Ideas, Institutions and Social Policy Change: A synthetic approach

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The causes and nature of social policy change have been of great interest to scholars for a number of decades. Often, explanations for change have centred upon a combination of interests, institutions and culture. More recently, scholars have returned to the study of ideas to enhance accounts of change (Blyth 2002; Bélant & Hacker 2004; Schmidt 2008; Lieberman 2002). Such work has been successful in showing that ideas do matter. At the same time, there remains further work to be done on showing exactly how they matter. There is also a need to reconcile these findings with earlier work on interests, institutions and culture, as well as the broader policy literature. Augmenting our understanding of the relationship between ideas and social policy change will take much work and a variety of approaches. This paper seeks to demonstrate just one way forward. It does so by synthesising a number of different elements. On the one hand, it is informed by the ‘three new institutionalisms’ identified by Hall and Taylor (1996), namely rational choice, historical and sociological institutionalism. On the other, it uses insights from the policy process and agenda setting literature, which has often dealt with similar questions, albeit in a slightly different way.

In order to show how a synthetic approach might work in practice, the paper engages with a case study, namely the ‘public option’. This refers to the proposal for a public insurance plan that was considered, although ultimately discarded, as part of the health care reform debate in the US in 2009-10.

The paper contains a number of findings, both about the role of ideas and how to approach studying them. First, it argues that ideas are best thought of in five different categories: policy solutions, problem definitions, policy theories, paradigms and public philosophies. Although distinct, these categories of ideas are related and often interact. For example, in the case study, it is found that perceptions of the value of the public option were strongly shaped by theories about the US health care system and broader public philosophies.

Second, it suggests an approach to policy change that focuses on four elements: the formal institutional context, the nature of the existing policy system, the ideas (of all categories) held by individuals and coalitions and the policy solutions available to reformers.

The case study demonstrates that the role of ideas in an interactive one, both between different levels of ideas and ideas and other factors. On one hand ideas may have direct influence. For example, the presence a particular policy solution may encourage particular groups or individuals to participate in a reform process. Coalitions are formed on the basis of shared policy theories or public philosophies. On the other, ideas are also modified and traded-off as incentives and goals are re-evaluated. Policy solutions are shaped by institutions, existing policy systems and events. Ultimately, it is not possible to study the role of political ideas divorced from other factors. Yet, any account of policy change is incomplete without clear consideration of ideas.
Institutionalisms and policy processes: a review of the literature

Key accounts of policy change can be found in two distinct, but related literatures. On the one hand, there are the three ‘new institutionalisms’, rational choice, historical and sociological. On the other, policy process and agenda-setting literature.

The institutionalisms are concerned with the way in which institutions shape political behaviour and outcomes. As a result, institutionalist scholars are often interested the formation of policy. In fact, institutions are often broadly defined to include existing systems of policy, such as the welfare state.

Rational choice institutionalism (RI) is an approach centred upon actors and their interests. It relies upon a view of politics centred upon rational actors with fixed preferences, who make strategic calculations shaped by institutional structures. Although it contains materialist assumptions, it generally displays a greater concern for rules and structures than traditional rational choice theory. As such, scholars within this area have been concerned with the decision-making processes of actors engaged in policy decisions. For example, many of the key works in the discipline have centred upon the US Congress (Shepsle & Weingast 1994)

Historical institutionalism (HI) suggests that the choices of political actors are shaped by the manner in which formal rules and policy systems develop. In short, history matters. For the purposes of social policy research, the structure and development of existing policy is particularly important as it often highly constrains the choices available to contemporary decision makers. Theda Skocpol (1992), for example, argues that the early US welfare state, which was reasonably extensive in the late 19th century, was delegitimised by its complexity and perceptions of corruption. This discouraged reformers from expanding this system into nation-wide, universal schemes.

Sociological institutionalism is concerned with cultural norms and practices. In particular, the way in which institutions develop and are interpreted through a specific cultural context. Much of this work focuses on the pressure to conform to ‘rules, norms and expectations’ (Miller & Banaszak-Holl 2005, p.193). A key example here is DiMaggio and Powell’s (1983) description of different types of ‘isomorphism’, which, in a policy context, would be the adoption of similar policies across states. In their view, this process may happen due to copying a successful policy, conforming to normative standards or through coercion.

In some quarters, the institutionalisms have been criticised for a tendency to focus on stability, rather than change (Schmidt 2010). For example, Paul Pierson’s (1993) historical institutionalist work on ‘feedbacks’ demonstrates that retrenchment is often difficult in welfare policy, as social policy programs sometimes create their own constituencies with ample incentive to push back. While highly useful for explaining stability, it is of little help in accounting for change. Scholars have taken up the challenge to more effectively explain change in a number of ways. Jacobs and Weaver (2014), for example, suggest that some
policies actually create ‘self-undermining’, rather than reinforcing, feedbacks, in which the design of a policy contributes to its downfall.

Similarly, Mahoney and Thelen (2010, 15-16) describe a number of concepts – ‘displacement’, ‘layering’, ‘drift’ and ‘conversion’ – that are aimed at explaining and describing modes of gradual change that are compatible with a historical institutionalist approach. Jacob Hacker (2004) has used the concept of drift, which refers to changes in the effect or operation of a policy without formal policy change, to describe recent social policy reform in the United States.

The policy process literature is made up of a highly diverse group of theories. However, three approaches tend to dominate (John 2003). The first, known as ‘Punctuated Equilibrium Theory’ (PE), begins from the notion that, while change generally occurs in an incremental manner, occasionally key moments of change occur rapidly\(^1\). In PE, an emerging policy ‘image’, or a view about a policy area grounded in fundamental political or social values, may displace an existing monopoly over a policy area (Baumgartner & Jones 1993). As Baumgartner (2013) notes, displacement is often coupled with a struggle of authority over policy or between institutional ‘venues’.

