Presidents and the Political Economy: The Coalitional Foundations of Presidential Power

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Presidents shape the economy; the economy shapes presidencies. Yet analyses of presidential influence over the economy usually examine this interplay through an excessively narrow focus: the ability of presidents to shape short-term economic outcomes, particularly as these affect their own reelection prospects. Here, drawing on work in comparative political economy, we ask about the capacity of presidents to influence long-term economic developments, particularly the degree to which the economy produces broadly distributed growth. Focusing on the transformation of American tax policy over the last generation, we stress the constraints and opportunities that come from "durable policy coalitions" of partisans, activists, and organized economic interests seeking enduring shifts in governance. We develop this argument in part through a contrast with the influential views of Larry Bartels, who claims that presidents have a powerful immediate impact on economic inequality. We suggest that presidents are generally much more constrained, while attempting to clarify when and how they make a difference.

Presidents shape the economy; the economy shapes presidencies. If anyone doubted this, the first three years of the Obama presidency offered a stark reminder. Swept into office on a tide of discontent prompted by the worst financial crisis since the Great Depression, President Obama promised to create a "new foundation" for economic growth and shared prosperity (Jacobs and Skocpol 2011). After three decades in which the richest of Americans had gained dramatically, yet middle-class Americans had seen their wages and economic security stagnate, Obama offered an ambitious domestic agenda: health care reform, financial reform, energy reform, political reform. But while he achieved notable victories, his first three years ended with the nation beset by devastating

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unemployment, economic inequality widening, his congressional majorities gone, and conservative activists and resourceful interest groups waging a highly successful battle against his now-crippled agenda.

President Obama's rocky experience indicates both how central and how perilous long-term economic reform is to presidential leadership. The president is widely recognized as a manager of prosperity, the elected official with the greatest incentive and capacity to focus on the economy as a whole (Weatherford 2009). And yet, the prospects for presidential leadership in the economic realm depend heavily on the president's relationship to broader partisan and interest-group forces over which presidents have only partial control. In contrast to other areas of presidential responsibility, the scope for unilateral executive action in domestic economic policy is inherently limited. Moreover, the ability of presidents to change the deeper contours of the economy hinges on sustained, coordinated action over substantial periods of time. As President Obama learned to his regret, the conditions for such ongoing influence are difficult to cultivate.

This tension—between presidential ambitions and presidential authority—is at the core of the presidents' role in the ongoing organized struggle to create durable changes in the American political economy. And yet it is curiously lacking in most social science analyses of presidents and the economy. Instead, this scholarship has focused much of its attention, and increasingly high-powered technical ammunition, on a far narrower topic: presidents' ability to shape the economy in ways that influence the prospects for their own reelection (e.g., Abrams and Iossifov 2006; Alesina and Rosenthal 1995; Erikson 1989; Hibbs 1987; Nordhaus 1975). This, in turn, usually boils down to studying presidents' effects on selected economic indicators shortly before the presidential election, the period in which the effects of the economy on voters' choices appear strongest. As James Campbell (2011, 3) puts it, in a recent addition to this literature to which we shall return, these studies do not tackle "the monumental challenge of measuring the economic impact of presidential policies beyond the immediate terms of a presidency." Rather, "they are content, as most voters seem to be, to assess the more limited and proximate records of the presidents around their time in office."

This narrow focus reflects an understandable wariness about the ability of social scientists to link enduring economic shifts to specific presidents. More fundamentally, as Campbell's quote suggests, it flows naturally from a long tradition of emphasizing voters' capacity to reward or punish presidents for the economy's performance. Yet this constricted focus has several debilitating consequences. First, it draws attention away from more fundamental questions of political economy, which revolve around how governing coalitions shape economic structures and rewards over the long-term. Second, the central theoretical orientation of existing research toward unilateral presidential action and elections provides a very shaky starting point for advancing such a broader discussion. Finally, this perspective results in a conception of presidential power that is at once too capacious and too cramped—capacious, in that it overstates the scope for unilateral presidential action, and cramped in that it misses the durable impacts that presidents can have when operating as part of governing coalitions seeking to institutionalize a policy agenda. A convincing account of the American political economy will have to be built on a very different foundation.

To introduce this argument we examine a particularly prominent recent attempt to link presidential leadership to changes in the American economy—that of Larry Bartels (2008) in his recent book *Unequal Democracy*. We use Bartels' analysis as an entryway into our own perspective not because it is especially vulnerable. Quite the opposite: It is, justly, both highly regarded and highly influential. That it nevertheless remains fragile and incomplete speaks volumes about the limits of the reigning scholarly focus. After outlining the problems with Bartels' account, we introduce an alternative framework that situates presidents within "durable policy coalitions" dedicated to the advancement of favorable policy regimes. Finally, we discuss the evolution of tax policy to illustrate the operation of a durable coalition that includes presidents but extends well beyond them.

Presidents, Partisanship, and Rising Inequality

Since the late 1970s, income and wealth gaps have grown dramatically in the United States—far more than in other advanced industrial nations and to far higher levels.[1] The share of pretax national income accruing to the richest 1% of Americans increased from less than 9% in the mid-1970s to 23.5% on the eve of the financial crisis in 2007. The share accruing to the richest 0.1% rose even more spectacularly. In 2007, the richest one in 1,000 households took home one in eight dollars of American income, the highest proportion since the creation of the income tax in 1913. These developments pose a stark explanatory challenge for political scientists, given their apparent inconsistency with standard, median-voter-focused models of political economy, which predict that middle-income voters will seek redistribution through government when market inequality rises (particularly if its rise disadvantages all but the richest [Meltzer and Richard 1981]). And yet only in the last half-decade have political scientists devoted any real attention to the link between this remarkable transformation of the American economy and patterns of American governance, much less to the role of presidents in mediating this link.

One of the most prominent and sophisticated of these pioneering contributions is Larry Bartels' (2008) *Unequal Democracy*. Bartels argues that, since World War II, Republican and Democratic presidents have had starkly different effects on the income distribution—Republican presidents have increased inequality; Democratic presidents have reduced it. This is not an entirely new claim: Douglas Hibbs (1977) long ago argued that, for distributional reasons, Democratic presidents focused more on boosting employment while GOP presidents focused on fighting inflation. Yet far more than Hibbs, Bartels links his findings directly to the massive secular trend toward increased inequality and the attendant reshaping of the American political economy. For this reason, Bartels provides an excellent starting point—but not, we shall see, ending point—for considering presidents' role in shaping how the economy distributes its benefits.

1. These basic statistics on inequality, drawn from the work of Piketty and Saez (2003), are discussed in depth in Hacker and Pierson (2010).

The President's Role in *Unequal Democracy*

Unequal Democracy is by no means a book just about presidents and inequality. It ranges widely, from public opinion to elections to the politics of the minimum wage.[2] Still, Bartels' (2008) most provocative argument concerns the very different effects of Republican and Democratic presidents on the economy since World War II.[3] As Hibbs did, Bartels contends that employment and growth are substantially lower under Republican presidents, and that this weak performance especially hurts less affluent citizens. Over time, the consequence is rising inequality. Indeed, Bartels suggests that the behavior of Republican presidents largely accounts for the very dramatic rise in inequality over recent decades. According to Bartels (2008, 61), if his results are projected over the postwar period, "continuous democratic control would have produced an essentially constant level of economic inequality."

Furthermore, in a crucial nod to the literature on political business cycles, Bartels argues that Republicans manage to create higher growth in election years, while Democrats actually tend to produce lower growth in this crucial period. Because voters are myopic, Bartels argues, this last-minute economic burst allows Republicans to produce subpar outcomes for most voters yet still do well at the polls.

Is this a persuasive account of president's role in rising inequality? In the rest of this part, we argue that for all the virtues of Bartels' analysis, it falls short in three revealing respects. First, it largely misses the true contours of rising inequality, and thus misses key policy mechanisms and partisan dynamics that help us understand what has happened to the American political economy and why. Second, Bartels' basic account of fiscal and monetary policies during the era of sharply rising inequality grants presidents much greater and more immediate influence over government policy and the economy than the historical record warrants. Finally, even if one could sustain his account, many of the short-term economic policies that he emphasizes cannot easily be extended to explain *long-term* economic shifts of the type that the United States has witnessed; other policy mechanisms about which Bartels says little or nothing need to be brought into the analysis.

To avoid misunderstanding, we want to make clear that we agree with Bartels that presidents play an important role in shaping the macroeconomy. We also think it undeniable that the parties—and their presidential standard-bearers—have differing distributional priorities. Yet neither the huge presidential effects that Bartels identifies nor the main mechanisms he sees as driving those outcomes convincingly explain the distinctive way in which the distribution of American economic rewards has changed since the 1970s. This is not just a problem with Bartels' account. More broadly, it suggests that the reigning focus on how presidents bolster short-term growth (and their reelection prospects) is a mistake. A more convincing analysis will need to move away

2. Indeed, a central message of Bartels' book that informs our own perspective is that, given extremely limited knowledge and unequal participation, voters (especially less affluent ones) have serious difficulty holding politicians accountable for many of the complex policy decisions that affect voters' economic standing.

3. For evidence of the attention to this claim, see, for example, Leonhardt (2008); Isaac (2009); Campbell (2011).

from the emphasis on unilateral presidential action and short-term economic policies to examine durable policy shifts grounded in long-term coalitional conflict.

