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State Formation and the Decline of Political Parties: American Parties in the Fiscal State*

The shifting salience of political parties is a central issue in American political development.¹ From the debates over colonial "parties" to debates over the relevance of realignment theory in the 1980s and 1990s, scholars have attempted to assess the impact of political parties on political development. One topic that has provoked particularly extensive debate is the status of parties since World War II. Scholars point to confidence gaps, realignment, and institutional displacement, among other factors, to explain the postwar decline of political parties.² But there are

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problems: Analytical frameworks explaining decline cannot account for recent signs of party resurgence; frameworks explaining resurgence typically account for signs of the decline. Those focused on one aspect of the party system (e.g., parties in Congress) rarely offer insights on other aspects (e.g., parties in the electorate). What is needed is an approach that places parties within their structural settings. If these settings change, parties may change.

I argue that the "fiscal state" defines these settings for the postwar period. Coupling electoral competition based on Keynesian macroeconomic policy with a policy-making structure that marginalized party as an important actor in that policy, the fiscal state weakened the position of party throughout the American political system. This focus on the state considers the party as both policy maker and policy maker. Regarding the former, policy substance varies in the significance of parties. Certain types of policy are substantively more suitable than others for strong parties. Regarding the latter, the way policy-making is organized within government determines whether parties appear to make significant important in the policy process, encourages or discourages voters from focusing on parties when voting, and tells voters which political players deserve their attention in specific policy areas. From the Civil War to the 1930s, trade policy provided a central division between the parties. Trade was not the only policy separating the parties, but most studies agree that it was the most enduring, holding true even against the momentous changes of 1896.3 Distinct congressional parties developed and defined trade policy and differed significantly on policy preferences. Voters understood and cared about the differences.4 In marked contrast, the fiscal policy-based party system of the past fifty years has proved a far less productive period for the parties.

The concept of the fiscal state integrates the concept of party: It provides leverage for understanding how changes in one portion of the party system are reflected elsewhere. Looking at parties in the context of the fiscal state helps explain why the recent resurgence of party in the United States has been only partial. At bottom, the story told below is about congressional parties and changes in their role and behavior. But the congressional parties are linkages that connect the operation of parties in the government, parties in the electorate, and parties in relationship to policy arenas. Changes in the congressional parties have ripple effects on the rest of the party system.

Looking at the formative period of the fiscal state shows how the postwar status of American political parties was bound up in this statebuilding episode. To that end, I examine here several institutional debates from 1937 to 1946 that contributed to the development of the fiscal state. The


discussion of these institutional debates is ordered around several questions: In what way did the role and fate of the parties enter debates on the structure of postwar economic management? Did members of Congress link the changes in the political system to their effects on parties? What trade-offs were members willing to make between party control, congressional independence, and personal autonomy? Rather than taking the battles solely on their own terms—did the recession of 1937 validate Keynesian dictums, for example—I ask what the debates meant for parties. Reviewing key institutional episodes over a ten-year period points to both intentional and unintentional consequences for parties. As I show, congressional willingness to tolerate presidential ascendancy over macroeconomic management in exchange for congressional party control over budgetary distribution proves to have had important and continuous negative consequences for the postwar position and salience of parties in the Congress, in the government, and among voters.

I begin by considering efforts in other studies to link party and state. I then indicate how the fiscal state constrains parties. Next I turn to the case studies of key institutional debates concerning the recession of 1937, budgetary reform, executive reorganization, postwar planning, and legislative reorganization. Finally, I ask whether recent institutional changes have eliminated the limits imposed on the role of parties by the fiscal state. No immutable laws force a continuation of party decline. Broad-scale challenges to the fiscal state were electorally fruitless when that state was considered a success. Replacement or redefinition of that state became politically viable when the fiscal state was widely perceived to have failed by the late 1970s. This perceived failure is critical because changes in the state can redefine and strengthen the position of political parties.

POLITICAL PARTIES AND THE STATE

While scholarly efforts to consider the interrelationship of the American state and American parties have been few in number, they have been conceptually informative and suggest the utility of beginning with the state in examining changing party strength. Shifter's discussion of the dynamics of party-bureaucracy conflicts, Skowronek's depiction of the restructuration of state and destructuration of party in the Progressive period, and Milks's proposition of intentional, presidentially led weakening of party by institutionalizing programs in the executive all suggest key linkages between state structure (and to a lesser extent policy) and the status of parties. But none of these approaches is adequate for understanding postwar party decline. Shifter asserts the onset of party decline but is unable to pinpoint its cause. Skowronek projects forward party decline from one restructuring episode and largely ignores policy. And Milks, despite his important starting point, leaves many questions open: What kind of party decline is instigated by these changes in structure? Is it possible for parts of the party system to be in decay while others revive? Does specific policy content matter?

Unlike Shifter, Skowronek, and Milks's structural accounts, studies of the politics of growth focus more precisely on policy content. Politics-of-growth arguments assert that systems oriented around Keynesian management techniques progressively squeeze allowable debate into narrow parameters. With the important questions of governance centered on expertise in macroeconomic and administrative management, Poggi suggests, there is little left of distinctive significance for legislative parties to contribute. A result, the parties become less central to governing and citizens are less likely to perceive them as relevant institutions. The impact of Keynesianism on parties is profound: "the issues and conflicts that remain to be resolved within the realm of formal politics (party competition and parliament) are of such a fragmented, non-polarizing, and non-fundamental nature (at least in the areas of economic and social policy) that they can be settled by the inconspicuous mechanisms of mar-

5. Ira Katznelson and Bruce Pietykowski have independently used similar language in their discussion of the "developmental" and "fiscalist" alternatives during the 1930s and 1940s. Our approaches are also compatible in that we both argue that one cannot meaningfully talk about state structure without also talking about policy. See their "Rebuilding the American State: Evidence from the 1940s," Studies in American Political Development 5 (1991): 301–399, and my "Economic Conditions and Party Cohesion," paper presented at the Annual Meeting of the American Political Science Association, 1991.

6. An important early effort along these lines came from Samuel P. Huntington, whose Tudor Polity argument illustrated (if not as its primary purpose) the limiting conditions imposed on American parties by the highly fractionalized structure of the U.S. state. For example, in a fashion that does not rely on the usual (albeit pertinent) observations about heterogeneous diversity, the Tudor Polity thesis tells us much about the difficulties in building programmatic parties in the United States. See his Political Order in Changing Societies (New Haven: Yale University Press, 1968), chap. 2. The current effort also builds its frame-

work from what Theda Skocpol terms a "Toquevillian" approach to political economy—an approach that stresses the impact of state policies and structures on the representation of interests and, by extension, the party system. "In this perspective, states matter... because they organize configurations, along with their overall patterns of activity, affect political culture, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others)." See her "Bringing the State Back: Strategies of Analysis in Current Research," in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., Bringing the State Back In (New York: Cambridge University Press, 1985), 21. Historian Richard L. McCormick (The Party Period) also provides an important contribution in this direction.


The Fiscal State and Its Constraints on Parties

Both the policy-making and Keynesian-politics literatures have the advantage of placing parties within their structural setting. For the postwar period, this setting is best defined as the fiscal state. By fiscal state I mean the policy-making institutions in the government; the liberal values that motivate the actions of institutional actors, especially the commitments to limit centralized intervention and the separability of economic and political spheres; and the process of macroeconomic regulation of the business cycle based on an arm’s-length transfer of cash from one economic sector to another.13 Beginning in 1953, the state began to undergird the economy with policy measures designed, first, to ensure stability and, later, to promote growth. This new state intended to prevent major economic upheavals like those that occurred in the 1890s and 1930s and to “smooth” the business cycle over time.14 “Fiscal” refers not only to the important posi-

tion of fiscal policy in managing the economy, but also to the nature of much of the stability apparatus. The idea was not to intervene on a micro level (although in certain instances this happened) but to restore order by providing cash, transfer payments, loan guarantees, and “bailouts,” and by defining rules and restrictions concerning cash flows, bank finances, stock transactions, and the like.

What limits does the fiscal state place on the role and position of parties? Five constraints are particularly important. None of these constraints was cast in concrete or inevitable: The institutional debates at the time indicate other outcomes were possible.

