more remarkable in the face of ideological and partisan shifts such as the Democratic realignment of 1932. Historians and political scientists find the roots of the seemingly radical New Deal policy change – with its emphasis on progressivism and the regulatory state – in bureaucratic, interest group, and especially state venues of political action. These innovations were antecedents of FDR’s terms in office, making him not the architect of the New Deal, but the foreman who constructed a coherent national policy regime from policy innovations already implemented across issue networks and state policy subsystems. Even beyond FDR, the perception of the president as the ultimate harbinger of policy change persists; one need only look to the 1980s to confirm that Americans still believe in revolutionary leaders.

**The Reagan ‘Revolution’**

In 1980, morning dawned in America, and a revolutionary new national policy regime, one of conservatism, penultimate laissez faire ideals, and small government, was institutionalized. Or so the story goes. Cultural and political change swept the nation, and the “American way” of freedom, capitalism, and democracy raced across the globe. Optimism and individualism reigned as light from the “shining city on the hill” illuminated the pathway for Americans to journey out of the “national malaise” and into a promising future. This is the

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7 Reagan first employed this phrase, originated by John Winthrop to describe the Massachusetts Bay Colony, in a 1974 speech given to the Conservative Political Action Conference (CPAC). Transcripts housed at [www.cpac.org](http://www.cpac.org).
picture of the Reagan presidency that political scientists, elected officials, social commentators, pollsters, historians, and the media have so carefully painted over the last 25 years. A simple search of books written about Ronald Reagan and his presidency demonstrates the construction of the Reagan mystique. The titles of these books (displayed in Table 2.1) suggest a revered leader with an enormous impact on American society; roughly one out of every five books about Reagan has a title with negative connotations. Compare this to a similar search for Reagan’s predecessor, Jimmy Carter, which returns books with non-descript, ambiguous, or outright antagonistic titles.⁸

⁸ A simple search of the library catalog was conducted using both presidents’ names as keywords in the title and/or subject line. This search returned 476 results for Jimmy Carter, and 1,102 results for Ronald Reagan.
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<th>Title, Author (Year)</th>
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<td>Reversing Course: Jimmy Carter’s Foreign Policy, Domestic Politics, and the Failure of Reform</td>
<td>David Skidmore (1996)</td>
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<td>Crisis: The Last Year of the Carter Presidency</td>
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<td>Sleepwalking through History: America in the Reagan Years</td>
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<td>President Who Failed: Carter Out of Control</td>
<td>Clark Mollenhoff (1980)</td>
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<td>Into the Jaws of Politics: the Charge of the Peanut Brigade</td>
<td>Genelle Jennings (1979)</td>
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It is clear that no other president, except perhaps Franklin D. Roosevelt, has been credited with the scope and degree of radical political and policy change that has been attributed to Ronald Reagan (Brownlee and Graham 2003; Busch 2005; Miller and Shanks 1982; Smith and Carroll 1981). When Reagan left office in 1988, he enjoyed a 63% approval rating; only FDR left the presidency with a higher approval rating (White 1990). Additional polls taken at the close of the Reagan era indicated that 59% of Americans believed history would view Reagan’s presidency to be “outstanding or above average,” (White 1990, 702). Indeed, a Gallup poll taken in 2002 placed Reagan’s historical approval rating at 73%, trailing only John F. Kennedy in popularity (Newport, Jones, and Saad 2004). This extraordinarily high level of approval, when compared to the average approval rating of 53% that Reagan enjoyed during his eight year administration (Newport, Jones, and Saad 2004), suggests that the perception of Reagan’s presidency as a political revolution has grown throughout the years.

Reagan pollster Richard Wirthlin notes that individuals base their judgments of presidents on whether the policies of a particular president actually produced successful results (White 1990, 712). If this is true of survey respondents, then Reagan’s popularity and approval ratings indicate that individuals generally perceived Reagan’s policies to have some satisfactory outcomes. Despite public opinion, and exactly as they have revised their appraisal of the New Deal policy agenda as revolutionary, many scholars are reconsidering initial assessments of the Reagan presidency as constituting a major shift in American public policy (Brownlee and Graham 2003; Dahl 1990; Greenstein 1990; Kymlicka and Matthews 1988; Miller and Shanks 1982; Stockman 1986).
The Reagan Agenda

Reagan’s policy agenda is notable for its origins in the new conservative movement in American political thought, which most scholars date to the mid-to-late 1950s. As Reagan was cutting his political teeth on the governor’s office in California in the late 1960s and 1970s, Barry Goldwater, Arthur Laffer, Milton Friedman, William F. Buckley, Jr., Irving Kristol, Charles Murray, and Larry Mead were producing theories, studies, and commentaries on the ideal conservative order in economics, politics, and society (McAllister 2003; Wolfe 1988). These conservative thinkers had established a convincing following in the Republican Party, but no Republican leader had yet been elected who could – or would – apply the abstract concepts of the new conservatism to concrete policy proposals. The rise of the conservative intellectual movement had begun in large part as a reaction to increased federal power and centralization during the New Deal and the Great Society, with the right counter-mobilizing against the dominant liberal movement of the 20th century (Wolfe 1988). Ironically, Ronald Reagan tailored much of his policy agenda and political rhetoric to appeal to the same demographic groups that constituted the core of the New Deal coalition; thus the Reagan agenda had to tread the fine line between anti-New Deal neo-conservative thought and political and electoral pragmatism. A successful “Reagan Revolution”, therefore, could only be comprised of middle-of-the-road conservative positions that would engender a majority coalition (McAllister 2003).

Upscale voters and white-collar workers (traditionally Republican constituencies), and white working-class voters in both the South and the West (core New Deal Democratic voters) coalesced around Reagan’s policy agenda, which focused its neo-populist fury on “big government” instead of the usual suspects in the corporate world (Bimes 2003; Smith and Carroll 1988).

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9 For a comprehensive history of the neo-conservative intellectual movement, see Dunn and Woodard (1996).
Despite the dynamic new coalition, Reagan swept into office on a low tide: a mere 51% of the popular vote in the election of 1980. However, Reagan’s victory was a landslide in the Electoral College, where he bested Jimmy Carter by 489 votes to 49. The Electoral College margin, coupled with the fact that Reagan carried 44 states, lent credibility to Republican claims of a mandate for a massive shift toward conservative public policy. Indeed, Reagan emphasized themes of change over continuity with a broad agenda based on his inaugural assertion that, “government is not a solution to our problems; government is the problem,” (Reagan 1981).

Reagan’s substantive policy proposals reflected the anti-government tone of his rhetorical agenda. The Reagan administration focused on devolution across all policy areas, creating what scholars dubbed “The New Federalism,” (Gittell 1986; Heclo and Salamon 1981). The tenets of New Federalism included a redirection of all federal aid to state governments, reduction of federal administrative regulations, reduction or elimination of state and local reporting to national agencies, deletion of provisions for citizen participation in the formulation and adoption of programs, and a shift away from categorical grants to block grants as conduits of fiscal federalism (Gittell 1986; Golden 1982; Heclo and Salamon 1981; Miller and Shanks 1982; Smith and Carroll 1981; Stine 2003; Stockman 1986). When translated into practical policy goals, Reagan’s New Federalism included plans to decrease federal spending for domestic social programs (especially welfare and public assistance), cut taxes, and centralize and scale back the regulatory role of the national government (e.g., limiting environmental protection, tapping natural resources for energy).

Reagan spent much of his first term selling his program for economic recovery to the public. Thirty-three percent of Reagan’s major speeches during his first term were devoted to discussing broad themes of his economic plan; another 20 percent focused specifically on tax
reduction and spending cuts (King and Ragsdale 1988). The remainder of Reagan’s major speeches during his first term addressed matters of foreign policy and national defense (King and Ragsdale 1988). Not only did Reagan stick to a somewhat limited policy script focused on broad themes of economic recovery, but he also attempted to accomplish his major policy objectives with a small number of relatively comprehensive pieces of legislation. Of 16 major bills passed during 1981 through 1988, only three were scored by the ADA and ACU as having conservative ideological content (Stimson 1991). Reagan’s plan to radically change the federal tax code was passed by Congress as the Economic Recovery Tax Act of 1981 (ERTA). It included the largest tax cut in U.S. history (nearly $750 billion over five years), reducing the number of income tax brackets and slashing marginal tax rates for all brackets by 25%. The result was an effective cut in the highest income bracket from 70% to 50%, with progressively smaller decrease in the tax rate for lower brackets. The ERTA also indexed tax brackets to offset inflation, and included substantial decreases in the rates at which corporate income is taxed.

The second major encapsulation of the Reagan agenda was formally enacted via the Omnibus Reconciliation Act of 1981 (OBRA). This bill addressed the spending side of Reagan’s monetary equation, and included provisions for permanent domestic spending cuts totaling $35.2 billion. OBRA affected multiple social welfare programs, including disability and unemployment assistance, Medicaid, Medicare, Aid to Families with Dependent Children (AFDC), public housing, food stamps, student loans, impact area aid, and school lunch programs. Other discretionary spending categories slated for cuts included small business loans, sewer grants, funds for clean air and clean water, and mass transit and highway funds. The 1981 spending cuts were reaffirmed by the third piece of ideologically conservative legislation passed

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10 These figures exclude Reagan’s inaugural address and the State of the Union addresses for each year of his first term in office.
during the Reagan era: the Gramm-Rudman-Hollings Anti-Deficit Act of 1985. Gramm-
Rudman was a budget deficit reduction measure that provided for automatic spending cuts to be
implemented if the president and Congress failed to reach established budgetary targets.

**Impact of the Reagan Agenda: Policy Outcomes**

If presidential success is judged partially on ability of the chief executive to push his
legislative agenda through the Congress, then the passage of the ERTA and OBRA in 1981
appeared to be significant victories for Reagan’s administration. Scholars claimed that no other
president since FDR had so easily enacted such massive policy changes during his first year in
office (Kraft and Vig 1984; Miller and Shanks 1982). However, retrospective evaluations of
Reagan’s early legislative victories indicate that ERTA and OBRA constituted less of a policy
revolution than a temporary blip on the policy radar, suggesting that legislative success does not
inevitably engender significant policy change (Davies 2003; Gottschalk 1988; Kraft and Vig
1984; Kymlicka and Matthews 1988; Miller and Shanks 1982; Weaver 1988; White 1990). With
the exception of the two bills passed in 1981, all of Reagan’s budgetary proposals during his
administration were non-starters on Capitol Hill (White 1990). Reagan’s marginal impact on the
wider policymaking process is also reflected in his Congressional Quarterly presidential
boxscore.11 Reagan’s success in the House of Representatives dropped by 14% from 1981 to
1986; his score in the Senate decreased by 8% during the same period, despite Republican
control of that chamber. Indeed, within each area of the Reagan agenda (retrenchment, tax
reform, and regulatory reform), evidence suggests that initial indications of major changes in
policy outputs were mitigated by practical policy outcomes.

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11 Since 1975, the CQ Presidential Box Score has been a dichotomous measure indicating victory or defeat of
presidential vote positions taken on legislation before the Congress.
**Retrenchment.** While the sheer size of budgetary cuts contained in OBRA appeared to constitute a significant reduction in the welfare state, they resulted in only slight modifications to the New Deal and Great Society programs. Entitlement programs were left almost completely intact, while non-entitlement discretionary domestic spending only declined by 20% (Smith and Carroll 1981, 761). In fact, Reagan’s spending cuts were not revolutionary at all; they were almost identical to those proposed by Nixon and Ford, and not at all dissimilar to those proposed by Carter (Smith and Carroll 1981; Weaver 1988). Each of the Carter administration’s economic proposals was countercyclical, endorsing spending decreases during times of economic growth and increases during recessionary periods (Nathan and Doolittle 1987). Carter’s economic policy was based on the goal of zero growth in the federal budget and incremental decreases in domestic spending; his proposals made cuts to entitlement programs and state and local government operating grants for programs from education to airports, energy conservation to child nutrition (Nathan and Doolittle 1987).

Absent the comparison across presidential budgetary proposals, the scope of OBRA’s practical impact was limited by Congress. One-third of the OBRA cuts were never implemented, having been offset by legislation passed in the years following the bill’s passage (Steurle 1999). Despite the fact that Reagan’s retrenchment agenda never came to substantive fruition, proponents of a strong welfare state feared the outcomes of OBRA. The temporary effects of OBRA resulted in a 16% decline in spending for AFDC and an 18% decrease for food stamps; without the subsequent congressional offsets, these cuts would have nearly tripled by the time Reagan left office (Davies 2003). However, by the time Reagan was re-elected in 1984, welfare

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12 Funding for many domestic policy areas was restored post-OBRA. The off-setting legislation included bills such as the Transportation Assistance Act of 1981, an anti-recession jobs measure passed in 1983, expansion of Superfund in 1986, and the Housing and Community Development Act of 1987.
spending had dramatically increased to levels higher than those of 1980, even when accounting for inflation (Miller 1987).

The lack of a revolutionary retrenchment becomes clear when comparing Reagan’s welfare policies to those established by his predecessor. The explosive growth in welfare spending that Reagan described in his speeches had already been slowed and rolled back by the Carter administration. The largest increases in welfare spending occurred between the years of 1965 and 1976; these increases were due largely to demographic changes, the mild recession during the early 1970s, and the establishment of Medicaid and Medicare in 1965 (Weaver 1988). However, Carter arrested this growth and actually cut spending on individuals from approximately 10.2% to 9% of gross national product (Nathan and Doolittle 1987; Weaver 1988). The net effect of Reagan’s “retrenchment” was to increase spending on individuals from 9% to a peak of nearly 12% in 1983 (Weaver 1988). Overall, substantive policy changes during the Reagan administration were made at the margins of the New Deal and the Great Society. Slight changes were made to Social Security in 1983, including a delay in yearly cost-of-living-adjustments (COLAs) and an increase in the retirement age, and Reagan replaced Carter’s focus on AFDC work incentives with statutory work requirements (Gottschalk 1988; Weaver 1988). The substantive content and structure of other programs, including Supplemental Security Income, Medicare, and Medicaid, were left untouched (Weaver 1988).

**Tax reform.** The ERTA of 1981 reflected the theoretical influence of supply-side economists on Reagan and his policy team; its content was also influenced by a growing anti-tax political movement in several states. During the late 1960s and into the 1970s, property and income tax rates had increased for all income categories (Brownlee and Steurle 2003). Several states experienced “tax revolts” in which citizens attempted to use the state initiative process to
roll back taxes and alleviate the effects of stagflation on personal income. The most notable of these tax revolts occurred in Reagan’s home state of California; the passage of Proposition 13 in 1978 placed severe limits on state and local property tax rates. Reagan and his economic policy advisors realized that inflation and bracket creep were driving state tax revolts and claimed that the provisions of the ERTA would solve the inflation problem (Stockman 1986).

Policy outcomes attributed to the ERTA were mixed. Supporters of the supply-side plan claimed that every dollar that individuals saved would be put back into the economy via capital formation and economic growth; the tax cut would theoretically create incentives for individuals to work more hours, produce more capital, and invest more of their income (Lindsay 1990). There is some empirical evidence to support this conclusion: real GDP grew at a rate of 4.8% per year from 1983 to 1986, compared to a yearly growth rate of .9% between 1978 and 1982 (Lindsay 1990). Critics of the Reagan tax cuts, however, were quick to point out that the ERTA sacrificed equity for growth. Effective taxes on the two lowest quintiles of income increased, despite decreases in the tax rate, and poverty rates rose from to 11.2% in 1979 to 15.4% in 1983 (Gottschalk 1988). The most substantial criticisms of the ERTA involve the impact of Reagan’s tax policy on the budget deficit, which rose from $74 billion (.7% of GDP) in 1980 to $221 billion (4.8% of GDP) in 1986 (CBO 1988).

Despite the publicity surrounding “Reaganomics” and the power that the promise of a tax cut has on the public imagination, Reagan’s tax agenda was, like his efforts at retrenchment, less than revolutionary. Both Nixon and Carter had previously proposed plans to index income taxes to inflation, but both proposals were roundly drubbed by conservative critics (Rockman 1988). Additionally, the decrease in marginal tax rates for lower-income individuals (and the subsequent increase in effective taxes paid due to inflation) was a simple acceleration of a trend
that began during the Nixon administration and was continued by Carter-era policies (Gottschalk 1988). Finally, much of the Reaganomics “revolution” was curtailed by Reagan’s own policy team and his fellow Republican senators. Policy advisors in the Reagan administration quickly realized that the tax cuts implemented by the ERTA were excessive and worked with Senator Bob Dole to repeal much of the “revolutionary” tax bill via the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. The TEFRA restored two-thirds of the ERTA’s corporate income tax reduction, closed corporate and individual loopholes, and raised individual income taxes by approximately 10% (CBO 1983; Stockman 1986).

Spectators on the inside and outside of the Reagan administration note that Reagan never seriously intended to initiate fundamental reform of the tax system; indeed, he was careful to oppose more radical policy proposals that were relatively popular with the electorate, including a flat tax, changes in tax expenditures, and the closing of loopholes to broaden the tax base without raising rates (Brownlee and Steurle 2003; Stockman 1986). Reagan also made it clear that he was unconcerned with budget deficits created due to the loss in revenue, acquiescing to the TEFRA only because his policy advisors urged him to do so (Smith and Carroll 1981; Stockman 1986). The major goal of his economic policy was to exploit political support for tax cuts so that he could build political capital and move on to other policy initiatives, particularly the Strategic Defense Initiative (Brownlee and Steurle 2003; Stockman 1986).

**Regulatory Reform.** The approach to economic growth that influenced Reagan’s retrenchment and tax reform efforts also informed his agenda on regulatory policy. In order to relieve regulatory tension on businesses and stimulate capital investment, Reagan and his policy advisors implemented limits on environmental protection and lifted regulations on both the development of natural resources and corporate investment. Prior to the Reagan administration,
significant bipartisan consensus existed on both increases in regulation and an emphasis on environmental conservation; much of this consensus was formed due to the strength of the environmental lobby and strong currents of conservationism in public opinion (Stine 2003). In fact, the achievements of the environmental lobby during the 1970s resulted in business groups launching opposition to environmental regulations in the 1980s. This opposition gained formal policymaking power when Reagan appointed high-level industrial executives and anti-conservation lobbyists to positions in federal environmental agencies, boards, and commissions (Ringquist 1993).

Despite this consensus, Reagan’s focus was almost entirely on reducing industrial regulation and deleting statutory provisions that allowed for citizen or interest group review in the formulation and adoption of environmental policy (Gittell 1986; Stine 2003). To accomplish regulatory reform, Reagan employed the administrative presidency approach favored by Richard Nixon, bypassing review or participation by the Congress, public interest groups, and citizens (Gittell 1986; Smith and Carroll 1981; Ringquist 1993). Reagan ended oil price controls just eight days after assuming office (Busch 2005). Within the first month of his administration, Reagan issued Executive Order 12291, effectively centralizing rulemaking oversight in the White House itself. This presidential directive accomplished two goals. First, it required agencies to prove that the benefits of any new rule would outweigh the costs. Second, it allowed the administration to delay rulemaking by requiring OMB review and approval of the regulation before publication of the rule. The results were significant: from 1981 to 1988, the percent of regulations returned, changed or withdrawn due to OMB review grew by 23% at the Department of Energy, 25% for the Department of Commerce, 30% for the Environmental Protection Agency, and 43% at the Department of Labor (Durant 1992; Weidenbaum 1997). Reagan’s slash
and burn approach to administrative regulations was also evident in the cuts he made to regulatory agencies. The Departments of Energy, Commerce, Labor, along with the Environmental Protection Agency, averaged a 16% decline in full time equivalent employees from 1980 to 1985 (Weidenbaum 1997).

Despite the appearance of a major regulatory policy coup, Reagan’s approach to regulatory reform differed little from that of the Ford and Carter administrations. Deregulation of both the oil and gas industries was set in motion before Reagan took office; the Carter administration began the process in hopes that the industry would produce more energy within limits set by individual states (Smith and Carroll 1981). Both Ford and Carter issued executive orders requiring an executive-level Regulatory Analysis Review Group to evaluate all proposed regulations prior to publication in the *Federal Register*; Carter even elevated this group to cabinet-level status (Weidenbaum 1997). The Ford and Carter administrations also attempted to place a mandatory cost-benefit analysis requirement on federal agencies, just as Reagan did with Executive Order 12291, but Congress refused to accept such a statutory burden for federal agencies (Weidenbaum 1997). As a result, Carter established the Office of Information and Regulatory Affairs (OIRA), the very office that Reagan would later expand and use to implement his supposed radical agenda for regulatory reform (Rockman 1988). Just as they had backtracked on retrenchment and tax reform, the Reagan administration began to deemphasize regulatory reform as early as 1984. Pressure from environmental groups, state deviation from Reagan environmental policy, a growing budget deficit, and a weakening of the pro-regulatory reform lobby forced a policy retreat and a return to pre-Reagan conservation policies (Ringquist 1993; Stine 2003).
In reviewing policy analyses of the Reagan administration’s accomplishments, Kymlicka and Matthews (1988) conclude that Reagan both failed to bring about a great upheaval in public policy and presented the American public with an erstwhile policy agenda that represented a mere acceleration of Carter-era policy currents. The reductions in social welfare spending, changes in the tax code, and reforms to regulatory policy that made up the bulk of the Reagan Revolution all had their roots in policies proposed and/or implemented by Reagan’s three immediate predecessors: Nixon, Ford, and Carter. Therefore, Reagan’s impact on public policy was not as substantive as his rhetoric suggested, and the few policy changes that differed substantially from previous policy regimes were temporary or quickly reversed (Rockman 1988; Weaver 1988). Additionally, there is debate as to whether Reagan’s presidency ushered in a shift to national conservatism. Reagan’s coattails were not long enough to sustain a Republican majority in the Senate; Miller (1987) points to empirical evidence suggesting that the electorate drifted left between 1980 and 1984. Pierson (1994) notes that Reagan may actually have served to push political elites of both parties toward a middle-of-the-road policy agenda. Yet the specter of a Reagan Revolution in politics and public policy lingers in the American consciousness.

