

# The Expanded Child Tax Credit:

The launch and termination of a temporary expansion of  
a redistributive childcare policy in the United States

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## **Abstract**

The challenge of dealing with poverty is an enduring problem across all societies, yet the levels of poverty and who society deem as poor vary greatly across different countries. Despite being the wealthiest nation in human history the United States is considered by many to be one of the most prominent examples of industrialized nations with a considerable portion of its inhabitants living in poverty. In 2015 numbers from the U.S. Census Bureau demonstrated that 46.7 million Americans, or 14.8% of the population lived in poverty. What is equally or perhaps more troubling is that the portion of children living in poverty was above 21%, meaning that there is a discrepancy between levels of poverty overall, and poverty among children.

Many would argue that the United States is a unique form of government and society, and there are certainly very clear differences between the U.S. and other industrialized nations. Most notably with regards to the redistribution of resources and the welfare policies. The U.S. also differs with regards to how its society view the poor and how poverty is dealt with. The American ideal has for a long time been the notion that if individuals just work hard, they can achieve a better life than their parents and achieve the American dream. Though this notion is certainly inspirational, an increasing amount of research suggest that it might not be that simple, especially for the citizens with the least resources and income.

Despite spending less and prioritizing redistributive policies to a lesser extent than many European nations, the United States does have a precedent for implementing major redistributive legislation during national emergencies. However, these policies are generally defined by their short lifespan, as increases in welfare and economic support for those who struggle economically are often terminated as soon as the perceived need for these programs have dissipated. Using the example of the expansion of the child tax credit in 2021, I will examine the polarization, institutional roadblocks, differing political motivations, and differing attitudes towards poverty that make the process of implementing such policies exceedingly difficult. The examination is able to identify and examine some key factors that in part determined the outcome in question. However, the examination also demonstrates that a very different analysis is required to establish the specific effects these factors might have.

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# Table of contents

<b>LIST OF TABLES AND FIGURES .....</b>	<b>V</b>
<b>1.0 INTRODUCTION AND RESEARCH QUESTION .....</b>	<b>1</b>
1.1 AMERICAN GOVERNMENT: POWER AND PURPOSE.....	2
1.2 A RETELLING OF EVENTS.....	2
1.3 WHY IS THIS RELEVANT? .....	5
1.4 ROADMAP .....	7
<b>2.0 HISTORY AND KEY PERSPECTIVES .....</b>	<b>9</b>
2.1 HISTORY ON THIS FIELD .....	9
2.1.1 <i>Protecting Soldiers and Mothers</i> .....	9
2.1.2 <i>Social Policy in the United States</i> .....	10
2.1.3 <i>Why Americans Hate Welfare</i> .....	10
2.1.4 <i>The Undeserving Poor</i> .....	11
2.2 WHAT IS A SOCIAL POLICY? .....	11
2.2.1 <i>The push for welfare reform</i> .....	14
2.2.2 <i>Support and opposition towards social policies</i> .....	15
2.3 THE DISTINCTION BETWEEN THE UNDESERVING AND DESERVING POOR .....	16
2.3.1 <i>Attitudes towards poverty</i> .....	17
2.3.2 <i>Racial attitudes</i> .....	19
2.3.3 <i>How is poverty defined?</i> .....	20
2.4 CHILD POVERTY LEVELS .....	22
2.5. THE AMERICAN DREAM.....	24
2.6 UNDERLYING THEMES ON THE HISTORY OF AMERICAN CHILDCARE .....	26
2.7 EARLIER ATTEMPTS AT EXPANSION AND INVESTMENT OF CHILDCARE .....	28
2.7.1 <i>Responding to the unemployment of the 1930s</i> .....	29
2.7.2 <i>World War II</i> .....	30
2.7.3 <i>Changing attitudes towards poverty in the 1960s</i> .....	31
2.7.4 <i>Growing universal childcare needs 1971</i> .....	31
2.7.5 <i>Low-income families 1974-1981</i> .....	32
2.7.6 <i>Responding to welfare dependency 1988</i> .....	32
2.7.7 <i>A response to the working poor</i> .....	33
2.8. HISTORICAL PATTERNS .....	34
2.9 SUMMARY OF THE CHAPTER.....	35
<b>3.0 THEORETICAL FRAMEWORK.....</b>	<b>37</b>
3.1. THE FIVE PRINCIPLES OF POLITICS.....	37
3.1.1 <i>Rationality: All political behaviour has a purpose</i> .....	37
3.1.2 <i>Institutions matter</i> .....	40
3.1.3 <i>The theory of Collective Action</i> .....	47
3.1.4 <i>The Policy Principle</i> .....	49
3.1.5 <i>History matters</i> .....	50
3.1.6 <i>The interaction between different theoretical viewpoints</i> .....	51
3.2 EXPECTATIONS FOR THE APPLICABILITY AND UTILIZATION OF THE THEORY .....	52
<b>4.0 METHOD .....</b>	<b>53</b>
4.1 THE CASE STUDY.....	53
4.1.1 <i>Strengths of the case study approach</i> .....	53
4.1.2 <i>Components of the case study</i> .....	54
4.1.3 <i>Weaknesses and challenges of the case study approach</i> .....	55
4.2 THEORETICAL JUSTIFICATION .....	57
4.3 CHOICE OF EVIDENCE.....	57
4.4 GENERATING HYPOTHESES VERSUS TESTING HYPOTHESES .....	58
4.5 THE USE OF THE CASE STUDY APPROACH IN THIS ANALYSIS .....	59
<b>5.0 ANALYSIS .....</b>	<b>60</b>

5.1 THE HISTORY MATTERS .....	60
5.1.1 <i>Implementing the child tax credit</i> .....	61
5.1.2 <i>Changes made between 2001 and 2017</i> .....	62
5.1.3 <i>The historical perspective</i> .....	64
5.2 RATIONALITY – POLITICIANS PURSUE THEIR OWN AGENDA.....	65
5.2.1 <i>Summarizing the rationality argument</i> .....	71
5.3 INSTITUTIONS – THE RULES FOR SHAPING LEGISLATION .....	71
5.3.1 <i>Institutional barriers for the poor</i> .....	74
5.3.2 <i>Summary of the institutional argument</i> .....	76
5.4 COLLECTIVE ACTION – LEGISLATION CAN ONLY BE ACHIEVED THROUGH COOPERATION .....	76
5.4.1 <i>Summary of the collective action argument</i> .....	79
5.5 POLICY OUTCOMES – WHAT MATTERS IS THE RESULT OF POLITICS.....	79
5.5.1 <i>The expanded child tax credit of 2021</i> .....	80
5.5.2 <i>Effects of the expanded child tax credit</i> .....	80
5.5.3 <i>Ethnic disparities</i> .....	81
5.5.4 <i>Historical significance</i> .....	83
5.5.5 <i>Investing in Children</i> .....	84
5.5.6 <i>Challenges for the expanded child tax credit</i> .....	85
5.5.7 <i>The expanded CTC 2022</i> .....	86
5.5.8 <i>Summary of the policy principle</i> .....	87
5.6 SUMMARY OF THE ANALYSIS .....	87
<b>6.0 DISCUSSION .....</b>	<b>89</b>
6.1 HISTORICAL PERSPECTIVE.....	89
6.2 DIFFERING VIEWS REGARDING COST .....	90
6.3 IMPACT ON POVERTY AND WORKERS .....	92
6.4 ATTITUDES TOWARDS THE POOR.....	94
6.5 EMPIRICAL SHORTCOMINGS AND IMPLICATIONS FOR FUTURE RESEARCH .....	97
<b>7.0 CONCLUSION .....</b>	<b>99</b>

