

Ideas and Policy Change

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Abstract

The impact of Peter Hall's 1993 article is much broader than only a citation count would indicate. His work came at the same time as a parallel body of literature was developing, some using it explicitly, some building only implicitly on similar ideas. I review some literature on policy communities, ideas and the nature of policy change before exploring the distribution of policy changes at three levels of aggregation. The similar results obtained when looking at more detailed OMB "subfunctions", more general OMB "functions" and then at annual changes in the size of the entire US federal budget over 200 years suggests that similar processes may be at work. As Hall suggests, these processes typically generate only marginal adjustments, but occasionally create fundamental change. But it is less clear that three different "levels of change" are needed to explain this. I suggest that the degree of discredit to the status quo may be an important unexplored variable in explaining the ability of policy reformers to see marginal, substantial, or fundamental policy changes enacted.

Governance Symposium on Policy Paradigms and Social Learning
Suffolk University, February 11, 2011

Studying Public Policy and Policy Change

Peter Hall's 1993 article on policy paradigms refers to Hugh Hecló's assessment that "policy-making is a form of collective puzzlement on society's behalf" (1974, 305–6). Re-reading the article after almost twenty years is a pleasure as it takes me back to many ideas that were percolating at that time and these affected me seemingly in the same ways as they affected Peter.

I will focus on several related ideas before exploring one of them in greater depth. Most of the ideas I focus on here relate to ideas firmly in the original article but at the end I try to provoke by going into detail on an element of Peter's analysis that could perhaps be explained in multiple ways and I propose a particular way of considering it. I will focus on: the role of policy communities; ideas; characterizations of policy change and in particular commonalities between Peter's work and subsequent work on punctuated equilibrium; and finally discuss alternative perspectives on the three levels of change that Peter discusses in his original article. In the last section I make reference to some statistical evidence drawn from my own current work but the rest of the paper is purely reflective (perhaps indulgently so).

Policy Communities

In the 1980s there was significant scholarly enthusiasm about the power of "political elites" in a different way than these had been considered in previous periods. Peter's focus on policy paradigms and ideas as driving forces of policy change as opposed to state-led theories reflects this orientation as well, and it was the one with which I was imbued most deeply in graduate school. In fact, several of us contributed a special issue to *Governance* (1989, volume 2 issue 1) on "Policy Communities as Global Phenomena," a project cited in Hall's 1993 article. In his introduction to this issue, Jack L. Walker, Jr. wrote:

The articles in this collection all concern one important aspect of this fundamental process ... – the development of para-bureaucratic communities of policy specialists based within and without the formal institutions of government, and their relations with the central political leaders of their countries. The articles concern the sources of creativity in society, and they try to trace the channels through which the ideas of those with specialized knowledge filter into the policy-making process and eventually become the basis for reform (Walker 1989, 2).

Viewing bureaucrats as “sources of creativity” seemed a new thing at the time. Hugh Heclo was far from the only scholar to travel far and wide to interview members of these various policy communities to understand the processes by which ideas were translated into policy (see for example Heclo 1974, 1978; Putnam 1976; Walker 1977, 1989; Anton 1980; Eldersveld, Kooiman, and van der Tak 1981; Aberbach Rockman and Putnam 1981; Kingdon 1984; Hall 1986, 1989, 1993; Baumgartner 1989a 1989b; Campbell et al. 1989) . The focus was on forces outside of political parties and elections that could be the cause of social change. And the surprise answer was that bureaucrats could be interesting. The focus on communities of experts, rather than particular agencies or institutional positions, was an important shift in focus in comparative politics and one that brought together scholars studying processes in many disparate countries (for example our special issue of *Governance* included papers on labor policy in Yugoslavia, economic policy in Maoist China, nuclear power in France, and social policy in Japan).

While the literature on policy communities grew out of an older US-based literature on policy subsystems which first noted the informal but recurring relations among those inside and outside of government who share expertise on a particular domain of public policy, it differed

from the literature on iron-triangles, policy whirlpools, and the like because it placed its emphasis not so much on the shared economic interests than various elements of an “iron triangle” might share, but rather on the ideas and shared world-views that identified the members of a single policy community.