The Mystery of Winner-Take-All Inequality

To explain the dramatic increase in income inequality in the United States over the last generation, we need at a minimum to describe it properly. Much of the writing on rising inequality implies that the rungs on the economic ladder are moving farther apart all along its span. Yet this is not what has happened. Instead, as noted, the very top of the ladder has pulled sharply away from *all* the rungs below it. Though inequality has risen across the board, the main story is the sharp concentration of gains at the very top.

The subtitle of *Unequal Democracy* properly describes America's recent economic history as a "New Gilded Age." Yet Bartels' analyses of partisan presidential effects largely ignore the spectacular rise of high-end incomes. In fact, his main measure of inequality is the 80/20 ratio, the ratio of income at the 80th and 20th percentiles. Yet the 80/20 ratio leaves out most of the post-1970s spike in inequality. The Congressional Budget Office (CBO; 2010) has assembled the best data on household disposable income for the 1979 to 2007 period (after federal taxes and including public transfers and private employment-based benefits). Its numbers show that the 80/20 ratio rose from just over 3 in 1979 to 3.64 in 2007—a roughly 20% increase. Over the same period, however, the ratio of the *99th* percentile to the 20th percentile rose from 9.62 to 17.21—an almost 80% increase. Of course, the 99/20 ratio is greater than the 80/20 ratio; the point is that it has risen much more sharply, indicating that income gains since 1979 have been highly concentrated at the top. Indeed, according to a recent CBO report (CBO 2011), *fully half* of the post-1979 rise in the Gini index (a common inequality metric) is due to the pulling away of the richest 1%.[4] And, in fact, a very large share of America's growing income concentration has occurred *above* the 99th percentile. The last generation has truly been a "New Gilded Age."

Once we shift our gaze to the biggest fact about American inequality—the steady upward rise of the share of income going to the very richest—a simple partisan story becomes harder to sustain. Instead, as Figure 1 suggests, something happened around 1980 that resulted in a fairly consistent upward trend in the fortunes of those at the very top, regardless of the partisan identity of the president. (Because the CBO data go back only to 1979, we present pretax data, including capital gains, from Piketty and Saez [2003].) As we will see, Bartels' (2008) argument has surprisingly little to say about this trend—one that, as we have seen, is at the heart of the stunning rise in American inequality and deeply puzzling according to standard median-voter accounts.

Revisiting the Story of Partisan Pump-Priming

How do presidents produce the changes in the 80/20 ratio that Bartels finds—and produce them quickly enough that stark partisan differences emerge on their watch?

4. This statistic is for pretax market income. The share accounted for by the richest 1% would be even larger for posttax and postbenefit income—as the CBO (2011) shows that taxes and transfers were actually *less* redistributive in 2007 than they were in 1979.

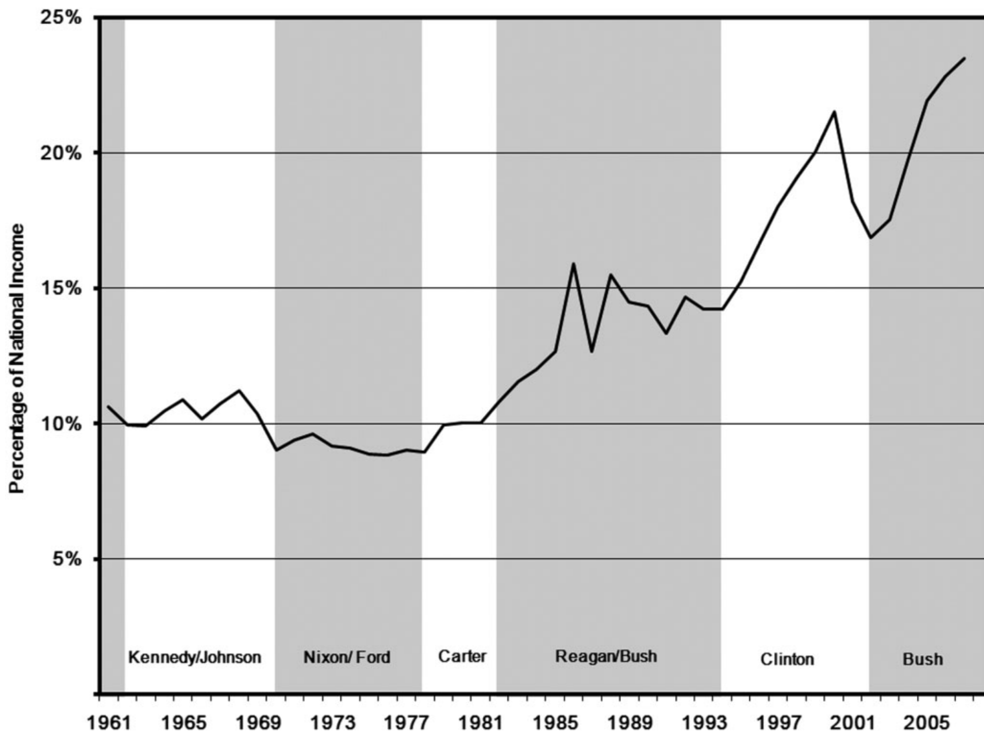

FIGURE 1. The Richest 1 percent's Share of Pre-Tax National Income, 1960-2007.
Source: Piketty and Saez 2003; http://else.berkeley.edu/~saez/TabFig2007.xls.

Bartels suggests that a key mechanism is fiscal and monetary interventions designed to boost growth or fight inflation. Contrasting distributional outcomes, he argues, flow from "surprisingly consistent partisan differences in the macroeconomic policies and priorities of Democratic and Republican presidents in the post-war era" (Bartels 2008, 47).

This focus makes intuitive sense, since Bartels' main findings concern quite rapid changes in market income *before* taxes and transfers. (*Unequal Democracy* does present a more limited data series on *posttax and posttransfer* income changes from 1980 to 2003, which we shall discuss shortly.) Bartels argues that presidents primarily influence the distribution of market income by affecting rates of growth and unemployment, which in turn influences patterns of income change. In a nutshell, Democrats adopt expansionary macroeconomic policies and Republicans contractionary ones (at least before they prime the pump in the run-up to the election), with the consequence that income growth for less affluent citizens is higher under Democrats than under Republicans. Indeed, once levels of growth and unemployment are controlled for, the partisan differences in income growth at different points in the income distribution disappear.

Bartels presents some historical evidence for this pattern. He notes, as Hibbs (1987) did before him, that both Dwight D. Eisenhower and Richard Nixon were more concerned about inflation than John F. Kennedy, Lyndon Johnson, and Harry Truman. Yet his historical review of broad macroeconomic policies more or less stops with Ronald Reagan's first term. This is revealing, for presidents since Reagan have simply not followed Hibbs's partisan script. Jimmy Carter first reduced, then increased the deficit, leaving it at almost exactly the initial level. Bill Clinton launched a massively *contractionary* fiscal policy at the outset of his presidency, shifting the federal budget from hundreds of billions in the red to hundreds of billions in the black. (Barack Obama, a Democrat who pursued an expansionary fiscal policy, postdates Bartels' analysis.)

By contrast, each of the post-1980 Republican presidents—Reagan, George H. W. Bush, and George W. Bush—oversaw substantial *increases* in the deficit. For Reagan and George W. Bush, the increases were large, rapid, and early in the president's term. Of course, the Reagan and George W. Bush deficits were driven by large tax cuts—an important fact that we return to in the final part of this article. But they surely represented expansionary policies

If the partisan fiscal story does not work after the late 1970s, neither does the partisan monetary story. Indeed, the strongest conclusion to come out of research on the Federal Reserve (or Fed) is the *persistent* shift toward an anti-inflation stance that began with Paul Volcker in the late 1970s. In the wake of the high inflation of the decade, the Fed achieved even greater political independence—in turn, reinforced by presidential and congressional concerns that acting too aggressively toward the Fed would spook financial markets. With a decision-making committee stacked with representatives of the financial sector (federal reserve banks appoint five of the 12 members of the committee), increased independence has allowed the chair of the Fed to pursue a more consistently hard-money stance focused on price stability.

This increased independence is strongly suggested by the apparent incapacity of presidents to aggressively use their appointment powers to shift the Fed's direction. Clinton, after all, quickly reappointed Reagan appointee Alan Greenspan as head of the Fed, despite Greenspan's strong conservative leanings. Reagan reappointed Volker, a Democratic appointment. More recently, Obama reappointed Ben Bernanke, an appointee of George W. Bush. This is not to suggest the Fed has played no role in rising inequality. Later, we will present a distinct argument about the Fed, linked to the secular shift in its stance after Volcker. But it is extremely hard to find Fed-driven *partisan* differences in monetary policy after 1980 (see, e.g., Abrams and Iossifov 2006; Mayer 1990).

In short, the partisan account for pretax income changes that Bartels offers falls short precisely during the era in which inequality exploded. Since the late 1970s, presidents have not used fiscal and monetary policies to put their foot on the gas or the brake to quickly influence employment and growth. Bartels clearly recognizes this: He argues (Bartels 2008, 58) that it has "become much more difficult in the past quarter century for presidents to influence the distribution of pretax income," due to the globalization of the economy and the increased independence of the Fed. And he argues that, as a result, presidents are more reliant on tax and transfer changes. Yet, in a careful reanalysis of Bartels' data, Lane Kenworthy (2010) finds that even after 1980, virtually all of the partisan differences in the 80/20 ratio are due to changes in pretax inequality, particularly in the bottom half of the distribution. The puzzle remains how presidents have so quickly produced such large changes in the economic fortunes of less affluent Americans, even before taxes and transfers take effect.