The second, the Advocacy Coalition Framework (Sabatier 1988), is a complex theory. It includes formal structures and stable parameters such as the broader policy area or socio-cultural values. It also deals with beliefs and ideas, conceiving of a cyclical process of conception and reformulation of policy ideas amongst competing elites, who also react to new events and information. Importantly, coalitions are built partly on the basis of shared ideas about policy. The ability of a coalition to challenge an existing policy monopoly depends, to a large extent, on the strength of the resources that they are able to pool.

Third, the Multiple Streams Approach, developed by John Kingdon (1984), suggests that reform is possible through the alignment of three ‘streams’; problems, policy and politics. Kingdon builds upon Cohen, March and Olsen’s (1972) work on the ‘garbage can’ model of policy choice and was developed through empirical work in the United States. The problem stream is made up of things that political actors need, or may want, to take action on. Actors are informed of problems through various means, such as events, advice from experts or feedback from the public. The policy stream consists of the various ideas and proposals that exist as, in Kingdon’s (1984, 21) phrase, a ‘soup’, competing to win acceptance. These policies may be formed in response to problems, or more independently, with supporters waiting for an opportunity to ‘couple’ policy with problem. The politics stream has three elements: the ‘national mood’, interest groups and the legislative or administrative power balance.

\(^1\)Aspects of Punctuated Equilibrium Theory are taken up Historical Institutionalist scholars, who also focus on key punctuations. However, HI scholars have, in general, been more concerned with the way in which the choices made during these punctuations have constrained the choices available to decision makers later, rather than the causes of the punctuations themselves.
**Figure 1 – The institutionalism and policy process literatures**

<table>
<thead>
<tr>
<th>Broad approach</th>
<th>Specific approach</th>
<th>Features</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutionalisms</strong></td>
<td>Rational Choice</td>
<td>Rational actors with fixed preferences, making strategic calculations shaped by institutional structures.</td>
<td>(Ostrom 1999; North 1990; Shepsle &amp; Weingast 1994)</td>
</tr>
<tr>
<td>Historical</td>
<td></td>
<td>Choices of political actors are shaped by the manner in which formal rules and policy systems develop. ‘History matters’, ‘path dependence’</td>
<td>(Pierson 1994; Skocpol 1992; Steinmo &amp; Watts 1995)</td>
</tr>
<tr>
<td>Sociological</td>
<td></td>
<td>Concerned with cultural norms and practices and the way in which institutions develop and are interpreted through cultural context.</td>
<td>(DiMaggio &amp; Powell 1983; March &amp; Olsen 1989)</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>Punctuated Equilibrium</td>
<td>Periods of stability and incrementalism are occasionally punctuated by moments of rapid and path breaking change.</td>
<td>(Baumgartner &amp; Jones 1993)</td>
</tr>
<tr>
<td>Multiple Streams</td>
<td></td>
<td>Change occurs through alignment of three ‘streams’, problems, policy and political. Policy entrepreneurs seek to couple problems with solutions.</td>
<td>(Kingdon 1984)</td>
</tr>
<tr>
<td>Advocacy Coalition Framework</td>
<td></td>
<td>Complex representation of policy-making environment, in which actors at various levels build and rebuild coalitions based upon shared beliefs and resources.</td>
<td>(Sabatier 1988)</td>
</tr>
</tbody>
</table>
Key points

Both of these areas literature are complex and have developed over a number of decades. A fully nuanced account is not possible in an article such as this. However, a number of features in each stand out as being particularly relevant in the development of a synthetic approach.

First, it is clear across both areas of literature that political actors are essential to accounts of policy, both as individuals and groups or coalitions. Most of these theories begin from the assumption that political actors are boundedly rational, meaning that although they are strategic and goal oriented, they are limited cognitively, as well as by time and information (Jones 1999; Kingdon 1984; Shepsle 2006). Goals, however, should not be narrowly drawn. While on the one hand, actors often have policy goals, they also necessarily seek and seek to maintain influence.

Importantly, and as Thelen (1999, p.376) emphasises, they do so 'within a given context'. Often, this context will be those of formal institutions, such as a legislature. Different institutional structures will offer different incentives to political actors, and, taking a sociological perspective, even shape what it means to gain power or to achieve goals (March & Olsen 1989).

At the same time, Historical Institutionalist work demonstrates that institutional context needs be viewed more broadly than just formal design. Examining the specific manner of institutional development is crucial to understanding the incentives faced by current policy makers. As Pierson's (1994) work shows, this applies particularly to policy. Choices made by earlier policymakers often lead to a system of policy that restricts or favours certain solutions.

Furthermore, both institutions and systems of policy develop within a specific cultural context. The ways in which actors interpret norms and practices may shape their perceptions of institutional arenas and acceptable modes of reform. In addition, institutions and systems of policy develop within a specific cultural context, potentially further shaping the decisions of today.

Political and societal conditions may prevent, allow or even create the opportunity for policy change. Not only does the political context have to align with the development of policy options for reform to occur, events, such as economic shock, may create the conditions for change (Baumgartner & Jones 1993; Sabatier 1988). At the same time, it should be recognised that causes of policy change are not only exogenous, but also endogenous, as in Jacobs and Weaver (2014) notion of ‘self undermining feedback’.

In addition, it is clear there are multiple modes of policy making. For example, change may occur in punctuations, or more gradually. Even in the case of punctuations, there is often a long build-up described by Kingdon (1984) as a ‘primeval soup’.
The ideas literature

While, on a first reading, the above approaches may seem to provide sufficient theoretical grounding for the analysis of policy change, there are a number of compelling reasons for seeking to more comprehensively integrate the role of ideas. First, and mostly simply, recent scholarship has shown successfully that ideas matter.\(^2\) The literature displays a number of different conceptions and ways of thinking about them. Ideas appear variously as 'forces' that help formulate preferences and 'currency' for political interaction (Schmidt 2010, 48); 'causal beliefs' (Béland & Cox 2010, p.3), 'paradigms' (Hall 1993) or 'normative frameworks' (Campbell 2002, p.23).