**Building the Myth of Presidential Dominance**

The growth in perception of the presidency as the center of policymaking has its roots in both the structural and rhetorical evolution of American politics. In arguing that presidential elections do not convey mandates for the new chief executive to implement wholesale policy changes, Dahl (1990) constructs a parsimonious yet elegant explanation for the overstatement of presidential policy power. The “myth of the presidential mandate” (Dahl 1990) rests on three developments in American politics: the democratization of the presidency, the need to solve the
coordination problem in a large and complex government, and national acquiescence to rhetorical leadership.

**Democratization of the Presidency**

The president is unique among elected officials because he is the only representative elected by a national constituency. While this naturally places the president in an incomparable position of public recognition, Dahl (1990), Schlesinger (1973), and Lowi (1985) lament what they describe as the accompanying “democratization” of the American presidency, or the perception that a sole individual receives a permissive mandate from the voters to enact not only policies for which he campaigned, but also those that seem to comport with the general ideological tone of the candidate’s messages (Heclo 1981). The Founding Fathers arguably did not intend policy change to occur via elections; they feared that the public’s policy preferences would lack the foresight needed to anticipate policy consequences (Ceasar 1979; Dahl 1990; Schlesinger 1973). However, the idea of an electoral mandate for the president is not a development of the modern presidency. Claims of a presidential policy mandate can be traced back to Jacksonian origins; Jackson’s used his opposition to the Bank of the United States as his major platform issue in 1832 – nearly seven months after he had originally vetoed the Bank, proving that a president could win an election based largely on a policy already in place without proposing any new policy innovation. Presidents from Polk to Wilson, and Kennedy to Reagan, followed Jackson’s interpretation of the theory of electoral mandate, assuming that election by a national constituency constitutes a blank check for policy changes (Ceasar 1979; Dahl 1990).

Heclo (1981) comments on other political developments that have accelerated the democratization of the presidency. The modern era has seen changes not only in the presidency, but also in the general nature of partisan politics in the national system. The public is closely
divided in its partisan and policy preferences, and a large percentage of citizens seem to be single-issue voters (Heclo 1981; Miller and Shanks 1981). This, coupled with a closely divided Congress and a political system in which partisanship has declining significance for citizens (Carmines, McIver, and Stimson 1987; Heclo 1981), produces a situation in which presidents must build their own political parties by crafting a coalition out of Democrats, Republicans, and independents. This “rampant pluralism” (Heclo 1981, 9) adds to the plebiscitary nature of presidential politics, lending credibility to the myth of the president as the central figure in the political system.

Democratization of the presidency furthers the myth of presidential mandate by assuming that a majority of voters prefers a candidate because they prefer his policy proposals (Dahl 1990; Heclo 1981; Howell 2003). Yet, scholarly work investigating the nature of public opinion and its influences on electoral politics casts doubt on this assumption. Miller and Shanks (1982) and Dahl (1990) note that there is only a modest functional relationship among partisan identification, ideological location, and policy preferences. Therefore, a voter’s choice of presidential candidate does not inevitably reflect a desire for that candidate to shift the policy regime towards a particular end of the ideological spectrum; instead, voters may be casting votes against a candidate’s opponent(s), for or against a single policy issue, or for more abstract reasons such as dissatisfaction with the current political climate (Ceasar 1979; Kernell 1993; MacKuen, Erikson, and Stimson 1989; 1996; Miller and Shanks 1982; Monroe 1998; Page 1994; Page and Shapiro 1993; Stimson 1991). The illusion of the modern presidency, as Heclo (1981) describes it, is that a perceived electoral mandate is license for a president to be wholly in charge of the policymaking process, that the president is actually “leading a followership” (Heclo 1981, 1) and fulfilling their policy preferences.
The Need for Coordination in Government

The second reason for the perpetuation of the belief that the president is the linchpin of policy change rests with the complexity of modern government and policymakers. Citizens seeking information about, or access to, policymaking institutions find the Congress to be “a disintegrate mass of jarring elements,” (Wilson 1885, 181) controlled by special interests and elite political players who have little patience for the preferences of average citizens (Dahl 1990). In contrast, the president is the star of his own branch of government, who need not worry about getting lost in a crowd of fellow legislators. Heclo and Salamon (1981) concede that the growth and increased complexity of government requires a manager with significant authority who is able to coordinate disparate interests pursuing a myriad of policy objectives; the president, with his national constituency and a bureaucracy at his fingertips, is uniquely situated in the pursuit of policy implementation. However, scholars are careful to point out that these unique presidential and institutional resources are not analogous to a “mandate” to govern (Dahl 1990; Heclo and Salamon 1981).

Significant empirical and anecdotal evidence indicates strongly that presidential power has in fact increased over time. Ragsdale and Theis (1997) chart the evolution of the executive branch as an organization, arguing that the presidency went through a process of institutionalization that reached its zenith in the 1970s, when the presidency emerged as an autonomous, flexible, and complex institution able to function independently from other formal and informal political institutions. The institution of the presidency has clearly expanded significantly in the modern era, with the creation of the Executive Office of the President (1939), the rise of the Office of Management and Budget, and the addition of six cabinet-level agencies between 1933 and 1992 (Ragsdale and Theis 1997). During the same time period, executive
office staff grew fourteen times over, and total executive office expenditures grew in constant
dollars from a mere $50,000 in 1933 to more than $4.5 million by 1992 (Ragsdale and Theis
1997, 1297).

In addition to the sheer size of their executive organizations, individual presidents have
put their own mark on the presidency. FDR’s larger-than-life presidency expanded public
expectations that the president would not only be a great personality, but also a great
policymaker. Subsequent presidents have attempted to live up to the standard set by the
Roosevelt presidency by developing their own personal political style and their own
constitutional justifications for the expansion of the power vested in the institution of the
presidency (Greenstein 2000; Howell 2003). Presidents have used constitutional and statutory
interpretation to justify the increase in executive orders, executive agreements, executive
memoranda, and national security directives, none of which are constitutionally prescribed
policy tools (Howell 2003).

The theory of direct presidential action holds that the “personal presidency,” explicited
by Neustadt (1960; 1990), Barber (1972), and Greenstein (2000), is less important than how
individual presidents have shaped the institutional presidency to increase their own policymaking
power (Howell 2003). The idea of direct presidential action adds a comprehensive twist to the
administrative presidency paradigm, created specifically to describe Richard Nixon’s political
strategy and governing style (Durant 1992; Nathan 1983). The administrative presidency, as
described by Nathan (1983), is characterized by the reorganization of executive agencies,
strengthened or weakened enforcement of existing administrative regulations, and the
appointment of political loyalists to key bureaucratic positions. Ronald Reagan mastered this
strategy in an effort to gain control of the bureaucratic and regulatory processes of government
Advantages of this style of governing are clear; from the executive’s perspective, it is easier and more efficient to make administrative changes than to shepherd legislation through Congress, and administrative changes made by the president are not easily reversed by competing branches of government (Nathan 1983).

The expansion in the presidency as an institution arguably outstripped the increase in legislative power and institutionalization during the last half of the 20th century. But why look specifically to the president to provide coordination in the political system, especially in the modern era of closely divided party control and frequent divided government? Heclo (1981), Skowrownek (1993), and Howell (2003) all note that Congress cannot succeed at system-wide coordination because of the structural specialization and division of labor (i.e., the jurisdictional committee system) that they have chosen as an internal organizing tool. Moreover, public confidence in the institution of the presidency to coordinate and simplify modern public policy outstrips public trust in Congress (Heclo 1981; Stimson 1991). The Congress seems to accept this fact with little concern; over time, Congress has given the president more budgetary power and legislative clearance as a way to speed committee work. Indeed, the Congress may rely on the public perception of the president as a central, powerful, and active policymaker so that members can shift the blame for unpopular policy decisions (Howell 2003).

The Rhetorical Presidency

Along with the development of the plebiscitary presidency, the idea of a “personal presidency,” and the need for a central figure to structure a massive national government, scholars have suggested that the president’s job is largely one of leadership, coordination, negotiation, bargaining, and compromise (Heclo 1981; Neustadt 1990; Skowrownek 1993). If presidential power is truly the power of persuasion, as Neustadt argues, then the president’s chief
responsibility is to, “elicit leadership from other institutions of self-government and help to make that leadership effective,” (Heclo and Salamon 1981, 2). This job description does not imply that the president has great policymaking power, nor does it suggest that changes in the presidency lead inevitably to major shifts in public policy. However, because the president uses the public forum as a tool to bargain with other actors in the policy process, it appears that he is central to the policymaking process.

The final source of the “illusion of presidential government” (Heclo and Salamon 1981) is the dominance of the rhetorical presidency (Dahl 1990; Tulis 1987). The modern presidency is marked by the ability of the executive to address the public directly rather than through Congress or bureaucratic agencies. Would the New Deal have seemed quite so radical, and the problems it was created to solve quite so dire, if President Roosevelt had not joined Americans by the “fireside” to reassure them of his leadership? But while Roosevelt addressed the public with broad, general principles of American democracy and culture, rather than specific policy details, the evolution of the media as a daily, pervasive presence in American life has encouraged politicians to use the media more strategically.

In many ways, Reagan appears to be the true heir of Franklin Roosevelt’s approach to the presidency; both men ignited revolutions of rhetoric rather than a coup d'état in public policy. Reagan’s impact on American politics does not appear to be in policy, but in the use of rhetoric to manipulate political and electoral outcomes. As one political scientist describes it, “Through his masterful portrayal of the chief of state role, Reagan was able to do what others could not: immerse the presidency in the mythology of the country” (White 1990, 715). Heclo (2003) describes Reagan as a strict constructionist whose policy agenda spoke to broad themes of American political history; this allowed Reagan to form a coherent policy program, even if that
program lacked substance and originality. Reagan did not need his own policy agenda precisely because he presented himself as a visionary of American ideals: courage, freedom, individuality, and Horatio Alger. Such rhetorical myth-making ensures political success regardless of substance (White 1990). To appear revolutionary, Reagan merely needed to function as a salesman, avoiding political controversies and running the country via the administrative apparatus, while appearing to the public as strong, successful, positive, and in control of the national government (Greenstein 1990).

Presidents now regularly speak directly to the public about specific policy issues as though they were constantly campaigning for office, a phenomenon known as “governing as campaigning,” (Campbell 2000; Edwards 2000; Tenpas 2004). Direct appeals for policy support to citizens accomplish two goals. First, “going public” (Kernell 1993) lends credibility to the arguably inaccurate impression that the executive is a solitary policy authority because of his national constituency. Second, a president who appeals directly to the public paints legislators into the proverbial corner; by gaining public support for his own policy preferences, the president places individual congressmen into the position of publicly opposing those preferences (Dahl 1990; Heclo 1981; Kernell 1993). The first-mover advantage is magnified for the president because he is able to single-handedly change the political landscape without the necessity of forming coalitions, gaining support from other legislators, or consulting the party leadership (Baron 1991; 1996; Howell 2003; McKelvey 1976). Citizens interpret the absence of negotiation, bargaining, and compromise as an indication that the president is the central policymaking authority. The trouble with going public is that the majority of such presidential appeals are rhetorical in nature, lacking both substantive content and genuine intent (Brace and Hinckley 1993; Kernell 1993; Tulis 1987). Presidents use this strategy for the purposes of
agenda control, not policy innovation. Indeed, the presidency itself is hemmed in by multiple constraints that prevent the president from engendering policy change.

**Debunking the Myth: Why Presidents Can’t Be Revolutionaries**

Despite the democratization of the presidency and the stability that strong presidential personalities lend to a complex system of government, presidents face significant constraints that prevent them from making significant, lasting changes to national policy. Paul Light (1999) argues that the general division between those scholars who study the presidency from an institutional perspective and those who focus on leadership studies produces a misunderstanding of how the president fits in to the national policymaking picture. Specifically, Light notes that any president, regardless of his leadership skill, is subject to a number of cross-pressures that do not allow him to make significant changes to policy; the president must often choose between long-term policy changes and short-term political survival. Many of these cross-pressures are the product of the institutional arrangements that facilitate democracy in the U.S.: separation of powers, checks and balances, citizen participation, and federalism (Neustadt 1990; Light 1999).

**Institutional Competition**

First and foremost, presidential impact on policy change is limited by separation of powers and checks and balances. Institutions are natural competitors; the actors that occupy them seek power and influence over systemic decision-making processes (Gais and Fossett 2005). Presidents, in particular, face public expectations for strong executive leadership despite the presence of a constitutionally-dominant legislative branch of government (Neustadt 1960). As a result, a president who seeks to make major policy changes often overreaches; having necessarily sold the myth of an electoral mandate to the public, he must also convince Congress,
the rest of the executive branch, and perhaps even the courts that the public prefers his policy agenda. Despite the fact that Ronald Reagan won only 50.9% of the popular vote in an election that saw congressional Democratic candidates winning approximately the same percentage of popular vote, he claimed a mandate for significant conservative policy change (Dahl 1990). Yet, the initial Reagan agenda assumed that congressmen, bureaucrats, and governors were less representative of the public’s policy preferences than was Reagan himself (Kymlicka and Matthews 1988). For example, the passage of both OBRA and ERTA kicked off a policy feedback loop that produced negative public reactions to Reagan’s retrenchment and tax reform efforts; as a result, Republican congressmen began to distance themselves from Reagan’s “moral meanness” (Pierson 1994, 324). Thus, after 1982, Reagan was forced to retreat from his economic recovery program because institutional and public opposition was simply too strong, and Congress dismantled much of OBRA and ERTA. This shift in strategy marked the ascendancy of pragmatists in the Reagan administration, which Stockman characterizes as the “triumph of politics” over the Reagan administration’s ideas about “good governance” (Miller 1987; Stockman 1986).

Public Opinion

Even the greatest political communicators cannot permanently control the policy agenda via the use of rhetoric. There must be concrete support for the president’s policy agenda if it is to be implemented and institutionalized as real policy change. Although Reagan’s victory in the electoral college suggested a mandate for public policy, Dahl (1990), Miller (1987), and Miller and Shanks (1982) point out that only very sophisticated voters cast votes based on both their policy and ideological preferences; less sophisticated voters vote their partisanship, but not their ideological or policy preferences. The greatest proportion of Republican gains in the election of
1980 were made up of segments of the electorate that were the least attuned to ideology and policy differences between the parties; thus the majority of voters that handed Reagan his victory chose him based on evaluations of his personality, not his policy agenda. As Miller and Shanks characterize the 1980 election, “there were only indirect connections between statements of policy preferences and statements of preferences for candidates taking preferred positions on the same policies” (1982, 324). Indeed, empirical evidence suggests that preferences for policy change in 1980 were not powerful predictors of voting decisions when compared to retrospective evaluations of the Carter administration and prospective evaluations of a Reagan administration (Miller 1987; Miller and Shanks 1982).

Miller and Shanks (1982) conclude that Reagan became president because of a plurality of preferences for policy change in a conservative direction, particularly on issues of increased spending for defense, rejection of government responsibility for maintaining a public standard of living, disapproval of assistance to minorities, and a decrease in overall government spending. They also point out that these conservative preferences existed in the public domain well before Reagan’s election. Indeed, the general preference for smaller government that made Reagan and conservatism so attractive to the public was a populist revolt, not an ideological one (Lipset and Schneider 1987). While there was an ideological shift in the presidency, there was no parallel conservative shift in the ideological or policy preferences of the electorate; a slight shift right had already taken place before Reagan’s election (Gottschalk 1988). Instead, Reagan’s victory reflected a simple populist reaction against big government, and Reagan’s conservative agenda overestimated the strength of conservative preferences in the public.

Finally, it is possible that the inherent nature, but not necessarily the direction, of public evaluations of the president limit the executive to an empty rhetorical policy agenda. Some
scholars have suggested that the American public does not expect realism and pragmatic governance from the president; they look elsewhere for substantive policy change (Kymlicka and Matthews 1988; Peterson 1995; Light 1999). This assertion elegantly explains the overwhelming legend of both Roosevelt and Reagan despite evidence that their policy changes were not innovative or revolutionary. It may also explain how Reagan defeated Carter even though the general partisan and ideological environment favored Carter’s re-election. Carter’s insistence on telling Americans bad news, which effectively injected the harsh realism of national economic crisis into the public consciousness, alienated voters who expect the president to be a national cheerleader rather than a policy expert; Reagan’s optimism attracted citizens, no policy questions asked (Kymlicka and Matthews 1988; Miller 1987). Thus, public opinion does not only constrain the president’s ability to make policy changes, but it also places expectations for policy change on other actors in the federal system, further limiting the president from introducing a policy revolution.

**Federalism**

The final element of American government that constrains the possibility of presidential policy revolution is the structural impact of federalism on policymaking. Reagan’s agenda, in particular, focused on the decentralization of federal policymaking power for the sake of reductions in federal spending. Power does not exist in a vacuum, however; the power to make policy changes depends on those political units that receive devolved powers. In a democratic republic, devolved responsibility falls on the states. By the very structure of American government, states would theoretically have to follow through on Reagan’s plans for retrenchment, tax reform, and deregulation if these policies were to become institutionalized as a national policy regime. For example, welfare retrenchment would ultimately have to be
accomplished at the state level because states were responsible for setting benefit levels for both public assistance (chiefly AFDC) and means-tested health care entitlements such as Medicaid (McAllister 2003). States also had the ability to set their own environmental regulations, which would either aid or hinder Reagan’s business deregulation agenda, depending on state preferences (Ringquist 1993). Even the tax reform portion of Reagan’s overall economic recovery plan, though focused on the national income tax, was partially dependent on state tax legislation. While state tax revolts of the 1970s arguably influenced Reagan’s own tax agenda, the slashing of federal aid for social welfare forced many states to compensate by maximizing their own tax revenue via increases in state income taxes, sales taxes, and/or property taxes (Brownlee and Steurle 2003; Gottschalk 1988). The result was a net tax increase for the majority of American families (Gottschalk 1988).

In a federal system, policy must be implemented across multiple levels of government. Realistically, the Reagan administration could not follow through on the rhetoric of government reduction because individual states would not cooperate in the way that the national government had hoped (Smith and Carroll 1981). Why might states resist Reagan’s widespread policy changes, especially when government decentralization (the central theme of the Reagan revolution) favors an increase in state power? Some scholars have suggested that states had already made the conservative policy changes that comprised Reagan’s agenda (Davies 2003; Holcomb 1986; Miller 1987; Miller and Shanks 1982); thus, any further movement to the right would push state policy past the equilibrium ideological and policy preferences of the public. State political leaders were both politically unwilling and financially unable to extend their own conservative policy innovations to encompass Reagan’s additional cuts. Reagan’s attempt at massive overhaul of the economy was simply too much for states to handle (Stockman 1986).
As a result, both policy advocacy groups and states were counter-mobilized, moving policy back toward the center in order to achieve ideological balance with public opinion (Erikson, Wright, and McIver 1993; Holcomb 1986, MacKuen, Erikson, and Stimson 1991; Miller and Shanks 1982; Stimson 1991).

**Conclusion**

Franklin Roosevelt built the New Deal from policies that had previously been proposed and/or enacted by other actors in national politics (especially the states) and he enjoyed little legislative success after 1935 (Heclo 1981; Jeffries 1990; Kirkendall 1968). Ronald Reagan constructed his revolution from existing conservative sentiment and policy innovations already in place at the state level (Dahl 1990; Miller 1987; Miller and Shanks 1982), and many of his policy achievements were dismantled by the states and the U.S. Congress. Yet the illusion of FDR and Reagan as tremendously powerful and innovative policymakers remains intact. How? Scholars point out that both men were gifted political strategists who crafted an illusive reconstruction of American policy via political technique, effectively marrying policy to political style rather than regarding political technique as an abstract concept (Heclo 1981; Skowrownek 1993). This theory suggests that the president does not initiate major policy changes, but may facilitate the nationalization or institutionalization of policy changes initiated elsewhere.

Roosevelt and Reagan used policy and politics as a singular action for a singular purpose: dissolving the distinction between style and substance. Skowrownek (1993) points out that FDR was actually defeated on his agenda multiple times because of a growing American plurality of interests, but he was branded a great transformative leader because of his artfully disciplined policy and party rhetoric. Lipset and Schneider (1987) argue that Reagan was simply in the right place at the right time and capitalized on a populist revolt against big government that produced
a mirage of support for conservative policy change. However, the real impact of these men on the American political system cannot be measured in either substantive policy change or major changes in the institutional presidency despite the myth of the New Deal and the Reagan Revolution; instead, Roosevelt and Reagan transformed our expectations about the style and characteristics of American presidents.

Yet, major substantive changes to public policy do clearly occur in the United States: new programs are created, old ones are revised and restructured or eliminated. Presidents tout policy reform, and regularly go out into the nation to champion their policy agendas. Because reality transcends mythology, these policy changes cannot simply spring from the forehead of national political leaders. If the appearance of policy change initiated by the president is simply a myth, then what is the reality?
CHAPTER 3
MODELS OF PUBLIC POLICYMAKING

We can count on the calendar producing a presidential election every four years, and with it, needs on both sides and by all prospective candidates for policies and programs; this is one reason that leaders routinely search for policy alternatives. Prospective candidates search for issues with which they can become identified, for themes that will resonate with national constituencies. These themes provide a means for quick and favorable identification with electorates that can help candidates realize their ambitions...Presidents who wish to differentiate themselves from their predecessors and who want to make an individual mark on history – as nearly all do – provide a steady market for policy innovations (Polsby 1984, 161).