First, fiscal policy is centered in the executive branch. Obviously, Congress has some say on the distribution of funds. But the close congruence between presidential suggestions for overall and departmental spending and subsequent congressional appropriations suggests that Congress rarely pushes a markedly different fiscal policy than the incumbent administration. Particularly in the total level of spending and taxing, which is the crux of the Keynesian approach, Congress rarely differs signifi-


12. That is, the revitalization is more evident in some portions of the party system (Congress) than in others (electorate).

13. Katzenelson renders the concept similarly: the state is, simultaneously, a unit of decision-making authority, a set of social relations of power and social control, a normative order, and a legal and institutional order that represents, shapes, and manages conflict, and that organizes a framework for the market economy while acting to alter market outcomes.


Second, even monetarist critics of fiscal policy admit that fiscal policy can have short-run beneficial effects, and the short-run may be what is important in practical politics. Third, even if the state had nothing to do directly with economic success, business elites and the public believed that the state had this capability. This sense that the state could manage the economy effectively may have encouraged the kind of investment and spending that does produce growth. See Andrew Shonfield, Modern Capitalism: The Changing Balance of Power and Private Power (New York: Columbia University Press, 1965); Robert M. Collins, The Business Response to Keynes, 1929–1964 (New York: Columbia University Press, 1981); and Andrea Bollo, ed., The European Economy: Growth and Crisis (New York: Oxford University Press, 1982).
cantly from the administration. Fiscal policy, unlike trade policy in the nineteenth century, is less a domain of the congressional parties and less under their control.

Second, automatic fiscal policy weakens the link between parties and policy. “Uncontrollable” and entitlement spending—spending outside the normal appropriations process whose level is determined by formula—siphons off large parts of potential party influence. “Automatic” countercyclical stabilizers kick in without the specific instigation of the president or the Congress when economic conditions warrant. For the most part these measures are off the agenda of party debate, including during recessional periods. The debates that do ensue are typically over duration; e.g., should unemployment insurance coverage be extended another ten weeks? These disputes are not trivial, but the automatic nature of the spending dampens the parties’ ability to differentiate themselves on policy. Indecision of spending programs and taxation produces similar results. Discretionary spending or taxing, on the other hand, would force party distinctions—if any—to the surface.

A third limit on parties is the divided control between monetary and fiscal policy. While fiscal policy is clearly in the purview of the executive and legislative branches, monetary policy is constructed by the Federal Reserve Board and is formally independent of ongoing presidential and congressional control. Although the level of Federal Reserve Board independence is a matter of some contention, Congress and the president do not have the same direct control that they possess in fiscal policy. The congressional parties can shift the blame to the Fed for economic problems, but blame-shifting has costs—the parties will be hard-pressed to claim credit when economic news is good. If control of the money supply is more significant in determining the health of the economy than is fiscal policy—certainly the case in the 1980s and early 1990s—then the congressional parties have weak access to the more important policy tool. Even if monetary and fiscal policy are equally important, the structural problem remains. Party access to the monetary tool is greatly restricted.

A fourth problem for parties in the fiscal state arises from the Keynesian nature of macroeconomic goals. Politics oriented around Keynesian macroeconomic management methods tend to focus on issues most amenable to this type of management—inflation, unemployment, and economic growth. Presidential administrations of different parties have tended to favor different mixes of these ingredients. But do voters emphasize partisan policy positions and intentions? Apparently not. Retroactive voting models suggest that for most voters the voting choice indicates approval or disapproval of the results of incumbent administration policy more than it indicates approval or disapproval of any particular economic policy. There is a dramatic difference between the period before the 1950s, when voters did not easily flip between free trade and protectionist demands, and after the 1930s, when they did frequently flip between alternative promises of macroeconomic growth. The postwar “plebiscitary” voting for president also shows up in aggregate party identification and presidential approval, both of which fluctuate in response to economic conditions. Voting at the congressional level, in contrast, proceeds on cues of incumbency and constituency service. This bifurcation is a reasonable reaction by voters. Partisan rhetoric focuses on economic management, but parties in practice are sharply restricted in their control over such policy. It is sensible for voters to discount parties and elevate candidates, to discount Congress and elevate the president.

A fifth limit on the parties results from policy outcomes. A role of the state since the 1930s has been to undergird the economy.
affects, or is widely perceived to affect, the business cycle. A relatively stable or growing economy takes away or minimizes the public significance of the very issues around which the party system was formulated. In economic downturns, when public attention to politics is high, the widespread diffusion of Keynesian ideas leads parties to advocate similar solutions—the congressional parties converge in recessions. Instead of choices, voters hear echoes. Only with the breakdown of Keynesian economic management at the end of the 1970s did party leaders begin to pose distinct alternatives to the electorate.

FROM THE OLD TO THE NEW DEAL: THE RISE OF THE POLITICS OF ECONOMIC MANAGEMENT

Defined by programs and institutions, the fiscal state emerged in an erratic sequence from 1937 to 1946. Likewise, the future place of political parties was not enunciated in any manifesto, but emerged in bits and pieces. Debates with significance for the future role of party were sometimes framed explicitly as debates about parties and sometimes in terms of congressional power. This is not surprising, because members of Congress had twin concerns. The first concern was maintaining Congress's independence: In a legislature becoming more "professional" and more decentralized, threats to congressional autonomy would directly affect the electoral future of an individual representative. The second concern was to maintain the organizational strength and importance of the congressional parties: Many members recognized that periods of congressional strength had also been periods of strong party cohesion. But the second concern was more complicated than the first. While all members recognized the value of congressional autonomy, most in this increasingly professionalized institution felt just as strongly about maintaining autonomy from parties. Members were often willing to voice their support for measures to keep Congress strong, but they were often not as vocal regarding measures to keep congressional parties strong. Ultimately, this split thinking encouraged the weakening of both institutions.

For the short term, members could feel satisfied that they retained a role for the Congress and built New Deal programs in a way that rewarded fellow party members on the state and local level. In the crisis atmosphere of the Great Depression, members demonstrated a willingness to delegate authority to executive branch agencies in remarkable quantities. Still, it is important not to regard the Congress of this period as wholly subservient to a dominating president. Delegation did not mean abdication. Karl observes that "the Congress of 1933 was no more the rubber stamp of presidential control than it had ever been. Roosevelt was pushing to its limits a legislative body that was far less radical than he was willing to be. It was unwilling to give up any more authority than the emergency required, and that only for so long as the emergency lasted." He notes Congress was careful in nearly all New Deal programs to construct the programs to give Congress, but even more so states and localities, a strong role. Wallis makes a similar argument, adding that state interests were more often protected by the Senate and local interests by the House.

The long-term view was less favorable. Case studies show that members of Congress placed a premium on maintaining distributional control over the budget. Establishing control over macroeconomic policy was less important. The president became the actual and symbolic manager of the macroeconomy. Maintaining control over budget shares was not consequential, but postwar politics revolved most centrally around preventing recessions, dampening inflation, and restoring growth. The macroeconomic impact of the budget was the underlying axis of division of the emerging party system. By focusing on microbudgeting and neglecting macrobudgeting, party leaders placed the congressional parties on the periphery of the pivotal policy area of the New Deal party system. On this central issue, voters would come to view the congressional parties as irrelevant.

24. John Joseph Wallis, "Laws, Legislatures and Relief: Some Determinants of Institutional Change in the New Deal" (manuscript, Department of Economics, University of Maryland). Weir and Skocpol note that "the strength of local bases of power and congressional determination to block the institutionalization of stronger federal executive controls were the essential barriers to constructing a permanent, nationally coordinated system of social spending in the late 1930s." See Margaret Weir and Theda Skocpol, State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States, in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., Bringing the State Back In (New York: Cambridge University Press, 1985), 135.
25. These terms are borrowed from LeLoup's description of the Congressional Budget and Impoundment Control Act of 1974. Microbudgeting refers to setting and voting on total governmental spending and revenue amounts before working out the precise distribution of funds to specific programs and departments. Microbudgeting allocates money to programs and departments without reference to any total spending or revenue limits. As Gilmour suggests, the 1974 reforms are probably better thought of as introducing "iterative budgeting," in which macro and micro goals are determined simultaneously rather than allowing one goal to subordinate the other. See Lance T. LeLoup, "From Microbudgeting to Macrobudgeting: Evolution in Theory and Practice," in Irene Rubin, ed., New Directions in Budget Theory (Albany: State University of New York Press, 1988), and John B. Gilmour, Reconcilable Differences? Congress, the Budget Process, and the Deficit (Berkeley: University of California Press, 1990).
The Recession of 1937: The Partial Legitimation of Fiscal Policy

The recession of 1937 confronted Congress squarely with the realities of the changing political order in the United States. The debate over how to respond to the recession shows the congressional parties grappling with the causes of recession, administrative centralization, and the delegation of authority.