Ideas

Shared professional norms and ways of thinking are the glue that hold together a policy community, and ideas are at the core of Hall’s explanation of policy change. When ideas are widely shared by an entire policy community they can be called a paradigm. Some policy communities may well be dominated by a single paradigm; others may see competition; and others may see the replacement of one dominant paradigm by another. Other authors in our present symposium are exploring the politics of ideas in great detail and so I will not emphasize this. But of course the role of a policy community cannot be understood separately from that of the idea(s) that hold it together. I have written recently (with others) about the sticky nature of ideas within policy communities: reframing an issue is not very easy because other experts within the community typically have strong attachments to the status-quo definition of the issue (see Baumgartner et al. 2009).

The Nature of Policy Change

Ideas and paradigms are not the focus of Hall’s 1993 article; policy change is the focus. He writes: “How do the ideas behind policy change course? Is the process of social learning relatively incremental, as organization theory might lead us to expect, or marked by upheaval and the kind of ‘punctuated equilibrium’ that often applies more generally to political change” (1993, 277). Hall is therefore one of the first scholars to focus on the full distribution of policy change, including the stability that normally characterizes it as well as the dramatic bursts of

change that sometimes come about. Further, his explanation of change is very close to one Bryan Jones and I developed in a book published that same year: the interaction of what we called the “venues” of political authority and the “image” of the policy, or the ideas associated with it. In Hall’s formulation,

issues of authority are likely to be central to the process of paradigm change. Faced with conflicting opinions from the experts, politicians will have to decide whom to regard as authoritative, especially on matters of technical complexity.... In other words, the movement from one paradigm to another is likely to be preceded by significant shifts in the locus of authority over policy (1993, 280).

Bryan Jones and I described this process slightly differently in asserting that the emergence of a new policy “image” (or paradigm) can weaken the claim of jurisdictional authority that an institution (“venue”) might have made over an issue, and that initial movements by other institutions to claim control can further reinforce the rival paradigm, resulting in a snow-ball process that leads to the same result that Hall describes above (Baumgartner and Jones 1991, 1993).

Hall is clear in his 1993 piece that the dependent variable is policy change and the question of interest is not to explain a single change, but to understand the “nature” of policy change more generally. Is it typically incremental, is it immune from radical change, or, as he writes, is it perhaps prone to the characteristics of punctuated equilibrium? Ideas are the key in explaining his conclusions, and the conclusions are that policy change is typically highly constrained because the ideas that support the status quo remain extremely powerful but that in the presence of paradigmatic shifts the policies themselves can be transformed, creating a new equilibrium and a stark break from the past. Further, he explains, moderate changes may

dominate as the fundamental thrust of policy direction is widely accepted within the locus of political authority, with marginal adjustments and incremental improvements dominating. With no threat to the status quo, administrators tinker with the policy to attempt to improve it. At other times, more significant policy shifts may occur, as circumstances warrant a more significant break with a (failing) status quo policy. And, once in a great while, paradigmatic shifts may bring about dramatic reversals.

While Hall's work does not lay it out in the same manner as Bryan Jones and I later went on to do, our work seems to reach the same conclusions from different approaches, and to demonstrate the validity of similar ideas with very different methodologies. Figure 1 displays what I think of as the most general demonstration of the power of the punctuated equilibrium approach to policy change. It is the simple frequency distribution of annual budget changes across about sixty categories of US federal spending from 1947 to 2008.

(Insert Figure 1 about here)

The figure makes clear that the vast bulk of budgetary shifts in the post-war period are extremely minor adjustments: changes between -5 percent and +15 percent constitute the huge central peak of the distribution. But the figure also shows surprisingly "fat tails" (and the right-hand tail continues on so far that we had to cluster all extremely high values at +150 percent in order to make the graph be readable). The combination of what could be called "extreme incrementalism" (reflected in the central peak) and significant numbers of radical budget changes is powerful evidence, across the board, for the punctuated equilibrium notions that Hall described in his 1993 article. And his explanation, that ideas matter, helps explain both the stability and the change.

Three Levels of Change

One of the most compelling elements of Hall's argument is that there are three types of policy change, each associated with a higher level of change: routine adjustments to known policy instruments; changes in the policy instruments themselves used to achieve shared policy goals; and shifts in the goals themselves. There is no question that new ideas can be at different levels, and my own work with Bryan Jones has addressed the issue in similar (but not identical) ways: we develop an understanding of the nature of the social problem; assess the relevant solutions; and pick among the relevant policy options (Jones and Baumgartner 2005, ch. 2). In all cases, one element is key: has the status quo been discredited, and to what degree? In cases where the status quo policy can be demonstrated to be functioning reasonably well, or where there is no widely accepted alternative policy available, significant policy change is unlikely and whatever changes do occur would be expected to remain in that high central peak of minimal adjustment as shown in Figure 1. Where the status quo is highly discredited, on the other hand (e.g., mortgage and securities regulation after the 2007 financial crisis), proponents with radically new ideas may at least try to get them accepted. And, as Hall suggests, they might be able to alter the very definition of what goals we are attempting to achieve. So all this makes perfect sense and gives an excellent understanding of why policies change so little most of the time but can sometimes change so dramatically.