In addition, regardless of whether or not the scholarship described in the previous section dealt with ideas explicitly, it often did so implicitly. Kingdon's (1984) work is one that did so explicitly. Hall (1993), a major contributor to institutionalist scholarship, has contributed much to the study of ideas through his work on paradigms and social learning. As previously noted, Baumgartner and Jones (1993) incorporate ideas in the form of policy 'images'.

Furthermore, and as noted, institutionalism has been criticised for an inability to explain change, with its focus primarily on stability. As described by Schmidt (2008), a number of scholars have sought to integrate ideas into the various institutionalisms as a means of better explaining change.

At the same time, as shown by both Schmidt (2010) and Beland and Cox's (2010) edited volume, there is still much work to be done before the role of ideas in policy change is a) well understood and b) provides insights that are compatible with existing understandings of policy change. In this paper, the view is taken the former is best achieved by taking up the latter challenge. However, before this is done, a review of the literature on ideas is necessary.

Ideas, while often playing a causal role, are rarely the initial stimulus for change. Instead, their role is in shaping the 'nature and direction' of change, in conjunction with a variety of influences and constraints (Béland 2007, 24). Similarly, although perhaps more forcefully placing ideas at the centre of change, Vivien Schmidt (2008) advocates for a new 'discursive institutionalism' (DI). This would be distinct from the three older institutionalisms, but still uses them as 'background' for events that are better explained by ideas.

One problem with studying ideas is that they can take a variety of forms. Mehta (2010), for example, conceives of ideas existing as 'policy solutions', 'problem definitions' and 'public philosophies'. This argument follows on from Kingdon's (1984) work on agenda-setting, which has proved particularly influential for more recent work on the role of ideas (Mehta 2010; Béland & Hacker 2004). In Kingdon's Multiple Streams Framework, ideas have influence on policy at

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\(^2\)This is not to suggest that ideas have only recently been discovered as being important to the study of politics. Instead, recent scholarship should be seen as a resurgence after a period of neglect.
multiple different levels. In one sense, they shape the manner in which actors perceive and define problems. In another, policy ideas are sought by policy makers as solutions to problems and produced and promoted by and within policy communities. Here, policy ideas exist in a ‘primeval soup’, gestating and waiting to be coupled to a problem at an appropriate moment.

In Sheri Berman’s (1998, p.21) work on the social democracy in Sweden and Germany, she focuses on ideas at the level of public philosophy, ‘programmatic beliefs’ in her phrase. She argues that, despite facing similar economic and social conditions in the wake of the Great Depression, Sweden and Germany ended up on very divergent paths due their differing ideas about economics and politics. In Berman’s view, although economic crisis and the challenges of democratisation provided the stimulus for change, it was the specific ideas of influential actors that shaped the character of this change.

A similar view of the influence of ideas appears in Sabatier and Jenkins-Smith’s (1994) Advocacy Coalition Framework. Here, coalitions are built partly on the basis of shared ideas about policy. The ability of a coalition to challenge an existing policy monopoly depends, to a large extent, on the strength of the resources that they are able to pool. Similarly, Baumgartner and Jones (1993) argue that an emerging policy ‘image’, or a view about a policy area grounded in fundamental political or social values, may displace an existing monopoly over a policy area. As Baumgartner (2013) notes, displacement is often coupled with a struggle of authority over policy or between institutional ‘venues’. His contention resonates with Hall’s (1993) view of paradigmatic policy change, which he views as the result of both a conflict of both ideas and of authority.

‘Social learning’ is another conception of change that appears capable of conceiving of both endogenous and exogenous impacts on policy change, as well the potential influence of ideas. Social learning refers to the process by which policymakers and other political actors adjust policy in light of new developments or information (Greener 2007). As noted previously, Hall (1993), building on the work of Hugh Heclo (2010), makes the distinction between a more usual, incremental style of policy change and more radical, paradigmatic shifts. Both scholars see the usual type of change as being conducted largely within the state, driven by bureaucrats and experts reacting to new events and information. However, for Hall, third order or paradigmatic change occurs in the context of policy failure, resulting in a wider societal debate and often a change of both government and the makeup of the experts and advisers within the state. Change of such magnitude involves the displacement of the underlying goals and ideas that guide policymaking.

A useful addition to Hall’s (1993) view of ideas is Daigneault’s (2013) effort to differentiate between policy ‘theories’ and policy ‘paradigms’. In his view, policy theories are ideas specific to a particular policy and, taking on Leeuw’s (1991) definition, suggests that these are assumptions about various aspects of the policy, including the behaviour of target groups, short-term and long-term outcomes and the nature of the original stimulus for developing the policy. Policy paradigms are similar, but hold a much broader scope, potentially spanning
across multiple sectors of policy. They are also more abstract and more strongly incorporate philosophical principles and values.

**Key points**

As noted, the literature on ideas shows a number of different ways of studying and thinking about ideas. However, as with the institutionalist and policy process literature, there are a number of key points that are relevant for this study. It is important to think of ideas as existing at multiple levels, each with a different purpose and mode of influence. I suggest that five categories be used, defined in the following ways.

1. **Policy solutions**

These are proposals for action that can be implemented through the political process. Policy solutions may take many forms and have many sources, such as academic or policy communities, interest groups or even from within legislative bodies. Kingdon’s (1984) conception is highly useful here. In broad terms, a set of actors will generally seek to pair policy solutions with a problem, and then try to advance it through the political system.

2. **Problem Definition**

The way in which actors both think about and publicly frame a policy problem. A problem may be the result of a policy failure, an exogenous shock or even that a certain policy area does not conform to a set of partisan preferences. All policy actors engage in problem definition in some way. It both guides the development of policy and is guided by the set of policy ideas available. Problem definition is a process of framing, what Cox (2001, p.464) calls the ‘social construction of the need to reform’.