Following his 1936 reelection, Roosevelt turned to the old-time religion of budget balancing, promising in his 1937 budget message a balanced budget for 1938 and 1939. But in August 1937 the economy collapsed speedily into recession. Unemployment increased from seven million to eleven million in less than six months. The stock market fell 43 percent. Industrial production fell by one-third, erasing half of the gain since 1932. Profits fell over 80 percent. Income fell by 12 percent. The 1937 economy declined half as badly as the 1929 economy in one-fifth the time.

The recession triggered a deep debate in the administration. Treasury Secretary Henry Morgenthau argued that the best path was to balance the budget and let business take the initiative; fears of deficits, inflation, and taxes were, he believed, suppressing business investment. Challenging Morgenthau’s views were Roosevelt confidant and relief administrator Harry Hopkins, Secretary of the Interior Harold Ickes, and economist-advisor Lauchlin Currie. Instead of waiting for business to repair the economy, they shared Federal Chair Mariner Eccles’s sentiment that “the government must be the compensatory agent in the economy.”

One week after another stock market crash, Roosevelt agreed on April 2, 1938, that deficit spending was necessary for economic recovery. Apparently having waited until after the House vote on the executive reorganization bill (April 8), Roosevelt asked Congress in mid-April for $3.75 billion in new spending. The request was approved within two months.

In the interval between the budget message and Roosevelt’s policy shift, Congress engaged in a wide-ranging debate over appropriate fiscal policy for the United States. Representative Maury Maverick (D-Texas) declared in November 1937 that the recession of 1937 could be directly linked to the government pullback on spending. “It is almost impossible,” he argued, “to believe that this is the same administration, presided over by the same President, with the same Congress, representing the same constituency that I knew a short time ago. Have the [American people] decided they didn’t mean what they said a short time ago in the election? Of course they haven’t.” Maverick voiced his displeasure at his party reneging on “solemn promises” and “party pledges” and urged more party responsibility.

While Maverick placed budget balancing at the core of his explanation of the 1937 recession, other members of Congress were not so sure. The rallying cry of the Republicans and conservative Democrats placed the onus of the recession directly on the New Deal. Roosevelt cooked up the recession, they charged in speech after speech, with a recipe of overtaxing, overspending, arbitrary power, fear-mongering, and business bashing. Some Democrats suggested private control of the money supply through the Federal Reserve was the root of the problem. As would become common in recessions, democratization of the Fed emerged as a political issue and just as quickly faded away. Other Democrats believed business withheld investment to force repeal of the tax laws and prevent wage and hour bills. While there is little doubt business desired these changes, evidence for a capital strike is scant.

Maverick issued his complaints about his party’s wavering on economic policy following a year of rhetoric on both sides of the aisle extolling the

31. Congressional Record [hereafter CR], Appendix, 16 November 1937, p. 49.
32. Indeed, Roosevelt’s difficulties were bipartisan: “In January 1937, for the first time in more than a century, one party controlled three fourths of the votes in House and Senate. And yet this Congress killed or brutally emasculated almost every Administration effort to expand the New Deal”; Richard Polenberg, The Decline of the New Deal, 1937–1940, in John Braeman, Robert H. Bremner, and David Brody, eds., The New Deal: The National Level (Columbus: Ohio State University Press, 1975); Richard Polenberg, Reorganizing Roosevelt’s Government (Cambridge: Harvard University Press, 1986), 41. Still, in this environment, with the conservative coalition of Republicans and southern Democrats joining forces, the “first allegiance [of Congressmen] was to party, not coalition. In the months to come, partisan warfare would negate coalition efforts time and again”: James T. Patterson, Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933–1939 (Lexington: University of Kentucky Press, 1967), 210.
34. CR, 14 February 1938, p. 1901.

29. See Leuchtenburg, Franklin D. Roosevelt, 256, and Frank Freidel, Franklin D. Roosevelt: A Rendezvous with Destiny (Boston: Little, Brown, 1990), 249–57. It seems fairly certain that the New Dealers were influenced by Keynes in a peripheral way; many of the ideas that came to be known as Keynesian had in fact been circulating in different guises over the course of the 1920s and 1930s. On Keynes and the New Deal, see Peter A. Hall, “Conclusion: The Politics of Keynesian Ideas,” in Peter A. Hall, ed., The Political Power of Economic Ideas: Keynesianism Across Nations (Princeton: Princeton University Press, 1989); Bradford A. Lee, “The Miscarriage of Necessity and Invention: Proto-Keynesianism and Democratic States in the 1930s,” in Hall, The Political Power; Stein, The Fiscal Revolution; and Karl, The Uneasy State, 158–59.
A more serious challenge to Tydings’s plan was that it usurped the role of Congress and the ability of the congressional parties to put their distinctive stamps on budgetary distribution. Senator James Byrnes (D—South Carolina) pointed out that unless Congress did its budgeting department-by-department with hearings and study, it would be dependent on the president’s recommendation for the overall size of the budget. To Byrnes, Congress had a duty to balance the budget: It should not shift its responsibility to the president. Senator Thomas Connally (D—Texas) charged that the Tydings bill would make it more difficult for Congress to use its power of the purse in any manner it saw fit. In effect, he argued, other departments in the government would become proportionately stronger. While many critics worried about a loss of congressional powers, others, like Senator Carter Glass (D—Virginia), feared steering away from Congress’s traditional functions toward uncharted lands of responsibilities. Tydings, he suggested, “wants Congress to go into the budgetary business,” which was more properly the purview of the Bureau of the Budget. Republicans voiced these complaints generally, not only in relation to the Tydings bill.

Threatening traditional roles in Congress made Tydings’s bill unlikely to pass. The Appropriations Committee was not anxious to lose its power to threaten program cuts. But the bill was a warning that Congress and the parties needed to think carefully about their role in the new political order. Most members of Congress were concerned with controlling resource distribution, not with institutional control of macroeconomic management. They were content to delegate leadership to the president in this area. While some sensed danger in the forthcoming fiscal arrangements and the increased power of the presidency, Congress typically deferred budget coordination to the executive. Many congressional committees refused to consider legislation that had not been cleared by the Bureau of the Budget, relying instead on the administration for initial policy proposals and on administrative personnel for staff assistance.

The committee system was one cause of Congress’s poor organization for purposes of directing fiscal policy. If, “on the one hand, committee government provided a rational, intelligent mechanism through which members of Congress could develop personal expertise and specialize in the creation and oversight of policies and agencies in specific jurisdictional areas; . . . [and] From the perspective of the member of Congress, committee government served his or her immediate interest,” it was no less true that “the failure of committee government came in its impact on the interests and external power of Congress as an institution.” Through committees, members of Congress protected themselves against the threat of a party leader usurping the power of the purse, but not the

35. Among other things, the act made the president formally responsible for gathering agency requests into some kind of overall budget and presenting a revenue and spending package to the Congress. See Charles H. Stewart III, Budget Reform Politics: The Design of the Appropriations Process in the House of Representatives, 1865–1921 (New York: Cambridge University Press, 1989), 197–215.
37. CR, 12 January 1937, p. 182. In the House, Representative John Murdock (D—Arizona) argued that the Congress needed to examine what the economy needed before indulging in “bookkeeper’s economy” (CR, 20 May 1937).
42. CR, 4 May 1937, p. 1073.
44. Dodd and Schott, Congress, 84–85.
executive. The response to the recession of 1937, therefore, partially legitimized fiscal policy in the United States, but it further consolidated the president-led system of fiscal management. The public reacted by associating economic well-being with the president while linking Congress more closely to constituency service.