There are many men now living who were in the habit of using the age-old expression: 'It is as impossible as flying.' The discoveries in physical science, the triumphs in invention, attest the value of the process of trial and error. In large measure, these advances have been due to experimentation. In those fields experimentation has, for two centuries, been not only free but encouraged...It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country (Justice Brandeis, dissenting opinion, New State Ice Co. v. Liebmann, 285 U.S. 262 (1932)).

Political science is replete with theories of policy formation; the presence of so many competing ideas about how and why policy changes occur suggests the importance of the subject. Indeed, some of the classic texts in the field of political science have explored the processes of policy formation. David Truman (1951), Robert Dahl (1961), and Hugh Heclo (1978) defined the pluralist or group theory perspective on policy change; David Easton’s (1953) systems theory, along with theories of elite policymaking forwarded by Harold Laswell (1936), Thomas Dye (1966) and Theodore Lowi (1979), have competed for scholarly dominance. The
most recent scholarship on policy formation and change has been dominated by structuralists such as Charles Lindblom (1980) and John Kingdon (1984), and by scholars of the new institutionalism and political development, including Theda Skocpol (1992; 1995), Stephen Skowronek (1982) and Frank Baumgartner and Bryan Jones (1993, 2002). Why would so many distinguished political scientists dedicate so much thought to policy formation and change? Simply put, a thorough understanding of how and why changes are made to public policy is critical to evaluating the health of – and diagnosing problems with – American democracy. The degree to which demands made by the public are incorporated into public policymaking and governmental priorities defines the very nature of democratic responsiveness and policy control. Thus policy formation and change is the linchpin in a vast and complex democratic system. Generally, studies investigating policy formation and change can be classified into three broad categories: (1) studies that attribute policy change to national shifts in politics, partisanship, and ideology, (2) studies that describe policy change as the product of policy evolution during administrative implementation, and (3) studies that examine policy change at the sub-national level as the result of regional and state differences, as well as competitive pressures among states.

Policy Change and Formation in National Institutions

The majority of studies on policy change rest on either a tacit or explicit assumption that policy changes are a national event. From this perspective, all major policy changes are catalyzed, processed, and formalized via national events, national elections, and national institutions (primarily the three branches of national government). Therefore, policy change is viewed as the defining element of a particular political era, and may be associated with a universal shift in partisanship and ideology, institutional structure, and/or public opinion.
The Role of Partisan and Ideological Realignment

Theories of partisan and ideological realignment treat policy formation and change as the by-product of a larger systemic process. While the realignment literature stretches back to V.O. Key (1955) and E. E. Schattschneider (1960), it was not until the 1970s and 1980s that scholars started to explicitly (and empirically) examine direct connections between realignment and policy change. Burnham (1970) defined the periodicity of realigning elections and eras by identifying realigning issues, electoral cleavages, and major shifts in partisan loyalty during the 19th and 20th centuries. In doing so, Burnham asserted that major programmatic changes occur after such realignments take place. The link between realignment and policy change is not difficult to understand: because realignment is partially defined by the existence of a salient, cross-cutting, and polarizing issue (Sundquist 1973), it is to be expected that a post-realignment majority party would make policy changes based on its position on the realigning issue. Indeed, Sinclair (1977) argues that non-incremental policy changes occur only in realigning eras; otherwise, no policy changes make it through the political system.

Clubb, Flanigan, and Zingale (1980) went a step beyond Burnham and Sundquist by suggesting that retrospective evaluations of an incumbent party’s policy position performance act as catalysts for the realignment of partisan identification. Subsequently, new policies emerge as products of democratic feedback in the post-realignment era. Using the congressional policymaking process to test this theory, Brady (1988) concluded that critical realigning periods produce the level of congressional turnover needed to stimulate changes in congressional committees; such changes make it possible for the new majority party to commence policy action and change (Covington and Bargen 1994).
The three major theories of realignment (Burnham 1970; Sundquist 1973; Clubb, Flanigan, and Zingale 1980) also suggest that policy activity during the post-election period – in addition to the cleavages and shifts that precede an election – is extremely crucial to the success and durability of critical realignment. Although the critical election itself produces the possibility that a new electoral coalition will generate a permanent shift in the majority party, such a shift is not guaranteed. Rather, the majority party must capitalize on its electoral support by consolidating its new coalition; this is accomplished by establishing a policy agenda that accurately represents the preferences of the electoral coalition (Weatherford 1992). If the new majority is successful in consolidation, its electoral supporters will form more stable partisan attachments, guaranteeing the party’s future electoral successes (Clubb, Flanigan, and Zingale 1980; Weatherford 1992). Newly elected politicians, particularly presidents, are acutely aware that they must consolidate their coalition as soon as possible after the election. In facing the time pressures of consolidation, many new presidents are forced to abandon their more radical, rhetorical campaign agenda (which is often comprised of policy promises that are technically and politically infeasible) in favor of an expedient, tested, and popular one (Campbell 2000; Weatherford 1992).

Skowronek (1993) provides the Reagan administration as an example of the consequences of the consolidation process. Although Reagan claimed an electoral mandate, he and his advisors realized that they needed to work quickly to consolidate the new Republican coalition, preferably doing so in the first 100 days of the administration. However, the new administration was also aware that it would be difficult to force a fundamental restructuring of policy through a highly institutionalized, structurally calcified political system within their critical time frame. Therefore, the resulting substantive policy agenda was watered down,
having been selected for its political feasibility (Sinclair 1985). Reagan advisor David Stockman later admitted publicly that the agenda was not rooted in good governance, but was chosen solely on the basis of pre-existing programs and popularity with the public (Skowronek 1993, 425).

Commenting on the potentially critical nature of Ronald Reagan’s election to the presidency, Ladd (1985) observes that many of the necessary criteria for realignment were present in the election of 1980, but concludes that realignment and ensuing policy change did not occur. Indeed, the scholarship linking realignment to policy change that was so dominant in the 1970s and 1980s gave way to increasing criticism of realignment theory in the 1990s. Political scientists began to describe the phenomenon of “dealignment,” a weakening of partisan attachment caused by the advent of candidate-centered politics, single-issue groups and voters, and unstable patterns of partisan identification (Carmines, McIver, and Stimson 1987; MacKuen, Erikson, and Stimson 1989; Wattenberg 1990).

If realignment theory no longer accurately describes systemic political change, then what of the realignment-policy change linkage? Dealignment theory holds that policy changes are not related to electoral changes, with some scholars going so far as to conclude that policy preferences are not even related to partisan identification (Miller and Shanks 1982; Stimson 1991). Instead, voters form policy preferences on a liberal-to-conservative dimension and use prospective evaluations to select the candidate who is closest to those preferences (Bartels 1998; Miller and Shanks 1982). Another explanation of policy change during an era of dealignment suggests that relatively weak political parties cede policymaking control to congressional coalitions that hinge on pivotal voters (Krehbiel 1998). Alternatively, some scholars have suggested that while policy change no longer depends upon electoral shifts and the partisan control of Congress, policy change is still quite dependent upon control of the institutions of the
presidency and the courts, as well as control of governorships and the conditions facing the American states (Gais and Fossett 2005, 507).

Institutional Development and Policy Change

With realignment theory waning as a widely accepted explanation for large-scale political and policy change, scholars have turned to theories that attribute policy formation and change to the structure and development of national institutions, as well as the behavior of the actors that govern those institutions. Dominant theories of institutional impact on policymaking have suggested that institutions are fixed and unchanging, and therefore maintain the policy status quo (Chubb 1988; Ragsdale and Theis 1997; Riker 1980; Shepsle and Weingast 1982; Skowronek 1993). However, Baumgartner and Jones (2002) craft a broad view of policy development, with a particular focus on whether policy outputs are representative of the political feedback generated in the democratic process. The authors describe long-term trends in American policymaking as alternating between periods of punctuated equilibrium and policy stability, with sudden, major shifts in policy preceded and followed by long episodes of policy stability. To explain this pattern of policymaking, Baumgartner and Jones (2002) propose a theory of policy development that hinges on institutionally-induced policy equilibrium; they argue that institutions are endogenous to the policy process, suggesting that the nature of specific policies can actually alter how institutions function and respond to policy demands.

Baumgartner and Jones’s theory of policy dynamics holds that policy stability and policy change are the result of “negative” and “positive” feedback processes (2002, 6-15). When institutions are dominated by bureaucratic behavior, policy subsystems, interest group pluralism, and democratic gridlock, the policymaking process is characterized by negative feedback. In the negative feedback model of the policy process, any potential shocks to the system (e.g.,
realignment) are dampened because pressures from one stakeholder group lead to counter-
pressures from other groups (Baumgartner and Jones 1991; 1993; 2002). This homeostatic
process of balance and counter-balance produces stability in policy outputs; major policy change
is unlikely to occur. Negative feedback models have been used to explain the effects of public
opinion on the positions taken by elected officials (MacKuen, Erikson, and Stimson 2001;
Wlezien 1995), the policymaking behavior of states (Erikson, Wright, and McIver 1993), the
behavior of congressional committees (Krehbiel 1991), and the emergence and behavior of
interest groups (Truman 1951).

While negative feedback explains the tendency of democratic systems towards policy
stability, the positive feedback model of policymaking explains what Baumgartner and Jones
describe as a “cascade of events that dramatically change the [policy] status quo” (2002, 13).
Positive feedback processes are characterized by issue definition, agenda setting, and policy
entrepreneurship. As a dominant policy begins to lose support due to policy failure or national
events, multiple institutional actors see an opportunity to shift the policy toward their preferred
position by re-framing the issue (Baumgartner and Jones 2002). Strategic politicians thus shift
the elements of debate from one policy dimension to another in an effort to change the way that
individuals form their preferences on the issue (Baumgartner and Jones 1991; 1993; 2002; Jones
1994; Riker 1986; Stone 1989). When politicians attempt to shift policy rhetoric, they may also
change the institutional venue in which decisions about the policy are made (Baumgartner and
Jones 1991). For example, the Reagan administration capitalized on public dissatisfaction with
both the welfare state and the economy by shifting the terms of debate to a contrast between
“big” and “smaller” government. In doing so, Reagan effectively changed the institutional venue
in which these problems would be handled; this change was reflected in Reagan’s reliance on
presidential directives and the centralization of rule-making to both by-pass the Congress and
devolve more policymaking power to the states (Ragsdale and Theis 1997).

If policy change and institutional change are endogenous, recursive processes, then
locating and predicting the sources and timing of policy change become quite difficult. Some
scholars have suggested that policy change is actually initiated in a two-step process: policy
invention and policy search (Kingdon 1984; 1985; Polsby 1984; Baumgartner and Jones 1993).
In step one of this process, policy entrepreneurs create policy solutions and innovations; step two
occurs when those solutions are supplied to politicians who have a need to be identified with
issues that appeal to an electorate (Polsby 1984, 171-72). Thus, fundamental shifts in policy are
attributable to political actors who are able to control issue definition, gain knowledge of existing
policy alternatives, and dominate the political agenda (Baumgartner and Jones 2002; Milward
and Laird 1996; Polsby 1984; Stone 1989). The one institutional actor most likely to accomplish
all three of these tasks is the president.

The president (and the institution of the presidency) is a natural focal point for national
policy change. Not only does the president serve as a clearly identifiable actor in a complex and
integrated political system, but he is also in a unique position to claim to represent the nation’s
policy preferences (King and Ragsdale 1988; Gleiber and Shull 1992). This gives the president
significant capacity to control the political agenda, including the introduction of new policies and
new policy alternatives to old problems (Gleiber and Shull 1992). Indeed, Polsby (1984),
Gleiber and Shull (1992), MacDonald and Rabinowitz (1987) and Burns (1978) all indicate that
the modern presidency is the single most important and influential source of policy initiation in
the political system.
Polsby describes the president’s power to direct policy change as follows: “when the
president adopts a proposal as a part of his legislative program, when he sends a bill to Capitol
Hill, he mobilizes resources behind a particular policy alternative, choosing one and excluding
others. Through the power and the authority of his office he makes a strong and often successful
claim on the attention of Congress….he can harness political energy and focus the political
process in a meaningful and consequential way” (1984, 5). Indeed empirical studies suggest that
popular presidents who go public with policy proposals enjoy an enhanced likelihood of
legislative success (Gleiber and Shull 1992; Kernell 1993).

Aside from his unique ability to control the agenda, the president’s centrality to policy
change also rests with shifts in the relative power of national institutions. The advent of strict
congressional committee jurisdiction and competition among congressmen restricts the
policymaking role of the legislature to delay and amendment rather than policy initiation and
change (Polsby 1984, 4). In developing an institutional theory of presidential policymaking via
direct action, Howell (2003) notes that a president is most likely to make unilateral policy
changes when Congress appears to be gridlocked and unable to enact legislation. The author
then furthers the argument by suggesting that the president’s ability to change policy is no longer
constrained by Congress. Instead, the institutionalization of the presidency that took place
during the course of the 20th century placed the president in competition with Congress for
policymaking power, so that the president need not bargain or negotiate with Congress over
policy outcomes (Howell 2003; Ragsdale and Theis 1997). Therefore, the president can make
policy using the tools provided to him by the institution that he commands: executive order,
executive agreement, executive memoranda, executive directives, and national security directives
(Howell 2003).
Institutional development within the states has also strengthened the president’s power to unilaterally initiate and implement policy change. State institutions have steadily grown in both professionalism and governing capacity (Erikson, Wright, and McIver 1993; Jewell 1982; Teaford 2002). While some of this growth can be attributed to natural institutional evolution, much of it is the result of decentralization and the devolution of policymaking authority to state governments (Baumgartner and Jones 1993; Gais and Fossett 2005; Kettl 2004). As a result, “vigorous state governments challenge congressional controls and open opportunities for the federal executive branch to manage the increasingly complicated interactions between the national and state governments” (Gais and Fossett 2005, 502). Therefore the president gains some degree of leverage over Congress, making it possible for either the president or state institutions to assume the function of initiating policy change.

MacDonald and Rabinowitz (1987) seek to synthesize the traditional realignment-based and institutional-based theories of policy formation by suggesting that policy changes occur as the result of “structural realignment.” Structural realignment occurs when a new issue is introduced to a policy space that had previously been occupied by two issues of equal importance; the new issue causes a structural change to the policy space. The introduction of the new issue effectively leads voters to “change sides,” rather than simply making decisions based on performance evaluations of incumbents and candidates (MacDonald and Rabinowitz 1987, 779). Therefore, structural realignment suggests that voters make choices based on policy preferences and subsequently hold elected officials accountable for their policy actions. McDonald and Rabinowitz stress that structural realignment requires a presidential linkage; the successful introduction of a new issue requires a national stage that only the president can provide. Thus, realignment, defined as structural change due to policy issues introduced by
institutional actors, is the result of (rather than a determinant of) presidential election outcomes (MacDonald and Rabinowitz 1987, 780).

Some scholars disagree with the assertion that a strengthened institutional presidency results in the ability of the president to control policy change. These scholars argue that a developing pattern of institutional resilience in the presidency actually prevents any individual president from initiating or implementing major substantive policy change (Ragsdale and Theis 1997; Skowronek 1993). Specifically, Skowronek (1993) argues that trends in political development have leaned toward structural change; as the significance of party declines in political institutions and the electorate, as it arguably did from the 1970s through the 1990s (Sundquist 1989; Wattenberg 1990; Shea 1999; Mayhew 2002), policy change depends upon institutional rules and processes rather than partisan or ideological change. Over time, all political institutions have become equally strong and are more willing to exert their policymaking independence and authority; multiple institutions with increased strength inevitably create conflict and gridlock, limiting policy change (Heclo 1978; 1981; Ragsdale and Theis 1997; Skowronek 1993). Chubb (1988) takes this argument a step further by distinguishing change in the policy agenda from substantive programmatic change. As political systems mature, Chubb argues, leadership succession becomes more routine and institutions become less sensitive to electoral or ideological shocks. The system becomes more and more stable. New leaders may introduce new agenda items or policy alternatives, but institutionalization prevents any actual change from taking place (Chubb 1988, ch. 3).

The Policy “Mood”: Public Opinion as the Driver of Change

The third set of theories that attribute policy change to national institutions focuses not on electoral or institutional processes, but on the decision-making behavior of the individual
political actors that populate those institutions. The key question in such studies of policy change is the extent to which national policy reflects the will of the people; election outcomes and public policy are central to democratic governance. Insofar as they are able, politicians attempt to manipulate election outcomes in their favor; politicians who are concerned with electoral security will choose a policy agenda that optimizes the probability of future electoral success (Erikson, MacKuen, and Stimson 2002). Thus, the goal-seeking behavior of politicians should lead them to propose the policies that are preferred by a majority of citizens, with policy change following public opinion. Indeed, a number of scholars have established the connection between public opinion and policy change. Bartels (1991) suggests that policy change occurs due to congressional responsiveness to constituent interests. Stimson, MacKuen, and Erikson (1995) have argued that politicians make policy adjustments in order to accommodate anticipated public opinion. Erikson, Wright, and McIver (1993) determine that there is a strong connection between public opinion and policy at the state level, with state ideological preferences dominating all other determinants of state policy liberalism.

Scholars have also attempted to clarify the causal order of the public opinion/public policy relationship. Kingdon has noted that, “People in and around government sense a national mood. They are comfortable discussing its content, and they believe they know when the mood shifts…these changes in mood or climate have important impacts on policy agendas and policy outcomes” (1995, 112). Erikson, MacKuen, and Stimson (2002) take this assertion a step further by arguing that politicians not only sense the national mood, but also anticipate the impact that mood will have on voter behavior. Indeed, significant empirical studies suggest that the electorate’s policy preferences, whether revealed or latent, exist before candidates are elected, and these preferences influence candidates’ policy proposals (Miller and Shanks 1982; Page and
Shapiro 1983; 1992; Stimson 1991). Erikson, MacKuen, and Stimson (2002) find that public opinion alters presidential policy liberalism, with a one-point change in public opinion producing almost a .80 point change in presidential policy liberalism; this change happens quickly, with 87% of the gap between public demand and presidential liberalism corrected within one year. Furthermore, movement in public opinion is typically contrary to the ideological persuasion of the president, so public opinion induces presidential policy moderation as time goes on (Erikson, MacKuen, and Stimson 2002, 311). It appears that public opinion causes politicians to initiate public policy change, a good sign for the health of democratic governance.

However, public opinion and policy change may operate in a cyclical manner due to the use of political rhetoric to shift public opinion. Cohen (1995) has argued that the public becomes more concerned with particular policies when the president highlights those policies in his State of the Union address. If mere mentions of policies elicit responses in public opinion, then presidents do not have to mention substance and need only use rhetorical statements to shift the agenda (Cohen 1995; Kernell 1993; Tulis 1987). This suggests that policy flows from the top down, as “the public awaits presidential leadership” (Cohen 1995, 89). However, such findings also indicate that substantive policy change is unlikely to occur when politicians are merely pandering to the electorate. Rational politicians seeking re-election might not want to risk actual policy change that might produce results antithetical to those that the public expects. Additionally, symbolic politics provides candidates with the benefit of building a broad coalition without later making tangible policy changes that might threaten individual coalition members (Leege 1992).

Monroe (1998) asserts that policy outcomes were approximately 8% less consistent with public opinion during the 1980 to 1993 period than they were during 1969 to 1970, with social
welfare policies at the lowest consistency. There are two possible explanations for such inconsistencies. First, the use of rhetoric to both control the agenda and influence the electorate may produce a bias against policy change (Campbell 2000; Edwards 2000; Leege 1992; Monroe 1998). Baumgartner and Jones (1993) and Stone (1989) have argued that those in power often present “new” policy alternatives that are simply fresh definitions of old issues rather than spending political capital to forward new policy alternatives. The second explanation for policy-opinion inconsistency rests with the fact that policy change may occur outside of national institutions. The decline in policy-opinion consistency discovered by Monroe (1998) may indicate that presidents serving between 1980 and 1993 (i.e., Reagan, G.H.W. Bush, and Clinton) simply governed in symbols, leaving actual policy change to be accomplished at the subnational level.

**Intergovernmental Relations, Implementation, and Policy Change**

Studies of intergovernmental relations and public administration supplement the literature on national and institutional policy change by addressing the impact of federalism on policy outcomes. This second category of policy change studies is closely related to the first, locating the majority of policymaking power in national institutions. These studies tend to be Madisonian in tone, characterizing federalism as a useful tool for accommodating regional and state differences in politics, society, and culture (Arsenault 2000; Elazar 1984; Hero 1998; Reagan 1972), thus preventing conflict and potential upheaval in national policy.

Aside from its basic agreement on the importance of federalism, the literature on intergovernmental relations varies with respect to the relative power of national and state institutions in the policymaking process. Some scholars have argued that the source of policy change depends upon the nature of the policy in question. The theory of functional federalism
(Peterson 1995) suggests that the national government specializes in collective, redistributive social welfare policies. Because these issues are largely contested on social, ethical, or partisan grounds, the scope of conflict is wide, and national policy control is necessary (Baumgartner and Jones 1991). On the other hand, functional federalism holds that the states are best equipped to handle innovation and change in economic and developmental policies (Peterson 1995). These policy problems are typically characterized by their complex, technical nature. Consequently, policy experts are able to gain more implementation autonomy and discretion from politicians, and states become policy subsystems (Baumgartner and Jones 1991; Kingdon 1995). Once formed, policy subsystems function as institutional structures that provide stability for a particular policy. Major policy changes would require change in the subsystem; thus, major changes to economic policy must be located within the states.

Similarly, Anton (1989) has outlined two competing paradigms of the impact of federalism on policy change. The advocacy paradigm holds that political coalitions appeal to the national government for benefits they cannot achieve at the state or local level; as a consequence, policy change is not initiated by state, but by national, institutions. In contrast, the analysis paradigm suggests that policy outcomes are shaped by rational analysis on the part of states; states will enact pragmatic policy changes that benefit their budgets and meet the demands of their citizens, regardless of the state’s general ideological leanings.