3. **Policy theories**

As noted, Daigneault (2013) argues that these are the assumptions that underpin a policy, such as the attitudes and behaviours of a target group and the mechanisms by which a policy will cause change. In his view, these are specific to a policy, in effect there are as many theories as there are policies. As useful as this concept is, however, it seems unnecessary to restrict it to only single policies. Actors will also often have theories about broader policy areas that will both inform and share the assumptions made about the policies that they comprise of. One could point to the term ‘policy paradigm’. However, ‘paradigm’ has generally been used to convey a sense that a particular set of ideas and assumptions has captured a particular policy area. For example, an actor may have a set of assumptions about the US health care system generally that do not constitute a paradigm. Yet, in Daigneault’s definition, this would not be a policy theory either. Despite this gap, in this paper such assumptions will also be treated policy theories, albeit broader ones.
4. Paradigms

As noted above, this is a broad and accepted framework for understanding a particular area or areas of policy. In Hall's (1993, p.279) view, a paradigm "specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing”.

5. Public philosophies/programmatic beliefs

Overarching conceptions of the appropriate role of government, as well as other fundamental values and ideals. Neoliberalism, a set of ideas that venerates markets and individual choice, is a good example. President George W. Bush’s notion of the ‘ownership society’ would also fit this category, as it encompassed a broad array of government action, and was built upon a specific set of values, private property and individual responsibility in particular (Béland 2007b).

The dividing lines and relationships between these categories are fluid and complicated. All will be shaped by broad public philosophies. Yet, it seems likely that a particularly striking problem definition may, on occasion, outweigh ideological concerns when considering solutions. It seems just as likely that a new problem or solution may also shape an actor's conception of a policy system. The point here is not to draw arbitrary dividing lines, nor to construct an all-encompassing theory of how ideas work. Rather, these categories should be seen as the foundation for a framework of analysis that will be useful in examining how ideas work in empirical cases.
A framework for analysis

Based on the above observations, I propose that when considering the role of ideas, scholars consider the following elements of a policy debate or process of change:

1. *The way in which institutional design affects not only the success or failure of a policy idea, but also the nature of its design and evolution over time*

   For instance, Immergut (1990) argues that systems with higher numbers of veto points have found it more difficult to enact national health insurance reforms.

2. *The ideas held or promoted by specific individuals and groups in the policy debate, as well as the relationship between the different levels of ideas held by these actors*

   These include not only specific policy proposals or problem definitions, but also broader public philosophies (as in Berman (1998)).

3. *The way in which the existing policy system, and the nature of its development, stimulated change, shaped the proposed solutions or restricted the range of plausible policy ideas.*

   Policies make create feedback effects. For example, Pierson (1994) argues that social policies can build constituencies with strong incentives to resist reform, such as the elderly and the US Social Security system.

4. *The impact of the policy idea itself*

   The presence of a particular policy idea may have influence in a number of ways. For example, an attractive solution may help solidify a coalition, or proponents of a particular solution may in fact search for problems to 'couple' with their favoured proposal (Kingdon 1984). Proposals to partially 'privatise' the US Social Security system during the Bush Administration have been described in this way, as proponents saw value in such a reform regardless of whether there was pressing need or not (Béland & Waddan 2007).

This is by no means an exhaustive list. However, it does provide a broad set of guidelines that can be elaborated upon through application to real world examples of policy change. Figure 2 further specifies the kinds of questions that follow from these elements. An example of an application to real world policymaking will proceed in the following section, in which the rise and fall of the ‘public option’ during the US health care debate of 2009-10 will be examined.

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3In particular, for the sake of simplicity, it makes no mention of more sociological or cultural concerns, such as norms and practices. However, the approach could easily be re-oriented in that direction where appropriate.
<table>
<thead>
<tr>
<th>Elements of framework</th>
<th>Relevant questions</th>
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<tbody>
<tr>
<td>Formal institution context</td>
<td>What relevant veto points can be identified? Which actors have what kind of legislative power? Do institutions favor a specific kind of decision making (e.g. majoritarianism or consensualism)?</td>
</tr>
<tr>
<td>Ideas held by individuals and within coalitions</td>
<td>Who developed the original policy idea? Was there a shared problem definition? Can competing policy theories within coalitions or parties be observed? What incentives did they face in supporting or opposing this idea?</td>
</tr>
<tr>
<td>Existing policy system</td>
<td>Were there feedbacks (positive or negative) resulting from the design of the existing policy system? Can a process of drift be identified?</td>
</tr>
<tr>
<td>Proposed policy solutions</td>
<td>Was it part of a broader debate or a singular proposal? Did its appearance shape an overall solution? Which appeared first, the problem or the policy solution?</td>
</tr>
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</table>
The Public Option

Why the public option?

The ‘public option’, a policy option considered, and ultimately discarded as part of the Affordable Care Act debate, is chosen as a case study for a number of reasons. First, as a proposal that reached the final stages of the legislative process, yet was ultimately discarded, it demonstrates some of the reasons why an idea may be successful and some why it may fail. Second, as part of a broader suite of reforms, it demonstrates the way in which one policy idea may have an effect on a larger policy debate. Third, institutions have long been argued to have significantly constrained reform advocates in US health policy (Steinmo & Watts 1995). Therefore, this debate provides an opportunity to reflect on the relationship between institutional constraints and policy solutions. Similarly, as a policy area that has undergone decades of development, US health care policy is a fertile arena to examine the dynamics between an existing policy system and current proposals.

Research approach

The following builds upon evidence from semi-structured interviews conducted with a variety of individuals involved the health care debate, and in some cases, the drafting of the legislation itself. These include former members of Congress, Congressional staffers, Obama Administration officials, scholars and members of think tanks. In addition to interview data, other relevant textual sources were consulted, including newspaper articles, reports and secondary accounts from those involved in legislative process.

What is the public option and where did it come from?

Put most simply, the public option is an insurance plan, operated by government, that would compete with those offered by private insurers in offering services to the individual and small group markets (Halpin & Harbage 2010).