The overall response to the recession marks the partial revolution of fiscal policy, a revolution in both policy and structure. Roosevelt's spending cuts during November 1937–January 1938 were the last a president would make in the midst of a recession until 1980. Taking expansive budget measures in a recession was by 1938 a de facto national policy on which the parties converged, even if budget balancing retained a moral allure during noncrisis periods. Some members of Congress worried that the structure of macroeconomic power, favoring the president, would minimize the importance of the congressional parties in this area of central economic importance. But most were less concerned about presidential leadership in this area than they were anxious that Congress retain flexibility in resource distribution.

On Controlling the Budget

Although the response to the 1937 recession confirmed the centrality of the president in fiscal policy, the confirmation was tentative. The institutional implications of this ascendency for Congress and for the congressional parties troubled many members. Was Congress “at the mercy of the departments in their demand for money,” with no way to know if their requests were reasonable? Should the oversight role of the General Accounting Office and the comptroller be enhanced? Should the House Appropriations Committee staff be enlarged to allow more investigations of government spending? Should the Congress have more access to the Bureau of the Budget’s papers, files, and data and to the testimony of agencies? Was too much legislation being drafted “downtown,” whether as statutes or administrative rules? Did Congress need to be more active fiscally and less reactive? Was Congress “degenerat[i]ng” in its effort to get control of expenditures?

I take up three of these disputes briefly here. The first concerned the role of the comptroller.

45. This protection was still in place even if the normal pattern was for the committee to do the work of the party. The committee could act as a check on party power.


47. However, it was not yet national policy to achieve full employment by permanent fiscal policy or even to think seriously about the budget as a tool to reach a specific national income (Stein, The Fiscal Revolution, 115–16).

48. CR. 28 April 1937, p. 3897.

49. CR. 15 December 1944.


1938 that the acting comptroller general, Richard N. Elliott, was too aggressive in challenging government expenditures. In a fifteen-page letter to Executive Expenditures Committee chair John J. Cochran (D–Missouri), Morgenthaler complained that Elliott wanted the power to block expenditures in those departments failing to follow his accounting regulations. To Morgenthaler, that would make Elliott “the most powerful administrative officer of the government, but without any responsibility to the Chief Executive elected by the people and with only such supervision of his acts as the Congress might be able to supply through occasional investigations.” Echoing this argument, Roosevelt proposed eliminating the position of comptroller general in his executive reorganization plan. Congress rejected this proposal and the critique of the comptroller’s behavior. Indeed, the prevailing view in Congress was that the comptroller general and the General Accounting Office should be even more aggressive. How, after all, was Congress to ascertain whether executive agencies were making reasonable demands in their funding requests? For a Congress interested in resource distribution, it was obviously critical to have some sense of which demands were “reasonable.”

The second dispute concerned whether increased oversight of spending demanded a more activist role for Congress in fiscal policy formation. In January 1940, Senator James Davis (R–Pennsylvania) proposed the formation of a Budget Service that would be an arm of and accountable to the Congress (S3140). The Budget Service was intended to shift some fiscal power back to the Congress. It would assume the Budget Bureau’s task of creating the budget and would create budget oversight agencies to investigate expenditures, provide budgetary information to the Congress, and serve as a budget process liaison with the executive branch. The liaison role involved cooperation with both the Treasury Department and the General Accounting Office and called for congressional liaisons to be installed in all government agencies as employees of the Budget Service. The assertion here was stark: Congress, in particular the majority party in Congress, needed to control economic management by placing its personnel throughout the government.

After this bill died in the Finance Committee, Davis tried a more moderate approach. In April 1940 he called for the formation of a joint committee of Appropriations Committee members to establish a Congressional Budget Service (S3715). This bill did not envision the virtual elimination of the Bureau of the Budget but instead included the Budget Bureau in the Budget Service—Treasury—General Accounting Office liaison network. Davis also deleted the liaisons located directly in the executive agencies. After its referral to the Executive Expenditures Committee the bill fared no better than Davis’s first bill. In May the Expenditures
Committee passed Senate Resolution 271 in lieu of the Davis bill, but SRes271 simply added more personnel to the staff of the Expenditures Committee. To the committee, the issue was oversight of executive agencies’ spending proclivities, not the locus of fiscal policy formation. To improve oversight, increase staff on the committee.53

Beyond the aggressive use of the comptroller and the monitoring of executive accounts, a third approach to reenergize Congress’s role in fiscal management stressed the need to coordinate taxing and spending functions. The Tydings automatic budget balance plan of 1937 was discussed above. Tydings reintroduced the measure in 1940 in somewhat different form. Now, instead of a full-blown system for automatically balancing the budget, Tydings proposed that a special three-member committee be formed to “find the ways and means” to reach an automatically balanced budget (SRes314). Introduced late in the session in an election year, this measure, like the one in 1937, had little chance of passage and died in committee. Tydings reintroduced the legislation again in January 1941 (SRes22). This time it was adopted by the Senate in mid-February, and a week later the three-person committee (including Tydings) began work.54

The committee’s preferred plan would have had the tax schedule automatically kick in to provide revenues to meet appropriations. Consistent with Tydings’s earlier proposal, this procedure would take budget-balancing out of the arena of party politics. Exceptions for depressions and peacetime readiness would have to be paid off in twenty years.55

Despite the failure of this effort, the urge to automate economic policy remained strong. The fiscal state incorporated this goal through features such as automatic stabilizers, uncontrollable expenditures, indexation, automatic budget caps, and, more arguably, incrementalism. But by divorcing party from policy in the long run, this impulse to make policy automatic weakened Congress and the congressional parties and changed the way citizens assigned responsibilities to their political institutions. If economic policy is automatic and such policy is seen by most members as more desirable than discretionary policy, then party campaign pronouncements about fiscal management issues appear to the public as less and less relevant.56 Why should a voter be swayed by fiscal management distinc-

53. CR, 22 May 1940, pp. 6581–82.
54. Members of Congress in both chambers in the early 1940s proposed plans similar in intent to the Tydings proposal. The Special Committee on Fiscal Planning, for example, would bring together powerful members from the House Appropriations and Ways and Means committees. Other such plans included the Joint Committee on the Budget (CR, 21 January 1943, p. 269) and the Joint Committee on Budgetary Control (CR, 18 January 1943, p. 215).
55. CR, 29 April 1941, p. 3377. Tydings, as part of the general movement in Congress stressing the need for independent information, also proposed the formation of a Joint Committee to Study, Analyze, and Evaluate Requests for Appropriations.
56. The sense of congressional weakness was not limited to those on Capitol Hill or the administration’s enemies; the New York Times editorialized that the Congress was disorganized and impotent (New York Times, 3-15-43). The Washington Post echoed these sentiments, contrasting the choices as modernization of Congress or abdication of power (Washington Post, 1-23-44).

57. It is clear that many voters make precisely this decision. In the 1988 House congressional elections, 47 percent of self-identified Democrats defected to support a Republican incumbent while 52 percent of Republicans defected to support an incumbent Democrat (Abramson, Aldrich, and Rohde, Change and Continuity, 270).
58. The congressional involvement was more inadvertent than crusade. The proposal to look into reorganization was apparently part of an attempt by William Whittington (D-Mississippi) to prevent the reporting out of another bill from the committee. Indeed, Cochran had a difficult time getting members to agree to work over this issue during the November and December recess, which was critical if the Congress was to be the first to place a reorganization plan on the table. Only one of eighteen committee members responded affirmatively without qualification to Cochran’s request (Committee on Expenditures in the Executive Departments, Hearings, 106th Cong., 1st sess., 1999, Whittington Resolution, National Archives). Although it is not clear why the committee, particularly the Democrats, went along with a recommendation that they had little interest in, most probably saw this as a valence issue—how could you explain a vote against investigating ways to save money and cut down on bureaucracy? The standard works on executive reorganization (Karl, Executive Reorganization; Folenberg, Reorganizing Roosevelt’s Government; Milks, The President) ignore the early congressional effort.
tion of executive agencies, or if the president should be authorized to do so subject to congressional approval. 59

Before the committee's work progressed far, Senator Harry F. Byrd (D-Virginia) introduced Senate Resolution 217 in early January 1936. The Byrd bill, passed by voice vote in late February, established a five-person Special Committee to Investigate Executive Agencies of the Government to study the effects of the executive functions. Byrd rebuffed Cochran's attempt to form a joint committee. 60 Quickly thereafter, the president announced that he was creating a commission to study government reorganization. Cochran and his committee, with little partisan disagreement, decided that moving forward at this point to bring in a bill would be a waste of time and effort, given that the Senate committee was not expected to report until the following session.