Within the literature on intergovernmental relations, studies of policy implementation attribute policy change to the evolution that policies undergo as they are being implemented across national, state, and local agencies. Because of the complex and deliberate nature of policy implementation in a federal system, scholars generally characterize policy change as incremental (Baumgartner and Jones 1993; Lindblom 1968; Wildavsky 1964; 1988). Terms such as
“revolution” and “watershed”, which are so commonly found in the literature on national policy change, therefore exaggerate the real nature of policy change.

From the perspective of the implementation literature, national institutions provide administrative rules and regulations to states and local governments, which subsequently put those policies into place. While the national government may provide positive incentives in the form of grants-in-aid or negative incentives in the form of sanctions, the onus of policy implementation falls on states and localities (Welch and Thompson 1980). As states and localities proceed with implementation, they may innovate or “reinvent” the existing policy to meet their particular needs (Glick and Hays 1991). Thus, the specific content of implementing statutes conforms to the needs and preferences of the state’s population; policy innovations undergo reinvention as citizens adjust and react to a new policy paradigm and as institutions absorb feedback about policy outcomes over time (Glick and Hays 1991; Mooney and Lee 1995). Policy change is the result of this state policy innovation and reinvention process.

All Policy is Local: State Innovation and Policy Diffusion

State politics and policy scholars view policy change from quite a different perspective than institutional or public administration scholars. Studies of policy change within and across the American states focus on the process of policy diffusion: the timing and process by which new policies or programs are adopted by individual states. The seminal work on state policy diffusion was written by Jack Walker (1969). Early studies of state policy had explored the impact of state demographic characteristics (e.g., population density, state economic capacity) on state policy expenditures (Dye 1966). Using the diffusion theory posited by communications scholar Everett Rogers (1962), Walker sought to both identify states with innovative policies and programs and explain the determinants of state innovation. Those determinants of state policy
innovation were thought to be mainly political, with policy being shaped by such factors as party control, party identification, party competition, interest group participation, and institutional characteristics (Dye 1966; Gray 1973; Squire 1993; Thomas and Hrebenar 1990; Walker 1969).

As the state policy diffusion literature has grown, scholars have moved from identifying the political correlates of policy innovation to investigating the mechanisms that impact policy adoption. The literature grew to include studies of political culture and social diversity (Elazar 1984; Hero 1998; Sharkansky and Hofferbert 1969). This view of policy innovation and diffusion holds that the scope of conflict in state politics is rather narrow; thus, more culturally and economically diverse states produce different policy outcomes than do states with relatively homogeneous populations and economies.

Studies of public opinion have also become critical components of the state policy innovation and diffusion literature. Public opinion lies at the convergence of the state culture and political explanations for policy adoption; political culture affects the way in which citizens form opinions and preferences, and officials seeking to represent citizens must do so within their own political and institutional constraints. In an effort to define this complex relationship, Erikson, Wright, and McIver (1993) explore the connection between public opinion and policy outcomes in the states. Using public opinion surveys (CBS/New York Times) and a composite policy measure for each state, the authors note a .82 correlation between public opinion liberalism and policy liberalism. When controlling for socioeconomic variables, that correlation remains substantial at .70. As part of the same study, Erikson, Wright, and McIver (1993) find that state electorates control the ideological tone of state policy by rewarding the state party closest to their own ideological views. However, they conclude that state ideological preferences, rather than partisanship or socioeconomic conditions, are the dominant causal factor
for the types of policies that state governments adopt. This bodes well for the health of
democracy within the states, as state governments appear to be responsive to the electorate’s
policy preferences despite differences in partisanship or demographics.

The recent literature on policy change in the states has gone beyond political
characteristics, culture, and public opinion to incorporate external determinants of state policy
adoption. External mechanisms theorized to impact state policy adoption include the influence
of interest groups (Gray and Lowery 1996; Jacoby and Schneider 2001; Thomas and Hrebenar
1990) and policy networks and entrepreneurs (Baumgartner and Jones 1993; Kingdon 1984;
Mintrom 1997).

Equally important to the growth of the state policy diffusion literature have been studies
that consider other states as external determinants of a state’s policy adoption. Regional
diffusion models suggest that a state’s decision to adopt a policy or program is influenced by its
contiguous and regional neighbors (Berry and Berry 1992; 1999; Mooney 2001; Mooney and
Lee 1995; Peterson and Rom 1989). One state may adopt the same policy as another because of
the ideological and/or demographic similarities between the two states (Grossback, Crotty, and
Peterson 2004), or states may adopt similar policies in order to stay competitive with other states
(Berry and Berry 1999; Peterson and Rom 1990). As diffusion proceeds and states influence one
another to adopt the same policy, the states effectively bring about major national policy change
as innovations are “copied by others so that large-scale national changes result from local
decisions” (Baumgartner and Jones 2003, 3). It is widely believed that greater state uniformity
with regard to social welfare policy during the 1970s and 1980s led to the national welfare
reform proposals that dominated the late 1980s and early 1990s (Arsenault 2000; Boeckelman
State politics scholars have also examined the impact of the federal government on state policy decisions, with one going so far as to note that, “studies of state politics which ignore events and relations at other levels are severely limited in their usefulness for both methodological and substantive reasons” (Rose 1973, 1171). Welch and Thompson (1980) find that states are more likely to adopt policies or programs when they are accompanied by financial incentives, while Menzel and Feller (1977) note that federal legislation severely limits the set of policy alternatives available to states. Karch (2004) observes that similar innovations and policy agendas show up in different states at the same time; he concludes that this must be due to federal influence.

Crafting an Alternative Theory of Policy Change

While extensive, theories that describe national policy change as the end-product of realignment, institutional change, or shifts in public opinion have a number of shortcomings. First, such theories may confuse agenda change for substantive policy change. Baumgartner and Jones concede that agenda change often produces stability, noting that “new policies are not continually adopted because many [policy proposals] are simply variants on a theme that has been pursued in the past” (1993, 9). While it might appear that policy change has been initiated, politicians are simply using rhetoric to shift the public’s attention and preferences.

Similarly, the literature is fragmented when it comes to locating the source of policy change. Realignment theory suggests that policy change is initiated by electoral change, yet realignment theory has declined in popularity due to changes in the nature of political parties and the structure of presidential elections (Carmines, McIver, and Stimson 1987; MacKuen, Erikson, and Stimson 1989; Wattenberg 1990). Light (1999) has argued that the two major parties are too fragmented to produce a cohesive policy program; consequently, policy proposals no longer
come from party platforms, and policy change no longer follows critical elections. Theories that
describe policy change as a systemic national process indicate that realignment is tied to
policymaking via change in Congress (Brady 1988) or the presidency (Clubb et al. 1980). Thus
the absence of realignment could indicate that policy changes are no longer initiated in either the
presidency or the Congress, but actually originate elsewhere.¹³ Few studies of national policy
change entertain this possibility.

Finally, theories of national ideological, institutional, and opinion change fail to address
the structural imperatives of the federal system. Studies of national policy change rarely
acknowledge the role of sub-national forces – especially the states – in adopting, implementing,
and enforcing policy changes initiated by national forces. Indeed, the national government has
ceded significant policy power to the states. Gais and Fossett have characterized this
development by noting that “the national government [relies] on regulations and grants to nudge
states to follow the national policy program. The derivative of an increase in federal power is a
significant national dependence upon state cooperation, resources, and capacity to govern,”
(2005, 124).

Studies of presidential agenda setting come closest to acknowledging that the states play
a role in the national policymaking process. Kymlicka and Matthews (1988) and Weaver (1988)
indicate that presidents are limited in their policy proposals because it is difficult to make
significant policy changes within a complex system of federal, state, and local agencies whose
relationships are fraught with procedural limitations, political protections, and constitutional
demands. Howell (2003) has noted that presidential use of administrative or unilateral
policymaking does not guarantee that the president will achieve his expected policy result.

¹³ Grob (2003) argues this point by suggesting that policy change is initiated and implemented by the administrative
state, including bureaucracies and courts.
Presidential tools of direct action, including executive orders, require implementing agencies and political institutions on the state level to adopt and implement the policy change (Howell 2003). In the absence of such federal cooperation, direct presidential action will do little to change policy, although it may produce the appearance of policy change due via shifts in the political agenda.

The literature on policy implementation and state policy diffusion does a considerably better job in addressing the implications of federalism for policymaking, but still leaves gaps in its understanding of policy change. The difficulty with the majority of state politics studies is that they tend to be non-recursive; that is, they seldom consider the cyclical impact that states and the national government have on one another in the policy process. If the national government impacts state policymaking, and states influence one another to adopt similar policies, then it would stand to reason that states have a residual impact on national policy. Few scholars have attempted to define the mechanisms by which this “bottom-up” policy process may take place. One study suggests that state diffusion occurs indirectly, as the national government responds to innovative states by endorsing or adopting their policies, thereby encouraging other states to adopt the same policies (Jones-Correa 2001). Boeckelman (1992) suggests that the national government does not search for state policy innovations as alternatives, but instead only adopts state innovations as a response to significant political pressure from interest groups, especially the intergovernmental lobby. However, Boeckelman’s study is based on qualitative data, with no empirical testing to shore up his conclusions. Like Boeckelman, Mossberger (1999) credits political organizations and pressure groups for facilitating state-to-national policy diffusion. Once again, however, the study is based on interviews with political elites, and lacks empirical or causal testing.
Shipan and Volden (2005) have developed an empirically tested theory of bottom-up diffusion. The authors examine the impact of local anti-smoking statutes on state adoption of such policies; they find that local policies do “snowball” into state laws, but only in states with professionalized governing institutions and strong interest group systems. The “snowball effect” operates via state-level policymakers who are attracted to the policy because it has proven both politically viable and successful at the local level. Thus, both state institutions and the state political process seem to be key determinants of upward policy diffusion. In their concluding remarks, Shipan and Volden (2005) call for future studies to explore the potential mechanisms of bottom-up diffusion from states to the national government. Direct application of their theory and conclusions to a model of state-to-national diffusion would suggest that the national government might adopt state policy innovations when those innovations are adopted across several states (indicating the salience, feasibility, and popularity of the policy) and/or actively promoted by state interest groups or governments.

Gaps in existing theories of policy change suggest the utility of an alternative theory that capitalizes on the strengths of national, institutional, intergovernmental, and state perspectives of policy change while addressing the weaknesses in the literature. To explain policy change in the American democratic-republic, this unified theory must incorporate the structural imperatives of federalism and identify the mechanisms by which policy may be diffused across the federal system. This means that studies of policy change should include internal, external, and structural determinants (Berry and Berry 1992; 1999).

Indeed, the fragmentation of policy change theory has led some scholars to argue that the U.S. is a virtually static state. These arguments are based on a range of both empirical and non-empirical observations. Some studies suggest that the nation is governed by entrenched
institutions that create policy gridlock and prevent major policy changes (Chubb 1988; Ragsdale
and Theis 1997; Riker 1980; Skowronek 1993). Others argue that the political environment of
the late 20th century has become too complex for policy change; the plethora of veto players and
access points to governance, along with the weakness of political parties and the noncompetitive
nature of legislative elections, decreases the propensity of the system for major policy change
Deals and Reagan Revolutions simply do not happen any longer, and policy change is
increasingly unlikely to occur.

It is possible, however, that scholars perceive little or no systemic policy change because
they have not turned over every theoretical rock. Erikson, Wright, and McIver (1993) argue that
states are vastly more important in national policy and politics than is commonly thought and
join the calls of other scholars for comprehensive theories of national politics that recognize the
critical nature of states (Berkman 1993; Berry and Berry 1992, 1999; Brace and Jewett 1995;
Gray 1973; Jewell 1982). Exploring the impact of states on national policy change (and vice
versa) could provide a new perspective on policy change by allowing for the possibility that
change is initiated and implemented by subnational forces and conveyed to national institutions
via some external diffusion mechanism (Shipan and Volden 1995). In this way, the states and
the national government “coalesce into a single recursive system of positive feedback, with each
encouraging the other to adopt stronger policies” (Baumgartner and Jones 1993, 232).

A Theory of State-to-National Policy Diffusion

If our current understanding of major national policy change is inadequate, and the
federal system engenders recursion in the policymaking process, then by examining both the
source of policy innovation and identifying the mechanisms by which such changes are diffused,
we may arrive at a new understanding of the roles of state and national governments in
democratic policymaking. To that end, the remainder of this chapter explicates the main
theoretical argument of this dissertation about the impact of states on major shifts in national
policy. Existing theories of policy change lack a comprehensive outlook in that they fail to
consider fully the structural imperatives of federalism, which place policymaking power in both
state and national institutions. The national institutional perspective, for example, focuses
heavily on ideological and electoral change as the precursors to major national policy change,
principally ignoring the critical role that states play as both laboratories of democracy and
adopters of national initiatives. By the same token, the policy implementation and state politics
literature follows a relatively rigid pattern of policy change via federal intervention and
horizontal diffusion, neglecting to explore the mechanisms by which state policies may diffuse to
national institutions. The process by which major national policy change occurs, I argue, is more
dynamic than the picture painted by the relatively fragmented state of the policy change
literature: states adopt policy innovations that diffuse to the national agenda via the president,
who needs an immediate, proven, and popular policy agenda to solidify electoral gains.

*Why States Matter: Devolution, Institutional Capacity, and Nationalization*

Justice Brandeis has been credited with popularizing the notion of states as “laboratories
of democracy” in his dissent in *New State Ice Co. v. Liebmann* in 1932. The straightforward
interpretation of this characterization promotes states as scientists who initiate policy
innovations, with other states and the national government as curious and interested onlookers.
Beyond simple policy experimentation, however, states are microcosms of democratic
governance. Scholars have noted that, because state citizenries are often relatively homogenous,
and citizens are both physically and culturally closer to their state governments, states provide
the perfect opportunity for analyzing linkages among public opinion, partisanship, ideology, and public policy (Erikson, Wright, and McIver 1993; Jewell 1982; Page and Shapiro 1992).

The Founding Fathers recognized federalism as an inherently fluid structure. In *Federalist #58*, Alexander Hamilton noted that both national and state governments were intended to be “instruments of redress.” Indeed, citizens, interest groups, bureaucrats, and elected officials presently seek representation or political gain from a variety of institutions at the national, state, and local levels of government (Chubb 1985; Gais and Fossett 2005; Wood 1991). However, the fluidity of the U.S. system has been enhanced by the growth in state administrative and political capacity to govern, a trend that began in the mid-twentieth century and continues apace (Baumgartner and Jones 1993; Gais and Fossett 2005; Teaford 2002). Between 1943 and 1983, the percentage of public workers employed by the national government declined from 51% to 18%, with a symmetrical increase in the percentage of individuals employed by state and local governments (Gais and Fossett 2005). By 2004, state and local governments employed 85% of all U.S. public employees (Bureau of Labor Statistics 2006).

The increase in state governing capacity can be explained by both external national intervention and internal state political developments. First, the steady growth of devolution and federal decentralization has turned back substantial policymaking authority to state governments. The “devolution revolution” (Nathan 1996) began in earnest during the Nixon administration; Nixon’s “New Federalism” directed both money and power away from the national bureaucracy and towards states and localities. These proposals stressed the view that supersized, calcified national bureaucracies were unable to effectively implement policy initiatives, while states and localities could reach the same policy goals in a timelier manner with better results. The New Federalism permeated Nixon’s domestic agenda, with devolutionary policy proposals in social
welfare policy, school desegregation efforts, and environmental programs, as well as a general revenue sharing plan that would essentially fund state policy priorities with no federal strings attached. Ronald Reagan’s take on new federalism was less influenced by a desire for effectiveness in policy implementation, and focused more on reducing national government spending on domestic non-defense programs.

Although their ends were different, Nixon’s and Reagan’s means to achieve devolution were the same. Both men used the tactics of the administrative presidency in an effort to implement their favored policies without winning congressional approval. However, devolution may have produced some unanticipated consequences. The use of fiscal and administrative federalism clearly increased the role of states in controlling and administering national programs while helping to decrease the number of federal government employees. However, it has also caused a surge in government spending, especially for social programs (Gais and Fossett 2005; Kettl 2004; Nathan 2005; Patterson 1969). Why? Nathan (2005) contends that devolutionary proposals increase during periods of conservative dominance of government; in reaction, states located to the ideological left of the national government work to develop and implement policies that eventually work their way to the national agenda as a way to counterbalance presidential or congressional conservatism. Thus, increases in the number of venues for programmatic authority work against conservatism or preservation of the status quo (Baumgartner and Jones 1993).

The second explanation for the increase in state governing capacity lies with the democratic responsiveness of state institutions. While the states owe much of their institutional capacity to the responsibilities assigned to them by national institutions, they have also initiated their own improvements in institutional capacity as a response to citizen demands for public
policy innovation (Gais and Fossett 2005). Several scholars have noted that citizens are more aware of politics and policy outputs and impacts at the state level, even as they appear uninformed and uninterested at the national level (Baumgartner and Jones 1993; Erikson, Wright, and McIver 1993; Milward and Laird 1996). This observation complements Peterson’s (1995) assertion that states fulfill a particular function in the federal system, taking responsibility for policies that directly affect the collectivity on a regular basis (e.g., infrastructure, education, economic development). In turn, citizens place heavier demands for goods and services on state governments, as they express their tendency to be “philosophically conservative but operationally liberal” (Erikson, MacKuen, and Stimson 2002, 184). As Thurber (1996) characterizes it, pragmatic policymaking and functional representation from state and local governments have a greater influence on national policymaking than national politics, electoral conflict and change, or national political controversy.

In addition to making state governments more responsive and pragmatic in their policymaking, the internal expansion of state institutional capacity has strengthened the political power of individual state institutions with their national counterparts. Governors, in particular, have moved to centralize their political power by reducing the size of elected executive cabinets and demanding more budgetary authority (Gais and Fossett 2005). As governors have become more powerful, their own intergovernmental lobbying organization (the National Governors Association) has wielded its influence in congressional hearings, presidential policy proposals, and bureaucratic rulemaking (Boeckelman 1992; Haider 1974; Teaford 2002). The professionalization of state institutions also transformed state legislatures and state court systems. State legislatures became more sophisticated in their technical policymaking abilities (via the advent of state legislative committees and increased staff resources), and formed their
own intergovernmental lobbying organizations (i.e., National Conference of State Legislatures, Council of State Governments). These groups have diffused policy learning across the states and provided the same information to national institutions. Teaford (2002, ch. 4) notes that a more direct link has been formed between increasingly professionalized state courts and the federal court system. Specifically, he argues, devolution and decentralization, coupled with increasingly conservative, permissive Supreme Court decisions, gave state courts the confidence to uphold or strike down laws that differed from existing federal court precedent. This “new judicial federalism” is marked by state court reliance on state constitutions to afford state citizens more legal protections from a broader spectrum of state policies.

As a result of improvements to state governing capacity, state policy has become increasingly nationalized; states have become more alike in their socioeconomic and political attributes and are able to better share policy information through formal intergovernmental organizations. Consequently, policy diffusion is more fluid (Sharkansky and Hofferbert 1969; Tucker 1984). It is logical, then, that state policies might eventually make their way to national institutions, where they are formalized in a manner that essentially creates the appearance of a national policy change, when in fact the “new” policy has been in place in many states for quite some time. In fact, scholars have argued that nationalization is not simply an organic process, but a very intentional one based on state competitiveness. States (and their citizens, as national constituents) will seek nationalization of their policies in order to prevent negative policy “spillover;” that is, they attempt to spread the benefits of positive externalities and spread the costs of negative externalities by having the national government adopt their favored policies (Boeckelman 1992; Pierson 1995; Rose-Ackerman 1981). The very idea of nationalization turns the traditional notion of vertical policy diffusion on its head, indicating that there is not a strict
hierarchy of policymaking authority in the federal system. Wood (1991) rejects the notion of a strict principal-agent relationship between national political officials and state political officials, noting that any hierarchical notions of authority are stripped away during periods of nationalization.

Taken together, trends in devolution, growth in state institutional capacity, and continuing political nationalization have created a “less constrained system of federalism” (Gais and Fossett 2005, 504) that clears the way for states to initiate major policy changes and diffuse them to one another and to national institutions. The key to understanding how this system operates, however, is discovery of the mechanism by which the state-to-national diffusion process is driven.

**Diffuser-in-Chief: The President as a Mechanism for State-to-National Policy Change**

Policy diffusion requires a mechanism, something to facilitate the adoption of policy changes by institutions, politicians, and governments. In the state-to-national theory of policy diffusion explicated in this dissertation, presidents serve as policy entrepreneurs who seize on state policy innovations and elevate them to the national political agenda. The policymaking relationship between the presidency and the states has strengthened as increased state governing capacity and professionalism have enabled the president to gain policymaking power (Gais and Fossett 2005; Howell 2003). Yet, why would the president, with an array of cabinet level agencies and a massive executive organization at his disposal, rely on states for policy ideas and proposals that will enhance his control of the agenda? Presidents may reap several advantages from the acquisition of state policy proposals, making state-to-national policy diffusion an attractive option for the chief executive. Taken together, these advantages produce a structure of governance in which the president needs the states more than the states need the president.
Before a new president even completes the oath of office, the clock on his presidency is ticking. In the modern era, transitioning to the presidency and developing coattails for the party’s success in the midterm election consumes at least two years of a new president’s term; that leaves two years to create a policymaking operation that can select a popular agenda, draft policy alternatives, align political and policy priorities, and begin selling those priorities to citizens and other governing institutions (Light 1999). This is a tall order for new presidents who are constrained not only by time, but by internal resources of information, expertise, and energy (Kraft and Vig 1984; Light 1999; Neustadt 1990). Indeed, Light (1999) finds that low levels of presidential influence are characterized by declines in time and energy, while increasing influence is achieved when information and expertise are at their highest points. Therefore, it is critical for the president to move quickly to gain policy knowledge and introduce a policy agenda that will consolidate his electoral coalition and establish his authority with Congress (Burnham 1970; Clubb, Flanigan, and Zingale 1980; Sundquist 1973; Weatherford 1992a).