The origins of the public option can be traced back to two intellectual streams. The first grew out of proposals for health reform in California in 2001-2 and in particular a proposal known as the California Health Care Options Project (CHOICE). CHOICE proposed that a public plan would compete with private plans, which would be regulated according to a managed competition approach (Halpin & Harbage 2010; Brasfield 2011). Helen Halpin, the Berkeley Professor who oversaw the development of CHOICE, later used this idea in a national proposal, which would see public plans set up and administered by the states (Halpin 2003).

The second stream has its origins in Jacob Hacker’s 2001 suggestion to use Medicare to expand coverage to the uninsured (Hacker 2007). He further refined

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4 Not all interviewees were willing to go on record. Those that were are listed at the end of this paper.
these ideas in a number of articles, eventually resulting in a full scale national proposal in 2007, called ‘Health Care for America’, in which individuals would be able to buy into either a public plan or ‘a selection of comprehensive private plans’ (Hacker 2001). In Hacker’s proposal, as in the CHOICE model, the public plan would pay Medicare rates to providers. However, Hacker’s plan would be administered nationally, rather than by the states. A somewhat similar plan, also based upon Medicare, was released by the Commonwealth Fund in 2008 (Schoen, Davis & Collins 2008).

The public option first came to wider prominence in early 2007, when John Edwards, then campaigning for the Democratic nomination, released his health reform plan. His plan drew on the CHOICE version of the public option, administered as part of state-based insurance exchanges. Both Barack Obama and Hillary Clinton included public plans as part of their reform proposals, although Obama’s plan involved a national, rather than state-based insurance exchange. All three campaigns consulted with Hacker (Interview #11) on the design on their proposals during the campaign.

The public option continued to have support amongst Democrats after the election. For example, the white paper released by the Senate Finance Committee (Baucus 2008), under the leadership of Sen. Max Baucus, included a ‘public plan’ as part of a national exchange. The idea received strongest support amongst more liberal House Democrats, with Lynn Woolsey, then Chairwoman of the Progressive Caucus in the House, suggesting in June of 2009 that liberals would ‘fight’ any health reform bill that did not include a public option (Roll Call, June 25 2009). However, according to a senior White House aide (Interview #10), the idea also had broad base of support amongst House leadership and on the key Committees.

Broad support for the public option continued during the legislative process. Opinion polls showed fairly strong public support throughout 2009 (Blendon & Benson 2009), and the bills passed by all three House Committees, the full House and the Senate Health, Education, Labor and Pensions Committee all included a public option. The bill passed by the Senate Finance Committee, however, did not. Despite efforts by Harry Reid to find sixty votes in the Senate for a bill including a public option in November 2009 (Pierce 2009), as well as various further efforts at resuscitation (Dennis 2010), the public option was dropped and did not appear in the final version of the Patient Protection and Affordable Care Act.

*Why did reach this level of support?*

In the House especially, support gathered quickly, and the level of support was high. In an interview, one senior House Democratic aide (Interview #10) stated that:

“One of the things that I always found that was remarkable about it was the vigor with which people supported and demanded its
Inclusion, notwithstanding the fact that a year earlier nobody had even heard of it

In addition, Jacob Hacker (Interview #11) described the process of getting Democrats on board with the idea as ‘like pushing it against an open door’. It is clear that there are a number of different reasons for this.

1. Was seen as a surrogate for ‘single payer’

Many of those interviewed for this study link the support for the public option to a preference on the part of some Democrats for a ‘single payer’ system of government provided insurance (Interviews #1, #4, #7, #8). It is clear that, in an ideal world, a significant number of Democrats would prefer a single payer style system. Proposals for such a system, such as the Kennedy/Dingle ‘Medicare for All Act’, as well as a similar bill proposed by John Conyers demonstrate that there was at least some support in Congress for single payer. Conyers’ bill, for example, had 38 cosponsors in the House in 2003/4 (Expanded and Improved Medicare for All Act, H.R. 676). Some proponents of the public option, such as Congresswoman Jan Schakowsky, have even argued that its implementation could eventually lead to a single-payer system (Pear 2009).

However, even advocates never felt that there was a realistic chance of implementing such a system, for a number of reasons (Interviews #4, #11). One is that, over time, the US health care system, despite its flaws, has created a number of ‘positive feedbacks’ that heighten its propensity for path dependence, or resistance to major change. On one hand, there is what Mahoney (2000) calls the ‘utilitarian’ explanation for path dependence. Put simply, around the time of the health care debate, the vast majority of Americans were satisfied with the standard of their health insurance coverage, which most receive through their employer (Kaiser Public Opinion 2009). As a result, reformers were very wary that altering these arrangements might provoke a strong reaction from the public. As one Senate staffer (Interview #4) put it, most involved in the debate recognized the danger of saying to constituents “Hey, you know that health care coverage you really like with Blue Cross? Well, you can't keep that anymore.” President Obama’s promise, made on many occasions during the 2008 campaign and the legislative debate, that ‘If you like your private health insurance plan, you can keep your plan. Period’ (Obama 2009), can also be seen as emblematic of this concern.

At the same time, there is also a ‘power’ explanation for path dependence. The fact that the US did not develop a national health insurance scheme in the early part of the twentieth century, coupled with policies that have encouraged the growth of a private system, such as tax subsidies for employer provided insurance, have resulted in a number of large and politically powerful industries that have a stake in the direction of health care reform. The American Medical Association, for example, has a long history of opposing national health reform efforts(Funigiello 2005). A number of interviewees noted the opposition of various private interests to the Clinton reform effort of 1994 (Interviews #1, #4).
More broadly, Jacob Hacker (Interview #11) suggested that most policy experts on the Democratic side, such as himself, were “driven by this question of ‘what would it be possible to pass?’” within a broader reform that would not radically alter the existing private, employer based structure, the public option seemed like the best option for many.