From Political Business Cycles to Long-Term Economic Change

Thus, Bartels' (2008) argument has problems explaining changes in inequality since 1980, the period during which Americans' economic fortunes became most starkly divergent. But even if presidents had behaved as Bartels' account implies, priming the pump or fighting inflation according to the Hibbsian partisan script, we would be skeptical of the emphasis on short-term fiscal and monetary policies as an instrument of long-term economic transformation. Put simply, these policies seem poor candidates for explaining durable changes in the income distribution. After all, expansionary policies rest on the availability of macroeconomic slack that stimulative policies can activate. Indeed, Bartels' argument about Republican success in producing growth just before elections rests on exactly this bust-then-boom dynamic: prior periods of restraint create output gaps that well-timed expansionary policies can close.[5]

By contrast, long-term shifts in the income distribution are more plausibly linked to changes in the structure of the economy, not whether policy makers are keeping the economy operating at its peak at any time. Thus Bartels' projection that "continuous democratic control would have produced an essentially constant level of economic inequality" rests on more than the "arguably unrealistic assumption" that "either party would actually have the political will or the political power to produce economic redistribution of the cumulative magnitude suggested by these projections" (61-62). It also rests on the certainly unrealistic assumption that one could sustain expansionary fiscal policy year in and year out for three decades.

To be sure, for the post-1980 period, Bartels shifts his emphasis from general macroeconomic policies to taxes and transfers, which could produce such durable shifts. We have already noted Kenworthy's (2010) objection that virtually all the partisan differences in income growth even after 1980 occur *before* taxes and transfers. Nonetheless, we are extremely receptive to Bartels' argument that it is in transfer programs and, in particular, tax policies where we should see the biggest contrasts in partisan presidential priorities. To account for the stark run-up in inequality since the 1970s, however, these contrasts need to explain the massive hyperconcentration of income at the top, not just different patterns of income growth below the 80th percentile. As Figure 1 shows, the pace of this hyperconcentration does not seem to vary substantially between Republican and Democratic presidents. Indeed, Kenworthy (2010) finds almost no difference between Republicans and Democrats when using data that include the top 1%.

This is not to suggest that tax policy changes have not helped the top 1% since 1980. As the final section of this article shows, they have—mightily so. These changes, however, have proved much more enduring across Republican and Democratic presidential administrations than Bartels' partisan account would predict. Shifting the focus from

5. One can see this by continuing with the analogy of putting your foot on the gas or the brakes. It is much safer to accelerate the car if your predecessor has had his foot on the brakes. If, instead, he had his foot on the accelerator, your efforts to keep pushing down on the gas are likely to lead to disaster.

general macroeconomic policies to tax and transfer changes makes sense. But there is also a need to look beyond short-term effects and consider the durable policy changes that presidents have pursued to alter the American political economy.

The short-term focus of Bartels' argument is driven home by a recent critique by Campbell (2011), who shows that Bartels' finding of partisan effects depends highly on the time lags in his model. Specifically, Campbell finds that Bartels' core results depend heavily on when the president is presumed to start having an effect on the economy and whether the rate of economic growth in the prior six months is taken into account. If, for example, economic growth in the previous six months is included in the model, economic growth at various income levels is not significantly different between Democratic and Republican presidents. The same is true, according to Campbell, if presidents are presumed to start affecting the economy just a quarter of a year later than Bartels' model assumes.

Campbell uses these findings to argue that Republican and Democratic presidents have not differed on the crucial dimensions that Bartels identifies. The conclusion that we draw is quite different: it is that we should be skeptical of arguments that emphasize presidents' ability to quickly and durably affect inequality through short-term macroeconomic policies. Theories that hinge on small changes in the modeling of prior growth or the lag in presidential effects are not likely to be very fruitful in explaining the massive, long-term transformation of the structure of economic rewards since the 1970s.

All this is not to argue that presidents are powerless to shape the economy. Far from it: the president is surely the elected official with the greatest incentive and capacity to remake the economy in enduring ways. Yet we would expect that the kinds of policy changes that have contributed to the growing skew of economic rewards toward the very top would generally not be those caused by new presidents seeking a short-term boost to growth or reduction in inflation. Rather, they are likely to take the form of major shifts in large-scale public policies governing the market—from tax policy to the regulation of finance, corporate governance, and industrial relations. It is to these policies, and presidents' role in shaping them, that we now turn.

Policy, Durable Coalitions, and Economic Restructuring

Our perspective on presidential leadership is grounded in a simple observation: long-term policy developments are rooted in organized struggles to remake the economy and society in durable ways. Politics is a contest where some gain the authority to make decisions of fundamental significance for others. Especially in the modern era of activist government, those in positions of power can have an enormous influence on the distribution of valued goods. For many political actors, policy, not elections, is the ultimate prize. While elections are a critical instrument for gaining and exercising political authority, they are only part of a broader political battle that involves competing attempts to determine what that authority is used to do.

Viewing politics this way leads to a focus on different actors, interactions, and relationships (Bawn et al. 2011; Hacker and Pierson 2010; Moe 1990, 2005; Skowronek 1993). It highlights the role of organized groups (or, as Bawn and her colleagues nicely put it, "intense policy demanders"). It reconceives political parties as vehicles that may foster long-term coalitions among interest groups and between those groups and ambitious politicians (Cohen et al. 2008). It sees many of these actors as focused less on the desire to please voters and more on trying to consolidate policy victories or undercut those of their opponents (Patashnik 2008). It views politics as a battle over the long haul to influence how political authority is used to change the contours of the economy and society. In this part, we explore these points in more detail before outlining their consequences for how we see the role of presidents within the political economy.

In contrast with standard work on American politics, which has tended to highlight the centrality of politicians and voters, conceiving politics as a struggle over policy places organized groups closer to the heart of the analysis. In contrast to voters, who have very limited information and are typically inattentive to politics, organized groups are highly informed and extremely vigilant. Not only are these the actors with the most intense interest in policy outcomes, they are also the actors with the greatest capacity to monitor and exert influence over those outcomes in a sustained way and across multiple venues.

This is critical, because the substance of policy is usually a product of concerted action over time. American politics specialists typically focus on the production of laws, with "laws" understood in the highly decontextualized form of specific bills or votes. Yet public policy in the real world generally results from the interacting content of multiple laws and other exercises of political authority. In most cases, policy is (as Kenneth Shepsle [1992] once said about legislatures) not an "it," but a "they," a set of authoritative decisions emerging from the intersecting activities of multiple actors operating in multiple sites, often over extended periods of time. While this is true of policy making in all political systems, it is especially true of American policy making given the acute fragmentation of political institutions in the United States (Baumgartner and Jones 1993; Melnick 1994; Teles 2008).

Durable Coalitions, Durable Victories

Thinking about long-term policy development also points to the prospect that particular political actors may win durable victories. A peculiar characteristic of most American politics scholarship is that its depictions of politics involve no *durable* winners and losers. Elections follow a Downsian logic; this cycle's loser adjusts and becomes the next cycle's winner. Take out incumbency, David Mayhew observes, and presidential elections over the past century or so have been essentially a coin-toss between the two parties (2002). Legislatures are under the sway of Arrow's (1951) paradox of voting, so that losers in any legislative struggle are well positioned to cycle back into the winner's position. The electorate, whose views are usually regarded as a binding constraint on policymakers, fluctuate back and forth over a moderate policy space and typically operate to bring the political system back to the middle (Erikson, MacKeun, and Stimson 2002). Throughout this vision, temporary, not durable, advantages are the rule.

The situation looks fundamentally different when one considers politics as a contest among intense policy demanders who are engaged in struggles over the exercise of authority *for substantive purposes.* In a political world with policy rather than elections at its core, durable outcomes are not just possible; they are frequently the main objective. Winners get to impose their policy preferences on losers. Often, this means imposing arrangements to which losers must adjust *even if their side wins future elections* (Moe 1990, 2005). Policies may create facts on the ground, durably altering resources and incentives. Policies can strengthen supporters and weaken losers. In extreme cases, policies can effectively eliminate the losers altogether.

Studies that examine policy making over time rather than the electoral see-saw have been much more likely to appreciate this crucial political dynamic. Patashnik (2008) offers the simple example of how airline deregulation quickly drove its biggest opponents (the high-cost airlines) out of business, durably shifting the character of both policy and the industry it regulated. On a grander scale, the collapse of Reconstruction led to the consolidation of a Jim Crow regime that locked Southern blacks (and many poor whites) out of politics for nearly a century.

A final example captures the heart of our argument. Consider the letter a savvy (and personally popular) President Eisenhower wrote to his brother, concerning the desire of conservatives to roll back the New Deal:

> Should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course, that believes you can do these things. Among them are H.L. Hunt (you possibly know his background), a few other Texas oil millionaires, and an occasional politician or business man from other areas. Their number is negligible and they are stupid. (Eisenhower 1954)

Eisenhower's point was that the New Deal had achieved durable victories. Despite his own electoral success, he and other Republicans now operated within a policy space that the consolidation of prior Democratic victories had durably altered. There was no going back.

Eisenhower's observation remains fundamental to understanding the behavior of organized political actors as well as the potential contributions of presidents to the development of the American political economy. Precisely because policy, rather than electoral triumph, is often the ultimate prize, durable victories are possible. And because such victories are possible, actors seek to bring them about. To do so requires a durable policy coalition—a set of actors who are sufficiently dedicated to the goal that they will stay in the fight for the long term and who have the political and organizational resources that give them a capacity to make a difference (Sundquist 1968).[6]

Durability is a defining feature of these coalitional actors. They cultivate allegiance over time, while learning about effective political strategy and the feasibility of alternative policy designs and framings. They remain organizationally ready to seize moments

6. This concept is related to, but distinct from, the concept of a "long coalition" which Bawn et al. (2011) derive from Schwartz (1989). For Bawn et al., "long coalitions"—the core of political parties—entail an enduring log-roll among distinct organized interests. Here we emphasize enduring groups focused on a particular policy agenda. These groups may, in turn, be a component of a broader "long coalition" or party.

of political opportunity that are, within American politics, rare and fleeting. And their durability gives them unusual capacity to sustain or extend their victories once won.