Natural scientists studying physical processes are prone to recreate the distribution of observations with a mathematical model. If the model fits the data, then the simplest explanation of the distribution of the observations would be one that has one explanation for each element in the mathematical model. In the next section I look at budgetary changes at three very different levels of aggregation and show that the same distribution applies to all of them. No matter how we aggregate the data, we see something remarkably like what we saw in Figure 1. So the

question that follows from this, which I pick up on the conclusion, is whether we need to distinguish among the three levels of change that Hall proposes, or whether perhaps there is a more general process that explains policy change of all types.

The Distribution of Changes at Three Levels of Aggregation

This section presents a series of data on the same question aggregated in three ways: The entire US federal budget (one observation per year); by OMB “function”; and by OMB “subfunction.” The Office of Management and Budget presents the annual budget in 17 major categories of spending (called “functions”) and further breaks these down into about 60 smaller components, called “subfunctions.” The Policy Agendas Project (PAP; www.policyagendas.org) makes available all these data and has revised the historical data back to 1947 to ensure consistency in the use of current OMB definitions of what the categories entail. (That is, any shifts in spending cannot be attributed to changes in OMB’s classification system.)

Figure 2 presents the trace of federal spending from 1791 to 1990 in billions of inflation-adjusted 1984 dollars. Figure 2a presents the raw numbers and 2b shows the same figures on a logarithmic scale to make the early period more discernible. Spending started at the equivalent of approximately \$4 million in 1791, reached \$10 million by 1799, \$50 million in 1847, surged from \$67 to \$475 million in 1862, then up to \$1.298 billion in 1865 before declining to \$521 million in 1866 and down to \$237 million in 1878. It remained in a period of slow growth until the outbreak of World War One when it moved from \$713 million in 1916 and, in annual increments, to \$1.954 billion, \$12.677 billion, and \$18.493 billion in 1918 before declining sharply to \$2.924 billion in 1925. The increase associated with World War Two was substantial

as well, from \$6.765 billion in 1938 to a peak of \$98.303 billion in 1945. Spending reached the inflation-adjusted level of \$100 billion by 1962 and ended the series at \$1.056 trillion in 1988.¹

(Insert Figure 2 about here)

A simple glance at the data, especially on the log scale, makes clear that dramatic adjustments are surprisingly common. Figure 3 shows the same data, on a logarithmic scale, in terms of dollars per capita.

(Insert Figure 3 about here)

Federal spending per capita in the early years of the Republic was approximately 20 dollars. Significant “ratchet effects” can be seen after the war of 1812 and in the 1830s. At the close of the Civil War, spending settles to a level of approximately 100 dollars per capita, about five times higher than two generations before. Later wars also create shifts in the order of magnitude of the size of government, after the war-time spending is taken out of the picture. Clearly, what we expect of government, a very large-scale question, goes through some important, but only occasional, adjustments. Typically, we expect from government a similar array of goods and services as we had expected in the previous year. Occasionally, we dramatically change our expectations. Demonstrated failure of the status quo (through the outbreak of war) may have a lot to do with this.

Figure 4 presents the data from Figure 2 as a frequency distribution. It shows 197 annual observations ranging from three years when the budget declined (in one year!) by more than 50 percent, through the bulk of observations where the budget shifted only incrementally from what

¹ These data come from OMB historical files. I am in the midst of a project to update to the current period and to adjust them to a more recent budget year. The 2011 federal budget is now over \$3 trillion.

it had been in the previous year, to five observations when the budget increased by more than 150 percent.

(Insert Figure 4 about here)

Figure 5 presents the same presentation but aggregated at the level of the OMB “function,” or major category of spending. Rather than 197 annual observations, here we have just over 1,000 cases from 1947 to 2008, with 17 consistent categories of spending per year. This is similar to Figure 1, which presented the OMB “subfunction” level, with almost 4,000 observations covering the same historical period.