2. Partisan preferences of Democrats

It was not only that the public option represented the next best thing to single payer. Many Democrats who were less comfortable with single payer were still attracted by the notion that government would have a greater hand in the provision of insurance. One former Democratic member of Congress (Interview #5) noted that in some districts, more than half of the population received their health insurance from the government, whether that be through Medicare, Medicaid or as a public employee. In this view, a public option would simply be an expansion of existing arrangements. A senior Democratic aide suggested that at some of the support came out of suspicion of the private insurance industry and doubts that there would be enough private competition to keep costs down in many areas (Interview #7), a view echoed by other interviewees (e.g. Interview #10).

3. Belief that it would mitigate the problem

However, even for those looking for a more incremental solution, the public option was attractive, as it was believed that it would help mitigate what were considered major symptoms of American health care, costs and lack of access. As noted, some advocates focused on the lack of competition between insurers in some states. Others believed that it would also provide enhanced competition even in areas where there were multiple private insurers, as a government program would create administrative efficiencies and be able to bargain for lower prices (Hacker 2007). In theory this would also provide greater access for those struggling to afford private insurance. In this view, the government’s role would be that of ‘just another competitor’, as put by one Senate adviser (Interview #9). In addition, according to CBO projections (Congressional Budget Office 2009a), the public option would have helped reduce the deficit, something that the Democratic leadership were very concerned with (Interview #7).

Why was not included in the legislation?

Although there was strong support for the public option from key actors within the Democratic Party, the fact remains that advocates failed in the quest to have it included in the final legislation. The reasons for this can be summarized as follows:

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5 A broad problem definition that, it is clear from interviews, was shared across both major parties.
1. Non-uniform support amongst Democrats

As noted, for some Democrats, the public option was seen as absolutely essential. However, for others, the focus placed on it was a significant distraction from more important issues (McDonough 2011). This divide should be seen as being representative of competing policy theories within the Democratic Party. For those who had a single payer system as their ultimate goal, the value of the legislation was significantly reduced without the public option, as it contained little, if anything at all, that moved health care in that direction. For others, the goal was more explicitly problem driven. For example, an aide to Senator Max Baucus (Interview #1) described his aims as to simply ‘cover the uninsured’, over and above any underlying policy preference. Another Baucus staffer (Interview #2) stated that the public option “was a good example of where Senator Baucus was saying ‘it’s not absolutely necessary to achieve our ultimate goal. Does it have some potential benefits? Yes. Is it worth the political heat?’ He didn’t love it, but we stuck with it at least in our White Paper.”

2. Lack of strong support from the administration

Despite the fact that the public option first came to prominence in the 2008 election campaign, as well as numerous positive public comments on the subject by President Obama, it is clear that his administration came down on the latter side of this debate. As one senior administration official (Interview #10) put it, the general view was that although the public option could certainly ‘be accommodated within the framework’ of the broader reform, it was not seen as essential to the functioning and goals of the law. This view aligns with public comments made by then Secretary of Health and Human Services Kathleen Sibelius in mid 2009 (Stolberg 2009). The lack of enthusiasm on the part of the administration was also noted by Jacob Hacker (Interview #11), who spoke even of outright hostility on the part of some administration figures.

3. Preferences for different models

A key point of disagreement between supporters of the public option was over whether it would pay Medicare or market rates to providers. According to one House health policy aide (Interview #8), there simply weren’t the votes, even in the House, for the Medicare based public option. According to the aide, more conservative Democrats, or ‘Blue Dogs’, were concerned about the effect that a Medicare based public option would have on local hospitals and providers. Mike Ross (D-Ark) made similar comments in an interview in 2009 (Pianin 2009).

As an alternative to Medicare based model, Len Nichols and John Bertko (2009) put together a ‘Modest Proposal’, that would create a public option paying the same rates as private insurers. According to Nichols (Interview #6), while Jacob Hacker’s model was strongly supported by liberal Democrats, his model won support from more moderate and conservative Democrats in both the House and Senate. The dilemma faced by Democratic leadership was that it needed to get enough of these moderate and conservative members on board, while still satisfying progressives. According to the House aide (Interview #8), it was the
concession to move to market or negotiated payment rates that garnered enough support for it to pass the House.

It is clear, however, that this choice had significant policy implications. According to CBO projections, a public plan paying Medicare rates plus five percent would enroll around nine or ten million people (Congressional Budget Office 2009a), while a market rate plan would enroll far fewer, as it would have a weakened ability to control costs (Congressional Budget Office 2009b).

However, some moderates argued that this would leave overly tight margins for providers. In addition, if the public plan was able to charge significantly lower premiums, this would have the potential to completely disrupt the existing health insurance system. An analysis by the Lewin Group suggested that, if Medicare rates were used, a public plan could attract more than 130 million people, reducing the number of Americans in private insurance by almost 120 million (Shells & Haught 2009). At the same time, others argued that negotiated or market rates may leave the public plan with higher premiums, as it may attract more chronically ill or otherwise high risk customers (Starr 2009).

The two differing approaches to the public option were symptomatic of the divergent policy theories within the Democratic Party, and presented a major problem for advocates of the public option. On the one hand, advocates had to reckon the fact that the more 'robust' the public option was, the more customers it would attract and the more disruptive it would be to the existing structure of the health system. The path dependence that largely ruled out a single payer system still applied to proposals for a public option. On the other, the compromise solution of paying market rates removed much of the imperative for having a public option in the first place. Essentially, from the perspective of advocates, the more effective a public option is, the higher political hurdles for including it are. The dilemma was summed up effectively by one Senate staffer (Interview #9), who, in describing an effort to put together a version of the public option that would be acceptable to a wider range of Senators, stated that "yeah, there were several policies...that looked like a public option, none of which are a public option".