Central to the study of political economy is the study of durable policy coalitions. This insight—so deeply held that analysts once felt little need to make it explicit—is at the heart of long traditions of work in both comparative politics and American political development. Shifting coalitions of interests battle to exercise authority *in order to impose their preferences through governance*. The potential for policy trajectories to be highly path dependent (Pierson 2000) makes these efforts profoundly important. It is why comparativists can identify highly distinct "regimes" covering huge areas of public life like the welfare state (Esping-Andersen 1990; Huber and Stephens 2001) and a nation's model of capitalism (Hall and Soskice 2001). These regimes are grounded in durable policy arrangements, resulting from fierce contestation among organized interests. They are sustained by supportive coalitions that typically transcend any specific electoral majority.

One of the powerful insights of this work is that durable policy coalitions do indeed have the capacity to carve a huge and lasting imprint on national economies. Even in an era of globalization, national economic regimes, all operating in broadly similar contexts of affluence, open trade and democratic politics, vary tremendously on a wide range of critical features. Among these are unionization rates, systems of corporate governance and financial regulation, the scale and design of social welfare policies, the extent and terms on which women are incorporated in the paid labor market, and the scope and distribution of taxation. These enduring differences are grounded not in some timeless national comparative advantage but in the consequences of more than a century of ongoing contestation among organized interests and their partisan allies.

The question then is not whether policy makers can substantially shape long-term economic outcomes. They can. The question is how they do so. Specifically, what role do presidents play within these broader struggles?

Presidential Power and Durable Coalitions

Political scientists have shown growing interest in the capacity of presidents to engage in unilateral action (Moe and Howell 1999; Howell 2003). In a context of executive-inspired military adventures, this interest is understandable, and these inquiries have suggested interesting extensions to realms of domestic policy as well. Yet a quick examination shows that in the economic sphere, the president's capacity for unilateral action is generally limited. Almost always, when he acts effectively to influence long-term economic development, the president does so as part of a durable coalition that both advances his policy agenda and helps to sustain or extend it over time.

A primary reason for this is the interbranch character of the president's domestic policy powers—the fact just noted that sustained policy change generally requires action across multiple venues of American government. Another, however, is that presidents simply do not have a huge amount of time to achieve their goals. Since the 22nd Amendment, the outer limit has been two terms. Despite their prominence on the political stage, presidents as solo performers only get two acts. Their chances for durable accomplishments thus depend crucially on how the stage has been set, and on who remains on the scene after they have left the stage.

We clarify this claim by briefly examining four crucial powers of the presidency: appointment powers, the veto, the capacity to influence the policy agenda, and the president's central role as a party leader and coalition builder. Though our list of presidential powers is conventional, we emphasize the coalitional foundations of most presidential authority over the economy. Presidents are far weaker in the absence of strong support within Congress and the community of organized interests.

Appointments. Subject to congressional approval, presidents appoint all the nation's key economic officials: the Treasury secretary, the head of the Securities and Exchange Commission and other regulatory agencies, and, most important, the chair of the Federal Reserve. In most respects, these appointees and their activities can be expected to largely follow a policy course the president favors (subject to congressional oversight). The biggest exception, however, is a critical one: the chair of the Federal Reserve.

We have already discussed several revealing features of the recent history of the Fed. First, over the last three decades, presidents have routinely reappointed current occupants of this extremely powerful position, even though those occupants were originally chosen by a president of the other party. This has happened, moreover, within a context of growing political polarization—that is, as the economic policy preferences of presidents from different parties seem to be diverging. To see how remarkable this is, imagine any current president voluntarily agreeing to reappoint a Supreme Court justice originally appointed by the other party.

Second, Fed policy in recent decades (at least, that is, until the recent economic crisis) appears to have converged on a consensus giving consistent weight to controlling inflation rather than maintaining high employment. It is no coincidence that in the voluminous cross-national literature on monetary policy of the last two decades, the United States is typically held up as a model of a hard-money regime based on central bank independence (Iversen 1999).

There are different possible interpretations of this striking removal of the Fed from partisan politics even as polarization has grown. One would be that it reflects the extent to which the Federal Reserve's practices have become a technocratic exercise, about which there is simply very little partisan disagreement. A second would be that organized interests, especially financial ones, represent the most powerful constituency of the Federal Reserve (see, e.g., Epstein and Schor 1990). On this account, policy makers of either party are highly constrained in their appointment choices by the need for a favorable reception within the financial community. Either way, at least in the contemporary period, the president's appointment power with regard to the Federal Reserve has provided him with limited independent capacity to reshape economic practices.

Of course, other presidential appointees have influence over the economy. And presidents can be expected to use these appointments—and the unilateral powers of the presidency more broadly—to change the contours of governing economic policy. Even so, the executive branch is not the president's alone to guide. Through oversight, budgeting, legislation, and suasion, members of Congress also leave their own imprint on its actions. More important, the scope for long-term restructuring of the economy through unilateral executive action is inherently limited. The domestic powers of the executive are best suited for delaying or watering down laws or pushing their boundaries—not for fundamentally shifting the economic policy landscape. As William Howell (2003, 121) puts it, in a book that generally plays up the president's unilateral powers, "The president's powers of unilateral action are greatest when they do not require Congress to take any subsequent action . . . But where funding is involved, and nonaction on the part of Congress spells the demise of an agency or program, the president's powers of unilateral action diminish significantly." And funding is only one constraint: Sustained economic policy shifts usually require the ongoing deployment of government power to either construct new policy regimes or dismantle existing ones. These are precisely the sorts of presidential policies that necessitate legislative as well as executive action.

The Veto. The president's great unilateral policy weapon is the veto (Cameron 2000). Requiring that vetoed laws achieve a two-thirds vote in both houses not only gives the president the power to block legislation, it also creates strong pressures for Congress to move policy in the direction of the president's wishes. As Alexander Hamilton explained, in a deft summary of anticipated reactions over two centuries ago, "When men . . . are aware that obstructions may come from a quarter which they cannot control, they will often be restrained by the apprehension of opposition, from doing what they would with eagerness rush into, if no such external impediments were to be feared" (Hamilton 1787, quoted in Cameron 2000, 18).

These are powerful effects. When presidents are far from the center of congressional opinion, they can forestall policy shifts by vetoing laws that lack supermajority support. Through anticipated reactions, this in turn discourages lawmakers from seeking such changes in the first place. And even when presidents cannot block legislation, the veto may pull lawmaking toward presidents, as members of Congress seek to head off vetoes. Here, as Hamilton foresaw, just the existence of the veto gives the president leverage to obtain concessions.

The power to stop legislation, moreover, can have larger effects than often supposed. Failure to enact a new law is not the same as freezing the existing state of affairs in place. In many areas of domestic policy, failure of the government to act can lead to major changes in economic outcomes over time—a process we have elsewhere termed "policy drift" (Hacker 2004; Hacker and Pierson 2010). If, for example, unions are losing ground in the face of changing patterns of production or shifting corporate strategies, a successful veto of labor reform does not mean unions hold their ground. It means that organized labor increasingly lacks presence or clout. The transformation of the American financial sector reflects a similar process. Rules governing dynamic markets must be regularly updated to reflect changing financial strategies—or they become ineffective. The veto is one of the two major legislative sources of gridlock and, thereby, drift in contemporary American politics. (The other, of course, is the Senate filibuster.)

Still, the power of the veto should not be overstated. First, the veto is a reactive power—Hamilton called it a "qualified negative." In exercising it, presidents respond to what Congress does. The veto does not make Congress act on specific initiatives or take up specific issues. It gives presidents a qualified power to say no.

Second, developments in Congress over the last generation have tended to make the veto less potent while increasing the overall tilt toward legislative gridlock. Once rare, the filibuster has become a routine part of lawmaking on all domestic policy matters besides the budget (Mayhew 2008). Meanwhile, Congress has become dramatically more polarized, with centrist members of Congress giving way to more ideological partisans on the left and, especially, the right (McCarty, Poole, and Rosenthal 2006). Both shifts have chipped away at the leverage that presidents gain by virtue of the veto. Unless presidents are extremely far from the center of congressional opinion, the pivotal sixtieth senator (who can end a potential filibuster) occupies the deal-making position in most legislative fights. And with Congress more polarized, the chance that this pivotal senator is more extreme than the president increases.

A third limitation, however, is the most important for understanding long-term policy development: the veto is not simply a reactive power; it is an oppositional power. That is, the veto gains significance and heft when presidents are in opposition to congressional majorities. But these are precisely the conditions most inimical to presidents' ability to undertake sustained projects of policy reform. Precisely when the veto power expands, the presidents' power to remake the economy through long-term governance shrinks. George W. Bush failed to cast a veto until the sixth year of his presidency; when he did so, it clearly reflected the waning of his power. Yet his impact on economic governance, we stress later in this article, was substantial.

For all these reasons, the veto is a powerful but blunt instrument for economic policy making. If transforming governance involves the encouragement of policy drift, it can be extremely valuable. More often, however, presidents seeking fundamental policy change in a polarized environment with increased tendencies toward gridlock need to move from a reactive and oppositional role to a proactive and coalitional role. It is here that the president's role as an agenda-setter and party-builder becomes vital.