In addition to internal pressures, the president is under a number of external cross-pressures from fellow institutions, interest groups, foreign governments, and citizens (Neustadt 1960; 1990). This often means that a leader must trade long-term policy effectiveness for short-term political survival (Kingdon 1995; Light 1999). Because political conflict is centered on the policy agenda (Bachrach and Baratz 1962; Baumgartner and Jones 1993; Jacoby and Schneider 2001; Kingdon 1995; Riker 1986; Schattschneider 1960), a president trying to avoid conflict might pick an existing policy agenda. In addition to conflict-avoidance, presidents are generally risk-averse (Covington and Kinney 1991) and will only step forward with policy changes when they believe that they will prevail (Stimson 1991). As a result, a new president will devote his limited resources, including time, organizational capacity, and energy, to those policy issues that
are known to have the greatest probability of popular success (Baumgartner and Jones 2002; May 1986; Polsby 1984; Stimson, MacKuen, and Erikson 1995). A previously vetted policy agenda is the key to relieving the cross-pressures forced upon the president.

The president can no longer rely on Congress for policy innovations or agenda setting. Congress has become more competitive with the presidency, it has become more complex, and congressional parties have weakened, reducing presidential influence over legislation (Howell 2003; Light 1999; Polsby 1984). States, on the other hand, are ideal sources for presidential policy ideas. States provide a diversity of policy innovations that have already been tested for their political feasibility and evaluated on the basis of their outcomes and impacts. Any given state policy innovation also has the benefit of being familiar to the citizens of at least one state, and – thanks to the horizontal diffusion process and the modern media – citizens of other states are at least somewhat acquainted with the policy. Some scholars have suggested that it is easier to establish linkages between public opinion and policy at the state level than at the national level (Erikson, Wright, and McIver 1993; Page and Shapiro 1992). Erikson, Wright, and McIver (1993) discovered that state policy liberalism follows the liberalism of state public opinion, leading them to conclude that state policy is extremely representative of public preferences for policy. Consequently, presidents may be reasonably certain that the policies copied from state efforts will be supported by a majority of citizens. Agenda items become more attractive when they have an impact on a large number of people; for example, the state tax revolt during the 1970s indicated the salience of that issue as a winner for the Reagan administration (Milward and Laird 1996).

The use of state policy innovations may also give the president an advantage in dealing with his policymaking rival: Congress. Evidence of political viability and potential success
makes adoption of a policy more attractive to other policymakers. Congressmen are likely to be equally as risk-averse as the president and do not want to approve policies that will backfire or fail once implemented (Covington and Kinney 1991; Shipan and Volden 2005). Members of Congress may also be less likely to oppose the nationalization of state policy innovations for fear of alienating their own state constituents, which include their governors, state legislators, and other policymakers and stakeholders. Opposing policies that are favored by their home states could result in trouble during the next congressional election.

Presidential expropriation of state policy innovations as a way to gain the upper hand in policymaking marks a shift in presidential strategy. This strategic shift in presidential politics is described by Gais and Fossett (2005) as “executive federalism.” The authors describe executive federalism and its impact on the process of policy change as follows:

“The growing autonomy of federal executive powers and actions alters the dynamics of federalism. Major nationwide changes in policies no longer depend on electoral shifts in the control of the Congress, including increases or decreases in policy agreement and partisan ties between Congress and the president. Instead, control over the presidency and a few key governorships can be a sufficient base to launch important policy innovations. The administrative mechanisms may often produce only small changes at each step. But federal executives may build on incremental change (whether through rule changes, demonstration grants, waivers, evaluations, or other mechanisms) to develop new policies in sympathetic states, to focus media attention on innovative ideas, to show political opponents that the initiatives do not produce worst-case scenarios, and to demonstrate to political allies and constituencies the potential political benefits of the policies. Indeed, the ideas may originally come from the states themselves, along with critical information on how to implement them, and federal executives nurture those state policies that they find agreeable” (Gais and Fossett 2005, 515).

This method of governance is a variant on the administrative presidency; both tactics rely on direct presidential action to accomplish political and policy goals without engendering conflict with the legislature (Howell 2003). Executive federalism simply utilizes the states’ place in the
federal system, rather than the bureaucratic apparatus (Howell 2003; Nathan 1983) or the media (Kernell 1993), to gain more control over the policymaking process.

Gais and Fossett go on to argue that, “the executive branch can apply its powers to the states in ways that Congress cannot. It can adapt quickly to state policy developments, act on selected states, and build on state reactions to federal initiatives, thereby using state changes and variations to discourage developments it opposes and to facilitate those it supports” (2005, 507). This suggests yet another benefit for the president. Presidents can use devolution, rulemaking authority, and executive orders to inundate states with unfunded mandates that are used mainly for rhetorical purposes, or to present the appearance of the president as an active policymaker. If states fail to achieve success with those policies, the president may simply blame that failure on the states, rather than acknowledging that the policy itself was untenable or simply too expensive (Gais and Fossett 2005).

The Reagan Revolution as a Critical Case

The Reagan administration provides an ideal case for testing a theory of state-to-national policy diffusion. Public perception of Reagan’s policy agenda as a “revolution” remains as strong today as it was in 1981 (Newport, Jones, and Saad 2004; White 1990), and most observers agree that there was a conservative shift in both the policy mood and national policy during the Reagan administration (Erikson, MacKuen, and Stimson 2002; Kymlicka and Matthews 1988; Stimson 1991). Both of these viewpoints suggest that Reagan is associated with major policy changes. Yet scholars have eliminated a number of plausible alternative explanations for the source of policy change during the Reagan administration. Brady (1988), Ladd (1985), and Miller and Shanks (1982), among other scholars, convincingly demonstrate that Reagan’s election was not a realigning election. Howell (2003), Salamon (1981), and Holcomb (1986)
point out that Reagan centralized bureaucratic authority, rulemaking, and budgetary processes in the White House, making it unlikely that the policy agenda was generated by administrative agencies or the Congress.

Conversely, several scholars have suggested that Reagan’s agenda came directly from the states. Reagan was clearly in favor of state policy experimentation; in a 1981 address to the National Conference of State Legislatures, Reagan advocated states as policy laboratories (Boeckelman 1992, 367). Stimson (1991) and Berkman (1993) point out that states were advocating cuts in income taxes and fiscal conservatism well before Reagan entered office. Calls for conservative fiscal policies are simply one component of the states’ preferences for developmental policies that support a modest state with more reliance on markets (Katznelson 1986; Peterson 1995). Other scholars have noted that Reagan’s proposals for welfare retrenchment mimicked innovations already implemented by states (Davies 2003; Gottschalk 1988; Holcomb 1986; Miller 1987; Miller and Shanks 1982; Smith and Carroll 1981; Weaver 1988). Gais and Fossett (2005) note that credit for an array of policies, including welfare reform, child care and development block grants, safe drinking water, clean air programs, and surface transportation, goes to the states rather than national policymakers. Furthermore, Light (1999) notes that Reagan’s agenda also fits remarkably well with patterns established by his five presidential predecessors; the difference with Reagan is that his policy agenda was more coherent and was created in a much timelier manner than previous agendas. The central argument of this dissertation holds that the perception of Reagan’s policy success depends largely upon the fact that much of his “revolutionary” policy program was simply a rhetorical device used to solidify gains made in the 1980 election. Rather than initiating actual substantive policy change, Reagan followed pre-existing state policy innovations, using his gifts of rhetoric
and political communication to influence voters’ perceptions of his own policy agenda at the national level.

**Hypotheses**

The theory outlined in this dissertation regards policy change as the product of cycles of presidential-state interactions during the policymaking process. This theory of state-to-national policy diffusion recognizes that a federal system of governance promotes change by opening the political system to multiple institutions at both the national and subnational levels. The fluidity of the federal system gives both the states and the president enhanced and mutually reinforced policymaking power. A more powerful administrative, rhetorical presidency, coupled with politically assertive and democratized states (Dahl 1990; Gais and Fosset 2005) creates a system in which national policy change depends upon state policy adoption and implementation. As voiced by Gais and Fosset, “The federal executive branch and its interactions with the state have thus become the primary locus for producing major changes in domestic policies” (2005, 487).

Considering the evolution of democratization, institutionalization, and enhanced policymaking role of the states, along with evidence of state policy changes that run counter to those proposed by the Reagan administration, three hypotheses are used to examine the state dimensions of major policy change:  

**H1:** States adopt policies based on their own internal political and demographic characteristics, therefore,

**H2:** Reagan’s policy actions did not impact the magnitude of state policy liberalism (conservatism).

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14 The present study focuses solely on the Reagan administration, and the hypotheses are worded to reflect this limitation. However, the theory tested in this dissertation is applicable to all presidents, and future research will examine whether *presidential* (rather than Reagan-specific) policy activities in general are impacted by state policy activities.
Recognizing the recursive nature of executive federalism and state policy diffusion, I further hypothesize that,

**H3:** Reagan’s presidential policy activity was impacted by policy innovations that were initiated by and diffused across the states.

In the following chapter, these hypotheses are tested, results of the empirical analysis are discussed, and conclusions and implications are offered.
CHAPTER 4
MODELING STATE-TO-NATIONAL POLICY DIFFUSION

The 50 States serve as laboratories for the development of new social, economic, and political ideas. This state innovation is no constitutional myth. When Wyoming became a State in 1890, it was the only State permitting women to vote. That novel idea did not bear national fruit for another 30 years. Wisconsin pioneered unemployment insurance, while Massachusetts initiated labor protection laws for women and minors (Justice Sandra Day O’Connor, FERC v. Mississippi, 456 US 742 (1982)).

The people, by the constitution, have commanded the President, as much as they have commanded the legislative branch of the Government, to execute their will...The President represents in the executive department the whole people of the United States, as each member of the legislative department represents a portion of them...The President is responsible not only to an enlightened public opinion, but to the people of the whole Union, who elected him, as the representatives in the legislative branches are responsible to the people of particular States or districts (James Polk, 1848 quoted in Dahl 1990).

The previous chapters culminated in three hypotheses generated from gaps in the literature on policy change within the U.S. federal system; these hypotheses are intended to shed light on the recursive nature of the initiation and diffusion of major programmatic changes. Subnational institutions play a substantial role in the process of major national policy change in a federal system, yet scholars seldom specify the nature and magnitude of state impact on national policymaking. This chapter highlights the forces that drive policy change in a federal system. The first set of models considers trends in state policy adoption, establishes a causal pattern to describe the relative liberalism of state policy changes, and suggests a relationship between state
policy liberalism and presidential liberalism. The second set of models investigates the impact of state policy adoptions on presidential agenda setting.

**Determinants of State Policy Adoption: Event History Analysis**

The literature on state policymaking employs a wide range of theories and determinants to describe why, when, and how states adopt policies. As described in chapter 3, the literature on state innovation and policy diffusion has evolved from a focus on political and cultural determinants to social and demographic explanations; scholars have expanded these paradigms to include controls for public opinion and external determinants such as regional and federal influences.

This dissertation is concerned with both the degree to which the conservative policies of the Reagan agenda were adopted by states and the timing of that adoption. The first set of models examines the state adoption of policy changes consistent with Reagan’s policy rhetoric. Establishing major trends in state policymaking in the years just prior to and during the Reagan administration will provide a foundation on which to build a causal theory of state-to-national policy diffusion. Event history models and a pooled regression model with a Granger causal analysis are used to test two hypotheses:

**H1:** States adopt policies based on their own internal social and demographic characteristics; therefore,

**H2:** Reagan’s policy actions did not impact the magnitude of state policy liberalism (conservatism).

Together, these hypotheses suggest that state policy adoptions are independent of presidential agenda setting and are influenced instead by pragmatic considerations. The analysis is conducted in two parts, first with a focus on the likelihood of Reagan-influenced policy
adjustments by a state in any given year, then with an analysis of the impact of presidential
policy liberalism on state policy liberalism. The unit of analysis for all models is the state-year;
annual state legislative policy adoptions are examined for 47 states from 1976 to 1988.\footnote{15}

The timing and adoption of policy innovations can be analyzed through an event history
model, as the main concern is with the timing of the policy adoption in question (Box-
Steffensmeier and Jones 2004). Three separate models are estimated in order to inspect the
three major domestic policy goals of the Reagan Revolution. The policy adoptions under
investigation are:

- **Welfare Effort**: whether a state legislature adopted a policy that resulted in an
  increase of welfare effort in any given year\footnote{16} (Volden 2002);
- **Tax Progressivity**: an indicator of legislative action altering the progressivity of
  the state’s tax code in any given year\footnote{17} (Council of State Governments 1976 to
  1989; World Tax Database 2006);
- **Regulatory Policy**: a measure of state policy leadership in the areas of energy
  price regulation and environmental protection\footnote{18} (U.S. Department of Energy,
  Energy Information Administration 2006).

\footnote{15} Alaska and Hawaii are not included because of limitations in data availability across the time period that forms the
test case for this dissertation. Similar data limitations, with the additional complication of unique legislative and
political characteristics, led to the exclusion of Nebraska.

\footnote{16} Welfare effort is defined as the state-determined AFDC benefit level for a family of four. From 1935 until 1996,
states were responsible for setting the initial benefit level, which was then supplemented by federal matching grants.
As Volden (2002) notes, states regularly adjusted benefit levels to account for inflation, cost-of-living increases, and
changing political preferences.

\footnote{17} Progressive tax code changes include the following: (1) an increase in the income tax rate for the top two brackets,
but no increase in the bottom two brackets; (2) a decrease in state general consumption/sales tax; (3) an increase in
the corporate tax rate, but no increase in personal individual income taxes; (4) an increase in property taxes.

\footnote{18} Following Gais and Fossett (2005), Ringquist (1993), and Wood (1992), I measured state regulatory policy
changes as either an increase in state expenditures (net federal grants) for environment protection/pollution control,
or an increase in the energy price ratio of private individual to industrial consumers (an increase in the ratio indicates
an increase in prices for industrial consumers, but not individuals).
A logit analysis for each policy is conducted using a binary dependent variable that takes a value of one when a state adopts the policy and zero otherwise. Following the method suggested by Beck, Katz, and Tucker (1998) and Volden (2002), temporal dependence is accounted for by including a set of dummy variables by year.\textsuperscript{19} Robust standard errors account for the possibility of heteroskedasticity.

The independent variables used in the event history models fall into four main groupings: the state’s political and ideological environment, state governing capacity, social and demographic indicators, and external influences on state policymaking. These groupings represent the full spectrum of explanations for state policy adoption suggested by literature on state policy innovation and diffusion. An additional grouping of relevant policy-specific measures varies across the logit models. Information about all variables utilized in this dissertation and their data sources is summarized in Appendix I.

**Political Environment**

Five independent variables are included to assess the political and ideological characteristics of each state.\textsuperscript{20} The first two variables included in this group are Erikson, Wright, and McIver’s (1993) measures of *State Ideology*, a measure of state public opinion liberalism, and the percentage of *Democratic Party Identifiers*. The authors derived both of these variables

---

\textsuperscript{19} In the econometric literature, the use of year dummies to control for unobserved factors that vary consistently across years is generally preferred to the use of lagged dependent variables, as the latter may create problems of serial correlation. This year-dummy method leads to the inclusion of 12 dummy variables in the models below. The coefficients on year dummies are not reported here.

\textsuperscript{20} Although variables of this nature are widely assumed to be highly correlated with one another, the specifications used here show little sign of problematic collinearity. General concerns about multicollinearity were addressed through an examination of the correlation among pairs and sets of independent variables, as well as through examination of changes elicited by the inclusion and exclusion of variables that were moderately correlated. The main results reported were confirmed to be robust throughout the multiple specifications, including those that excluded variables for each of the models. Such results are not reported here; however, the correlations between potentially suspicious variables are presented in Appendix II.
from monthly CBS/New York Times public opinion polls. We should expect positive coefficients on both of these variables, as they indicate a state citizenry supportive of ideologically liberal policy changes.

The next set of variables in the political/ideological grouping accounts for the partisan nature of state governing institutions. **Percent Democratic Legislature** indicates the proportion of total state legislative seats held by Democrats, while **Democratic Governor** is a dummy variable. **Party Competition** is a folded measure of the Ranney index, ranging from “0” for no party competition to “1” for perfect competition. Scholars have suggested that increased party competition leads to more liberal state policies (Erikson, Wright, and McIver 1989; Barrilleaux 1997). Therefore all three of these variables should have a positive impact on the likelihood of a liberal state policy change.

**State Governing Capacity**

The next grouping of variables considers the state’s capacity to govern. Legislatures that have relatively professional characteristics typically have more time to consider complex policy changes and also tend to formulate policies that favor societal “have-nots” (Sharkansky and Hofferbert 1969; Squire 1992; Mooney 1995). Professionalization is measured here as **Session Length**, or the number of legislative days that legislators have to make policy changes; and **Real Legislator Salary**, which captures the level of professional commitment politicians have in crafting new legislation.

Three variables measure state fiscal capacity. **Percent Change in Gross State Product** (GSP), **Percent Change in State Revenue**, and Berry, Fording, and Hanson’s (2000) **State Inflation Rate** variable define the ability of the state government to make policy changes that

---

21 The original measures published in 1993 have been updated for each year through 1999; the full data set is available at [www.php.indiana.edu/~wright1](http://www.php.indiana.edu/~wright1).
might impact state fiscal health. The expectations for these measures vary across policy areas. Legislators should increase welfare effort to keep pace with increases in state inflation (Volden 2002), while increases in state revenue signal that states have the capacity to be more generous. With regard to tax policy, state governments might fight inflationary periods with an across-the-board tax increase, yielding a negative relationship between inflation and the progressive tax policy measure used here. According to Berry and Berry (1990; 1992), an improvement in state fiscal health engenders a risk-averse reaction in state governments: states will be less likely to adopt any change in tax policy for fear of upsetting status quo or altering the balance of the state budget. Finally, increases in state revenue and GSP should enable states to increase their environmental and industrial regulation efforts.

**Social and Demographic Characteristics**

State social and demographic determinants of policy change are modeled via four additional variables. *Percent High School Graduates* and *Median Income* provide a description of the state population’s general socioeconomic status. The direction for these variables is difficult to predict and may be impacted by state ideology. However, the state politics literature suggests the general expectation that a relatively educated, higher-income populace will be more likely to support liberal policy changes (Sharkansky and Hofferbert 1963; Walker 1969; Berry and Berry 1992; Erikson, Wright, and McIver 1993).

*Percent Change in Unemployed* and *Percent Change in Poverty Rate* are both used to capture the potential demand for more liberal policies. As the potential demand for more generous welfare benefits increases, the state legislature should be more concerned with budgetary pressures, and should be less likely to adopt a benefit increase (Volden 2002, 360). However, increases in unemployment and poverty could provoke the opposite reaction with
regard to tax progressivity; legislatures should be more likely to shift the budgetary burden slightly to the wealthy, and the impact of these measures on tax policy adoptions should be positive (Berry and Berry 1992).

**External and National Determinants**

The final grouping of independent variables for all models contains external influences on internal state policy. *South* is a dummy variable entered into the model to control for a particular regional effect. The southern states have typically been slower to adopt more progressive policies, thus the measure should have a negative influence on the likelihood of policy adoption (Tucker 1984). *Adopting Neighbors* measures the proportion of a state’s immediate neighbors adopting the policy change in question in the previous years. Because of competitive pressures and social learning in the diffusion process (Berry and Berry 1990; 1992), an increase in the percentage of adopting neighbors should increase the likelihood that a state will adopt a similar policy. Two external measures of national political influence are also used as control variables. The first, *Reagan in Office*, is a simple dichotomous variable coded 1 for the years of the Reagan administration. The second national influence variable is *Presidential Job Approval* as measured by the Gallup organization. If states are influenced by presidential policy activity, both of these variables should have a negative effect on the probability that a state would take a policy position in opposition to that favored by the Reagan administration.

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22 This measure was formulated using contiguous neighbors. Although there is some debate as to whether regional effects should be modeled using non-contiguous states, the most common (and most robust) measure found in the literature includes immediate neighbors only. See Berry and Berry (1990; 1992) and Hanson (1983; 1984) for a detailed discussion.

23 All three of the event history models were estimated with and without the two measures of national political influence. For the welfare and regulatory policy models, national factors had no statistically significant impact on state policy adoptions, with all coefficients remaining the same across both models. However, national factors did influence the tax policy model. See the discussion of these results beginning on page 105.
Policy-Specific Determinants

In addition to the four major groupings of independent variables, each model includes a selection of policy-specific controls that represent supply and demand pressures in each policy area. In the welfare effort analysis, four additional variables are included. The Popularity of Social Welfare variable assesses the percentage difference between citizens indicating that government spends too little and those who believe that it spends too much; higher values indicate greater popularity. This variable should have a positive impact on the likelihood of a change in welfare policy. Percent Change in Female-Headed Households and Percent Change in Welfare Recipients reflect the potential demand for welfare benefits; like the other demand variables (poverty rate and unemployment), it should decrease the likelihood of a benefit increase. Finally, the Percent Change in State Matching Rate variable indicates that the national government increased the generosity of the federal matching grant; this should lead states to increase welfare benefits.

The tax equation substitutes two measures for the standard state governing capacity measures. Tax Capacity indicates an increase in the state’s capability to finance its public services (Berry and Fording 1997); it replaces GSP in the tax policy model. An increase in state tax capacity should enhance the probability of an across-the-board tax increase, thus having a negative effect on the specific progressive tax policy adoption variable. In order to isolate the drivers of tax policy and eliminate other budgetary considerations, Percent Change in Tax Revenue is substituted for percent change in general state revenue; greater tax revenues in the previous year should alleviate the need for a tax increase.