## List of Tables and Figures

Table 1 – Timeline for childcare policies since the 1930s .....	29
Table 2 - Timeline .....	61
Table 3 – Ethnic disparities prior to and after the expansion of the CTC .....	82
Figure 1 - Percentage of children living in poverty from a selection of industrialized countries from 2012. Data from OECD income distribution database.....	24

## **1.0 Introduction and Research Question**

In March 2021 as a response to the struggles of the COVID-19 pandemic, a majority in the United States Congress consisting exclusively of congressmen in the Democratic party, voted to pass the American Rescue Plan Act. This stimulus bill included an expansion to the existing Child Tax Credit, a tax credit intended to provide aid to struggling families with children. Though the initial effects of this expansion demonstrated a significant decline in child poverty and poverty levels overall, the expansion faced opposition due to concerns regarding the cost of the program and other corona related relief, opposition that ultimately ended the prospect of continuation beyond 2021. This is not the first time the United States government has implemented a redistributive social program only for it to be terminated shortly after.

The story of the child tax credit is therefore an example of the challenges in passing major redistributive legislation in the United States, as well as the opposing viewpoints that shapes the political process required to do so. My aim is therefore to conduct a case study, being “*An intensive study of a single unit with an aim to generalize across a larger set of units*”(Gerring 2004, 341) of the expansion of the child tax credit in 2021. The aim is to demonstrate the challenges in passing redistributive, welfare and childcare policies, and the pattern of such legislation being terminated as soon as the perceived need for these programs has dissipated. Additionally, the thesis aims to highlight the ideological disagreements regarding how to best alleviate poverty, given that these contradicting viewpoints is what in large part shapes legislation. Therefore, this analysis will through previous literature and research, as well as newspaper articles attempt to uncover the main causes that led to the passing of the child tax credit and the subsequent termination of the program. The research question is as follows:

*What are the main reasons for the implementation of the expansion of the Child Tax Credit and its subsequent termination?*

The focus for the examination will be the specific reasons, namely the institutions, actors, attitudes, and political motivations that determined why the expansion was passed and later terminated. The results from the analysis demonstrate that the nature of the U.S. Congress is a major limitation for the expansion of redistributive policies. A fact that is only made worse by

the political polarization and competing agendas between the Democratic and Republican party. Additionally, the underlying scepticisms towards welfare recipients and the perception of the undeserving poor influence a large proportion of American citizens, most critically politicians.

The choice to examine a case in the United States is due to the fact that the U.S. in some ways differs greatly from that of industrialized nations in Europe, especially with regards to its social redistributive policies. I chose the expansion of the child tax credit as the case for this analysis because the expansion removed the earnings requirement and the refundability threshold that until 2021 had been key features of the credit. By removing these requirements, the credit became much more of a universal policy than what is otherwise usual in the United States. Because I wanted to conduct more of a narrative examination of the child tax credit's expansion and conduct a more of detailed examination of the causes of its implementation and termination, I chose the case study approach as the method for the analysis.

I hope this analysis can contribute to the literature of American redistributive policies by demonstrating that American redistributive and childcare policies are often temporary and often exclude certain parts of the population, as well as the ideological disagreements and institutional barriers that presents obstacles for such policies. It is also important to emphasise that although I will utilize the expansion of the child tax credit in 2021, I am by no means suggesting that it is the only way or the necessarily the best approach for alleviating poverty.

## 1.1 American Government: Power and Purpose

This analysis will utilize the book "*American Government: Power and Purpose*" by Theodore J. Lowi, Benjamin Ginsberg, Kenneth A. Shepsle and Stephen Ansolabehere. Their book covers a wide variety of topics concerning the mechanisms and features of the U.S. government, in addition to the nature of American politics. Their first chapter presents the five principles for examining American politics, namely looking at *rationality*, *institutions*, *collective action*, *policy outcomes*, and *why history matters* (Lowi et al. 2019, 7). The principles will be utilized as the framework for my case study.

## 1.2 A retelling of events

The challenges of poverty are an enduring problem across all societies. There are also clear differences in the levels of poverty and who societies refer to as poor. Despite being the



wealthiest nation in human history the United States is considered by many to be one of the most prominent examples of nations with a considerable portion of its inhabitants living in poverty, with approximately 15 percent of the population living below the official poverty line (Katz 2013, x). However, there are many ways in which governments can assist its citizens and implement measures to reduce poverty. Whether through social programs, decreasing taxation for certain groups, or economic aid, governments around the world are not limited to a single approach for addressing poverty, and the United States is no exception. One way the United States has opted to support families, and in particular families with children is through the Child Tax Credit (CTC). The term tax credit is something that warrants elaboration and thus a tax credit can be explained as an amount of money that a taxpayer can subtract from the total amount of taxes that they owe the state. Therefore credits reduce taxes, not the income that is to be taxed, and it reduces the taxes owed dollar by dollar (Murdock 2013, 18).

The child tax credit is a tax benefit granted to American taxpayers, a benefit that can be received for each qualifying child in the household. Prior to 2021, the maximum annual credit that could be gained by a family that qualified for the credit was \$2000 per child under the age of 17. The key word here is qualified as the child tax credit, like other tax credits, required that a family be able to pay a certain amount in taxes. However, if the CTC exceeded the tax that the family still owed, the taxpayers were entitled to a refund of the excess credit amount up to \$1400 per child (Ananat et al. 2022, 5). In some respects, the child tax credit is aimed at lower-income families who pay payroll taxes, but do not necessarily owe federal income tax. Statistics from 2012 show that the cash benefit kept 1.6 million children above the federal poverty line.