The Cochran committee lost the chance to lead the executive reorganization effort in the Congress. But the House was not quiet. To keep both the House and the Republicans in the reorganization picture, Harold R. Knutson (R-Minnesota) introduced House Resolution 436 on March 4, 1936. Knutson's proposal called for Cochran's Expenditures Committee to make a full study of the activities of all agencies of the executive branch to see where activities overlapped. On April 2 and 6, another Republican, Carl E. Mapes (R-Michigan), introduced two bills calling for a study of reorganization—the first a joint committee and the second a House committee.

Republican efforts were overshadowed by a bill (HRes460) introduced by Majority Leader William B. Bankhead (D-Alabama) on March 23, 1936. Roosevelt's suggestion to Speaker Joseph Byrns (D-Tennessee) that the House join the administration and the Senate in studying executive reorganization (though not in any truly "joint" sense) led to the introduction of this bill. Calling for the formation of a five-person committee to Investigate the Executive Agencies of the Government, it emerged from the Rules Committee in late April and was the only congressional initiative reorganization proposal to reach the House floor. On a 269-44 vote a unified Democratic and evenly-split Republican party passed the Bankhead legislation. A House committee was established in early May 1936.

Debating the bill gave each party an opportunity to grab the popular mantle of reorganization and cost-cutting while shaping the new state in a manner friendly to traditional congressional and party structures. 61 Bertrand Snell (R-New York) argued that Roosevelt's motives were transparent: Fearing the Byrd committee would recommend significant cuts in the executive branch, Roosevelt wanted a House committee available to counterbalance the more conservative Senate committee. By playing off the two congressional committees with his own, Snell suggested, Roosevelt could get the reorganization recommendations he desired. Democrats, including William Whittington (D-Mississippi) and Cochran, answered that Roosevelt had been serious about reorganization since 1933. Under the provisions of the Economy Act of 1933, the president had the authority to propose reorganization of executive agencies subject to a vote of rejection by the Congress. In the two years that Roosevelt had this authority, he sent up seventeen separate reorganization suggestions and not one was challenged.

Whether Roosevelt shrewdly hoped to play off the congressional committees or not, the executive branch did dominate the drafting of the reorganization plan. If Cochran had a bill ready by February 1936 as he originally hoped, Congress might have been in a position to influence the reorganization agenda with its more modest ideas of cost-cutting. But even within Congress there was doubt regarding its ability to lead. In the debate over the Bankhead bill, Mapes argued (with some hyperbole) that everyone inside and outside the Capitol agreed that the best way to reorganize was to let the president do it by executive order and avoid legislation. Mapes asserted that "Logrolling, bickerings, jealousies, ambitions, prejudices, and play for party advantage combined have been powerful enough to block all legislative attempts to reorganization in the past, and there is no reason to believe that conditions in that respect will be any different in the future. The President is the only one who can do the job." 62 Mapes's view that the president needed to lead in the reorganization process encountered no serious opposition in the House.

With no bill ready by February, Cochran's committee (and the Congress) took a back seat to the newly appointed President's Committee on Administrative Management, led by Louis Brownlow. Unlike the congressional effort, the Brownlow Committee focused not on cost reduction but on ways to improve the integration of government programs and on the ability of government to intervene effectively in the economy under the direction of the president. The administration's 1937 reorganization bill, which closely mirrored the Brownlow Committee report issued after the 1936 election, consisted of five elements. First, the president was to be provided with six executive assistants. Second, the merit system would be expanded, government salaries would be increased, and a more powerful civil service administrator would be established. Third, fiscal management would be improved through budget planning, restoring control of accounts to the executive branch, and providing Congress with independent audits of transactions. 63 Fourth, planning activities and policy coor-

59. Committee on Expenditures in the Executive Departments, Tray HR74A-F13.4, 13997, Whittington Resolution, National Archives.
60. CR, 29 April 1936, pp. 6376, 6378.
61. CR, 29 April 1936, pp. 6375-87.
dination were to be concentrated in a National Resources Planning Board. And fifth, two new cabinet posts would be created and all agencies, including the independent regulatory commissions, would be brought within the twelve major departments.64 Each of these elements, particularly the last four, struck directly at cherished congressional prerogatives. Unlike the consensus over cost-cutting that dominated the congressional reorganization discussions, Roosevelt’s plan provoked sharp reactions in Congress. Opponents argued that the bill made no commitment to reduce the size of government and criticized the provisions for planning and centralized control over long-range goals for public works, resource development, economic management, and social policies that later became identified with the National Resources Planning Board. Uneasiness about planning—which threatened to remove the power over distribution of resources and federal funds from congressional hands—was palpable. And while the entire bill raised hackles, the fifth item was resisted with particular ferocity: The Brownlow Committee “proposed taking the more than 100 independent agencies, boards, commissions, and administrations and placing them by executive order in twelve major executive departments, several of which were to be new creations. Reaction was swift.”65 Under the proposal, the president and the bureaucrats and intellectuals populating New Deal agencies—not Congress—would determine how to reorganize these agencies.

After some weakening, the reorganization bill won narrowly in the Senate in March 1938 (42–40). Following more weakening, a third of House Democrats joined the Republicans and narrowly defeated the bill in early April (294–196). Writing about the reorganization effort, Karl argues that “Roosevelt had tried to bring off a genuine revolution and had failed to do so.”66 Following the defeat, the administration proposed a trimmed-down bill simply containing a provision delegating reorganization powers to the president subject to a concurrent resolution veto. The bill exempted several agencies and commissions from reorganization, allowed no new departments, and included some noncontroversial proposals from 1938. Later that year Roosevelt submitted five reorganization plans and all were approved. Most significant was the creation of a five-division Executive Office of the President and the transfer of the Bureau of the Budget from the Treasury Department to the Executive Office of the President.67 The Budget Bureau would later subsume some of the tasks of the National Resources Planning Board when Congress eliminated that agency. Members of Congress again displayed a willingness to centralized macroeconomic policy decisions in the presidency if Congress retained influence over the distribution of resources. Believing they were protecting traditional prerogatives of the congressional parties, members underestimated the impact the new power relations would have on the future salience and power of the Congress and the parties. If members’ individual interest is solely reelection, this may not matter very much. But when parties control key policy areas, differ in these areas, and convince voters that these differences matter, policy-making, governmental responsiveness, and representation are all enhanced. In that light, these concessions to presidential power matter.

Indeed, Milks argues that the executive reorganization bill represented a conscious plan by Roosevelt to restructure party politics by accentuating the role of the president and diminishing the role of other branches of government. Arguing that many in the administration considered party government impractical in the United States, Milks asserts that:

New Dealers disavowed any long run “party” strategy and instead sought to translate modern liberalism into state action by a reorganized—a more integrated—form of Presidential administration. Whereas a more responsible party system might have established more palatable linkages between the Executive and Legislature, the administrative strategy pursued by Roosevelt endeavored to implement New Deal policies and by-pass the inertia built into the American party system by reconstituting the Executive Department as a more autonomous policy-maker.68

If the welfare state could not be reliably advanced and defended by future congressional Democrats, then Roosevelt would institutionalize as much of the New Deal as possible in state structures that would be less subject to political eradication.69 To Milks, Roosevelt viewed the Democratic party as a “waystation” on the road to administrative government. Roosevelt’s was a partisan leadership directed at the Democratic party becoming “the party to end all parties.”70 Emphasizing the personal responsibility of the president would diminish the link between the parties and the policy process.71

70. In “Party Leadership, Policy Reform and the Development of the Modern Presidency: The Impact of the Roosevelt and Johnson Presidencies on the American Party System” (paper presented at the Annual Meeting of the American Political Science Association, 1984), Milks extends the argument to Lyndon Johnson. In Johnson, Milks sees much the same disbelief in the practicality of the responsible party model and a desire to institutionalize his changes in American politics. See also Milks, The President.
Milkis does not satisfactorily demonstrate the remarkable prescience and foresight he attributes to the administration’s party plans. The reorganization plan, after all, was conceived before the infamous court-packing and electoral purge episodes and should be considered along with them; Roosevelt’s actions reflect a desire for more cohesive parties and for institutional entrenchment of the New Deal, not simply a system of presidential aggrandizement. In this way, as Skowronek suggests, Roosevelt was a reconstructive president intent on recasting the party system, not discarding it. Milkis’s argument about motives would be more convincing if he could show that Roosevelt was particularly wedded to an economic planning model and not to the fiscal alternative. But studies of the New Deal and Roosevelt agree that his weight was not firmly behind either camp. The distinction matters, because as Katsnelson and Pietrykowski (1991) note, congressional Democratic support was far broader for the fiscal than the planning alternative. Unless Roosevelt was prepared to place all his political weight with the planners, it is difficult to understand the utility of displacing the role of a party that was tolerating developments toward a fiscal state. But whatever Roosevelt’s intent, Milkis’s conclusions about the impact of executive reorganization in a loose-party state are sound. Institutionalizing New Deal reforms in the state would not build a “party state” but lead instead to a diminished stature for party over time.