4. Need for 60 votes in the Senate

Although there is no doubt that securing enough votes for a public option to pass the House was a challenge for Democratic leadership, passing the Senate was a far more fundamental problem. For much of the reform process, there appeared to be two ways that health legislation could be passed. First, all sixty Democrats in the Senate would need to support it. Second, a number of Republicans would need to be supportive. This was also the preferred option of both the administration (Interview #10) and many of those in the Senate, and Senate Finance Committee Chair Max Baucus in particular (Interview #1). It is clear, however, that if a public plan was included, the second method was never an option. As one senior Senate Finance Committee aide put it, "when we put out that white paper in November 2008, all of his Republican colleagues said 'you know, except for that public option you've got, we're actually pretty okay with
this”” (Interview #1). Although the extent to which Republicans supported the broad outline is disputed, the opposition to the public option is not (Interview #3, #10).

However, not only did Republicans have problems with the inclusion of a public option, so did a number of Democrat Senators. Exactly how many is difficult to determine clearly, but one Senate staffer put this number at ‘six or seven’ (Interview #1). Others focus more specifically on Senator Joe Lieberman, who threatened to filibuster any bill containing a public option in November 2009 (Noah 2009, Interviews #5, #6).

Regardless, it is clear that the need to get sixty votes had an enormous impact on the debate and the positions taken by reformers. As one aide to Senator Kennedy stated,

“I think we all had our ideals one, and two, simultaneously realised we weren’t going to get our ideals. So, I think the goal was to get the best bill we could get sixty votes for” (Interview #4).

The same sentiment was echoed by most of those interviewed, and only provided further incentive for those who didn’t see the public option as essential to be willing to drop it from the final legislation.

5. Experiences of previous reform efforts, and the Clinton era in particular.

Almost all interviewees in this study nominated the experience of the Clinton reform effort as being influential in shaping the tactics used by the White House and those on key Congressional committees. It was clear that this would be the case was long before the legislative process. For example, Elizabeth Fowler, chief health policy advisor for Senator Max Baucus, co-authored a paper in the journal *Health Affairs* in 2008 (Ferguson, Fowler & Nichols 2008), developing a strategy for health reform based upon previous efforts, and the Clinton period in particular. In relation to the public option, three specific and related lessons were most relevant. First, the need to move quickly. Second, the need, from an administration point of view, to leave much of the detail to Congress and therefore be flexible in terms of acceptable policies. Third, ensure that outside interest groups were, if not entirely supportive, then certainly displaying the same level of outright opposition that was present in previous efforts.

Each of these concerns had the potential to have a constraining effect on the ability to successfully pass a public option. In practice, the need to move quickly probably had limited effect. As it transpired, despite the intentions of both the administration and Congressional leadership, the debated dragged well into 2010, with the public option featuring in public discussions throughout this period. It is possible that, given more time in late 2009, that Senate leadership
could have found a suitable compromise. However, given the previous evidence examined, this seems unlikely.\textsuperscript{6}

The White House, however, came to the same view about the need to leave much of the decision making up to Congress and display flexibility. Such an approach was not only informed by the failure of the Clinton era, but also the long history of failure on the part of the Democratic Party to pass meaningful national health reform while in power (Funigiello 2005). This is demonstrated by the President’s speech to a joint session of Congress in September 2009. As noted by one Senate staffer (Interview #1),

“he said exactly what he needed to so the people who wanted the public option said ‘see, he believes in a public option’ and the people who were against it said ‘see, he didn’t say we had to have a public option’. So he…very carefully walked that thin red line so as not to alienate either side.”

More broadly, the White House’s role was described by participants in this study variously as one of ‘urgency and prioritization’ (Interview #7) and ‘continuing the drumbeat, managing the stakeholders’ (Interview #2). In other words, creating and maintaining the political conditions that made reform possible. One way in which they did this was running ‘interference with the outside groups…getting them engaged in the process and, to some extent, cutting deals with them’ (Interview #7).

There has been the suggestion in some media circles that the Obama Administration essentially ‘bargained away’ the public option in negotiations with representatives of the hospital and insurance industries in mid 2009 (Greenwald 2010). Regardless of the veracity of this claim, it is certainly true that the White House was concerned with getting industry groups onside, or at least reducing the hostility that was shown toward the Clinton plan (Interview #10). It is also clear that there are / were various negotiations and ‘agreements’ (although rarely, if ever, described as such) between the White House, key Senate Committees and representatives of the insurance, pharmaceutical and medical industries (McDonough 2011). And, as might be expected, the insurance industry was opposed to the notion of a public option (Kaiser Health News 2009)\textsuperscript{7}. The extent to which these concerns shaped the White House’s attitude to the public option is difficult to discern with clarity. However, at the very least it

\textsuperscript{6}The need for haste was also less caused by lessons from previous eras than by Ted Kennedy’s passing and the subsequent election of Republican Scott Brown, which cost the Democrats their filibuster-proof majority in the Senate.

\textsuperscript{7}At the same time, by mid 2009, the relationship between reformers and the insurance industry had become at least somewhat antagonistic, with industry helping to bankroll a Chamber of Commerce campaign against the law (McDonough 2011). In addition, in an interview, an administration adviser (Interview #10) notes that at no point did the administration directly advocate for the public option to be dropped.
should be concluded that the attitude of the insurance industry did not help the public option.\footnote{The same can be said of political contributions by the insurance industry to key figures such as Max Baucus and Joe Lieberman, which some have pointed as having influence (Interviews #6, #11).}
Problem: Cost and access

Clinton reform attempt 1993/4

“Massachusetts Avenue”

Consensus among Democratic policy experts that reform should take a similar shape to the 2006 Massachusetts reforms

1. Speed
2. Role of the White House
3. Engagement with stakeholders

Hacker et al.

Liberals especially supportive, although a number of ‘Blue Dog’ Democrats are not.

Hacker et al.

Presidential campaigns

Obama Administration

Although publicly supportive, did not consider the public option an essential part of health reform.

Stakeholders and interest groups

Although the bill contains a public option, it does not pay Medicare rates and would therefore have far less impact than when originally proposed.