Agenda-Setting and Party-Building. On nearly all important matters of economic policy, presidents share power with other institutional actors—notably Congress. This is the basis for Neustadt's (1960) famous observation that presidential power rests not on authority but persuasion. Yet in this persuasive role, the president has some formidable institutional advantages. First, the occupant of the oval office has the biggest megaphone in American politics—Teddy Roosevelt's "bully pulpit." Second, presidents play a central role in organizing and shaping the activities of their parties, both within and outside government. If the power of the president is the power to persuade, presidents have a powerful platform for persuasion. They also have a special position relative to a large cadre of *already*-persuaded politicians, activists, interest groups, and voters.

Certainly, the agenda-setting power of presidents is substantial. A large literature (see, e.g., Edwards 2003; Hill 1998) indicates that presidents can move issues already in play higher up the legislative agenda and sometimes even bring relatively neglected issues to the fore. A Democrat wins the presidency and the subject is health care. A

Republican wins and the subject is tax cuts. In particular, as Matthew Beckmann (2010) convincingly argues, presidents' greatest source of influence is their ability to work with leaders of their party to advance issues and alternatives that are congruent with their policy agenda, while keeping unfavorable issues and alternatives off the agenda.

Presidents have generally been far less successful, however, in determining how citizens or legislators *respond* to these issues. George C. Edwards III (2003) has compiled an impressive amount of polling suggesting that presidential public statements have modest effects on public opinion. President Obama, for example, proved consistently unable to shift public opinion on health care reform in 2009 and 2010, despite success in raising health care to the top of the legislative agenda.

Of course, public opinion is not the only target of presidential persuasion. Indeed, given the increased polarization of Congress and the president's central role as a party builder, it may not even be the most important. As Edwards suggests, much of what presidents do amounts to preaching to the converted, or more accurately, helping the converted figure out how exactly to get to the promised land—as President Obama eventually did in unifying Democrats behind a health care bill despite bitter internal disagreements. Moreover, while the ranks of the converted may be relatively fixed over the short term, presidents can build party-based alliances in Congress and the electorate over the longer term. As Daniel Galvin has argued, Republican presidents, in particular, have invested in long-term party-building in ways that have conduced to the benefit of their successors (2010).

Yet in both these roles—agenda setter and party leader—presidents are most influential when they are allied with regnant congressional factions whose leadership shares overlapping goals with the White House. And as with other aspects of the president's political environment, these deeper partnerships cannot be forged by presidents on the day they come into office. They depend heavily on the formation and endurance of coalitions that predate the president's inauguration.

This is the essential insight of Stephen Skowronek's notion of "political time"—presidents' fortunes hinge in crucial part on whether they are opposed to or aligned with the existing "regime" and the legitimacy of this reigning order (Skowronek 1993). Presidents who stand in opposition to a discredited set of ideas and leadership commitments have the greatest leeway to innovate and remake politics and policy. Yet this process is hardly automatic. Historically, presidents could innovate at these moments because the discrediting of the losing coalition gave rise to large legislative majorities aligned with the president. This was less true under Reagan and even more so under Obama—despite these presidents' ability to capitalize on the weakness of the opposition and of prior governing principles.

In addition, political time may be less relevant in the era of activist government and, more recently, institutionalized supermajority requirements (Skowronek 1993). With many governing commitments deeply embedded, the opportunity for decisive breaks with prior policy requires more than an oppositional stance and a weakened set of adversaries. Instead, opportunities for reform are dependent on the place of presidents within durable coalitions of activists, interest groups, and congressional partisans that can push back relentlessly against established policies over the long term.

Presidents and the Transformation of American Taxation

If parties are sustained by intense policy demanders, who seek to balance the need for votes with the desire to remake governance, they will embody distinctive networks of interest-group supporters and activists. Presidents rely on these networks for support and success. Thus, one reason we should expect partisan differences in economic governance is that presidents can rarely change domestic economic policy in lasting ways without the support of other actors.

Moreover, presidents have limited time. Their efforts to achieve lasting change depend not only on their own efforts and skill, as well as that of their allies, but also on their coalitional partners' ongoing capacities to make those reforms stick or expand. The success of presidents in reshaping governance thus rests on their place within durable coalitions dedicated to shared aims and capable of long-term mobilization.

Precisely because presidents act within such coalitions, the relative resources and mobilization of competing political forces matter enormously for their influence. Partisan differences can therefore exist side-by-side with enduring shifts in the center of gravity on contested issues—shifts that affect both parties. Over the last generation, for example, business groups have become more organized and mobilized, while organized labor and broad civic groups have lost ground. This shift altered incentives for both parties, but its effects have not been identical on each or consistent across issues. Some increasingly powerful groups, like the financial industry, have worked closely with allies in both parties. Overall, however, the major shift in the balance of organized economic power has encouraged Republicans to move sharply to the right, while cross-pressuring Democrats. Although Democrats still rely heavily on the organizational support of unions and the votes of less affluent citizens, the organization and resources of mobilized business groups have exerted a powerful pull on the party as money has become more important for campaigns and lobbying more pervasive.[7]

We can see these contrasting effects in many of the major policy shifts of the last generation that have been linked to the hyperconcentration of income at the top (Hacker and Pierson 2010). Republicans presidents and members of Congress often spearheaded financial deregulation; they were far more aggressive toward unions and more fiercely protective of the pay and prerogatives of corporate executives. Yet Democratic political leaders were not consistently on the other side. Most notably, President Clinton and leading congressional Democrats actively cultivated the support of the financial industry. Revealingly, Democrats tended to adopt lower-profile policy strategies than did Republicans, blocking or watering down proposed regulatory actions or reform proposals, rather than leading the charge for new laws, which could create greater tension with traditional supporters.

7. We argue elsewhere that this is a central reason polarization has been asymmetric between the parties—that is to say, it is mostly a phenomenon of the Republicans moving to the right. Despite a rapidly expanding literature on polarization, this asymmetry has been noted but little discussed (cf. Carmines 2011), probably because it is so difficult to reconcile with the median voter frameworks that predominate in discussions of American politics.

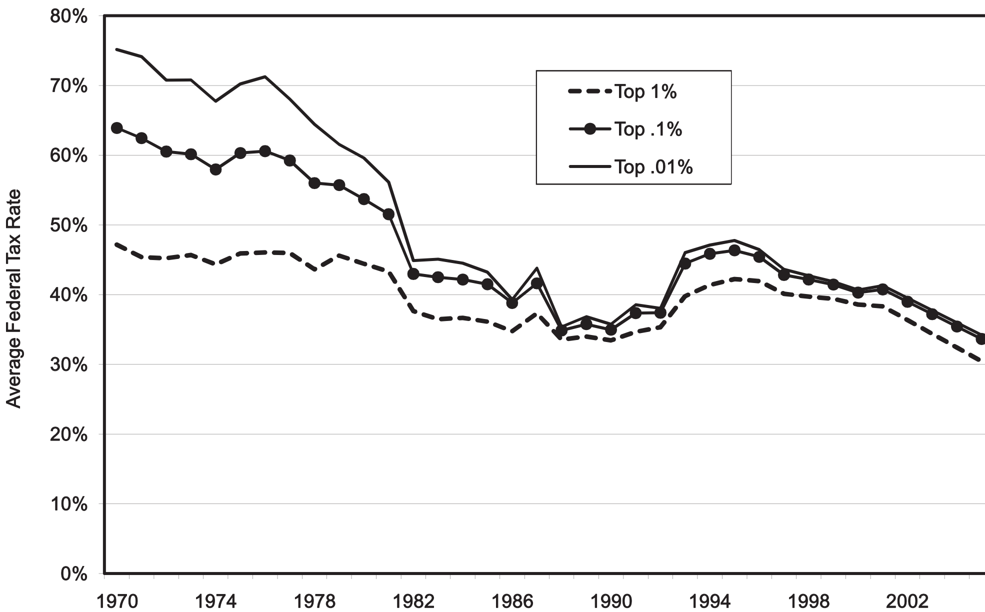

FIGURE 2. Average Federal Tax Rates for Top Income Groups, 1970-2004.
Source: Piketty and Saez 2007. Data available at http://elsa.berkeley.edu/~saez/jep=results=standalone.xls

Yet the domain of economic policy that most demands attention is taxation. As Figure 2 shows, changes in taxation have powerfully reinforced the concentration of economic rewards at the very top. The effective federal tax rate paid by the richest 0.1% of households has fallen by around half since the 1970s, even as the share of income earned by this rarified group has skyrocketed (Piketty and Saez 2007). Tax policy also provides a clear window into the distributional struggles between the parties and the role of the president within those fights. In a careful review of tax policy debates from 1950 to 2000, Jeff Stonecash and Andrew Milstein (2001) note a profound and revealing transformation beginning around 1980. The main object of party contestation shifted from tax levels and structure to distribution. At the same time, the divisions between the parties become much more pronounced. Since 1990, a Republican-centered durable coalition has fought tenaciously and effectively for two principles: revenues should be as low as possible, and taxes on the wealthiest should be reduced whenever possible.

Tax policy also commands attention because it represents a challenging case for our argument. Tax changes are highly visible and their first-order effects relatively transparent. They would thus seem less favorable to organized political actors with specialized knowledge and inside access than many complex areas of regulatory and economic policy. No less important, taxes are a budget matter, and since Reagan used the budget process to push through his agenda in 1981, budgetary procedures have provided a streamlined path to presidential legislative success on tax policy issues. (In particular, the budget is not subject to the Senate filibuster.) If, as we argue, this success has nonetheless been heavily shaped and constrained by the place of presidents within durable policy coalitions, then the case for seeing these influences and constraints as more general is all the stronger.