Postwar Planning

Postwar planning posed the dilemma of the congressional parties starkly: How could Congress preserve its power while also accommodating a revised relationship between state and economy? What would happen to the parties in the bargain? Voices from across the political spectrum agreed that the threat of depression loomed over the postwar economy. As early as 1941, serious debate began over how best to smooth the transition from war to peace. The case for planning was stated succinctly by Senator Sheridan Downey (D—California) in a radio address: “If we are not able at that time to meet economic disaster with an economic plan, we shall go under.”

Given Congress’s accommodation to a presidentially-led fiscal state, Roosevelt pressed the Congress to defer further. With a proposal that Representative Alfred Beiter (D—New York) labeled “insurance against a postwar collapse,” Roosevelt suggested that the government develop shelves of public works projects that the president could start quickly. His 1942 Budget Message requested authority to use a flexible tax in emergencies. But Republican members of Congress saw any administration involvement in economic planning as potentially dangerous to their institutional role. Representative Everett Dirksen (R—Illinois) agreed that postwar planning was needed, but “when it is stated . . . that an overall, endless, limitless, permanent authority be vested in the hands of the president of the United States without a single guide line, then I say it is time for the Congress to stop, look, and listen. Congress will have nothing to say about it. . . . [A program is necessary, but] let Congress keep its hands on it.” Senators Tydings and LaFollette also expressed concern about Congress’s seemingly small role in Roosevelt’s vision of postwar planning.

The National Resources Planning Board (NRPB) was at the center of the legislative-executive debate. NRPB publications regarding the postwar order, particularly “After the War: Full Employment,” met a hostile reception in Congress. In “After the War,” Alvin Hansen argued that fiscal policy could produce economic stability. Particularly upsetting to budget balancers was Hansen’s belief that “A public debt is an instrument of public policy.” While more hysterical commentary saw the NRPB as a manifestation of a New Deal desire to overthrow the American Way of Life, the preponderance of commentary criticized the activist fiscal action implied by the plan. The battle came to a head in early 1943 when the House Independent Offices Subcommittee deleted appropriations for the NRPB. Roosevelt sought to put the onus on Congress, declaring in a press conference on March 12, 1948, that the responsibility for postwar planning now rested entirely with the members of Congress.

Despite some congressional information-gathering regarding the postwar economy, from this point on the planning vision became localized in plans for a Full Employment Act.

Reorganizing the Legislature

The debates discussed above suggest that attentiveness to institutional changes in American politics was widespread in the 1930s and 1940s. Many members of Congress believed the House and Senate required fundamental changes. Even staunch supporters of Franklin Roosevelt and the New Deal voiced concerns about the perceived weakening of Congress relative to the executive branch and the declining significance of congressional parties in controlling the direction and content of public policy—especially in the critical area of economic management. But to Roosevelt

73. CR, 24 February 1941, p. 1397. 4-29-41.
74. CR, 5 November 1941, p. 8513.
75. CR, 19 February 1942, p. 1487.
76. CR, 19 February 1942, pp. 1489–90.
77. Hansen was one of the most prominent American advocates of a version of Keynesianism that argued that capitalist economies had reached a permanent stagnation point.
79. A fascinating body of literature has emerged since the mid-1980s assessing the formation and limits of America’s welfare state and social Keynesianism. See, for example, Ira Katznelson, “Rethinking the Silences of Social and Economic Policy,” Political Science Quarterly 101 (1986): 307–26. Also see the essays by Weir, Orloff, and Skocpol; Orloff; Amenta and Skocpol; Weir; Finegold; and Quadagno in Margaret Weir, Anni Shola Orloff, and Theda Skocpol, eds., The Politics of Social Policy in the United States (Princeton: Princeton University Press, 1988).
call for party policy committees.\textsuperscript{83} In their deliberations, they sought to find some way to balance the often-competing demands for a strong Congress, independent members, and disciplined and responsible parties.\textsuperscript{84} While members depended on fellow partisans to get things done, they did not want to be beholden or obedient.

The budget-making process emerged again as an arena in which to air these concerns. One idea was to have a joint committee on the budget that would consider both revenue and spending questions. In the House floor debate Representative Wright Patman (D–Texas) argued that combining the spending and taxing committees concentrated power in too few members and violated the checks and balances between the chambers. Others feared that the idea had the “effect of putting our stamp of approval on the deficit spending.” And Representative Emmett O’Neal (D–Kentucky) charged that it made little sense to talk about budget totals before considering each specific agency bill. But that of course is the burden of fiscal policy—managing the economy via fiscal techniques and meeting the wide range of public needs are not equivalent. Indeed, asked Representative Albert Gore (D–Tennessee),

Does the Congress have a fiscal policy? . . . Is there anything which will loom before the Congress within the next decade more important than fiscal affairs? Under the present system, we have no formal way of developing a fiscal policy, and what is more, we have no way of sensibly following a policy if we had one.\textsuperscript{85}

Dozens of budget reform ideas were floated during this period. Some, such as requiring open hearings on appropriations bills, requiring the entire appropriations committees to consider all bills, providing more time to consider the bills before they reached the floor, and limiting “permanent” appropriations, saw the independence of the appropriations committee as problematic. The president’s powers were targeted in suggestions that Congress eliminate executive transfers between appropriations categories, direct the comptroller to analyze the competency of each agency’s management, and establish annual budget revenue and

84. A firestorm was touched off in early 1946 when Vice President Henry Wallace issued his own version of legislative reorganization. Wallace wrote in Colliers that he was upset to see President Harry S Truman’s bill “killed, shelved, or emasculated by Democratic Congressmen.” He argued that party discipline, though not a purge, needed to be enforced. In his vision, majority leaders and the president would pick the issues against which members would be measured. His call, which amounted to a call to oust party members who deviated on the big issues, precipitated an avalanche of criticism on Capitol Hill. Senator Alexander Wiley (R–Wisconsin) was not alone in dragging out the specter of Hitler, Himmler, and Stalin. Senator Bourke Hickenlooper (R–Iowa) declared that Wallace’s “strange and unusual political pronouncement . . . is not reflective of our general political attitudes or our determination to maintain freedom of thought and freedom of action in both political parties in our state” (CR, 19 March 1946, pp. 2400–2401).
82. CR, 1 October 1942, p. 7696.
expenditure totals by joint action of the revenue and appropriations committees of both houses. On the other hand, some members sought to increase the president's autonomy while making Congress more accountable for its rhetoric. For example, one suggestion was that recorded votes to increase the debt limit be made mandatory, while another proposal allowed the president to cut appropriations by a uniform percentage in midyear to meet budgetary goals.

As Dirksen's remarks suggest, budget reform was not the only issue. The Senate debate, led by Robert LaFollette (cochair of the Joint Committee on the Organization of Congress created in late 1944, along with Representative Mike Monroney), indicates the wide scope of the changes being contemplated. Among the reforms discussed to improve congressional access to information were reducing the number of committees, adding more expert committee staff, strengthening the Legislative Reference Service, and adding more in-office nonlegislative staff. Items intended to increase the efficiency of Congress included prohibiting legislative riders on appropriations bills, confining conferences to issues in dispute, prohibiting special committees, registering lobbyists, prohibiting private claims legislation, and increasing salary 50 percent. Provisions restructuring party power promised a more centralized, somewhat more hierarchical initiation, formulation, and deliberation of legislation. These reforms included the establishment of party policy committees in each house "as an offset to organized pressure groups," establishing a joint legislative-executive council consisting of the majority policy committees, the president, and the cabinet, and strengthening oversight of executive branch administration of laws.