Insurance industry strongly opposes public option

Congress

House

Key committees

Public option included

No public option included

60 votes needed

Senate

Key committees

Some committees, most notably Senate attempt bipartisanship. Republicans, however, universally opposed public option

Problem: Cost and access

Clinton reform attempt 1993/4

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Figure 3 – Tracing the Public Option
Conclusions

The health care debate was complex, involving many actors in a complex policy area. In evaluating the worth a public option, and deciding which form it might take, political actors faced a variety of different incentives depending on their goals and positioning within the process (as shown in Figure 3). In addition, their perceptions of the public option were informed by their views about the US health care system and by broader philosophies of government. Analysis of the debate provides preliminary evidence for a number of propositions in relation to the role of ideas in social policy change (summarised in Figure 4).

1. **Policy ideas are taken up or opposed in service of goals**

   Goals may take a number of forms, and it is likely that political actors will grapple with multiple goals. In this study, while most Democrats clearly had the goal of passing health care legislation, some aimed for more fundamental change than others.

2. **Political actors form coalitions based around policy ideas (or an idea may be attractive to pre-existing coalition).** However, different perceptions of a proposal or theories about the broader policy area may cause divisions.

   In the public option debate, there was a clear relationship between different levels of ideas. Differing theories about the nature of the US health care system and the causes of its problems, as well as preferences with regards efficacy and desirability of federal government action, were at least partly behind divisions over the importance of the public option and how it should be structured.

3. **Different actors face different incentives, and these change over time.**

   Fundamentally, political actors need to balance the desire to achieve the policy preferences with the aim of successfully passing legislation and the need to gain or remain in a position of power to do so. In the health care debate, many felt that, although they held clear policy preferences, they were unlikely to be able to implement them, and thus searched for alternative methods of achieving their goals. As the debate proceeded, the role of different actors changed. For example, more liberal House Democrats were able to promote the public option more easily in the early part of the debate. However, once the difficulties in passing the Senate became clear, Democratic leadership took a more pragmatic approach. In this situation, members of the House largely had the choice to veto or not veto, and even then only if they acted collectively.

4. **As a result, ideas are often modified and traded-off for strategic reasons, often to ‘get something done’.**

   This can be seen in the evolution of the public option, from a program linked to Medicare rates, to the less robust negotiated rates model (to bring ‘Blue Dog’ members of the House), to being dropped from the legislation entirely (to win enough votes in the Senate).
5. The relationship between a specific idea and the broader reform context, including the existing system of policy, matters greatly. The public option was an addition, rather than a key component of the ‘three legged stool’ that underpins the insurance reforms of the Affordable Care Act, and therefore viewed as less essential by some. At the same time, the existing system of policy, while certainly creating the problems that the public option aimed at solving, created a number of disincentives to implement such a proposal.

6. An idea may become attractive (or even be developed in the first place) because more preferred options are not seen as plausible with an institutional or political context. The failures of previous eras, caused in no small part by the number of veto players in this structure, led liberals to seek out a policy solution that would achieve some of the goals of a ‘single payer’ system, while being more politically acceptable. The same can be said of the existing policy system. Reformers felt that existing system, while being stricken with the twin problems of cost and access, created various constituencies that would likely oppose major disruptions to that system. Such a dynamic had been seen in past reform attempts, by the medical, pharmaceutical and insurance industries, for example. This was, for some, a virtue of the public option. It could be placed within a broader reform that was not overly disruptive to the structure of the existing system.

7. The presence of a particular idea can shape the wider debate. It seems likely that the pairing the public insurance option with a broader market based system allowed those supportive of a more radical reform, such as moving to a single payer system, to more effectively engage with the substance of the debate, rather than holding out for a more ideal reform.

As noted, these conclusions are preliminary. Although grounded in a review of prior literature, this was far from comprehensive. In addition, only a single case study was used to demonstrate the worth of the approach. Further work is needed, using a variety of approaches. These will include both comparative and quantitative research methods and will need to be across a variety of contexts. This paper has shown, however, that an integrative approach to the study of ideas and policy change is both plausible and valuable.
Institutions

- Need for sixty votes in the Senate. For much of the process, it is thought that this could only be overcome through bipartisanship or winning the support of all Democrats.

Policy system

- Fundamental problems of cost and access [problem definition]
  - Costly for government and individuals, many uninsured
  - Most American receive insurance through their employer, and are satisfied with their coverage [feedback]
  - Growth of coverage stimulated by decision not to tax as income in the 1954
  - Others either purchase on the individual market or receive through government programs such as Medicare.

Role of private providers in the existing system ensures interest groups have influence.

Actors, groups, coalitions

- Policy experts entrepreneurs, such as Jacob Hacker
- Democratic presidential candidates 2008
- Obama Administration
- Key Senate and House Committees, such as House Energy and Commerce, Senate Finance
- ‘Blue Dog’ Democrats
- Interest groups/stakeholders

Institutional constraints help prevent development of national health insurance scheme from 1930s onwards

Senate constraints largely rule out the single payer style system that some Democrats support. Public option is designed with similar logic, the effectiveness of government provided insurance, but could be attached to a more private market centric reform.

Similar to the Senate, the structure of the existing system ruled out more radical change, leading to the development of more acceptable options, such as the public option. However, concerns about disrupting this system led to a weakening of the approach chosen, reducing the impetus for including it.

The public option brought more liberal Democrats into the consensus. Moderates were also sympathetic, but displayed differing perceptions of its role – transformative vs at the margins [policy theory]. Republicans oppose for philosophical reasons [public philosophy].

Ideas

- Public option, nested within the larger ‘three legged stool’ consensus [policy idea, policy paradigm]
Interviews conducted

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2. Senate Finance Committee Adviser #2 (Democrat), Washington D.C., March 17 2015
3. Senate Finance Committee Adviser #3 (Republican), Washington D.C., March 19 2015
5. Former Member of the House of Representatives (Democratic Party), Washington D.C., 20 April 2015
9. Yvette Fontenot, Senate Finance Committee Adviser (Democrat), Washington D.C., 30 April 2015
10. Senior Policy Adviser, Obama Administration, by phone, June 9 2015
11. Jacob Hacker, Academic, New Haven, CT, June 17 2015

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