In the remainder of this section, we examine the struggles over taxation since the late 1970s, situating the president's role within this crucial battle to remake the American political economy. The almost uninterrupted decline in federal taxes on the highest earners actually began in the late 1970s under President Carter, though not at his behest. Since then, however, Republican presidents (with the exception of the first president Bush) have played their appointed role as leaders of a durable policy coalition committed to high-end tax cuts. While Democratic presidents have pushed back, the tax-cutting forces—mobilized, resourceful, organized, and more internally unified—have been winning the war. Perhaps their greatest victory came in the early 2000s when President George W. Bush successfully championed massive tax cuts for the well off. As we shall see, however, Bush's ability to achieve this dramatic breakthrough rested on the construction of a powerful antitax coalition that predated his arrival in office and, equally important, has continued to shape policy even after Democrats regained the White House in 2008.

Our point is not to deny Bush's role; his administration played a vital part in shaping the agenda, coordinating initiatives, and mobilizing support for tax cuts in 2000 and beyond. Our point is that the presence of an effective, durable coalition was essential. Success depended on the sustained strength of this coalition, not just in the White House, but on Capitol Hill, and among a set of committed and organized actors who worked effectively to discipline and focus the actions of politicians on both ends of Pennsylvania Avenue. Indeed, it is difficult to imagine any GOP president at this juncture behaving very differently than Bush did. And without that coalition's continuing efforts over more than a decade since the first Bush tax cuts were enacted, they would not have proven to be the watershed event they were. The transformative potential of the presidency must be placed in the context of shifting coalitional dynamics like these.

High-end Tax Cuts: A Durable Policy Coalition in Action

Almost immediately after entering office in 2001, President Bush helped engineer a major shift in federal tax policy that dramatically reduced the overall tax burden and shifted it away from asset holders and the wealthy. In each of the next three years, President Bush successfully pushed for additional cuts—first for businesses in 2002, then for individuals in 2003, and then again for individuals in 2004. The biggest of these post-2001 bills, the tax revision of 2003, was the most remarkable. Roughly as tilted toward the affluent as the 2001 bill, its estimated price tag exceeded $1 trillion over ten years, at a time when budget projections showed a mounting tide of red ink.

All told, the 2001-04 tax cuts produced both a dramatic reduction in revenues and a substantial shift in the distribution of tax burdens. By the end of President Bush's first term, tax cuts and a weak economy had helped reduce income tax revenues to their lowest level as a share of the economy since *1942* and to their lowest level as a share of all federal taxes since *1941*. Between 2000 and 2004, the federal balance sheet underwent an astonishing reversal, from officially projected surpluses of more than $5 trillion over ten years to projected deficits of more than $4 trillion (Kogan and Kamin 2004). These deficits were, in substantial part, due to more generous treatment of higher-income Americans even as their pretax incomes soared. In 1995, the top 400 taxpayers paid, on average, 30% of their income in federal income taxes; by 2007, they paid 16.6% (Feller and Marr 2010).

That these fundamental policy shifts are often called the "Bush tax cuts" constitutes a convenient but highly misleading shorthand. The cuts—their massive scope, skewed distribution, and political durability—reflected a decades-long struggle to make high-end tax cuts a leading Republican priority. Although the antitax agenda had popular as well as elite roots, the long-term project focused, first and foremost, on bringing Republican political elites into line with the policy preferences of "intense demanders" on taxation. The primary mechanism was an increasingly effective system for recruiting and monitoring GOP politicians to insure fealty on tax policy. This new system assured that as turnover in the party took place, the party's traditional attachment to fiscal conservatism would give way to a zeal for tax cuts. The dramatic shift in taxation reflected the success of this durable policy coalition.[8]

Building a Coalition for High-end Tax Cuts

Tax cuts emerged as a major issue in American politics in the late 1970s, before Ronald Reagan came to office. At the outset, the issue lacked the clear partisan tenor that it would come to have. Responding to political defeats in the early 1970s, business mobilized on an unprecedented scale and made tax cuts (along with regulatory rollbacks) a major priority (Vogel 1989). This intense organizational activity targeted both parties, to major effect: even in the context of unified Democratic control, business-led advocates successfully pushed for dramatic reductions in capital gains taxation in 1978.

Ronald Reagan's tax-cut agenda picked up where these victories left off. Yet in addition to strong business backing, Reagan's efforts also had populist foundations, and they focused less than the cuts to come on benefits for the wealthiest. To be sure, powerful organized interests provided essential support for the Reagan campaign and its 1981 tax cuts, but the push for lower taxation was also a mass phenomenon, reinforced by key focusing events like the success of the Proposition 13 campaign in California (Sears and Citrin 1982). Reagan made tax cuts the centerpiece of his campaign, and survey data suggests that this call resonated within the electorate.

In the wake of Reagan's rise, GOP elites embraced his tax cut agenda. The depth of that commitment, however, was less certain. Midwestern and Northeastern moderates made up a much larger share of the Republican coalition 30 years ago. Views about government spending were more tempered, and the desire for tax cuts coexisted with

8. An alternative account would argue that tax outcomes reflect responsiveness to public opinion regarding taxation. Indeed, an account that stresses the role of groups and "intense demanders" rests in part on a claim that voters possess a "blind spot" that makes their efforts to discipline politicians less than fully effective (Bawn et al. 2011; Arnold 1990). Due to space constraints, we do not develop this claim with respect to taxation here, but we have elsewhere (Hacker and Pierson 2005, 2007, 2010). For additional evidence of the permissiveness of public opinion see Bartels (2008).

concern for fiscal prudence. Reagan's first—and only—success in cutting taxes, the massive reductions contained in the 1981 Economic Recovery and Tax Act, combined with a recession to generate unprecedented deficits.

What followed demonstrated that a durable tax-cutting coalition was not yet in place. With the support of moderate Republican elites, Reagan made a remarkable about-face. Amidst alarm about the deficit, he supported large tax increases in 1982 and 1984. A major tax reform in 1986 was revenue neutral. His successor, George H. W. Bush, followed suit by endorsing the 1990 budget agreement, which combined tax increases and spending cuts in a major effort to reduce the budget deficit (see Table 1).

In retrospect, however, 1990 was as much of a watershed in tax politics as the much more politically successful (and thus much better remembered) gambits of Reagan in 1981 and George W. Bush in 2001. It was a watershed because it triggered a realignment among Republican elites, consolidating a durable coalition committed to high-end tax cuts before all other economic priorities. The year 1990 marked the key transition from an old to a new Republican Party, from an older generation of political moderates and fiscal conservatives to a new generation of hard-line conservatives and committed tax cutters. In the face of a Republican president's appeal for compromise to reduce the deficit that included tax increases, Newt Gingrich and his allies led over half the Republicans in the House to inflict a humiliating defeat on their party's ostensible leader. Republican moderates in Congress never recovered. Within two years, Gingrich and his allies swept into the leadership and rapidly signaled a much more aggressive and radical posture.

The impact of this transformation can be seen in Table 1. Prior to the Gingrich revolt, Republicans accepted bipartisan agreements that combined spending cuts and tax increases. After 1990, however, deficit packages either contained no tax increases (the 1997 agreement actually called for tax *cuts*)—or they received no Republican votes.

The trends that led to this leadership revolution accelerated after 1992, producing a thoroughgoing transformation of the Republican elite. The central mechanism was replacement. As Southern Democrats in Congress were defeated or retired, they were replaced by intensely conservative Southern Republicans. Less frequently noted but equally significant was what happened to the rest of the Republican caucus. Bastions of Republican moderation in the Northeast slowly ceded ground to Democrats. And where the GOP held seats outside the South, retiring incumbents were typically replaced by much more conservative Republicans (Carmines 2011; Theriault 2008).

Shifting elite preferences regarding taxation were an integral part of this rightward shift. Though Republicans have long fought against higher taxes, this goal was always in tension with, and sometimes subordinated to, a commitment to fiscal conservatism. The traditional attitude was well summarized in Gingrich's derisive description of Senate leader Robert Dole as "the tax collector for the welfare state" (Balz 1998, A1). After 1990, the new-line Republicans reversed the priority between fiscal conservatism and tax cuts. For this generation of politicians, reducing taxes—especially for those with the highest incomes—was paramount.