The burden of LaFollette's argument was that Congress, facing a new state and a new world, would either become effective through reorganization or become obsolete. Despite this dramatic depiction, and despite the long list of reforms proposed, the resilience of traditional member prerogatives was profound. It is a striking fact that with all the significant proposals being floated, the preponderance of Senate floor debate concerned a proposal to establish a director of personnel in each chamber. Most senators opposed the new position because they feared the director would usurp their staff hiring function. Members of Congress were not willing to abdicate their control over one of the remaining bastions of patronage hiring in the U.S. government.

To the Speaker of the House, the key issue in the reforms was party power. Sam Rayburn (D-Texas) opposed reforms that would strengthen either the political parties or Congress's fiscal policy role. While holding the reorganization bill for six weeks before referring it to committee, he arranged the cancellation of party policy committees, of the joint legislative-executive council, and of enforcement provisions in a legislative macrobudget procedure. Rayburn considered the policy committees both unnecessary and a possible threat to his leadership. Particularly upsetting was the Democratic policy committee would have scheduled legislation and disciplined members—two of the speaker's key powers. Complaining that "I don't want any debating societies around me," Rayburn also feared that a legislative-executive council would leave him out of the loop. If the White House and the majority congressional party were to meet, Rayburn wanted himself and not a council to be the key representative from the congressional side. Rayburn's actions appear to have been motivated not simply by concern for his own power but also by concern for the immediate future of his party: by rejecting the committees and the council, and by refusing to convene Democratic party caucuses to work out party policy positions, he believed that he was holding a faction-ridden party together. Any new kind of party body would, he feared, expose those rifts in the party that had been papered over during the Roosevelt years.

While Rayburn steered the reorganization bill away from stronger parties, House members tried to minimize the loss of congressional autonomy by eliminating the two provisions most directly curtailing that autonomy: requiring members of Congress to vote for higher debt and granting the president authority to reduce expenditures independently. Although the bill would include important changes in the way the Congress did business, the House stripped or weakened the bill's most innovative elements. In particular, the House weakened the proposed changes in the budgetary process and eliminated most procedures designed to enhance the parties' role in Congress.

The Senate passed its version of the legislative reorganization bill on June 10, 1946, by a 49–16 vote. The House on July 25 approved its version by 229–61. The following day the Senate agreed to the House version, and the president signed the bill on August 2. In the area of modernization and streamlining, the final bill reduced the number of standing committees by over a half in each chamber, redefined committee jurisdiction, and reduced the number of committees on which a member could serve from ten to two in the Senate and from five to one in the House. Each standing committee could hire four professional staff members, except for Appropriations, which had no limit on staff hirings. The bill reduced arbitrary committee chair power by regularizing committee procedures regarding periodic meeting days, keeping of records, reporting of approved measures, quorums, and the conduct of hearings.

Reorganization also promised greater oversight of the executive branch. Committees were for the first time given explicit responsibility to watch agencies: Appropriations exercised financial control before the fact, expenditures committees (later Government Operations) reviewed administrative structure and procedure, and authorizations committees scrutinized implementation and operation of programs. Congress also

86. CR, 10 June 1946, pp. 6344–6549.
88. According to one opponent: "We can refute the thesis of the managerial revolution (hierarchy, organization, streamline, etc.) and maintain the instrument of representative government" (CR, 25 July 1946, p. 10055).
attempted to challenge the president in budgetary policy by establishing a Joint Committee on the Budget. This committee was expected to develop overall spending and revenue figures that would be approved early in the legislative session. But there was no real enforcement mechanism and the relationship between the legislative and executive versions of the budget was unclear. Once in practice, it suffered a quick death.

Finally, the bill provided for additional assistance for congressional research by increasing staff assistance, adding money for the Legislative Research Service and for salaries. As mentioned above, the proposed party policy committees, which were to consist of all committee chairs or ranking members, were omitted. The Senate later created its own version of the committee; the House parties continued informal, unstaffed steering committees.

With the Legislative Reorganization Act, Congress addressed several areas of weakness identified in the preceding ten years. The reluctance to build party government, however, and to assert more control over the fiscal policy process meant that Congress did not fundamentally change its operation. The steps taken forward were hesitant. The Joint Committee on the Budget, composed of members of each chamber’s appropriations and revenues committees, proved to be short-lived. The committee was responsible for creating the “legislative budget,” including overall limits on taxing and spending. For the first time Congress had the institutional capability to conduct fiscal policy. But the legislative budget quickly ran into difficulties. Members complained that the procedure was unsatisfactory because it forced (or tried to force) Congress to adhere to overall limits before the appropriations committees had any chance to look at department budgets. Ensuring a salient role for parties and Congress in the fiscal state meant breaking the mold of established congressional procedure, but breaking congressional molds proved to be difficult. Power continued to decentralize as subcommittees flourished and chairmanships were distributed widely. Congress excised serious reorganization proposals from the final bill. Later the most significant innovation in the bill, the legislative budget, came under attack. By 1949 the legislative budget and the joint committee were defunct, and Congress and the congressional parties were out of the macroeconomic policy game or on its periphery.

THE EMPLOYMENT ACT OF 1946 AND THE ESTABLISHMENT OF THE FISCAL STATE

Ten years of debate had led to remarkable changes in fiscal and budgetary policy, executive reorganization, and the organization of Congress. Yet at the end, Congress had diminished in the national political spotlight and efforts to ensure prominence for congressional parties in the new state—and thus in the minds of citizens—were sidetracked. The formative years of the fiscal state show that even with the monumental changes brought on by the Great Depression—changes that would define politics after 1945—existing arrangements and preferences still influenced political behavior. Too few politicians noted the discrepancy between building party competition based on economic management and tying congressional parties only loosely to responsibility for that management. Voters were not attracted by specific means of policy the way voters in the past held fast to protectionism or free trade. In the fiscal state era, voting became plebiscitary—results more than policy were what mattered. Unlike trade policy in the past, fiscal policy was technical and confusing and did not fit well into established sectional or cultural world views. Given these differences between trade and fiscal policy, it is understandable that congressional parties would focus more on controlling budget shares than on controlling fiscal policy. With the president clearly the central figure in economic management, voting for Congress followed other cues, such as incumbency. On the revenue side, the story was much the same: Postwar tax politics were for the most part consensual. While such a system worked well for incumbent members of Congress, it weakened the foundation that party provides under a political system. If people believe the parties are discussing issues that matter and issues that the parties control, they are less likely to abandon political participation or to withdraw into cynicism.

Indeed, while the loss of control over macroeconomic matters was the most damaging for the parties, Sundquist notes that the problems extended to other areas as well:

The Council of Economic Advisers (CEA), in particular, became a model. For groups dissatisfied with the way in which government policies were being formulated, the solution seemed clear: create a council in the Executive Office of the President to concern itself with the issue, and require the president to sign his name to a periodic report prepared by the council corresponding to the Economic Report of the President. . . . In seven broad policy fields—the budget, the economy, national security, manpower, the environment, housing, and urban growth—it had by statute directed or invited the president to be chief legislator.

While Congress had surely not yielded all its decision-making power, it had just as surely “magnified the stature and importance of the presidency and the public dependence on presidential leadership.”

89. Dodd and Schott, Congress, 89–90.
91. I have not attempted here to review every debate that was relevant to the formation of the fiscal state, but rather to focus on several that were especially important for defining
95. Ibid., 63.
The Employment Act of 1946 institutionalized the changes of the preceding decade. The bill passed in 1946 differed markedly from the one originally proposed in 1945 as the Full Employment Act. In its earliest version, the bill placed Congress as the central policy initiator. Few outside witnesses or members of Congress testifying at committee hearings, however, argued that Congress should have the responsibility for coordinating agency funding and revenue requests. Gradually the provision of information became the key point: The president could initiate if the Congress had information from the executive branch on economic policy and could generate and gather information on its own. The 1946 legislation accomplished this latter task by creating the Joint Committee on the Economic Report of the President (later renamed the Joint Economic Committee), which was to conduct hearings on the annual report of the president’s Council of Economic Advisors (CEA). That report would explain the goals and reasoning behind the president’s economic policy. It was expected that the president would rely on the macroeconomic expertise of the CEA in developing his economic program.