Finally, the logit analysis of regulatory policy includes three policy-specific measures. Higher levels of Population Density should lead to increases in environmental and industrial
regulation (Ringquist 1993), while a decrease in the *Percent Change in Manufacturing Jobs* could lead states to roll back regulatory policy as a way to encourage industrial and economic development. *Carbon Dioxide Emissions* from energy production in the previous year indicates the condition of the state’s environment; higher emissions should increase the probability that a state would tighten its regulatory policy.

**Results of the Event History Analysis**

The logit analyses for all three policy adoptions are included in Tables 4.1, 4.2, and 4.3. The results provide initial support for the idea that the political and ideological environment meant little to policymakers as they contemplated adopting changes to welfare, taxation, and regulatory policies during the Reagan years.

**Welfare Policy Adoptions**

As shown in Table 4.1, the welfare effort model shows only a slight influence of political environment: a one-percent increase in Democratic Party identifiers decreases the odds of a welfare benefit increase by approximately 4%. This effect is not in the expected direction. One possible explanation for this finding is that Democratic Party identification is approximating demand for welfare generosity; in high-demand situations, legislators tend to be more cautious in increasing benefits. Variables measuring state governing capacity perform somewhat better in the model. As predicted, higher rates of inflation increase the likelihood of a welfare benefit increase; a one-percent increase in the rate of inflation increases the odds of a welfare increase by nearly 29% (significant at \( p < 0.05 \)).
### TABLE 4.1  EVENT HISTORY ANALYSIS:  

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coeff (S.E.)</th>
<th>Coeff (S.E.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political Environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Ideology</td>
<td>.008 (.016)</td>
<td></td>
</tr>
<tr>
<td>Democratic Party Identifiers</td>
<td>-.033 (.013)***</td>
<td></td>
</tr>
<tr>
<td>Percent Democratic Legislature</td>
<td>.014 (.009)</td>
<td></td>
</tr>
<tr>
<td>Democratic Governor = 1</td>
<td>.046 (.208)</td>
<td></td>
</tr>
<tr>
<td>Party Competition</td>
<td>-.997 (1.47)</td>
<td></td>
</tr>
<tr>
<td><strong>State Capacity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Session Length</td>
<td>-.000 (.002)</td>
<td></td>
</tr>
<tr>
<td>Real Legislator Salary</td>
<td>.008 (.005)</td>
<td></td>
</tr>
<tr>
<td>Percent Change in GSP</td>
<td>1.09 (1.04)</td>
<td></td>
</tr>
<tr>
<td>Percent Change in State Revenue</td>
<td>.009 (.024)</td>
<td></td>
</tr>
<tr>
<td>State Inflation Rate</td>
<td>.253 (.127)**</td>
<td></td>
</tr>
<tr>
<td><strong>Social/Demographic Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent High School Graduates</td>
<td>.111 (.028)***</td>
<td></td>
</tr>
<tr>
<td>Median Income</td>
<td>-.131 (.048)</td>
<td></td>
</tr>
<tr>
<td>Percent Change in Unemployed</td>
<td>-.105 (.108)</td>
<td></td>
</tr>
<tr>
<td>Percent Change in Poverty Rate</td>
<td>-.209 (.056)***</td>
<td></td>
</tr>
<tr>
<td><strong>External Determinants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South = 1</td>
<td>.864 (.383)**</td>
<td></td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors</td>
<td>.176 (.360)</td>
<td></td>
</tr>
<tr>
<td>Reagan in Office = 1</td>
<td>.228 (1.33)</td>
<td></td>
</tr>
<tr>
<td>Presidential Job Approval</td>
<td>.021 (.039)</td>
<td></td>
</tr>
<tr>
<td><strong>Policy Specific</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity of Welfare</td>
<td>.019 (.042)</td>
<td></td>
</tr>
<tr>
<td>Percent Change Female-HH</td>
<td>.661 (.431)</td>
<td></td>
</tr>
<tr>
<td>Percent Change Welfare Recipients</td>
<td>-.016 (.017)</td>
<td></td>
</tr>
<tr>
<td>Percent Change in Matching Rate</td>
<td>.009 (.014)</td>
<td></td>
</tr>
</tbody>
</table>

|          |          |          |
| n        | 611      |          |
| logL     | -356.14  |          |
| $\chi^2$ | 134.55*** |          |
| (df)     | (32)     |          |

Standard errors in parentheses.  
*significant at p < .10  **significant at p < .05  ***significant at p < .01
While the political/ideological environment and state governing capacity variables do not perform strongly in the welfare model, both social/demographic indicators and external determinants provide significantly more insight into state policy adoptions during the Reagan era. Increases in welfare effort were significantly impacted by the proportion of the state’s population that had a high school diploma. As expected, the odds of a welfare benefit increase improved by 12% with every one-percent increase in high school graduates. However, legislators did appear to be sensitive to a potential increase in demand for social services. For each percentage point increase in the poverty rate, the likelihood of a benefit increase declined by almost 20%.

One external determinant had a statistically significant impact on the likelihood of a welfare policy change. Southern states were more than twice as likely as non-Southern states to adopt a welfare benefit increase during the Reagan years; this is perhaps unsurprising, as Southern states had poverty rates almost 50% higher than other states during the years under investigation. The percentage of adopting neighbors had no significant impact on welfare policy adoptions. Neither did national factors: states appear to have made consistent welfare policy decisions even when controlling for the identity of popularity of the individual who occupied the Oval Office.

**Tax Policy Adoptions**

Table 4.2 presents the results of the event history analysis for state tax policy adoptions. Political environment had no statistical impact on progressive tax policy adoptions in the states during the Reagan years. However, similar to the welfare model, variables measuring state governing capacity do explain changes in tax policy. Higher rates of state inflation decreased the
likelihood of a progressive tax adoption; the likelihood of a progressive tax adoption declined by 35% for every one-percent increase in the inflation rate (significant at $p < 0.05$).

### TABLE 4.2  EVENT HISTORY ANALYSIS:

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coeff  (S.E.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logit Analysis of Progressive Tax Code Changes</td>
<td></td>
</tr>
<tr>
<td>Political Environment</td>
<td></td>
</tr>
<tr>
<td>State Ideology</td>
<td>.007 (.017)</td>
</tr>
<tr>
<td>Democratic Party Identifiers</td>
<td>.002 (.013)</td>
</tr>
<tr>
<td>Percent Democratic Legislature</td>
<td>.015 (.009)</td>
</tr>
<tr>
<td>Democratic Governor = 1</td>
<td>-.183 (.222)</td>
</tr>
<tr>
<td>Party Competition</td>
<td>1.70 (1.55)</td>
</tr>
<tr>
<td>State Capacity</td>
<td></td>
</tr>
<tr>
<td>Session Length</td>
<td>-.002 (.002)</td>
</tr>
<tr>
<td>Real Legislator Salary</td>
<td>.000 (.005)</td>
</tr>
<tr>
<td>State Inflation Rate</td>
<td>-.424 (.135)**</td>
</tr>
<tr>
<td>Social/Demographic Indicators</td>
<td></td>
</tr>
<tr>
<td>Percent High School Graduates</td>
<td>-.008 (.028)</td>
</tr>
<tr>
<td>Median Income</td>
<td>-.021 (.038)</td>
</tr>
<tr>
<td>Percent Change in Unemployed</td>
<td>.415 (.118)***</td>
</tr>
<tr>
<td>Percent Change in Poverty Rate</td>
<td>.457 (.171)**</td>
</tr>
<tr>
<td>External Determinants</td>
<td></td>
</tr>
<tr>
<td>South = 1</td>
<td>-.883 (.371)***</td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors</td>
<td>-.649 (.397)*</td>
</tr>
<tr>
<td>Reagan in Office = 1</td>
<td>-1.71 (1.06)*</td>
</tr>
<tr>
<td>Presidential Job Approval</td>
<td>-.084 (.038)**</td>
</tr>
<tr>
<td>Policy Specific</td>
<td></td>
</tr>
<tr>
<td>Tax Capacity</td>
<td>-.008 (.007)</td>
</tr>
<tr>
<td>Percent Change in Tax Revenue</td>
<td>.148 (.021)***</td>
</tr>
</tbody>
</table>

| n                                      | 611                |
| logL                                   | -314.95            |
| $\chi^2$                               | 151.10***          |
| (df)                                   | (29)               |

Standard errors in parentheses.
*significant at $p < .10$   **significant at $p < .05$   ***significant at $p < .01$
Mirroring the results of the welfare model, variables measuring state governing capacity provide more explanation for tax policy changes. Changes in the poverty rate had a significant impact on progressive tax adoptions. Here, as predicted, the effect is negative: a percentage point increase in a state’s impoverished population increased the odds of a progressive tax adoption by nearly 60%. Tax adoptions were also affected by the percent change in a state’s unemployed population, with each percentage point increase leading to a 52% increase in the odds of adoption ($p < 0.01$).

Changes in state tax revenue influenced progressive tax adoptions during the Reagan years. A one-percent increase in tax revenue increased the odds of a more progressive tax adoption by 16%. Once again, this goes against theoretical expectations. Why would states experiencing increases in tax revenue be more likely to adopt more progressive taxation policies in the subsequent year? Berry and Berry (1992) indicate that growth in personal wealth among a state’s citizens typically drives an increase in the demand for general public services. Insofar as increases in state tax revenue reflect growth in personal wealth, states may seek to shore up economic health by taking advantage of the opportunity to collect even more revenue.

External determinants appear extremely important to a state’s decision to change its tax policies. Southern states were less likely than non-Southern states to adopt progressive tax code changes during the Reagan years, with non-Southern states approximately 60% more likely than their Southern neighbors to adopt a progressive tax changes. While the percentage of adopting neighbors had no significant impact on welfare policy adoptions, states were about 48% less likely to adopt a progressive tax as the proportion of adopting neighbors increased by one percentage point. This goes against the predicted result. One potential explanation for this finding lies with the idea that state tax policy is frequently used as a tool for recruiting new
business and industry to a state; in the face of a regional tax increase on corporations and higher-income individuals, some states may find it advantageous to keep particular tax rates lower.

National external factors also influenced progressive tax policy adoptions. States were 80% more likely to adopt a progressive tax between 1981 and 1988 than they were prior to the Reagan administration. This is logical in light of other findings suggesting that states made policy decisions based on pragmatic financial concerns; as Reagan’s retrenchment efforts reduced programmatic funding, states had to generate more internal revenue in order to meet budgetary needs and demographic demands. The odds of a progressive tax adoption were also influenced by Reagan’s popularity; for each one-percent increase in Reagan’s job approval ratings, the odds of a progressive tax adoption increased by approximately 8%. This result may reflect the states’ anticipation that Reagan’s retrenchment and tax policies would continue to leave them with the need to seek alternative revenue sources.

Changes in state tax revenue influenced progressive tax adoptions during the Reagan years. A one-percent increase in tax revenue increased the odds of a more progressive tax adoption by 16%. Once again, this goes against theoretical expectations. Why would states experiencing increases in tax revenue be more likely to adopt more progressive taxation policies in the subsequent year? Berry and Berry (1992) indicate that growth in personal wealth among a state’s citizens typically drives an increase in the demand for general public services. Insofar as increases in state tax revenue reflect growth in personal wealth, states may seek to shore up economic health by taking advantage of the opportunity to collect even more revenue.

Regulatory Policy Adoptions

As demonstrated in Table 4.3, the factors influencing state regulatory policy adoptions are somewhat more elusive than the factors that influenced welfare and tax policy decisions.
### TABLE 4.3  EVENT HISTORY ANALYSIS:  

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coeff</th>
<th>(S.E.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political Environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Ideology</td>
<td>.003</td>
<td>(.018)</td>
</tr>
<tr>
<td>Democratic Party Identifiers</td>
<td>.002</td>
<td>(.015)</td>
</tr>
<tr>
<td>Percent Democratic Legislature</td>
<td>.012</td>
<td>(.011)</td>
</tr>
<tr>
<td>Democratic Governor</td>
<td>.154</td>
<td>(.254)</td>
</tr>
<tr>
<td>Party Competition</td>
<td>1.77</td>
<td>(1.78)</td>
</tr>
<tr>
<td><strong>State Capacity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Session Length</td>
<td>-.005</td>
<td>(.003)*</td>
</tr>
<tr>
<td>Real Legislator Salary</td>
<td>.004</td>
<td>(.006)</td>
</tr>
<tr>
<td>Percent Change in GSP</td>
<td>.000</td>
<td>(.001)</td>
</tr>
<tr>
<td>Percent Change in State Revenue</td>
<td>.065</td>
<td>(.031)**</td>
</tr>
<tr>
<td>State Inflation Rate</td>
<td>.203</td>
<td>(.141)</td>
</tr>
<tr>
<td><strong>Social/Demographic Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent High School Graduates</td>
<td>-.010</td>
<td>(.036)</td>
</tr>
<tr>
<td>Median Income</td>
<td>.015</td>
<td>(.061)</td>
</tr>
<tr>
<td>Percent Change in Unemployed</td>
<td>.151</td>
<td>(.125)</td>
</tr>
<tr>
<td>Percent Change in Poverty Rate</td>
<td>.061</td>
<td>(.064)</td>
</tr>
<tr>
<td><strong>External Determinants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>.651</td>
<td>(.576)</td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors</td>
<td>1.66</td>
<td>(.734)</td>
</tr>
<tr>
<td>Reagan in Office = 1</td>
<td>.839</td>
<td>(1.16)</td>
</tr>
<tr>
<td>Presidential Job Approval</td>
<td>.055</td>
<td>(.041)</td>
</tr>
<tr>
<td><strong>Policy Specific</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population Density</td>
<td>.000</td>
<td>(.007)</td>
</tr>
<tr>
<td>Percent Change in Manufacturing Jobs</td>
<td>-.057</td>
<td>(.048)</td>
</tr>
<tr>
<td>Carbon Dioxide Emissions</td>
<td>2.58</td>
<td>(1.06)***</td>
</tr>
</tbody>
</table>

| n | 611 |
| logL | -259.25 |
| $\chi^2$ | 113.60*** |
| (df) | (31) |

Standard errors in parentheses.
*significant at p < .10  **significant at p < .05  ***significant at p < .01
Regulatory policy adoptions were not significantly impacted by political environment, state governing capacity, or external determinants during the period in question. It is particularly surprising that states did not appear to react to their neighbors in a policy area that is notorious for spillover effects and negative externalities. However, states were extremely sensitive to changes in their own environmental health. For every additional teragram\(^{24}\) of state carbon dioxide emissions, the odds of a state adopting a more liberal stance on industrial regulation increased nearly 13 times.

State governing capacity also had a significant impact on regulatory policy adoptions during the Reagan administration. Each additional day that the state legislature spent in session decreased the odds of a state tightening its regulatory policy by approximately 1%. The percent change in state revenue had a slightly more substantial impact, with every percentage point increase in state revenue increasing the likelihood of a regulatory policy adoption by approximately 7%. This result conforms to expectations, with states making policy changes when they are in a better financial position to do so.

While it is clear that the determinants of policy adoption differ slightly by policy area, it is possible to identify general patterns of policy adoption in the states during the years just prior to and encompassing the Reagan Revolution (1976 – 1988). Clearly, political and ideological characteristics do not provide significant explanatory power in these models, and state governing capacity is only marginally influential, with the greatest impact being felt in decisions about regulatory policy. Indeed, the decision to enhance regulatory policy appears to have been based largely on pragmatic, technical issues: the amount of time legislators had to consider policy changes, the availability of budgetary resources, and the level of carbon dioxide emissions.

\(^{24}\) The teragram is the conventional measurement used by both the U.S. Department of Energy and Environmental Protection Agency. One teragram equals one billion kilograms.
Decisions about both welfare and tax policy were impacted mainly by social and demographic indicators, as well as external determinants. Changes in demand for state-provided welfare and general public services, as well as pragmatic concerns about the availability of budgetary resources to fund those services, drive adoptions of welfare benefit increases and progressive tax code changes. National factors did influence tax adoptions, but the direction of these effects suggests that states moved in policy opposition to the Reagan administration. These results provide tentative support for \textbf{H1: States adopt policies based on their own internal social and demographic characteristics}. The dominance of pragmatic explanations over those related to politics and ideology tentatively suggest that the ideological shifts in public policy theorized to occur with changes in national leadership do not inevitably alter policy regimes in the states. Instead, states make policy changes based largely on pragmatic and technical concerns.

\textbf{State Policy Liberalism: Granger Causal Analysis}

Having established a pattern of state policy adoption, the second analysis of state policy changes addresses whether presidential policy liberalism impacts state policy liberalism. This part of the analysis focuses on \textbf{H2: The presidential policy agenda does not impact the magnitude of state policy liberalism (conservatism)}. In order to explain the relative liberalism of state public policy during the Reagan years (1981 to 1988), a Granger causal and pooled time series regression model is estimated.

The theory laid forth in this dissertation suggests that the process of policy change in a federal system is quite dynamic, with the states and the president forming a recursive system of agenda-setting, policy innovation, and diffusion. While the logit analyses tentatively suggest that states make policy decisions based on pragmatic concerns, as opposed to purely ideological or political motives, a dynamic model that accounts for recursive dependence is needed to
establish causal order. Does the president change the general direction of public policy, with the states following his lead? Or do states act as a guidepost for the president, who needs a tested policy agenda?

Causal patterns can be established using a Granger causal analysis with a pooled time series regression. Granger causality tests the historical relationship between two variables and whether that relationship is reciprocal; in other words, Granger causality establishes whether Variable A has a statistically significant influence on Variable B’s time path, controlling for the history of Variable A (Granger 1969). I use a vector autoregression (VAR(1)) to obtain the estimates for the Granger causal analysis; VAR models allow for the possibility that all variables in the equation depend both on their own lags and the lags of other variables in the system.

The dependent variable is **State Policy Liberalism**, an index variable created specifically for this analysis. This index is comprised of state policies in the three areas most often associated with the Reagan agenda: welfare policy, tax reform, and regulatory policy. The three policy measures, observed over the 1981-1988 time period, are as follows:

- **Welfare Benefit**: the maximum monthly AFDC benefit for a family of four (source: Berry, Fording, and Hanson 1998).

- **Tax Effort**: the degree to which state policymakers choose to exploit the state’s tax capacity; higher values indicate a greater willingness to impose taxes\(^ {25} \) (source: Berry, Fording, and Hanson 1998).

- **Energy Price Ratio**: the ratio of individual-to-industrial energy prices; higher values indicate redistribution of energy costs from individual consumers to industrial consumers (source: U.S. Department of Energy).\(^ {26} \)

---

\(^{25}\) This variable has been used by a variety of studies to explain state economic growth, lottery adoptions, and a wide variety of state policy adoptions and outcomes. For a complete listing of these studies, see Berry and Fording (1997).
When the components are factor-analyzed, they conform to a single factor model. The primary factor accounts for 60 percent of the common variance, and no other factor is represented by an Eigenvalue greater than 1.0. The single factor suggests that these three policy variables represent one single dimension of state policy liberalism. Since each of the variables loads similarly on a common factor, the state policy liberalism index is a simple sum of the standardized scores on the three variables. The index appears to be reliable (Cronbach’s alpha of .78) and should therefore accurately represent the ideological tendency of state policies.\textsuperscript{27}

In addition to several of the independent variables used in the preceding logit analyses, four new independent measures are used with the pooled regression models and Granger analysis. The \textit{Presidential Policy Liberalism} variable is taken from Stimson, MacKuen, and Erikson’s (1995) study of public opinion and institutional policy liberalism. This measure, similar to one used by both Gleiber and Shull (1992) and King and Ragsdale (1988), consists of three components: the mean ADA rating of the president’s support coalition in each party in Congress, the ADA ratings of recorded presidential positions on key congressional votes, and the liberalism of amicus curiae filed by the solicitor general. The second independent variable introduced in this portion of the analysis is \textit{Federal Effort}, or the percentage of state revenue received from the national government. The final independent measures, used in the presidential liberalism pooled regression model, measure the \textit{Percent of Democrats in the U.S. House} and the \textit{Percent of Democrats in the U.S. Senate}.

\textsuperscript{26} This measure was originally suggested by Ringquist (1993). Data were coded by the author.\textsuperscript{27} To test the validity of this measure, I obtained correlations with two other widely used measures of state policy liberalism. Erikson, Wright, and McIver’s (1993) index considers eight policy areas (education, Medicaid, AFDC, consumer protection, criminal justice, legalized gambling, the ERA, and tax progressivity) and was taken for 1980 only. Berry, Ringquist, Fording, and Hanson’s (1998) measure uses the ideology of a state’s citizenry (derived from the ideology of elected congressional delegations) to compute state government ideology. The correlations among my index, Erikson et al.’s, and Berry et al.’s were .78 and .75, respectively.
Table 4.4 reports Wald statistics, probabilities, and hypothesis decisions for the relationship between state and presidential policy liberalism. The null hypothesis for each test is that, controlling for the history of the first variable, the second variable does not vary with the first variable. A decision to reject the null hypothesis suggests Granger causality in the direction of the arrow. Where decisions to reject occur for both hypotheses, there is simultaneous causation.