Not all families qualified for the full credit, and families with no taxable income could not claim any credit at all. Thus it was far from being universal, especially considering that approximately one third of American children were excluded for receiving full credit payments (Acs and Werner 2021, 2). Throughout its history with redistributive policies, the United States has implemented several measures and policies with the aim to reduce poverty, but as with the CTC, measures have often failed to cover or ignored certain sections of the population. The struggle against poverty have therefore been an issue of who society deem as poor and the tension between providing aid to those who are in need and the ideal of self-sufficiency.

Change often occurs during times of crisis and the United States have certainly reacted to events that has affected society as whole in the past. This would nevertheless be put to the test as the

early months of 2020 marked the beginning of a crisis that would affect not just the United States, but the entire global community. As a result of the COVID-19 pandemic societies across the world were faced with a situation, the likes among which had not been witnessed in over a hundred years. As with every country around the world the United States found itself in a situation where the level of unemployment rose drastically and people were forced to stay home, without means of providing for their families. And as is so often the case, children were among those who suffered the consequences as the levels of child poverty were exacerbated.

The U.S. government was therefore faced with the challenge of having to aid its citizens in some capacity to alleviate some of the struggles of the pandemic, the expansion of the CTC being one of the ways in which the government chose to provide aid. In the initial months of Joe Biden's presidency agreement on their being provided some form of pandemic relief was very much bipartisan, with 10 Republican Senators proposing a \$618 billion plan for vaccines, testing, and unemployment insurance. However, the scope of this plan fell short of what many Democrats had in mind, and though there were bipartisan notions about some form of aid, there was no bipartisanship when it came to a specific solution (Collinson 2021).

Introduced in the House of Representatives by Democratic Senator John Yarmuth of Kentucky on February 24 the American Rescue Plan Act (ARP) passed in the House February 27, with 219 against 212 votes (Foran et al. 2021). It was passed in the Senate on March 6 with amendments with 50 Democrats voting for and 49 Republicans voting against (Segers 2021). On March 10, 2021, the Senate amended bill was passed by the House of Representatives 220 votes in favour and 211 votes against (United States House of Representatives 2021).

Thus, on March 10, 2021, the House of Representatives passed the Senate-amended H.R. 1319 American Rescue Plan (ARP), and on March 11 President Joe Biden signed it into law. The 1.9 trillion dollar stimulus bill primarily focused on relief aimed to alleviate the struggles of the COVID-19 pandemic, but it also included expansions to existing programs like the Affordable Care Act and the Child Tax Credit (Adashi and Cohen 2021, 27).

The expansion of the child tax credit increased the maximum credit that could be received per child from \$2000 to \$3000 for children under 18, and \$3600 for children under 6. Additionally, the payments were changed from once a year to monthly payments and the earnings requirement was removed, making the credit available to all families earning less than \$150,000

a year. Suddenly, the child tax credit became something much closer to a universal redistributive policy (Ananat et al. 2022). A change for a country that has rarely dealt in direct cash transfers to its citizens and usually opted for economic assistance through more indirect means like services. The increased scope of the credit could also be seen as a change in how the United States invests in the children of its nation, with some economists predicting that the increase of the CTC could decrease the levels of child poverty with as much as 40 percent (Parolin et al. 2021a, 2).

However, like most issues in the United States today there is divide between party lines regarding the expansion itself. The Democrats viewing it as a necessary policy expansion to alleviate the struggles that families across the country have faced because of COVID-19. With the expansion being a proposal made and a policy passed exclusively by the Democrats, it is not a surprise that the Republican party viewed the expansion very differently and argued that it was not the right approach for reducing child poverty, as it may lead to a decrease in the workforce (Corinth and Meyer 2021, 1).

Whether one of these differing viewpoints is more correct than the other remains a cause for disagreement, but the expansion itself could certainly be described as short-lived, as its continuation came to a sudden end in 2022, with Joe Biden's Build Back Better Act (BBB) facing adversity in the Senate. With Democratic Senator Joe Manchin of West Virginia stating that he would not support President Biden's bill due to concerns about the deficit and a potential increase in unemployment (Lipman 2022, 1). Thus, the expanded child tax credit and other legislation changes from the American Rescue Plan have either been terminated or stagnated, with any future for these programs remaining uncertain.

### 1.3 Why is this relevant?

It is also important to elaborate on some of the established trends and distinguishing features on the field of social policies in the United States, and why it is worth examining. The first point that can be stated is the fact that the United States does in several ways differ from other industrialized countries with regards to its redistributive policies. According to Martin Gilens, the United States is an outlier in the sense that its government sits at the very bottom compared to other industrialized countries when it comes to reducing the level of poverty amongst its citizens through methods like taxation and other means of government redistribution (1999,

204). Not only does the United States distinguish itself from other industrialized nations with a large portion of its citizens living in poverty, but American policies have for a long time tolerated these high levels of poverty and material hardship (Parrott et al. 2021, 1).

Thus, compared to European welfare states, American redistributive policies are often described as lagging, or/and lacking the reach and generosity of their European counterparts (Theda 1988, 37). Some would also argue that the concept of welfare itself is inherently more of a European idea and invention, and thus at odds with the American preference for smaller government, individual freedom, and personal responsibility (Gilens 1999, 1). However, there are those who argue that many of the perceived truths and historical accounts of American attitudes and efforts towards dealing with poverty are either false or exacerbated. Chief among which is the attitudes concerning individualism and the opposition against welfare that have been exaggerated (Gilens 1999, 2).

However, as will be discussed in chapter 2, the United States has had a tendency of implementing redistributive social programs in times of crisis, but has also terminated these programs as soon as the perceived need for them has dissipated (Cohen 1996, 26). This is partly due to the conflicting views and debates surrounding various aspects of social policies, like social security or welfare reform. These are reoccurring themes on the political agenda, and are likely to be so for the foreseeable future (Skocpol 1995b, 3). Simultaneously, it is important to note that not all expansions to welfare have been temporary. One of the most notable examples of redistributive policies being made permanent is the implementation of Medicare in 1965, that included health services primarily aimed at older people and the disabled. Though debates around the program have persisted ever since, most notably in the period between 1965 and 1999, the program has yet to be terminated due to its popularity (Marmor 2017, 93).

Why the United States is an outlier compared to most other industrialized nations is a question that does not have an easy answer. On the subject of welfare states, researchers have historically compared the United States to other industrialized nations and concluded that the U.S. is lagging behind. According to Skocpol, this view stems from the fact that the U.S. did, in contrast to several European nations, not establish nationwide social insurance in the 1930s. Even though she believes that this view has created some false perceptions about the nature of welfare in the United States, she does concede that the United States have not implemented comprehensive social programs that are universal in nature, like those seen in Europe (Skocpol

1995b, 12). Perhaps one of the most instrumental reasons to consider is the fact that American opposition to welfare and comprehensive redistributive policies stems from a rejection of the notion that citizens who are deemed undeserving should receive aid (Gilens 1999, 3).