Why did replacements in the Republican Party lead to far more militant positions on taxation? A full explanation is beyond the scope of this article, but there is good evidence that the emergence of a set of durable organizations committed to the tax-cut

TABLE 1
Summary of Major Deficit-Reduction Packages Enacted Since 1982

Package	*Period*	*Change in deficit over 5 yrs, as a percent of GDP*	*Revenue changes, as a percent of total package*	*Number of GOP votes on final passage*	*Party of the President*
Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)	1983-1987	−1.3%	75%	103 (H) 43 (S)	Republican
Deficit Reduction Act of 1984	1985-1989	−0.5%	82%	76 (H) 45 (S)	Republican
1987 budget summit	1988-1992	−0.7%	39%	44 (H) 18 (S)	Republican
Omnibus Budget Reconciliation Act (OBRA) of 1990/budget summit	1991-1995	−1.4%	33%	10 (H) 23 (S)	Republican
OBRA 1993	1994-1998	−1.2%	56%	0 (H) 0 (S)	Democrat
Balanced Budget Act of 1997 and Taxpayer Relief Act of 1997	1998-2002	−0.2%	−68%	218 (H) 51 (S)	Democrat
Budget Control Act of 2011	2012-2016	−0.3%	0%	174 (H) 28 (S)	Democrat

Source: Vote tallies are from recorded votes, available at http:// www.thomas.loc.gov and http://www.govtrack.us. The 1987 budget summit was embodied primarily in two laws: the continuing resolution of appropriations (Public Law 100-202) and the Omnibus Budget Reconciliation Act of 1987; the vote information is for the latter. For the 1993 budget deal, the vote is for the Balanced Budget Act. Details on the budget deals are from Center on Budget and Policy Priorities based on data from Congressional Budget Office (CBO) and U.S. Department of Treasury. Changes in revenues, outlays, and deficits are expressed as a percent of GDP to enable better comparability across time. Those changes indicate the size of the package; the "composition" indicates its mix. For TEFRA, year-by-year numbers are unavailable; however, CBO's September 1982 report suggests that non-interest outlay savings in two measures (TEFRA and a separate reconciliation bill) were about one-third as big as TEFRA's revenue increases. That 1982 breakdown is used to represent the composition of the package as a whole. Several major packages are omitted because of a lack of data. For further details, see http://www.cbpp.org/cms/index.cfm?fa=view&id=3617.

agenda were a vital part of the story. Activist pressures to promote a strong and consistent antitax stance led to the emergence of a much more institutionalized network of organizations dedicated to promoting this stance and disciplining politicians who strayed from it. Heavily funded by the most affluent elements of American society, these organizations exhibited and encouraged a tenacious commitment to high-end tax cuts. In the process, the energies of antitax advocates shifted from strategies of mass mobilization focused on building broad public support to increasingly sophisticated strategies of elite mobilization that focused on recruiting and monitoring politicians. Well-funded organizations came to play a key role in producing like-minded candidates—or at least candidates who faced powerful incentives to behave as if they were like minded. Thus, these organizations cemented a durable policy coalition by strengthening the connections of GOP politicians to "extreme policy demanders" on tax issues.

A central player in this transformation was Grover Norquist's Americans for Tax Reform (ATR).[9] ATR began as a White House operation, headed by Norquist, in the run-up to the Tax Reform Act of 1986 (ironically, given ATR's evolution, the last great attempt at a revenue-neutral clean-up of the tax code). If one looked in the dictionary for a definition of "extreme policy demander," it would probably show a picture of Norquist. He equated taxation with theft and the estate tax with the holocaust, and described his goal as a 50% reduction in government (and taxes) as a share of gross domestic product ("down to the size where you could drown it in the bathtub" [Franklin and Newmyer 2005])—roughly the state of pre–World War II government. Befitting his decidedly noncentrist views, the organization he created was an elite rather than mass operation. It had a small membership, and relied heavily on large donations (including sizable contributions from both major corporations and the Republican Party). The "mass" element of this influential organization was largely confined to electioneering rather than grassroots mobilization. Instead ATR focused its efforts on insuring that GOP elites signed on to an aggressive strategy of tax reduction and stayed true to that commitment.

A central ATR innovation was the introduction of Tax Pledges, in which elected officials and candidates for office made specific pledges not to support tax increases.[10] Some Republican politicians, mostly moderate incumbents, resisted these pledges for a time. For nonincumbents, however, the logic of contemporary Republican primaries made them a necessary component of any successful run for Congress. Moderates wishing to shore up their position generally signed on as well—if not, their successors did. By the end of 2003, ATR had pledges from 216 members of the House (just two short of a majority), 42 U.S. senators, as well as President Bush. Notably, signers of the pledge also made up an absolute majority of members of Congress on the two crucial House committees that shaped the 2001-04 tax cuts: Ways and Means, and Budget (Gale and Orszag 2004).

9. A second group, the Club for Growth, has played an important complementary role in bringing discipline and focus to Republican policy makers. Amply funded, with much of its support coming from Wall Street, the Club for Growth has focused on funding pro–tax cut Republicans, including ones taking on moderate GOP incumbents. On the Club for Growth, see Hacker and Pierson (2007).

10. Again, it was the violation of such a promise that precipitated George H. W. Bush's debacle in 1990. After meeting with Norquist, his son (along with every other Republican contender) signed a pledge in writing early in the 2000 presidential campaign.

These organized antitax forces often worked closely with Republican leadership to build a durable coalition that benefited from the shifting realities of American politics. Campaign and lobbying money was a big part of these new realities, and it flowed disproportionately from the affluent and ideologically extreme. Equally important, the coalition benefited from the increased power of parties in government as agenda setters, disciplinarians, and financers. Agenda-setting and financial prowess, in particular, gave party leaders greater ability to provide political cover for rank-and-file members who took positions that were out of step with their constituents (Van Houweling 2003; Hacker and Pierson 2005). The result was not just increasing polarization—a pull toward the extremes on both sides of the aisle but especially on the Republican side (McCarty, Poole, and Rosenthal 2006). It was also an environment in which GOP politicians had increasing need, desire, and capacity to respond to the most powerful organized force within the party, the antitax base.

The New Republican Strategy

Advocacy groups seeking radical changes in tax policy not only played an important role in recruiting and monitoring politicians, they also helped develop a more sophisticated, coordinated, and effective conservative strategy for durably changing policy. Indeed, a crucial piece of the antitax story has been a striking shift in both the goals and strategies of tax reduction. Policy battles reverberate through the political system, and key actors derive lessons from those battles. One of the attributes of a durable coalition is the capacity to learn (Teles 2008), and ATR and other elite organizations manning the antitax barricades were quick to draw lessons and adapt.

The broadest and most bitter lesson that tax cutters derived from the experience of the 1980s and early 1990s was that deficit reduction too often trumped tax reduction. Many on the left argued that the deficit was a Trojan Horse to launch an assault on social spending. To the Right's dismay, however, deficits served at least as much to undercut the tax-cutting agenda. Despite the centrality of tax cuts to Reagan's agenda, no major tax cuts passed after 1981. Instead, significant increases were introduced in 1982, 1984, 1990, and 1993 (see Table 1). Indeed, it was this track record that triggered the creation of the Club for Growth, another elite antitax organization. Cofounder Richard Gilder, an influential stockbroker, philanthropist, and ardent supply-sider put it this way: "We would hear these great growth ideas about how [the candidates] were going to cut taxes and push for growth, and then they'd get down there [to Washington] and vote to raise taxes" (Newlin 2002).

With the strengthening of "supply-side" advocacy groups and a more radicalized Republican caucus, GOP leaders determined to make tax cuts a priority regardless of whether they produced deficits or not. In this respect, the contrast between the aftermaths of 1981 and 2001 could not be more striking. Congressional Republicans who eagerly embraced the Reagan tax cuts rapidly changed course once large deficits appeared. Twenty years later, however, a ballooning deficit had nothing like the same effect. Republican politicians not only failed to reverse course; they worked energetically to push the revenue line lower. Sizable tax cuts were introduced in 2003 and 2004, overriding the few remaining Republican moderates' muffled expressions of concern over deficits. Ronald Suskind's recounting of his conversations with then-Treasury Secretary Paul O'Neill captured the essence of a durable policy coalition in action. When O'Neill expressed concern about the scale and targeting of the tax cuts, Vice President Cheney was insistent: "We won the mid-term elections; this is our due" (Suskind 2004, 291).

Along with this broad reformulation of goals came important strategic opportunities. Once the notion that tax cuts must be "paid for" was rejected, Republicans learned that there were enormous opportunities to push for tax cuts that were both larger and more (upwardly) redistributive than anyone had previously thought possible. Again, policy development reflected a process of political learning, in which intense policy demanders experimented with various tactics. The goal was to maximize their capacity to pursue their ambitious policies in an institutional setting widely understood to require compromise.

The success of these efforts rested on three broad tactics.[11] The first was to use unified Republican command over the House, Senate (where Republicans had the narrowest of possible margins), and White House to dominate agenda setting. As both polls and prior experience suggested, the biggest obstacle to successful tax cutting stemmed from its unfavorable implications for deficits and popular government programs. Procedural rules like the "Paygo" system that had previously governed congressional budgeting (which required that all spending and tax cuts be financed) made the opportunity costs of tax cuts visible.[12] So did competing Democratic agenda setters, especially during President Clinton's time in the White House. Indeed, it was Clinton's success in emphasizing the high opportunity costs of tax cuts (combined, of course, with his veto power) that had held previous tax cut initiatives in check (Balz and Brownstein 1996). Bush's ascension to the White House eliminated this factor.

Yet while Bush's arrival triggered a sharp increase in agenda control, the preconditions for this powerful tactic had, in fact, been accumulating for almost two decades. Party leaders in Congress had greatly increased their capacity to control the legislative agenda, and they dictated the participants in conference committees, which in turn control the proposals that will be brought to the floors of the House and Senate for a final up or down vote. Robert Van Houweling has persuasively argued that interventions of this kind have increased for a very specific reason: they enable legislators to enact extreme

11. All of these issues are explored in much more depth in Hacker and Pierson (2005).

12. These "paygo" rules were technically in effect in 2002, but Republican leaders had weakened them in prior years, and given the overall budget surplus at the time, they posed little constraint on the 2001 package. (They lapsed at the end of 2002 and were not reinstated until Democrats recaptured Congress in 2006, so they were irrelevant to the 2003 cuts.) The same was not true of the use of the reconciliation process. Under the so-called Byrd Rule that governs reconciliation, all spending and revenue changes beyond the period of time covered by the budget—in this case 10 years—must be fully funded; otherwise, they are vulnerable to a Senate filibuster. Some prominent Republicans have argued that the Byrd Rule made the sunsets in the law inevitable. Yet Republicans could have specified offsetting receipts to fund the tax cut; the Byrd rule was only an issue because of the commitment to tax cuts without any offsets at any point in the ten-year window. Moreover, the Byrd Rule does not explain why the sunsets took effect in 2010, a year before the close of the 10-year budget window. That provision can only be explained with reference to Republicans' efforts—revealed in a variety of design choices in addition to the sunsets—to disguise the true size and distribution of the tax cuts. Finally, the Byrd Rule cannot explain the other peculiar features of the cuts, such as their back loading of top-end cuts.

policies without courting electoral backlash by making it more difficult for voters (but not highly informed "intense policy demanders") to recognize and respond to policies they might otherwise regard as extreme (Van Houweling 2003).