**TABLE 4.4 GRANGER CAUSALITY TESTS:
State and Presidential Policy Liberalism**

<table>
<thead>
<tr>
<th>Relationship</th>
<th>$\chi^2$</th>
<th>p&gt;$\chi^2$</th>
<th>Null Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>State policy liberalism $\rightarrow$ Presidential policy liberalism</td>
<td>33.85</td>
<td>.000</td>
<td>Reject</td>
</tr>
<tr>
<td>State policy liberalism $\leftarrow$ Presidential policy liberalism</td>
<td>4.74</td>
<td>.191</td>
<td>Not Reject</td>
</tr>
</tbody>
</table>

State policy liberalism and presidential policy liberalism do not occur simultaneously in the theorized dynamic system of policy change. State policy liberalism produces movement in presidential policy liberalism, but changes in presidential policy liberalism do not produce similar changes in state policy. This finding provides significant support for the hypothesis that Reagan’s policy agenda did not impact the policy direction of the states. The Granger analysis suggests a proper causal order of the policy change relationship that places states at the forefront of policy change, with the president following suit. To further investigate this relationship, two pooled regression models are estimated, one for state policy liberalism and another for presidential policy liberalism from 1981 through 1988. The results are presented in Tables 4.5 and 4.6 respectively. All variables are reported at two lags.
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coeff</th>
<th>(S.E.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Policy Liberalism&lt;sub&gt;(t-2)&lt;/sub&gt;</td>
<td>.838</td>
<td>(.052)***</td>
</tr>
<tr>
<td>Presidential Policy Liberalism</td>
<td>.004</td>
<td>(.004)</td>
</tr>
<tr>
<td>Political Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Ideology</td>
<td>-.005</td>
<td>(.004)</td>
</tr>
<tr>
<td>Democratic Party Identifiers</td>
<td>-.001</td>
<td>(.003)</td>
</tr>
<tr>
<td>Percent Democratic Legislature</td>
<td>.012</td>
<td>(.005)**</td>
</tr>
<tr>
<td>Democratic Governor</td>
<td>.065</td>
<td>(.073)</td>
</tr>
<tr>
<td>Party Competition</td>
<td>-.545</td>
<td>(.679)</td>
</tr>
<tr>
<td>State Capacity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Session Length</td>
<td>-.000</td>
<td>(.001)</td>
</tr>
<tr>
<td>Real Legislator Salary</td>
<td>.002</td>
<td>(.004)</td>
</tr>
<tr>
<td>Percent Change in State Revenue</td>
<td>.020</td>
<td>(.006)**</td>
</tr>
<tr>
<td>State Inflation Rate</td>
<td>-.027</td>
<td>(.025)</td>
</tr>
<tr>
<td>Social/Demographic Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent High School Graduates</td>
<td>-.252</td>
<td>(.152)*</td>
</tr>
<tr>
<td>Median Income</td>
<td>.019</td>
<td>(.018)</td>
</tr>
<tr>
<td>Percent Change in Unemployed</td>
<td>.243</td>
<td>(.170)</td>
</tr>
<tr>
<td>Percent Change in Poverty Rate</td>
<td>-.004</td>
<td>(.013)</td>
</tr>
<tr>
<td>External Determinants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Effort</td>
<td>.007</td>
<td>(.014)</td>
</tr>
</tbody>
</table>

N = 376
Wald χ² = 11189.81***
(df) = (36)

Standard errors in parentheses.
*significant at p < .10  **significant at p < .05  ***significant at p < .01
TABLE 4.6 POOLED REGRESSION ANALYSIS: Presidential Policy Liberalism, 1981 to 1988

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coeff</th>
<th>(S.E.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Policy Liberalism</td>
<td>.459</td>
<td>(.145)**</td>
</tr>
<tr>
<td>Presidential Policy Liberalism&lt;sub&gt;(t-2)&lt;/sub&gt;</td>
<td>-.139</td>
<td>(.010)***</td>
</tr>
<tr>
<td>Percent Democrats in U.S. House</td>
<td>2.20</td>
<td>(.042)***</td>
</tr>
<tr>
<td>Percent Democrats in U.S. Senate</td>
<td>8.45</td>
<td>(.059)***</td>
</tr>
</tbody>
</table>

N 376
Wald $\chi^2$ 63477.89***
(df) (8)

Two findings stand out from these regression models. First, the factors that appeared to be most influential in state policy adoptions also hold substantial power to explain state policy liberalism. The availability of budgetary resources to fund policy innovations (measured as percentage change in state revenue) and the percentage of high school graduates clearly influenced the ideological direction of state policy. In addition to these two variables, the composition of the state legislature had a significant impact on state policy liberalism. For every 10% increase in state revenue, state policy liberalism increased by just over one-tenth of a standard deviation.

The second interesting finding comes from the presidential liberalism regression. The negative coefficient for presidential liberalism at a two-year lag suggests that Reagan’s policy ideology in the initial year of his presidency led him to moderate his policies in subsequent years. Additionally, a one standard deviation increase in state policy liberalism led to a half standard deviation increase in presidential policy liberalism. Democratic control of the U.S.
Congress also impacted Reagan’s liberalism; a 1% increase in Democratic House seats led to a policy liberalism increase of 2 standard deviations, while the same increase in the Senate led to a substantial increase of 8 standard deviations. While states maintained their ideological course during the Reagan administration, adopting policies only when practicality forced them to, Reagan himself was influenced by state policy liberalism, as well as the size of the Democratic majority in Congress.

The next section presents a series of empirical tests that investigate whether Reagan’s policy agenda, rather than the ideological tone of his policy actions, was impacted by state policy actions. This final piece of the policy change puzzle is intended to clarify the recursive nature of policy change in a federal system.

**State Influences on the National Agenda: Granger Causal Analysis**

The findings in the preceding sections suggest that state policy changes during the Reagan years were largely a function of pragmatic concerns rather than ideological ones. These same factors impacted state policy liberalism, which in turn appears to have impacted the ideological direction of presidential policy actions. In contrast, presidential policy liberalism had no significant impact on state policy liberalism. These findings provide support for the main contention of this dissertation: policy changes in a federal system are not solely the consequence of changes brought about by ideological changes in national leadership. However, whether Ronald Reagan modified his policy agenda – as opposed to the ideological positions he staked out – remains to be tested. In order to test the final hypothesis (H3), that *Presidential policy activity is impacted by policy innovations that are initiated by and diffused across the states,* three policy-specific VAR models with Granger causal analysis are estimated.²⁸

²⁸ For a full description of these models, please refer to page 112.
The dependent variable for each of the three models represents the amount of agenda space that Reagan allocated to each of the three major planks of his domestic policy platform: welfare retrenchment, tax reform, and deregulation. The *Agenda Space* variables are measured by counting the number of sentences in major national addresses29 each year that refer to specific policies, then dividing that number by the total number of policy-specific statements each year30 (Peterson 1990; Baumgartner & Jones 1991, 1993, 2002; Fett 1992; Cohen 1995). Agenda space is measured at time $t$. Separating the analysis by policy area allows for the possibility that Reagan’s responsiveness to state policy changes varied across policy types.

A descriptive analysis of Reagan’s agenda provides insight into the trajectory of his administration and its priorities. Reagan entered office emphasizing major changes in welfare, tax, and regulatory policies; a full 70% of Reagan’s policy statements during his first year in office were devoted to this domestic policy agenda (see Figure 4.1).

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29 I define a “major national address” as one that was televised to a national audience via the three major U.S. networks; both of Reagan’s inaugural addresses and all of his State of the Union addresses are designated as major national addresses. A full list of Reagan’s major national addresses is provided in Appendix III. Each mention of a specific policy proposal (e.g., piece of legislation, budget recommendation), foreign or domestic, was counted as a policy statement. Multiple mentions of the same policy proposal were counted as a single policy proposal.

30 An alternative measure of agenda space would employ a simple count of policy-specific statements. This measure would help to eliminate any noise in the policy agenda brought about by historical events or national crises that precipitate major national addresses by the president. However, the present study is informed by literature in which the proportionate measure of agenda space is dominant (see especially Peterson 1990; Baumgartner & Jones 1991, 1993, 2002; Fett 1992; Cohen 1995). Future iterations of this study will consider comparisons of the two measures.
Reagan’s revolutionary domestic agenda began to decline as a proportion of his total agenda space as early as 1982. This trend continued throughout the rest of his administration, with the exception of 1984, an election year during which Reagan returned to the themes of his election in 1980. History provides a partial explanation for the drop in domestic agenda space during Reagan’s second term in office. First, most second-term presidents exhibit a decline in effort and energy with which they approach governance (Brace and Hinckley 1993). Scholars have also suggested that presidents find it advantageous to devote extra agenda space to foreign policy during those periods in which they find a decline in their popularity ratings (Brace and Hinckley 1993; Cohen 1995). This appears to hold true for the Reagan administration. The majority of Reagan’s 36 policy statements from 1986 through 1988 were devoted to the growing
Iran-Contra scandal and investigation, the continuing crisis in Libya, and U.S.-Soviet relations. This change in agenda coincided with a slide in Reagan’s approval ratings from 60% in 1985 to 48% in 1987 (Newport, Jones, and Saad 2004).

The main independent variable for each of the equations is the *Extent of Diffusion* (by policy area). Because it is impractical to enter 49 states into the model as individual variables, state policy change is operationalized as a simple series of three variables measuring the percentage of states adopting more liberal welfare, tax, and regulatory policies in each of the three policy areas under investigation. The Extent of Diffusion variable is entered into the model with two lags. Figures 4.2, 4.3, and 4.4 display the time-trend lines for presidential agenda space and the extent of diffusion by policy area.

FIGURE 4.2 CHANGES IN WELFARE POLICY: Extent of Diffusion and Presidential Agenda Space
The graphical analysis of welfare policy change depicts two trends that appear to run in opposition to one another. While state adoptions of more generous welfare policies increased steadily during the course of the Reagan administration (Figure 4.2), Reagan’s emphasis on welfare retrenchment peaked in 1983 before declining throughout the rest of his administration. Figures 4.3 and 4.4, which show trends in tax and regulatory policy, suggest that the percentage of states adopting more progressive tax policies and more restrictive regulatory policies remained steady from 1981 through 1988, despite fluctuations in the amount of presidential agenda space devoted to those issues.
FIGURE 4.4  CHANGES IN REGULATORY POLICY:  
Extent of Diffusion and Presidential Agenda Space

Table 4.7 presents the results of the Granger analysis, which confirms the graphical trends in policy change and demonstrates the causal impact of state policy adoptions on the presidential agenda. As in Table 4.1, the null hypothesis for each test is that, controlling for the history of the first variable, the second variable does not vary with the first variable. A decision to reject the null hypothesis suggests Granger causality in the direction of the arrow. Where decisions to reject occur for both hypotheses, there is simultaneous causation.
Despite Reagan’s calls for welfare retrenchment and tax cuts, states continued to adopt more generous welfare policies and progressive tax code changes. The Granger statistics confirm that Reagan’s agenda did not have a significant impact on state policy adoptions, but the extent of state policy diffusion did have a significant impact on the substance of Reagan’s agenda in the areas of welfare ($\chi^2 = 23.03$) and tax policy ($\chi^2 = 42.98$). Indeed, for every four additional states that adopted more generous welfare policies, the amount of agenda space that Reagan devoted to welfare retrenchment declined by 7%. Similarly, for every four additional states that adopted more progressive tax policies, Reagan’s tax agenda space declined by nearly 6%.

In contrast to the results for welfare and tax policy, I am unable to reject the null hypothesis with respect to regulatory policy ($\chi^2 = 9.57$, $\chi^2 = 24.88$). It appears as though state policy diffusion and presidential agenda-setting formed a mutually-reinforcing system for deregulation during the Reagan years. This may be explained by the typically non-ideological, entrepreneurial, and intensely bureaucratic nature of regulatory policy (Lowi 1972; 1979; Wilson 1973; Gormley 1986).
Discussion of Results

Taken together, the event history analysis and the pooled regression models with tests for Granger causality support both H1 and H2. It appears that state policy adoptions of welfare benefit increases, progressive tax policy changes, and tighter regulatory policies were contingent upon the availability of state resources to fund such policies, as well as citizen demand for both social welfare and general public services. Ideological and political factors had very little impact on such policy adoptions, and both regional and external factors had limited influence on state policy adoptions. The composite liberalism of state policy was influenced by the same types of factors, with the additional influence of Democratic control of the statehouse. Most important for the present discussion, presidential policy liberalism did not appear to drive state policy liberalism during the Reagan years. Any “revolutionary” policy changes that Reagan may have introduced failed to manifest themselves in substantive state policy changes. Instead, it appears as though state policy liberalism had a positive impact on Reagan’s subsequent policy liberalism; just as Reagan’s liberalism was impacted by Democratic control of the U.S. Congress, more liberal state policies prompted Reagan to liberalize his own policy positions.

It is possible that a Reagan Revolution still existed as a rhetorical entity. That is, Reagan might have been pushed to moderate his substantive positions on those policy actions actually considered by Congress and the Supreme Court, while his rhetorical policy agenda remained strongly conservative. Investigation of the relationship between the presidential agenda and the extent of state policy diffusion provides the final piece of the policy change puzzle. When coupled with descriptive information about the trajectory of Reagan’s presidential agenda and state policy adoptions, the results from the Granger causality tests confirm the basic claim of H3:
Reagan’s presidential policy activity was impacted by policy innovations that were initiated by and diffused across the states.

The results from the event history analysis and time series regressions with Granger causal analysis provide support for a general theory of state-to-national policy diffusion. States appear to make policy changes independent of changes in presidential leadership, whether those changes entail ideological shifts or new agenda items. On the other hand, Reagan’s policy ideology and the composition of his agenda were clearly impacted by state policy actions. What does this mean for the conventional wisdom regarding policy change in the U.S. federal system? Chapter 5 closes this dissertation with general conclusions about the future of research on state and national policy change.
CHAPTER 5

CONCLUSION

It is no longer obvious that thinking in terms of a neat national-local balance that may be assessed at particular points in time is well-suited for the study of American politics after the New Deal...The blending, merging, and interaction of national with local forces suggest that our preoccupation with separating out these components overlooks a fundamental point. By virtue of the changes in American politics that have occurred since the New Deal, these components are neither as separate nor as separable as they once might have been (Grob 2003, 38).

Theories of agenda setting are better at specifying the conditions that create opportunities for innovation and the forces that drive policy design than they are at explaining the limits on innovation that past patterns of policy create. What too often gets missed in such fluid accounts is the significant constraints created by past institutions and policies that leaders must grapple with even when windows of opportunity for change are open (Hacker 2002, 60).

This dissertation began with a question: is it possible that the groundswell of policy innovation in the states serves as a model and source for national policy programs and major policy change? While one cannot (and should not) disprove prevailing theories of top-down and horizontal policy diffusion, the theory and evidence presented in this dissertation raise the possibility that the direction and content of policy changes in the states have a significant impact on policy activities undertaken by the president. Further, states make pragmatic policy choices based on their own unique opportunities and constraints; therefore, presidential agenda setting and policy liberalism appears to be of little consequence to state policymakers.

The existing literature on policy change creates a paradox by stressing the traditional notion of a structural federalism that allows states administrative power but relies on the power of national institutions and national political leaders to stimulate policy change and national
programmatic development. However, on the question of American public policy, the literature reviewed in chapters 2 and 3, along with the results of the causal testing performed in chapter 4, demonstrates three principal points. First, changes in the structural nature of American federalism have placed a significant emphasis on states as policy laboratories that generate social and policy learning. Second, the policy choices made by individual states are reflective of the state’s political environment and are precisely calibrated to address the policy preferences and demands of state citizens. Third, the demands of the modern presidency (including the presidential campaign) and shifts in national institutional arrangements have limited the national executive to rhetorical agenda setting, even as presidents form apparent changes in policy regimes. These observations have implications for theories of democratic responsiveness and the policymaking process, and they also suggest the need for a renewed focus on states as major players in the federal system.

**State-to-National Diffusion and Democratic Responsiveness**

Why should political scientists busy themselves with untangling the complex causal relationships that define state and national policymaking in a federal system? Both the institutional and behavioral schools of thought devote a great deal of attention to the democratic nature of political processes, with significantly less focus on the democratic nature of the outputs and outcomes of those processes. In order to evaluate the total health of U.S. democracy, scholars should move toward a comprehensive theory of policymaking, one that accounts for the processes by which policy is made, the institutional structures that shape and constrain those processes, and the policy outcomes that are the result of such processes. If major programmatic changes reflect the ideological and policy preferences of the majority of citizens, one may conclude that democracy is alive and well; the mechanisms by which citizens communicate their
preferences to political officials are functioning properly. Conversely, if the majority of citizens do not find that their policy preferences are being represented in policy outputs, there could be a problem with the policy feedback processes that guide elected delegates to their constituents’ democratic preferences. Studying policy change therefore advances the movement toward a unified theory of democracy by gauging whether democratic institutions (and the arrangement and relative power of those institutions) produce substantive policy changes rather than mere pleasing rhetoric that is representative of the will of the majority.

As evidenced by the results presented here, the overlapping democratic representation provided by national and subnational governments provides citizens with enhanced democratic responsiveness. States provide policy leadership that quite often dispenses with ideological rhetoric in favor of policy changes that meet the economic and social needs of the state citizenry. The president appears to heed state policy leadership by moderating policy rhetoric and rearranging the priorities of his own policy agenda. Therefore, national leadership responds to the policy actions taken by states, providing an indirect, yet democratic, response to the policy needs and preferences of state citizens. While these conclusions are drawn from a relatively limited time frame (1976 to 1988) and reflect only one presidential administration, there is reason to believe that the results would be the same for other periods. If Ronald Reagan, an immensely popular president credited with crafting an ideological policy revolution, was unable to influence significantly the policy mood of the states, then presidents with weaker agendas and rhetorical skills are unlikely to provide the spark for major changes to national domestic policy. States will remain the lever for policy formation and the fulcrum for political equilibrium.
State-to-National Diffusion and Current Theory

As realignment theory wanes as the foremost explanation for major national policy change (Mayhew 2002), scholars need to develop new theories to explain shifts in policy regimes and national programmatic priorities. Unfortunately, the literature addressing policy change, while rich, rigorous, and informative, is fragmented, resulting in a wide array of theories from multiple subfields, including state politics, institutional theory, and intergovernmental relations. Broader theories of the policy process (e.g., Burnham 1970; Kingdon 1995; Light 1999; Lindblom 1968; Mayhew 1991; Polsby 1984) devote only minor attention to discussions of federalism and policy diffusion, favoring discussions of partisan change and realignment, agenda-setting, and policy entrepreneurship. The theory of state-to-national policy diffusion presented here seeks to bridge the gaps between subfields, while suggesting a new focus on the role that the federal structure, and consequently the states, plays in national policy changes.

This dissertation addresses two aspects of policy change that have a particular affinity with existing theories of agenda-setting and policy process. Kingdon (1995) describes policy change as the product of policy invention by policy entrepreneurs and policy search by politicians seeking policy alternatives. This theory necessarily places significant emphasis on agenda-setting as both the locus of political power and the catalyst for policy change. The theory of state-to-national diffusion complements this idea very well; the major difference is in the identity of the “policy entrepreneur” who initiates innovation of existing policy alternatives. While Kingdon (1995) identifies the entrepreneur as an individual or group of individuals within think tanks, interest groups, or government agencies, the theory of state-to-national diffusion casts states (both individually and as a group) in the role of policy entrepreneurs. States lead
politicians in policy invention and innovation, providing alternatives that a politician can readily find when beginning a policy search.

The theory of state-to-national diffusion also comports well with aspects of policy process studies published by Baumgartner and Jones (1993; 2002) and Hacker (2002). Hacker (2002) charts the path dependence of the development of social welfare policy in the United States; he argues that the whole of the social welfare policy regime has been entrenched by choices made at a few critical junctures in history. Baumgartner and Jones (1993, 2002) develop a similar theory, arguing that policy changes occur in punctuated equilibrium, with long periods of stasis marked by sudden dramatic changes. The theory of state-to-national diffusion leans towards Hacker’s (2002) more incremental view of policy change and lends support to the negative feedback model that Baumgartner and Jones (1993; 2002) use to explain their long periods of policy equilibrium.

While the positive feedback model, or the “punctuation” in punctuated equilibrium (Baumgartner and Jones 1993; 2002), suggests that cascades of events leading to dramatic change are driven by agenda-setting and issue definition on a broad scale, the evidence presented in this dissertation suggests that rhetoric and presidential agenda-setting have very little impact on the substance of policy changes undertaken by the states. Instead, states play a key role in the homeostatic process of balance and counterbalance that characterizes the negative feedback model (Baumgartner and Jones 1993; 2002). States provide policy balance to national policy rhetoric precisely because they are pragmatic policymakers, with less of an interest in national partisan inertia and more of an interest in working within the constraints of the state budget and meeting citizen demands. In extreme situations, states function as the brake that stops the presidential train. While states may not revolt openly against presidential leadership, they appear
to ignore the president’s preferences on policy substance, an action (or inaction) that effectively prevents the realization of major national policy changes advocated by the president.

**Instigating Policy Change**

In addition to evaluating democratic outcomes and describing and predicting policy evolution via theoretical development, studies of how policy change occurs have a practical function. By locating the sources of policy innovation and accurately describing the processes by which programmatic change takes place, scholars can effectively draw a map to political access points. Political parties, interest groups, policy entrepreneurs, and policy advocates can subsequently update and align their strategies for advancing their preferred policy programs. If party leaders know that their best chances of shifting the agenda to their favor rest with the executive, they can allocate their resources to influencing that institution. However, political and policy entrepreneurs and advocates, not to mention national party leaders and policymakers, could gain a significant advantage by focusing their efforts on state strategies. If substantive programmatic change begins in the states and moves up the federal ladder, those who wish to implement a new policy regime could significantly increase the probability of policy adoption by making inroads in state governing institutions and the state citizenry (either through party control of institutions or policy entrepreneurship) before widening the scope of conflict to the national level. If state governments are identified as being more likely to advance those policies that best meet the practical needs of their citizens, advocates can increase their probability of long-term national success by making gains on a state-by-state basis.