#### 1.4 Roadmap

In order to present the different parts of the analysis separately the analysis will be divided into different chapters. Chapter 2 will cover some of the previous literature that has been conducted in this field, which in turn has served as both inspiration and provided theoretical understanding in the field of American social and redistributive policy. The chapter will then discuss the realm of social and redistributive policies in the United States, as well as address the issue of poverty and child poverty. Additionally, the concept of the deserving poor will be addressed, namely who society has deemed as being deserving of aid and who has not. This chapter will also account for some of the relevant history on childcare in the United States. The intention behind highlighting childcare historically is to demonstrate trends and actions by the U.S. government to combat child poverty and misfortune previously. This historical perspective will be useful for understanding what actions the government has taken in the past, thus creating the precedent for possible legislation that can be implemented today.

Chapter 3 will serve as the theoretical framework for the analysis. This entails a discussion of the five principles or/and theories for examining American politics (Lowi et al. 2019, 7), as these principles will act as the framework for the case study. These principles include *Rationality* namely the reasoning behind the choices of political actors, in this instance politicians and the reasoning behind their decisions. *Institutions*, namely the established systems and processes outlined in the constitution that in turn present the checks and balances intended makes it difficult to enact policy changes (Holcombe 2018, 7). *Collective Action*, namely the cooperation between different actors, or the lack of collaboration that shape the political process. The American Rescue Plan and by extension the CTC is a good example of this, as no Republican in Congress voted in favour of the bill in either the House of Representatives or the Senate. This partisan divide is a concern as the polarization of politics is increasingly leading to legislative gridlock and democratic instability (Lupu 2015, 331). The *Policy Principle*, namely the combination of the previous principles. This principle asks what the implication of the legislation in question is, and how legislation affects the lives of citizens

and society. Why *History Matters*, namely where we have been matters, as previous actions influence current perspectives (Lowi et al. 2019, 20).

Chapter 4 will discuss the chosen method for the analysis, that being the case study approach. A case study can contain either one or several units that is to be examined, but in the case of this analysis, with the attention being directed towards a single piece of legislation, the approach is a single-unit case study. The chapter will address the distinguishing features of the case study approach, the strengths, and weaknesses of the approach itself, and elaborate on the elements of the approach that requires inclusion in this analysis.

Chapter 5 will conduct the examination that is at the core of this thesis. With the theoretical and methodological framework being accounted for, the analysis will utilize the five principles/theories of American politics to examine the case in question. The analysis will start by discussing the history of the child tax credit itself to demonstrate changes made to the credit previously. This will be a useful comparison to the child tax credit today and provides the opportunity to examine what this can mean for future changes. The chapter will then discuss the remaining four principles and look at rationality, namely the motivations for the different actors involved. The institutional features that both made the expanded CTC possible and how these institutions challenged and shaped the legislation. Collective action, namely how the legislation was realized by cooperation between Democratic politicians, while at the same time accounting for conflicting interests put forth by the Republican party. Lastly the policy outcomes themselves will be discussed, namely the effect the expansion had on the levels of child poverty. The examination by these five principles will thus provide the framework for discussion.

Chapter 6 will present the discussion of the findings from the examination. With these findings I will attempt to answer the question of why the child tax credit was implemented and terminated, and what it says about such policies in the United States. Additionally, I will review the shortcomings of the analysis and the possibilities for future research on this subject.

Chapter 7 will present the conclusion to the analysis, as well aspirations for how any potential findings can be utilized.

## **2.0 History and Key Perspectives**

*“If you want to understand today you have to search yesterday.”*

- Pearl S. Buck

This chapter will start by elaborating on some of the previous research in this field that have provided concepts that will be central for the examination and the discussion. I will then direct my attention towards the realm of social policies in the United States and the conflicting attitudes towards such policies. Because the child tax credit is aimed at families with children the level of poverty and child poverty in the United States will be addressed, as well as the attitudes towards those who are poor, and the underlying concept of the American dream. Lastly, I will present some of the crucial historical implementations and alterations to childcare since the 1930s. The historical account of previous legislation is intended to demonstrate the historical precedents and ideological contradictions that exist within this field of public policy. This is necessary in order to avoid examining the child tax credit in a vacuum. Thus, what has happened before does influence the prospects for what can happen today.

### 2.1 History on this field

Though the inspiration for the choice of subject for this analysis eventually became the expansion of the child tax credit, the original interest was geared towards American attitudes regarding welfare and social redistributive policies. An immensely broad subject that is all too encompassing for a single analysis. Even though the examination is now more specified, the literature regarding welfare and redistributive social policies in the U.S. has been a major influence and has very much been the entry point for the analysis (Belcher 2009, 150-151).

#### 2.1.1 Protecting Soldiers and Mothers

In *“Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States”* Theda Skocpol reviews the historical origin of social spending the United States. She argues that the U.S. followed a completely different trajectory than other industrialized nations by not implementing a paternalist welfare state, in which bureaucrats would administer the rules and regulations for social insurance. However, the U.S. have not been devoid of social policies. Instead the U.S. came closer to creating a maternalistic welfare state, where female-dominated

agencies would have the role of implementing benefits for the good of women and children (Skocpol 1995a, 2).

Skocpol therefore tries to challenge certain received truths about the history of American social policy, one being that although the United States differed and often lagged behind other industrialized nations, it was not purely the advertised land of individualism, with social charities coming from local and private institutions rather than the federal government (Skocpol 1995a, 3).

### 2.1.2 Social Policy in the United States

In “*Social Policy in the United States: Future possibilities in historical perspective*” Theda Skocpol is attempting to highlight the everlasting tensions and inner workings of American social policy as the debates concerning these topics have been at the forefront of the American political debate since the 1950s. Whether it be welfare or disagreements regarding the government’s role in the realm of healthcare, these debates keep coming up in the public debate (Skocpol 1995b, 3).

Despite the persistence of debate, Skocpol argues that the making and remaking of American social policies have lacked an historical perspective, instead focusing on social policy through moral-ideological terms or purely technical terms. Therefore, the debate has often become the contention between those who advocate big-government and the market, or the struggle between those who aim to help the needy and those who seek control through reform. Is social policymaking attempting to tackle societal problems in an objective way or are there other forces at work? (Skocpol 1995b, 5).