Although the bill moved partly down the road toward Keynesianism, “radical” versions of Keynesian ideas were removed between 1945 and 1946. Maximum employment, not full employment, was the policy goal. Maximum employment would be balanced against other needs of national policy. There was no “right” to employment. The president could not independently vary the rate of expenditure of appropriated funds.

Despite their successively disruptive force, the Great Depression, the New Deal, and World War II did not produce social democracy in the United States. As Gourevitch puts it, the New Deal in the United States rested on a “complicated cross-class, cross-ethnic, cross-sectoral, cross-regional coalition” that could agree on a “commercial Keynesianism” but not a social Keynesianism. While the “range of material circumstances, institutional structures, and ideas” were favorable toward the introduction of Keynesianism in U.S. policy, they were not well suited to the consolidation of social Keynesianism after World War II. The Employment Act was an explicit confirmation of Keynesianism’s limits in the United States. By blocking a transformation in the direction of social

Keynesianism, the congressional parties showed that American parties can be policy-oriented and vital in defining the contours of state activity. At the same time, the parties ironically endorsed a system that accorded them few opportunities to control the economic management that would be at the core of American politics in the postwar decades. Fearing the planning state, their blinkered vision obscured the consequences of the fiscal state.

Changes in the State

Have changes in the fiscal state ended the decline of parties? Certainly the congressional parties became more vibrant with the collapse of Keynesianism in the late 1970s: When the Keynesian consensus unraveled, space opened for new partisan visions of political economy. But in other parts of the party system, particularly among voters, decline persists. The reason is that the fiscal state has not been structurally overthrown and Keynesianism, though in disrepute, still awaits its successor.

The Congressional Budget and Impoundment Control Act of 1974 (CBICA) introduced the most significant structural change to date. Besides restricting the president’s power to defer and rescind congressionally appropriated funds, CBICA transformed the making of budgets within Congress. The act created a new Budget Committee in each chamber. Their task was to develop a budget resolution that established total spending and revenue targets for the upcoming fiscal year and allocated funds into broad program areas. The committees could create reconciliation bills to force spending and revenue committees in Congress to produce specific amounts of savings. Power once wielded by the traditional budget committees—Appropriations, Ways and Means, Finance—shifted to the new committees. The budget committees’ work was aided by new congressional institutions, including most importantly the Congressional Budget Office (CBO). CBO gave Congress access to the kind of expert analysis, advice, and information long available to the administration. But the era of Budget Committee dominance was short. After 1980, budget policy emerged from ad hoc, annually shifting coalitions pieced together by parties, leadership groups, the president—i.e., anyone who could forge an agreement acceptable to legislative majorities.

Studies of the new budget procedures became a major growth industry in political science in the 1980s. The consensus is that the budget procedures have not worked well. Although many blame the process for

96. Ibid., 63.
97. Ibid., 39-45.
98. See Sundquist, The Decline and Resurgence. A similar idea, standby tax powers, was rejected in the generally more accommodating 1960s. By these actions, members of Congress were not arguing that they should control economic management, but rather were playing their customary protective action regarding what are viewed as distributive benefits. See Louis Fisher, President and Congress: Power and Policy (New York: Free Press, 1972), 155-73.
100. Hall, “Conclusion,” 390.
102. In the mid-1970s the Humphrey-Hawkins full-employment bill loomed as another possibly significant alteration in the state. By the time the bill had passed it had been watered down to the point where it was no threat to the basic fiscal state framework laid down over forty years before, and it was ignored soon after passage.
103. Gilmour, Reconcilable Differences?
huge deficits, habitually late appropriations, and the use of accounting gimmicks to keep the government afloat, the process is less to blame than are fundamental political conflicts and the vacuum of any guiding macroeconomic theory. After the process failed to get any significant control on spending, Congress passed the Gramm-Rudman-Hollings budget reform in 1985. This reform threatened to implement automatic deficit reduction provisions if Congress failed to meet its deficit target. Dissuaded by Gramm-Rudman-Hollings by 1990, Congress reformed the process yet again. This time, Congress imposed nonfungible spending caps (i.e., defense spending cuts could not be transferred to discretionary domestic spending) and pay-as-you-go procedures for additional spending. Late in 1991, dissatisfaction with the nonfungible nature of the caps raised the prospect of yet another revision in the budget-making law, and in Bill Clinton’s first year in office Congress agreed to a five-year process of cuts in discretionary spending as part of the president’s economic program.

For present purposes, the question of whether these reforms have created a salutary budget process is secondary to whether they have profoundly changed the assumptions of the fiscal state. The reforms have not altered the bifurcation of monetary and fiscal policy, the plebiscitary nature of macroeconomic goals, the technical complexity of fiscal policy, or the reliance on automatic fiscal policy. Can one still argue that the fiscal state places predominant responsibility for fiscal policy in the executive branch? The argument remains justifiable. The president’s power is not what it was. The president’s budget does not retain the monopoly of attention it once did. But the president’s budget—unless utterly lacking in credibility because of overly optimistic estimates of economic growth—is still taken as the important starting point for the process. Differences between presidential and congressional fiscal plans have on average been small. Although the allocation of funds sometimes differs importantly from the presidential to the congressional budget, the fiscal policy impact of the budgets is typically quite similar. Congress still waits for the president to initiate major changes in fiscal policy. House Majority Leader Richard Gephardt reiterated this familiar sentiment in 1990: “It’s much harder for us to be on offense. The Congress is not meant to be the leading force in the country. It’s set up to be a check on presidential power. It can put an imprint on things. From time to time, it can set policy, but that’s rare.” The responsibility of each branch is more diffuse and obscure now than it was before 1974, but both Congress and voters still place the onus of responsibility on the White House.

While the fiscal-state structural constraints on the parties remain strong, Keynesian policy no longer limits the parties as it once did. With Keynesianism lacking credibility, other notions of state-economy relations are possible. And beginning in the late 1970s, as Keynesianism lost its grip on the congressional imagination, party differences on macroeconomic policy began to increase significantly. The pressure to balance the budget also forced the parties to set some explicit priorities. Without the enticement of Keynesian policy convergence, the parties can—there is no guarantee they will—develop distinctive visions of political economy. Whether they will or not depends on the availability of new and convincing economic “models.” After the collapse of the Republicans’ supply-side experiment, both parties find themselves scrambling for a new approach.

CONCLUSION

Party revival in the 1980s was partial because the changes in the fiscal state were partial. The tendency toward roll call convergence in fiscal policy was partially reversed as the declining utility of Keynesianism fostered intrapartisan cohesion and interparty differences in Congress. Voters, however, are not yet sure that these ill-defined differences are relevant. The structural limits—president vs. Congress, monetary vs. fiscal policy, automatic stabilizers and uncontrollable spending, plebiscitary voting—remain, as do the messages these limits transmit to voters and nonvoters. The messages tell the public that parties are not in control. In the short-run voters dissatisfied with organizational performance face the choice of exit, voice, or loyalty. Many have chosen to exit from voting, from loyal partisanship, and from the belief that parties can matter. Party will be more salient to voters and nonvoters when they see the congressional parties controlling a policy area that is widely considered important and on which the parties differ. Paying close attention to the structure and policy of the state suggests the potentiality of parties in a given place and time.

105. Joseph White and Aaron Wildavsky, The Deficit and the Public Interest: The Search for Responsible Budgeting in the 1980s (Berkeley: University of California Press, 1989); Gilmour, Reconcilable Differences?

106. Testimony by three budget experts before the House Committee on Rules, Subcommittee on the Legislative Process, illustrates most of these complaints. See the testimony of Louis Fisher, Rudolph Penner, and Henry Aaron before the Committee on Rules, Subcommittee on the Legislative Process, U.S. House of Representatives, 21 March 1990.


There are no inexorable laws of party decline—or party renewal. The parties' position is changeable: There is no inherent logic of history, the welfare state, postindustrialism, bureaucracy, or institutions dooming American parties to oblivion or ensuring they will "adapt" to their predicament in a way that enhances democracy. Parties can be relevant. State structure and policy can smother or give life to the parties.

111. Cf. Offe, "Competitive Party Democracy."