Indeed, states have increasingly become the locus of policy innovation and political rebellion. Over the last ten years, states have seized leadership in several policy areas that have long been considered the domain of national government, upending national policy initiatives put
into place by the president and Congress. In the area of welfare reform, states sought waivers to experiment with work requirements, child-care and education programs. As a result, states were allowed some latitude in welfare policy experimentation beginning in the mid-1980s. In fact, by the time a national welfare reform bill was passed in 1996, nearly 40 states had policy waivers (Blank and Haskins 2001, 108). These waivers permitted states to implement innovations in program rules, including time limits and work requirements, and a myriad of support programs affecting child care, child support collection, job training, and job counseling. Several of these provisions became the basis for the Personal Responsibility and Work Opportunity Act of 1996.

States have also petitioned the national government for changes in national health care programs. Section 1115 of the Social Security Act gives states the opportunity to disregard national rules and regulations governing Medicaid programs in order to conduct demonstration projects and policy research. States have used this authority to make improvements to their health care delivery systems, better manage health care financing systems, and improve and expand medical coverage (Schneider 1997). In response to increasing health care costs, states have petitioned the national government for even more freedom in reforming their Medicaid programs. Political pressure from the National Governors Association led President George W. Bush to urge Congress to lessen the regulatory burden on all states, regardless of their Section 1115 status. Congress did so in 2005, and states responded by raising fees, restricting benefits, and limiting patient access to the health care system (Goldstein 2006).

National policies on education, environmental protection, and homeland security have also provoked a strong negative response from states. Many states have refused to implement elements of the No Child Left Behind Act of 2001, claiming that the policy is an onerous unfunded mandate (Romano 2006). Despite President Bush’s attempts to block state plans for

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31 Haskins (2001) describes the AFDC waiver system and its evolution.
tighter restrictions on greenhouse gas emissions, 15 governors have entered into Kyoto-style environmental agreements (NGA 2006). Most recently, states have banded together in order to pre-empt the U.S. Department of Homeland Security in its efforts to implement a national identification card program (NGA 2006). Whether these state policy innovations will eventually work to alter the course of national policy remains to be seen, but deserves to be studied.

**Future Research**

The theory of state-to-national diffusion presented here complements existing research on policy change by investigating federalism as the conduit for state influence on national political outcomes. However, the idea that the states play a critical role in the advent of national policy changes raises a number of additional questions that are ripe for future research. First, while the Reagan presidency presents an ideal critical case with which to test theories of upward diffusion, this study should be extended to multiple presidencies. Do all presidents respond the same to policy pressures from the states, and do all states respond the same to different presidents? Second, the theory should differentiate among types of states. Do some states have more of an impact on presidential policy actions than other states? If so, what are the characteristics of those states (e.g., electorally important, similar ideological leanings)? Third, the theory should be extended to consider the relationship between state policy actions and minor, more specific presidential statements. For example, when trying to shore up support for a domestic policy proposal, does the president travel to states that have existing policies similar to the one he is proposing, or do those states that receive whistle-stop visits subsequently follow the president’s policy lead? Finally, future research should consider whether state-to-national diffusion occurs via congressional politics as well as presidential politics. Do congressmen take their states’
policies with them to Washington? If so, do those policies translate to national policy proposals? If so, what contributes to the successful translation of state policies to congressional action?

**Summary**

The results of this dissertation suggest that, while national ideological tides and presidential agenda-setting do not impact state liberalism or policy adoptions, even an intensely ideological and rhetorical president can be moved to follow policy trends that are dictated by states. These findings have implications for the way that political scientists conceptualize national policy change. It underscores the structural imperatives inherent to a federal political system, placing long-overdue focus on the American states not only as policy laboratories, but also as harbingers of democratic responsiveness to the needs, preferences, values, and will of citizens. It also brings a new perspective to the study of the American presidency, indicating a shift away from presidential policymaking via traditional institutional bargaining mechanisms in favor of a rhetorical policymaking that relies on the principles of federalism. If scholars refocus their efforts from explaining diffusion to exploring innovation and policy change, policy research will be more fruitful, producing a new, comprehensive theory of policymaking that is needed to further our understanding of politics in a federal system.
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### APPENDIX I

#### Data Descriptions and Sources

<table>
<thead>
<tr>
<th>Variables</th>
<th>Description</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare Effort&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Dummy = 1 if states increase benefit level</td>
<td>0.512</td>
<td>0.500</td>
</tr>
<tr>
<td>Change in Tax Code&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Dummy = 1 if states adopt progressive tax change</td>
<td>0.444</td>
<td>0.500</td>
</tr>
<tr>
<td>Regulatory Policy&lt;sup&gt;c&lt;/sup&gt;</td>
<td>Dummy = 1 if states tightened regulatory policies</td>
<td>0.694</td>
<td>0.500</td>
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<tr>
<td>State Policy Liberalism&lt;sup&gt;d&lt;/sup&gt;</td>
<td>Index, higher values = more liberal policies</td>
<td>0.011</td>
<td>2.31</td>
</tr>
<tr>
<td>Presidential Liberalism&lt;sup&gt;e&lt;/sup&gt;</td>
<td>Index, higher values = more liberal policies</td>
<td>33.12</td>
<td>17.24</td>
</tr>
<tr>
<td>Federal Effort&lt;sup&gt;e&lt;/sup&gt;</td>
<td>Percent of state revenue from national government</td>
<td>20.77</td>
<td>4.08</td>
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<td>Percent Democrats in U.S. House&lt;sup&gt;f&lt;/sup&gt;</td>
<td>Percent of Democratic seats in the U.S. House of Representatives</td>
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<td>3.61</td>
</tr>
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<td>Percent Democrats in U.S. Senate&lt;sup&gt;f&lt;/sup&gt;</td>
<td>Percent of Democratic seats in the U.S. Senate</td>
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<td>Agenda Space&lt;sup&gt;d&lt;/sup&gt; (welfare)</td>
<td>Percent of Reagan’s welfare statements divided by total number of policy statements</td>
<td>17.98</td>
<td>5.81</td>
</tr>
<tr>
<td>Agenda Space&lt;sup&gt;d&lt;/sup&gt; (tax reform)</td>
<td>Percent of Reagan’s tax statements divided by total number of policy statements</td>
<td>14.57</td>
<td>8.41</td>
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<tr>
<td>Agenda Space&lt;sup&gt;d&lt;/sup&gt; (regulatory policy)</td>
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<td>10.98</td>
<td>6.42</td>
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<tr>
<td>Extent of Diffusion&lt;sup&gt;d&lt;/sup&gt; (welfare)</td>
<td>Percent of states adopting benefit increases</td>
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<td>1.63</td>
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<tr>
<td>Extent of Diffusion&lt;sup&gt;d&lt;/sup&gt; (tax reform)</td>
<td>Percent of states adopting progressive tax changes</td>
<td>91.25</td>
<td>0.23</td>
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<tr>
<td>Extent of Diffusion&lt;sup&gt;d&lt;/sup&gt; (regulatory policy)</td>
<td>Percent of states adopting tighter regulatory restrictions</td>
<td>73.52</td>
<td>0.37</td>
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<td><strong>POLITICAL ENVIRONMENT</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>State Ideology&lt;sup&gt;g&lt;/sup&gt;</td>
<td>Percent of population and elites holding liberal views</td>
<td>20.89</td>
<td>6.60</td>
</tr>
<tr>
<td>Democratic Party Identifiers&lt;sup&gt;g&lt;/sup&gt;</td>
<td>Percent of population identifying with Democratic party</td>
<td>36.65</td>
<td>9.92</td>
</tr>
<tr>
<td>Percent Democratic Legislature&lt;sup&gt;h&lt;/sup&gt;</td>
<td>Percent of total state legislative seats held by Democrats</td>
<td>62.39</td>
<td>19.11</td>
</tr>
<tr>
<td>Democratic Governor&lt;sup&gt;h&lt;/sup&gt;</td>
<td>Dummy = 1 if Democratic governor</td>
<td>0.641</td>
<td>0.480</td>
</tr>
<tr>
<td>Party Competition&lt;sup&gt;h&lt;/sup&gt;</td>
<td>Ranney folded index of party competition (0 = no competition, 1</td>
<td>0.879</td>
<td>0.009</td>
</tr>
<tr>
<td>Variables</td>
<td>Description</td>
<td>Mean</td>
<td>S.D.</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
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<tr>
<td><strong>STATE CAPACITY</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Session Length ( ^{a} )</td>
<td>Number of legislative days in legislative session</td>
<td>67.23</td>
<td>47.46</td>
</tr>
<tr>
<td>Real Legislator Salary ( ^{a} )</td>
<td>Average annual salary and compensation in thousands (1980 dollars)</td>
<td>32.95</td>
<td>26.67</td>
</tr>
<tr>
<td>Percent Change in GSP ( ^{c} )</td>
<td>Percent change in real (1980 dollars) gross state product from previous to current year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent Change in State Revenue ( ^{a} )</td>
<td>Percent change in real (1980 dollars) state revenue from previous to current year</td>
<td>3.29</td>
<td>4.81</td>
</tr>
<tr>
<td>State Inflation Rate ( ^{b} )</td>
<td>Percent change in cost of living within state</td>
<td>5.99</td>
<td>2.94</td>
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<td><strong>SOCIAL DEMOGRAPHIC INDICATORS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent High School Graduates ( ^{a} )</td>
<td>Percent of state’s adult population with high school diploma</td>
<td>68.26</td>
<td>7.26</td>
</tr>
<tr>
<td>Median Income ( ^{a} )</td>
<td>Median household income in state, in thousands of real (1980) dollars</td>
<td>31.15</td>
<td>5.02</td>
</tr>
<tr>
<td>Percent Change in Unemployed ( ^{a} )</td>
<td>Change in percent of state population unemployed</td>
<td>-0.204</td>
<td>1.3</td>
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<tr>
<td>Percent Change in Poverty Rate ( ^{a} )</td>
<td>Change in percent of state population below the poverty line</td>
<td>-0.020</td>
<td>0.607</td>
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<td><strong>EXTERNAL DETERMINANTS</strong></td>
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<td></td>
<td></td>
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<td>South ( ^{d} )</td>
<td>Dummy = 1 if state categorized as South by U.S. Census Bureau</td>
<td>0.023</td>
<td>0.042</td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors (welfare) ( ^{d} )</td>
<td>Percent of contiguous states adopting benefit increase in previous year</td>
<td>49.57</td>
<td>29.31</td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors (tax reform) ( ^{d} )</td>
<td>Percent of contiguous states adopting progressive tax in previous year</td>
<td>73.12</td>
<td>10.23</td>
</tr>
<tr>
<td>Proportion of Adopting Neighbors (regulatory) ( ^{d} )</td>
<td>Percent of contiguous states adopting regulatory restrictions in previous year</td>
<td>38.90</td>
<td>17.65</td>
</tr>
<tr>
<td>Reagan in Office ( ^{d} )</td>
<td>Dummy = 1 for years 1981 through 1988</td>
<td>0.615</td>
<td>0.486</td>
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<td>Presidential Job Approval ( ^{k} )</td>
<td>Percent of respondents indicating satisfaction with the president’s job performance</td>
<td>50.34</td>
<td>7.99</td>
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<tr>
<td><strong>POLICY SPECIFIC</strong></td>
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<td></td>
</tr>
<tr>
<td>Popularity of Welfare ( ^{a} )</td>
<td>Percent saying government spends too little on welfare minus percent saying spends too much</td>
<td>-33.61</td>
<td>12.15</td>
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<tr>
<td>Percent Change Female-HH ( ^{i} )</td>
<td>Percent change in number of female-headed households</td>
<td>2.15</td>
<td>0.350</td>
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<tr>
<td>Variables</td>
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<tr>
<td>-----------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Percent Change Welfare Recipients</td>
<td>Percent change in number of welfare recipients in state</td>
<td>-0.160</td>
<td>6.92</td>
</tr>
<tr>
<td>Percent Change in Matching Rate</td>
<td>Change in percent of AFDC payments paid by the state at the margin</td>
<td>-0.0302</td>
<td>6.08</td>
</tr>
<tr>
<td>Tax Capacity</td>
<td>State taxable resources in thousands, 1980 dollars</td>
<td>98.50</td>
<td>18.82</td>
</tr>
<tr>
<td>Percent Change in Tax Revenue</td>
<td>Percent change in real (1980 dollars) state tax revenue from previous to current year</td>
<td>.82</td>
<td>7.10</td>
</tr>
<tr>
<td>Population Density</td>
<td>Population per square mile</td>
<td>162.42</td>
<td>227.15</td>
</tr>
<tr>
<td>Percent Change in Manufacturing</td>
<td>Percent change in number of manufacturing jobs available to state citizens</td>
<td>7.98</td>
<td>3.14</td>
</tr>
<tr>
<td>Carbon Dioxide Emissions</td>
<td>Teragrams of carbon dioxide emissions from state energy production</td>
<td>97.42</td>
<td>95.46</td>
</tr>
</tbody>
</table>

a. Volden, 2002  
b. World Tax Database  
c. Book of the States  
d. Coded by Author  
e. Stimson, MacKuen, and Erikson, 1995  
f. Congressional Quarterly Data Collection  
g. Erikson, Wright, and McIver, 1993  
h. State Politics and Policy Quarterly Data Collection  
i. Berry, Fording, and Hanson, 1997  
j. U.S. Department of Energy, Energy Information Administration  
k. Gallup Organization, 2006
## APPENDIX II
### Selected Correlations*

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Democrats in U.S. House * Percent Democrats in U.S. Senate</td>
<td>0.76</td>
</tr>
<tr>
<td>Percent Democratic Legislature * South</td>
<td>0.61</td>
</tr>
<tr>
<td>Percent Democratic Legislature * Democratic Party Identifiers</td>
<td>0.57</td>
</tr>
<tr>
<td>State Inflation Rate * Popularity of Welfare</td>
<td>-.074</td>
</tr>
<tr>
<td>State Inflation Rate * Percent Democrats in U.S. Senate</td>
<td>0.56</td>
</tr>
<tr>
<td>Percent High School Graduates * Party Competition</td>
<td>0.57</td>
</tr>
<tr>
<td>Percent High School Graduates * Percent Democratic Legislature</td>
<td>-0.67</td>
</tr>
<tr>
<td>Percent High School Graduates * South</td>
<td>-0.64</td>
</tr>
<tr>
<td>Median Income * Tax Capacity</td>
<td>-.053</td>
</tr>
</tbody>
</table>

*Note: This table reports correlation coefficients for those variables that appear simultaneously in any of the models estimated in this dissertation. Only correlations over 0.50 are reported.*
## APPENDIX III

**Major National Addresses and Themes in Reagan’s Rhetorical History, 1981 -1988**

<table>
<thead>
<tr>
<th>Date</th>
<th>Address (Major Themes)</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 20, 1981</td>
<td>First Inaugural Address</td>
<td>U.S. Capitol</td>
</tr>
<tr>
<td>February 5, 1981</td>
<td>Address to the Nation on the Economy</td>
<td>Oval Office</td>
</tr>
<tr>
<td>April 18, 1981</td>
<td>Address on the Program for Economic Recovery</td>
<td>Joint Session of Congress</td>
</tr>
<tr>
<td>July 27, 1981</td>
<td>Address to the Nation on Federal Tax Reduction Legislation</td>
<td>Oval Office</td>
</tr>
<tr>
<td>September 24, 1981</td>
<td>Address to the Nation on the Economic Recovery</td>
<td>Oval Office</td>
</tr>
<tr>
<td>December 23, 1981</td>
<td>Address to the Nation on Christmas and the situation in Poland</td>
<td>Oval Office</td>
</tr>
<tr>
<td>January 26, 1982</td>
<td>State of the Union Address (Social Programs transferred to the states)</td>
<td>Joint Session of Congress</td>
</tr>
<tr>
<td>April 29, 1982</td>
<td>Address to the Nation on the Federal Budget</td>
<td>Oval Office</td>
</tr>
<tr>
<td>August 16, 1982</td>
<td>Address to the Nation on the Tax and Budget Legislation</td>
<td>Oval Office</td>
</tr>
<tr>
<td>September 1, 1982</td>
<td>Address to the Nation on the U.S. Policy in the Middle East</td>
<td>KNBC-TV studios</td>
</tr>
<tr>
<td>September 20, 1982</td>
<td>Address to the Nation on Lebanon</td>
<td>Oval Office</td>
</tr>
<tr>
<td>October 13, 1982</td>
<td>Address to the Nation on the Economy</td>
<td>Oval Office</td>
</tr>
<tr>
<td>November 22, 1982</td>
<td>Address to the Nation on Arms Reduction and Nuclear Deterrence (MX Missile)</td>
<td>Oval Office</td>
</tr>
<tr>
<td>January 25, 1983</td>
<td>State of the Union Address (Federal Spending Freeze)</td>
<td>Joint Session of Congress</td>
</tr>
<tr>
<td>March 23, 1983</td>
<td>Address to the Nation on National Security (&quot;Star Wars&quot; SDI Speech)</td>
<td>Oval Office</td>
</tr>
<tr>
<td>September 5, 1983</td>
<td>Address to the Nation on the Soviet Attack on a Korean Airliner (KAL 007)</td>
<td>Oval Office</td>
</tr>
<tr>
<td>Date</td>
<td>Address (Major Themes)</td>
<td>Venue</td>
</tr>
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<td>October 27, 1983</td>
<td>Address to the Nation on Lebanon and Grenada</td>
<td>Oval Office</td>
</tr>
<tr>
<td>January 16, 1984</td>
<td>Address to the Nation and Other Countries on United States-Soviet Relations</td>
<td>East Room</td>
</tr>
<tr>
<td>January 25, 1984</td>
<td>State of the Union Address (&quot;America is back with 4 Great Goals&quot;)</td>
<td>Joint Session of Congress</td>
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<tr>
<td>January 29, 1984</td>
<td>Address to the Nation Announcing Reagan's candidacy for reelection</td>
<td>Oval Office</td>
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<td>May 9, 1984</td>
<td>Address to the Nation on Central America</td>
<td>Oval Office</td>
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<tr>
<td>January 21, 1985</td>
<td>Second Inaugural Address</td>
<td>U.S. Capitol</td>
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<td>February 6, 1985</td>
<td>State of the Union Address (American Revolution II)</td>
<td>Joint Session of Congress</td>
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<td>April 24, 1985</td>
<td>Address to the Nation on the Federal Budget and Deficit Reduction</td>
<td>Oval Office</td>
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<tr>
<td>May 28, 1985</td>
<td>Address to the Nation on Tax Reform</td>
<td>Oval Office</td>
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<tr>
<td>June 30, 1985</td>
<td>Address to the Nation on the Release of the TWA Hostages</td>
<td>Oval Office</td>
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<tr>
<td>November 14, 1985</td>
<td>Address to the Nation on the Upcoming Soviet-United States Summit in Geneva</td>
<td>Oval Office</td>
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<tr>
<td>January 28, 1986</td>
<td>Address to the Nation on the Explosion of the Space Shuttle &quot;Challenger&quot;</td>
<td>Oval Office</td>
</tr>
<tr>
<td>February 26, 1986</td>
<td>Address to the Nation on National Security</td>
<td>Oval Office</td>
</tr>
<tr>
<td>March 16, 1986</td>
<td>Address to the Nation on the Situation in Nicaragua</td>
<td>Oval Office</td>
</tr>
<tr>
<td>April 14, 1986</td>
<td>Address to the Nation on the Air Strike Against Libya</td>
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</tr>
<tr>
<td>June 24, 1986</td>
<td>Address to the Nation on Aid to the Contras</td>
<td>Oval Office</td>
</tr>
<tr>
<td>September 14, 1986</td>
<td>Address to the Nation on the Campaign Against Drug Abuse (presented jointly with Nancy Reagan)</td>
<td>White House Residence</td>
</tr>
<tr>
<td>October 13, 1986</td>
<td>Address to the Nation on the Meetings with Gorbachev in Iceland</td>
<td>Oval Office</td>
</tr>
<tr>
<td>Date</td>
<td>Address (Major Themes)</td>
<td>Venue</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>November 13, 1986</td>
<td>Address to the Nation on the Iran-Contra Controversy</td>
<td>Oval Office</td>
</tr>
<tr>
<td>December 2, 1986</td>
<td>Address to the Nation on the Investigation of the Iran-Contra Affair</td>
<td>Oval Office</td>
</tr>
<tr>
<td>January 27, 1987</td>
<td>State of the Union Address</td>
<td>Joint Session of Congress</td>
</tr>
<tr>
<td></td>
<td>(&quot;I'm back&quot;)</td>
<td></td>
</tr>
<tr>
<td>March 4, 1987</td>
<td>Address to the Nation on the Iran-Contra Controversy</td>
<td>Oval Office</td>
</tr>
<tr>
<td></td>
<td>(&quot;Tower Report&quot;)</td>
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<tr>
<td>June 15, 1987</td>
<td>Address to the Nation on Arms Reduction &amp; the Venice Summit</td>
<td>Oval Office</td>
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<td>August 12, 1987</td>
<td>Address to the Nation on the Iran-Contra Affair</td>
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<td>October 14, 1987</td>
<td>Address to the Nation on the Supreme Court Nomination of Robert H. Bork</td>
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<td>December 10, 1987</td>
<td>Address to the Nation on the Soviet-U.S. Summit Meeting</td>
<td>Oval Office</td>
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<td>January 25, 1988</td>
<td>State of the Union Address</td>
<td>Joint Session of Congress</td>
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<td></td>
<td>(&quot;We're not finished yet”-Budget Process)</td>
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<tr>
<td>February 2, 1988</td>
<td>Address to the Nation on Aid to the Nicaraguan Democratic Resistance</td>
<td>Oval Office</td>
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**Source:** Ronald Reagan Presidential Library, National Archives and Records Administration