(Insert Figure 5 about here)

Figures 1, 4, and 5 show that each of the series is associated with a “extreme-value” distribution which Bryan Jones and I have previously argued is emblematic of a punctuated-equilibrium pattern of policy change: An over-abundance of extremely small adjustments based on the previous year’s base combined with a consistent presence of changes many standard deviations from the average. Further, these extreme values occur on both the positive and negative sides of the distribution, though they are more common on the positive side.

The similar characteristics of the data series even at different levels of aggregation suggests a “scale-free” process (see for example Bak 1996, Sornette 2000, or Barabasi 2005 for discussions of this concept, common in the study of complexity). While it is clear that many of the huge shifts in overall spending patterns at the highest level of aggregation seem to be due to wars, the same may not be true at lower levels of aggregation. No matter which distribution we consider, it is clear that the US federal budget is an extreme distribution indeed. (For more details on this analysis and findings that the results are quite common across western countries,

see Jones et al. 2009.) If the process produces a similar pattern of outcomes no matter the scale, similar processes may be at work at each scale as well.

Thinking about Policy Change

Hall's 1993 article focused attention on the issue of ideas and policy paradigms. He used these to explain policy change, and suggested that three levels of policy change relate to distinct processes. I agree. However, rather than assert a clean distinction among these three levels of policy change, the evidence I have presented about the common features of policy change in the US budget at three different levels of aggregation suggests that perhaps a simpler set of ideas would carry as much water. An interesting way to think of the issue, and one that has not been widely investigated, is the degree of discredit to the status quo. This would involve those individual leaders or agencies who have controlled the policy and the ideas that have justified the previous policy. New ideas must be generated, of course, and several authors have focused on how this occurs. But another part of the equation is what forces weaken the defenders of the status quo. These weaknesses may be minor, moderate, or fundamental, as Hall's levels of change analysis suggests. But perhaps they are not matters of kind, but of degree.

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Figure 1. Distribution of budget changes, OMB subfunctions, 1947-2008