In both 2001 and 2003, Congressional Republicans worked effectively, especially in the increasingly centralized House, to translate narrow legislative majorities into effective agenda control. In both cases, they pushed successfully for large tax cuts. In both cases, they benefited from their ability to pursue tax cuts through the budget reconciliation process—the streamlined procedure for enacting annual budgets that, unlike all other normal Senate business, is not subject to the Senate filibuster. The lack of a filibuster threat made passing the tax cuts easier. But it does not explain why these initiatives were so large, so skewed in favor of the affluent, or so well insulated from serious contemplation of the implications for deficits and government programs (Hacker and Pierson 2005). After all, reconciliation has been the route for all the major deficit-reduction packages of the 1980s and 1990s as well. What fundamentally changed in the late 1990s (with the revenue-losing 1997 budget deal) and accelerated in the early 2000s (with the 2001 and 2003 tax cuts) was the pressure and policy strategies of the antitax coalition, not the procedure that facilitated their aims.

The second tactic that was used was a systematic exploitation of previously untapped political potential buried within the complex and obscure processes of policy formulation (Arnold 1990). Over time, tax cut advocates had learned how to design policies in ways that made tax cuts look much smaller and more equitable than they actually were. By employing phase-ins and "sunsets" of key provisions, legislators could make the "official" cost of their proposals much lower than the actual cost was likely to be. Legislators could also make the benefits appear to be far more targeted on middle-income voters than they really were. Most of the popular middle-class tax cuts were phased in immediately, for instance, while the big cuts for the affluent only took effect later—even though they comprised the lion's share of the total cuts.

Third, tax cut advocates discovered new and powerful techniques to control not just today's policy agenda but tomorrow's. Policy features in the new legislation were designed not only to put the best initial face on these initiatives; they were also structured to create opportunities for legislators to set the agenda for further tax cuts down the road. For example, the 2001 tax cuts included a "time bomb" that would make a well-understood problem with the tax code—the increasing number of middle-class Americans snared by the alternative minimum tax—much *worse* over the medium run. This "defect by design" strategy allowed tax-cut advocates to get more tax cuts now *and* more tax cuts later when the alternative minimum tax time bomb went off. At the same time, by scheduling features to "sunset" at a future date, tax cut advocates structured the future policy agenda in advance. With the sunset provisions, GOP leaders were essentially prescheduling votes that could be framed as up-or-down decisions on raising people's taxes.

The effectiveness of this strategy was immediately evident. In 2004, despite a deficit of almost half a trillion dollars, provisions of the 2001 bill scheduled to expire were instead extended, by votes of 339-65 in the House and 92-3 in the Senate. It is not coincidental that these provisions—the least skewed toward the rich of the 2001 and

2003 cuts—were set to expire right before the election. Nor, given what we have shown, is it surprising that Republicans still managed to include *new* tax breaks for higher-income groups in the legislation.

More telling still, Republicans were able to sustain most of their tax cut victories, even when growth of the deficit revealed the hollowness of claims that the cuts were affordable, even when the GOP's political position weakened considerably after 2006, and even after Democrats recaptured the White House in 2008. Democrats, despite gaining a majority in Congress, proved unable to overcome a framing that makes any failure to extend tax cuts tantamount to a tax increase. Even President Obama's compromise strategy of curtailing the high-end tax cuts alone failed. The administration sought to restrict expiration to those tax cuts exclusively benefiting the very top income groups. Despite polling that suggests strong public support for such a step, unified and intense Republican opposition, combined with hesitancy among a small but pivotal part of the Democratic caucus, proved sufficient to block such an effort, according to Andrea Campbell (2011). Trapped in a political cul de sac, it would not be hard to imagine a frustrated President Obama penning a private letter like Eisenhower's: "There are those who think the Bush tax cuts can be undone; their number is negligible and they are stupid."

Although journalists often treat George W. Bush as the author of this remarkable GOP success, it would be more accurate to locate its origin in a durable policy coalition centered in the congressional leadership and elite organizations. Because of this coalition, *any* GOP president would have pursued large tax cuts in the early 2000s. More important, the coalition is a critical factor explaining the size, distribution, and durability of the early 2000s tax cuts. Revealingly, many of the core features of the GOP strategy were already apparent before Bush entered office—notably, in the 1997 budget deal and in the unified GOP opposition to the 1993 budget. These events under a Democratic president signaled the demise of the old GOP handbook. Henceforth, Republican officeholders in Congress and the Oval Office would seek not just tax cuts, but large tax cuts focused on the well off that were divorced from serious consideration of budget consequences. The coalition's tenacity was equally evident in the sharply contrasting reactions to huge deficits that emerged following the tax cuts of 1981 and 2001. In the first instance, Republicans retreated; in the second, they doubled down. Though new opportunities accompanied unified control of Congress and the White House in 2001, their use was guided by an ideologically committed, unusually disciplined, and well-coordinated durable policy coalition.

In short, the passage of tax cuts in the early 2000s was the culmination of a longer coalitional story. Yet, in many ways, it is the endurance of these cuts in the years since—despite massive deficits, despite the need for legislative renewal of the cuts, and despite the election of a Democratic president—that represents the most powerful indication of the antitax coalition's sway. Bush's leadership on taxes was effective. Yet his administration was but one temporary part of a broader coalition whose actions over time led to surprisingly successful efforts to escape from the fiscal gridlock so evident in American politics. These efforts revealed clearly how a focused and determined coalition could activate long-held policy ambitions when the opportune moment arrived.

Presidential Economics Revisited

It is frequently noted that when the worst financial calamity since the Great Depression hit the United States, the discipline of economics was ill prepared. The problem was not just a failure of prediction, since prediction of singular events is a daunting task. It was more deeply a failure to develop an intellectual architecture that would focus attention on the relevant economic phenomena. Economists had other preoccupations. Strikingly little in their vast research efforts spoke to the question of what exactly had happened and why, or how to stop such a crisis from happening again.

Though less commonly noted, the same is true of political science. The political dimensions of our current crisis are increasingly apparent—particularly its underpinnings in an array of shifting public policies involving financial deregulation and lax oversight. Yet as observers sought to make sense of these profoundly important developments, political science had surprisingly little to offer—even though more political scientists study contemporary American politics than have studied any polity in human history. There had been, for instance, no systematic studies of financial deregulation or detailed analyses of the relationships between political leaders and increasingly expansive, powerful, and reckless Wall Street actors. Nor were there many serious efforts to study the contributions of the Federal Reserve, whose powerful chair played a vital role in facilitating the revolutionary transformation of American finance during the run-up to an economic implosion. Like their economist brethren, political scientists had other things on their minds.

In this article, we have explored this mismatch between the preoccupations of political scientists and the substantive travails of the American polity through an examination of the one area where political scientists have actually focused on economic matters in a sustained way: the study of the presidency. Though scholars have long recognized the president's crucial role in shaping the economy, much of the research on presidents and the political economy has narrowly emphasized short-term relationships between macroeconomic policies and economic outcomes and between those outcomes and presidential election outcomes. This focus—evident, as we have seen, in even the most sophisticated recent work—overstates the unilateral economic powers of presidents, misses the deeper policy mechanisms through which presidents can shape the character of the economy and the distribution of economic rewards, and neglects the profound dependence of these efforts on durable coalitions of organized interests seeking to reshape governance over the long term. The post-1970s shift of American tax policy toward tax cuts for the affluent shows the constraints and opportunities that a durable policy coalition can create for presidents of both parties—and the enduring changes in the American political economy that can result.

By November 2010, the moment of greatest potential to reverse the tax policy breakthrough of the early 2000s had passed. The GOP's midterm victory transferred control of the House, ending any prospect that a Democratic president could significantly scale back the tax-cut triumphs of his Republican predecessor. GOP leaders strengthened their resistance to tax increases, even as they adopted apocalyptic rhetoric about the deficit and national debt. In a telling testament to the strength of "intense policy demanders" within the modern GOP, the Republican presidential candidates were asked in a televised debate if they would "walk away" from a deficit reduction plan in which spending cuts outweighed tax increases by 10 to 1. Despite previous expressions of alarm about the "deficit crisis," all the Republican candidates quickly raised their hands to indicate that they would reject such a proposal.

If one of these candidates becomes president, the new Republican occupant of the Oval Office will be both constrained and enabled by this enduring coalition. It is a coalition that seeks not just electoral victory, but substantive shifts in public policy. And it is a coalition whose notable successes in recent years have fundamentally altered the distribution of the economy's rewards. A revitalized study of the president's role in shaping the political economy—so essential to revitalizing the study of American political economy more broadly—will need to focus on the capacity of government to shape long-term economic outcomes through durable public policies and on the tenacious efforts of organized actors to determine what those policies are.

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