### 2.1.3 Why Americans Hate Welfare

In “*Why Americans hate Welfare: Race, media and the politics of antipoverty policy*” Martin Gilens explores the question concerning why one of the richest societies in the world have such high and persistent levels of poverty and material deprivation, despite having the resources to provide all citizens with the necessities of life. The larger question Gilens raises is what Americans think about the poor, but also how they see poverty, its causes and what the government should do to combat it. These attitudes are instrumental in the shaping of



government antipoverty policy and people's attitudes towards redistributive policies (Gilens 1999, ix).

#### 2.1.4 The Undeserving Poor

In "*The Undeserving Poor: America's enduring confrontation with poverty*" Michael B. Katz examines the attitudes towards poverty and why they persist. Although the United States saw a decline in poverty during the twentieth century, there is much to suggest that the trend has turned. In 1973 the amount of people living under the official poverty line was 11.2 percent. In 2011 this number had risen to 15 percent, meaning 46.2 million Americans lived under the poverty threshold. Despite this, poverty is no longer at the forefront of American politics, rarely being mentioned by politicians, and the sharp economic segregation in American society makes it hard to see and experience (Katz 2013, X). Prior to the twentieth century, the U.S. simply lacked the resources and ability to fully eradicate poverty, but during the twentieth century and especially during present times, this predicament is no longer true. Much of the reason for the persistence of poverty is, according to Katz, the lack of political will in order to deal with it, and in some cases the hostility towards government interference in the matter (Katz 2013, XI). Throughout his book Katz attempts to illustrate the persistence and complexity of poverty and the politics of poverty, as well as the attitudes towards it (Katz 2013, XIII).

Katz also outlines three enduring questions that have permeated the poverty debate in American society. The first one being, how does society draw the boundaries between those who are deserving and those who are not. Second, how can society provide aid without increasing dependence. And third, what do we and society owe the poor and ourselves (Katz 2013, 268).

#### 2.2 What is a Social Policy?

When addressing a policy such as the child tax credit and its expansion, it is pertinent to elaborate on the realm of policy in which this piece of legislation inhabits, that being the realm of social policy. This analysis will utilize the definition presented by John Baldock, who describes a social policy as "*a deliberate intervention by the state to redistribute resources amongst its citizens so as to achieve a welfare object*" (2011, 2). It is also appropriate to define welfare since attitudes towards this concept is something that very much permeates the debate concerning government redistribution. This analysis will utilize the definition stated by Martin

Gilens, namely that welfare is a term that refers to “*means-tested cash benefit programs available to able-bodied, working-age adults*” (1999, 13).

The term *social policy* refers to the promotion of three broad public goals. The first of these is aimed at providing social insurance and protection against the insecurities that most people face during their daily lives. An example might be illness, unemployment, or misfortune. A large proportion of social welfare spending in the United States is aimed at the elderly, including health insurance and social security (Lowi et. al 2019, 672).

The second goal of social policies is to reduce poverty. In some ways, this is the most controversial aspect given that it involves the redistribution of income by the government from the wealthy to the poor. The process of redistribution can be seen as the ethical and moral dimension to social policies. Though there remains disagreement and often conflict regarding how far this moral dimension should reach (Baldock 2011, 14). The reason why this is controversial is in large part due to the value and pride Americans place on self-sufficiency. Although many Americans viewed inequality as being a product of unequal opportunity in the past, many also fear that too much assistance from the government will lead to free-riding or abled bodied poor people not attempting to support themselves (Lowi et al. 2019, 672).

Gilens argue that Americans are first and foremost attracted to the idea of self-sufficiency and personal responsibility. However, this view and ideal does not prohibit them from recognizing that in certain situations individuals simply lack the ability to be self-sufficient, and in these cases most Americans agree with the idea that the government needs to provide assistance (1999, 31). The United States government have therefore not shied away from providing aid through social welfare programs, but these benefits have been coloured by carefully dictating who receives them (Béland et al. 2022, 5).

The third goal is to promote equality of opportunity. The challenge with this aspect of social policies is that there is no general widespread agreement as to what should be done by the government to address or/and ensure equality of opportunity. Despite this, most Americans agree with the view of equal opportunity for all citizens. An example of the most agreed upon government action with regards to this is education (Lowi et. al 2019, 673).

Social policies also come in different forms and in the United States the welfare state provides economic security and benefits in two ways, direct public programs and indirect tax subsidies (Faricy and Ellis 2021, 1). Some argue that tax breaks or credits that targets certain groups of the population should be considered as expenditures, as they lead to government revenue being lower overall (Faricy and Ellis 2021, 2). In this way the use of tax expenditures is a more hidden way of providing welfare, as it is a more indirect way of supporting citizens rather than a direct social program (Faricy and Ellis 2021, 5). When it comes to defining what type of social policy the child tax credit is, the approach of indirect tax subsidies is the appropriate designation, as it is economic assistance that is less direct and less specific in its aim than say healthcare.

As briefly discussed in the introduction, the terms and features of the child tax credit is appropriate to address. Given the fact that the CTC is a form of tax provision and a way for the government to support families and redistribute income more indirectly, it is appropriate to elaborate on what a tax provision entails. The term “tax credit” simply refers to an amount of money that a taxpayer can subtract directly from the taxes they owe. Credits differ from deductions by reducing the taxes owed dollar by dollar, while deductions is a percentage reduction of the persons marginal tax rate (Murdock 2013, 18)

The Child Tax Credit, just as with the Earned Income Tax Credit is a tax provision that was intended to target low- and moderate-income taxpayers. Where more direct cash-transfers to citizens have been regarded by many to disincentivize work, the aim with the CTC and the EITC have been to encourage work. The distinguishing feature of both tax credits is that they directly reduce income tax liability by reducing taxable income (Hungerford and Thiess 2013, 1).

Tax credits also differ in terms of being refundable or non-refundable. If a tax return is non-refundable, it means that the credit can reduce the taxes a person owes to zero, but no less, thus no surplus (Murdock 2013, 18-19). In contrast, refundable tax credits can venture into the realm of negative tax liability, meaning if the credit exceeds the taxes owed the government will pay back the difference. Even in cases where a tax bill is zero, refundable tax credits can take a tax bill into negative territory, even if a person has paid nothing in taxes (Murdock 2013, 21). With regards to the expansion of the CTC, this is potentially where some of the opposition towards it would originate, as it conflicts with the notion that people should not be given money without hard work.