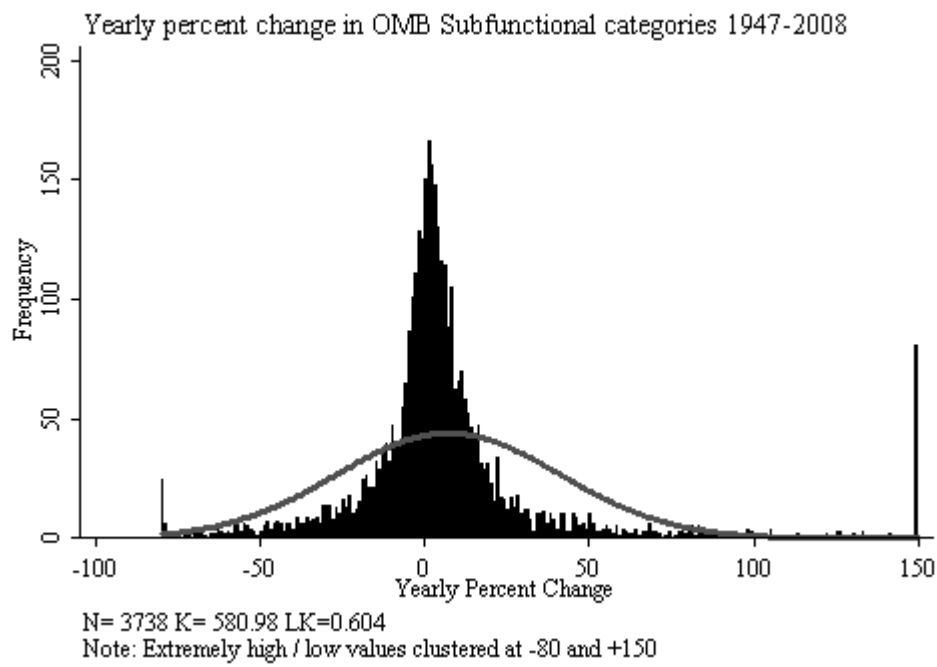


Figure 2. US Federal Spending, 1791-1988

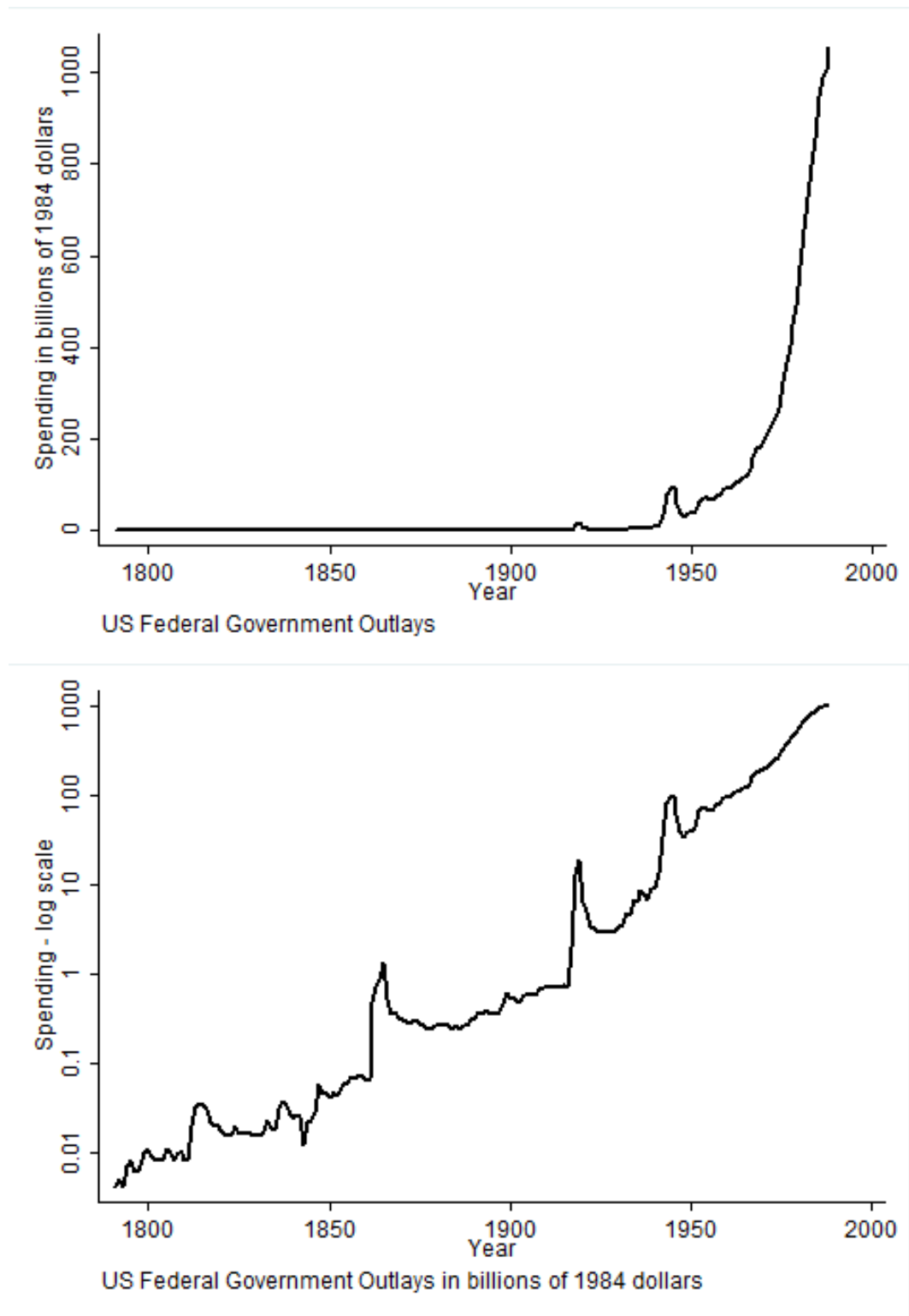


Figure 3. Spending per Capita, 1791–2008.