### 2.2.1 The push for welfare reform

Public opinion polls as far back as the 1960s demonstrated that welfare was by far the most disliked governmental program in the United States. Much of the reason behind this was the public's perception that welfare beneficiaries were underserving, with the underlying assumption being that these recipients did not work, nor want to. Even though these views existed back in the 1960s, it still took Congress 30 years to completely alter the program. As more and more women entered the labour force and the cost of welfare was rising, recipients of welfare were criticised for taking advantage of the system (Lowi et. al 2019, 686). Additionally, the association made between welfare and African Americans, perceiving them as lazy and unwilling to work, have also influenced public opinion (Gilens 1999, 6).

However, welfare in the United States would experience one of its most significant changes under President Bill Clinton in the 1990s. This period marked a time in which the amount of criticism against welfare was rising, as a large portion of citizens believed recipients to be irresponsible mothers of colour. As a response to public frustration, Clinton signed the Public Responsibility and Work Opportunity Reconciliation Act, effectively ending the 60-year-old Aid to Dependent Families, a program that had existed since the Social Security Act of 1935. This program had provided benefits to needy families and had been an important part of the American welfare system (Tahar-Djebbar 2022, 399).

This continued attack against welfare and the notion of welfare recipients being lazy and dependent on the government, sometimes from both conservatives and liberals, would eventually have an effect. Specifically, welfare lost a considerable part of its inclusive and positive connotation (Tahar-Djebbar 2022, 400). This was marked as a period in which the U.S. government arguably aimed to implement a more responsible welfare system, where the tax system would be the primary way in which income to low-income families was distributed (Liebman 1998, 84). One of the programs that was utilized to achieve this was the aforementioned Earned Income Tax Credit, a credit that can be claimed by eligible workers. It can either cover federal taxes or come in the form of a tax refund. Today, approximately 28 million people claim this credit, the average being \$2000, but by only being available to individuals who work, it excludes low-income earners (Lowi et al. 2019, 687).

The question of how to reform welfare is still a highly relevant issue that face both Congress and the American public. One of the central issues is the difference between Democrats and Republicans and what they believe welfare should entail. Democrats are more in favour of using welfare as a measure against poverty by increasing childcare and facilitate more education, as well as relaxing the limits for those working receiving welfare benefits. In contrast, Republicans promote stricter work requirements and advocate for programs designed to promote marriage among welfare recipients (Lowi et. al 2019, 690).

A key characteristic of most means-tested social programs is their visible policy design, in which beneficiaries must apply, answer many personal questions, be deemed eligible and endure the stigma of being on welfare or receiving social benefits. The benefits provided to the middle- and upper-class are, contrasts, often delivered with little stigma and more hidden methods (Lowi et. al 2019, 692).

### 2.2.2 Support and opposition towards social policies

The nature of social policies is that they are a redistribution of resources, specifically taking money from one group of people and transferring it to another. The aim is thus to transfer resources from those who have more at their disposal to those who have less (Baldock 2011, 14). Not surprisingly this involves some controversy, as such wealth transfers could potentially negatively affect a part of the population. In broad terms this is what makes social policies difficult to put on the political agenda. In addition, when policies get implemented, they become difficult to both alter and/or replace. There also exists a disparity between the vulnerability of certain social programs. Social programs that redistribute money and resources from large and influential groups to smaller, less powerful groups will always be the most exposed, like welfare programs for the poor (Lowi et. al 2019, 698).

These conflicting views surrounding the nature of social policies is also the cause of comprehensive problems because the wide-ranging disagreement around social policies have a severe effect on these policies are shaped. As many lawmakers attempt to address all views regarding government spending, they often end up designing policies that both minimize the government's role while simultaneously increasing spending. As a result, these policies are often too complex, indirect, and insufficient. (Lowi et. al 2019, 699).

Though there are differing views regarding what is the appropriate level of welfare in America, welfare itself have never been popular. The contempt for welfare by many American citizens is to a large degree a result of both stereotypes and misinformation about those who receive welfare and the nature of poverty in society in general. Additionally, the intricacies and details of social programs do often confuse citizens (Gilens 1999, 8). There is also a confusion about what form a social program takes. Citizens who use a direct social program does in more cases report having used a government social program. In contrast, citizens who use social tax expenditure programs do to a lesser degree recognize that they too are receiving benefits from the government (Faricy and Ellis 2021, 6).

Thus, tax expenditure programs are generally the more popular form of social policy. The reason for this is that these programs appeal to citizens who are in favour of a more limited government and appeals to the idea of citizens having to earn enough to deserve these benefits. Additionally, it politicizes the question regarding who will receive these benefits, and as a consequence the question becomes racialized as the income differences in the U.S. still has a clear racial dimension (Faricy and Ellis 2021, 9). The aspect of limited government and deservedness of benefits is arguably something that, at least in the past have garnered support for the CTC from conservatives. The CTC being proposed, supported and expanded by Republicans initially (Hungerford and Thiess 2013, 1).

### 2.3 The distinction between the undeserving and deserving poor

As stated by Michael B. Katz, the notion of poverty and the poor have not been subject to a stable definition throughout American history. Definitions and views of poverty have varied wildly and the question of who deserves help, from whom and too what degree have long been the centre for disagreement (Katz 2013, 1). However, poverty in the United States have long been divided between the *deserving poor*, those who have ended up in a position of poverty due to factors beyond their own control, for instance widows and children. Or the *undeserving poor*, those who are able-bodied, but rendered poor by factors that society deemed to be within their own control, drunkards or sturdy beggars as an example (Katz 2013, 3). The separation of these two categories was originally an attempt to distinguish between those who were truly needy and those who weren't, but also an attempt to settle the limit of our social obligation (Katz 2013, 4). Regardless of what part of the population that was deemed to be undeserving, a cynicism towards recipients of welfare by American citizens has remained (Gilens 1999, 205).

The term undeserving poor have throughout American history been used to describe different parts of the population. The definitions have ranged from men who rendered themselves unfortunate and often drunk, unmarried mothers, immigrants, and women of colour (Katz 2013, 2). These definitions have also changed over time. The reason why I emphasise this is that one would expect a disagreement regarding who is deserving to be part of the debate around the CTC. Those opposed to the expansion would most likely attempt to present those who benefit from the increase of the credit as undeserving. In this way the debate as to who we deem as undeserving is a way of relieving oneself of the responsibility regarding poverty (Rank 2004, 20). In contrast, those who favour the expansion would likely attempt to argue the opposite, namely that those who benefit from the increase are deserving individuals in need of aid.

Regardless of views concerning who is deserving, the last 20 years have seen a major shift in how social insurance and means tested program, and the benefits they provide are distributed. Notably public expenditures towards the elderly and the disabled have increased, while the expenditures for other groups have decreased. Additionally, public transfers have been shifted from those living in or close to poverty, to those at the higher income levels. Programs like the Earned Income Tax Credit and others are increasingly being targeted at higher income families, increasing the deep poverty rates (Ben-Shalom, Moffitt, and Scholz 2011, 37). One could therefore argue that American society today see the elderly and the disabled as the deserving poor. At the same time, simply living in poverty does not “qualify” one as being deserving of aid.

### 2.3.1 Attitudes towards poverty

The question of poverty and how we treat the poor, alongside the possible moral obligation to the poor is one that very much permeates social politics in America. This is because the notion of the poor and the moral dimension of poverty is one that has political implications for how the problem of poverty is treated. These views will therefore shape the constructions made by politicians regarding who deserves what (Romano 2017, i). Hence the way we see poverty as a problem, or a problem at all, is instrumental for determining how poverty is dealt with.

The paradox of the notion of the undeserving poor is the attempt to divide those who are deserving of help, and those who do not merit such help in the eyes of the public. The result of

this divide is that it creates a group and a category of people who are deemed as being undeserving of social support. This is a common way of determining the rules for redistribution in most countries, as the undeserving poor are those who are responsible for their own poverty (Romano 2017, 1).

For instance, human capital approaches to poverty, assistance that focus more on the knowledge, skills and experience that individuals possess (Kucharčíková 2011, 61), have often been more popular given that they benefit the deserving poor. By helping individuals become more independent from government assistance, government resources are used to move welfare recipients into the workforce and promote self-reliance. Therefore, programs that are perceived to bring welfare recipients into the workforce are often more popular than cash-based benefits, since such benefits ultimately require money from taxpayers (Gilens 1999, 215). Contrastingly, many Americans have been shown to favour increased government efforts to help the poor. Most Americans also want the government to spend more on redistributive programs and are willing to pay more taxes to realize such spending. Additionally, history has shown that during hard times the public has not turned its back on those in need of aid, but instead demanded government anti-poverty efforts. However, history has also demonstrated that the government has failed to respond in an sufficient manner, meaning that there is a discrepancy between the actions of the government and the concerns of the public (Gilens 1999, 216).

Attitudes towards poverty have varied, meaning that the idea of who deserves what is a concept that has changed over time. Additionally, measures taken to address poverty, hardship and unemployment have often been part of a response to a national crisis or changing demographical circumstances. Societal factors therefore play a vital role in the consideration of who deserves what (Cohen 1996, 26). The social welfare policies that are implemented are thus, in many aspects, a reflection of the collective attitudes towards poverty at the time of implementation. However, the change and fluidity of collective attitudes towards poverty have often been marked by conflict between charitable organizations and the staunch persistence of principles regarding economic self-reliance and individualism (Frank and Rice 2017, 392).

Simultaneously, it is important to address the fact that although societal factors have played a role in shaping the attitudes regarding the deserving and undeserving poor, much of American attitudes have historically been focused on the personal dimension of poverty. This is the belief that poverty is a result of personal inadequacy, emphasising the responsibility on behalf of the



individual (Katz 2013, 2). There is also a political dimension to poverty, a consequence of Democrats and Republicans often take opposing views towards the poor. Republicans more generally view poverty in terms of internal attributes, thus having a more negative view of the poor. Democrats more often focus on societal factors (Low, Wui, and Lopez 2016, 656).

### 2.3.2 Racial attitudes

One aspect of the personal dimension of poverty is the racially distorted attitudes that have played a significant role concerning public opinion towards individuals and poverty. An example of these distorted attitudes and a reoccurring stereotype is Ronald Reagan's welfare queen sentiment which heavily implied a connection between welfare recipients, laziness and being black. However, Ronald Reagan is far from being the only contributor to this viewpoint, and could rather be described as having exacerbated a perception that had existed for decades (Pruitt 2016, 289).

Racial attitudes have also heavily influenced public attitudes regarding welfare recipients, with a considerable portion of the American public seeing a connection between race and poverty. Thus, a considerable portion of citizens believe that those who receive welfare are black and lazy. Despite its prevalence in current society, the connection drawn between being black and being lazy have existed for centuries. The practical implications of these racial stereotypes do in turn play a role in how society tackles poverty. Specifically, these stereotypes stand as an obstacle to public support for anti-poverty programs as many see African Americans as less willing to work (Gilens 1999, 3).

The relevance of this point is not to be understated since the racial dimension to poverty is still prevalent today, even with regards to the child tax credit. As already mentioned, a disproportionate portion of those families who did not receive the full tax credit, or any credit, prior to its expansion in 2021 were African Americans and Hispanics, since these families did not earn enough. As will be discussed more extensively in chapter 5, the initial numbers demonstrated that the first months of expanded CTC payments mitigated some of the discrepancies in poverty among different ethnic groups (Acs and Werner 2021, 5-6). This would lead one to believe that those who benefitted the most from the expanded CTC payments were those who did not receive them previously. In fact, children of colour were among those who received the lowest amount of benefits from the CTC prior to the expansion (Goldin and

Michelmore 2022, 1). Additionally, it is worth emphasising the fact that African Americans overwhelmingly identify as Democrats, while most white Americans and in particular white evangelicals identify as Republicans (Iyengar et al. 2019, 134).

To demonstrate the scale of the connection between race and poverty, Gilens argue that the potential race neutrality and structure of an anti-poverty program will not exclude it from racial politics (1999, 213). In fact, white American's perception of black welfare mothers has in many instances been a far better indicator regarding their attitudes towards poverty in general than their perception of white welfare mothers. However, race-neutral redistributive programs have been shown to be far more popular than race-targeted programs. The reason being that people view resources that are scarce, such as jobs, education or services as being something that should not be allocated to a single group (1999, 214).

Despite improvements regarding racial attitudes in the United States there are still clear evidence to suggest that individuals are treated differently based on their perceived group membership. Those groups or parts of the population that are deemed to be most valuable do generally reap more of the rewards from society. As ethnicity is one of the ways in which an individual gets assigned to a group, the differentiation in opportunities is unfortunately still based on innate physical features to a degree (Saperstein and Penner 2012, 677). Saperstein and Penner also find evidence to suggest that individuals change the way in which they themselves identify, but also how they are identified by others. This points to a fluidity in the way individuals are classified, across all groups. These changes occur because of changing social and economic circumstances. Their findings suggest that individuals who experience a betterment of their social position are in turn seen as "whiter" by both themselves and society in general. Simultaneously the opposite is true for those who lose their job or experience a decrease in their social position, namely being seen as "darkened". This fluidity in the conception of poverty arguably demonstrates why these racial attitudes and stereotypes persist and why they are so entrenched in society (Saperstein and Penner 2012, 678).