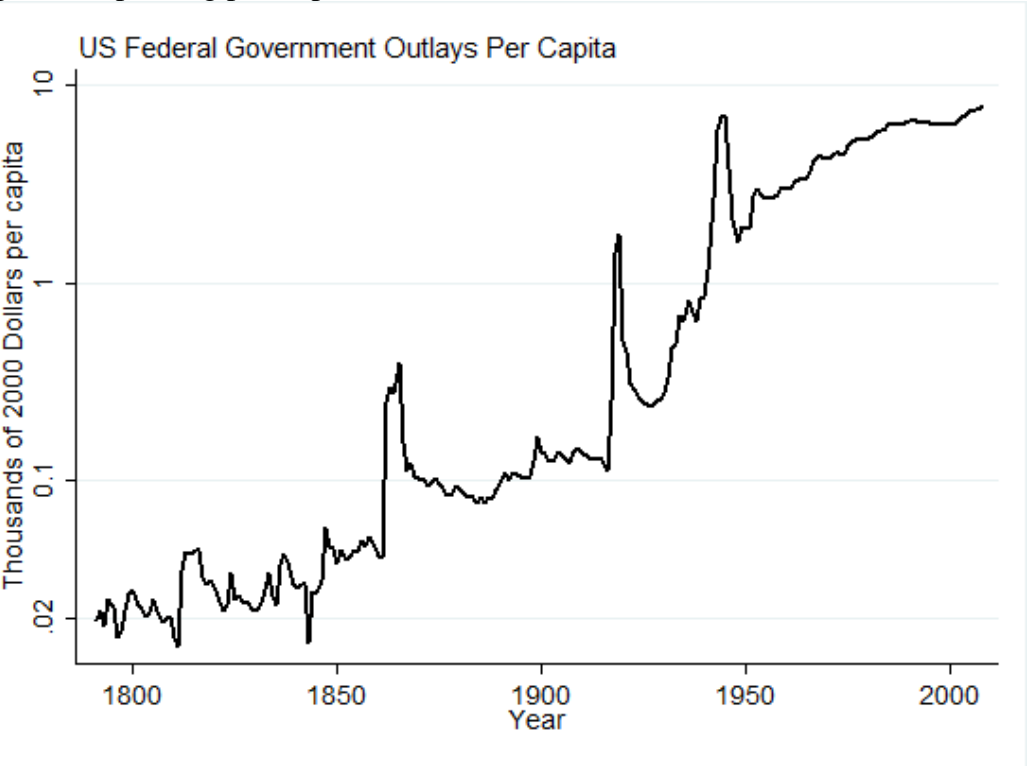


Figure 4. Distribution of budget changes, US federal government 1791-1988

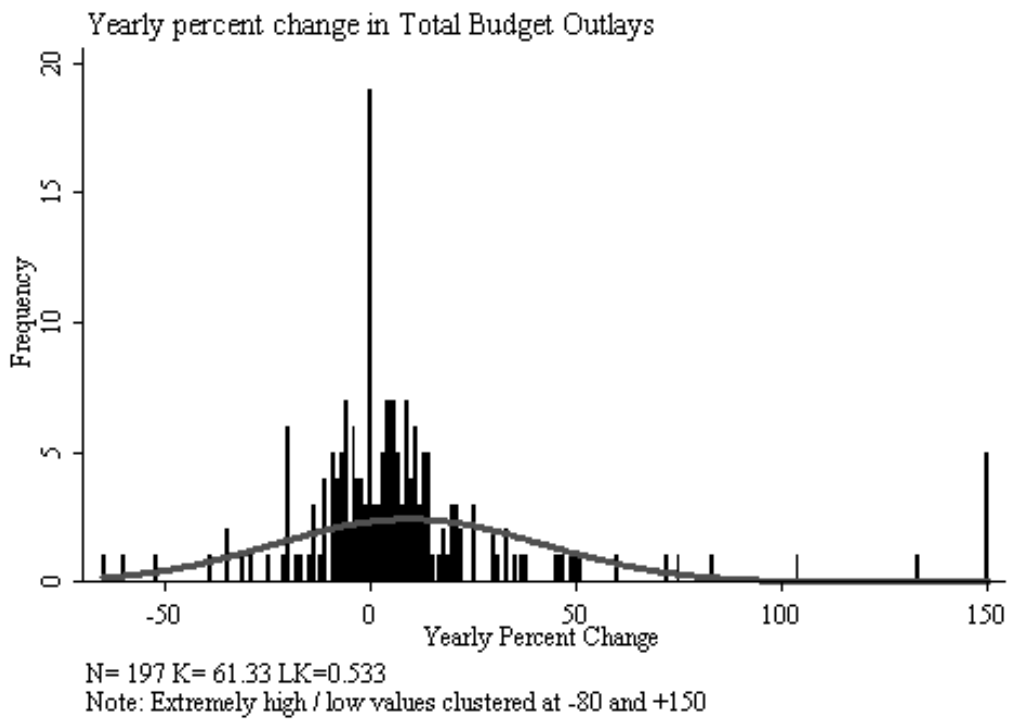


Figure 5. Distribution of budget changes, OMB functions, 1947-2008