### 2.3.3 How is poverty defined?

When addressing terms, numbers, and statistics regarding such matters as child poverty, it is important to establish what poverty and the poverty threshold is referring to, particularly in the context of this analysis. Since there is no universally agreed upon way of defining or measuring

poverty it can be viewed and measured in several ways, and it is not always a straightforward process to choose or separate material/physical poverty from social/mental poverty (Minujin et al. 2006, 483). Defining poverty solely as the lack of income is often the first response when examining the topic, and for good reason. Measuring what is viewed as an inadequate income or insufficient means is often the easiest aspect to measure. Still there are many additional ways in which individuals can suffer, for instance the lack of healthcare or inadequate education (White 2020, 6). It is thus important to emphasise that these additional aspects besides income will not go unacknowledged. Neither are they mutually exclusive from income as opportunities, income and services go hand in hand. Unfortunately, this analysis is not able to cover all aspects of poverty and due to the nature of the expanded child tax credit, income will be the at the centre of attention.

In order to separate between those who are poor and those who are not, one needs a poverty threshold, which is simply determining the place of separation, usually in terms of income. When measuring poverty this is perhaps the most influential choice, as this decision will to a large degree determine poverty estimates (Notten and Kaplan 2021, 1). The primary challenge when analysing poverty is the fact that there are different viewpoints and measurements to choose from. When the debates concerning the establishment of a federal poverty threshold first began to surface, the selected poverty line was intended to identify those families who lacked the income to afford basic necessities. Perhaps not unsurprisingly this definition was criticised as it did not account for the differing cost of living across the country (Desmond and Western 2018).

It is also appropriate to highlight the difference between poverty and inequality, as these terms have much in common. However, inequality is not necessarily a bad thing in itself, as there will always be differences in wealth. The question rather becomes how much inequality can be tolerated and accepted, a question that is not always easy to answer and a question for which there remains disagreement (Alcock 1997, 6). It is also worth mentioning that different countries will have different thresholds for what they deem poverty to be and what they deem to be an adequate income (Notten and Kaplan 2021, 253).

In the United States an official poverty threshold was first realized in the 1960s, the amount being three times the income necessary to maintain an economy food plan, as devised by the department of agriculture for various families. Although this threshold has been adjusted after

inflation ever since its implementation, the threshold is today viewed as outdated. In 1994 the before-tax income threshold was set at \$15,029 for a family of four. Additionally, the income threshold varies to some degree across different states (Lichter 1997, 123). In their analysis, Coughlin, Bovell-Ammon, and Sandel state that 200 percent of the income poverty threshold in 2022 for a family of four, two adults and two children was approximately \$53 000. By this estimation, the income threshold for a family of four in the United States would be \$26 500 (Coughlin, Bovell-Ammon, and Sandel 2022, 226). The threshold for parents who qualify for the CTC is a bit more complicated. Prior to the expansion in 2021, children with parents who were unemployed, or earned less than \$2500 a year, were simply excluded from the CTC. A single parent would also need to earn at least \$30 000 a year to qualify for the full credit, being twice that of a typical minimum wage salary (Greenstein et al. 2018, 1-2).

## 2.4 Child poverty levels

*“Poverty is a very complicated issue, but feeding a child isn’t”*  
- Jeff Bridges

As the child tax credit is aimed at middle-class and low-income families with children it is appropriate to include a definition of child poverty specifically. As with defining poverty in general, child poverty does not have a universally agreed upon definition, yet defining child poverty in terms of the lack of income is arguably an insufficient way to measure child poverty (Minujin et al. 2006, 484). The human rights-based approach for measuring poverty outlines several factors for examination that is argued as being able to identify poverty among children more precisely. UNICEF therefore defines child poverty as *“Children living in poverty experience deprivation of the material, spiritual and emotional resources needed to survive, develop and thrive, leaving them unable to enjoy their rights, achieve their full potential or participate as full and equal members of society”* (Minujin et al. 2006, 485). This definition is appropriate as it demonstrates that material poverty does have ramifications for children’s health and their opportunities in society.

Regardless of the current views towards the undeserving poor, the official poverty measurements regarding those who suffer material and economic hardship can at least

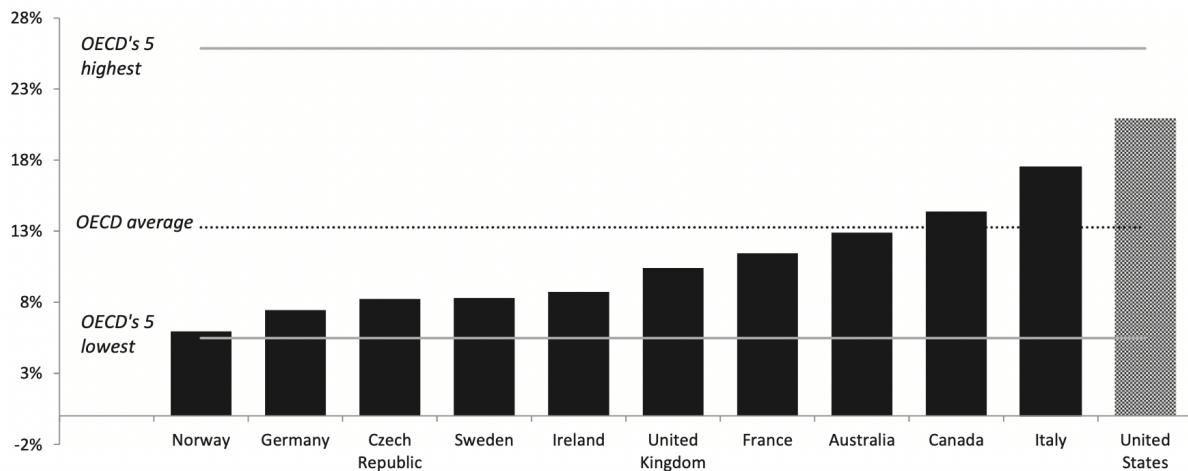
demonstrate what percentage of the population who is poor<sup>1</sup>. Especially for children, growing up poor has serious mental, physical and social ramifications, a fact that is worrisome in a country with such prevalent levels of poverty (Gitterman et al. 2016, 1). According to numbers from 2014, 21.1 percent of children under 18 lived in poor households, specifically households with an income of less than 100 percent of the federal poverty line of \$24 230 for a family of four that year. This means that more than 21 percent of all children under 18 lived in families that earned less than \$24 230 a year. However, 42.9 percent of children lived in households that earned up to 200 percent of the federal poverty line. Meaning that 42.9 percent of children lived in households that earned \$48 460 or less, these households being described as near poor or low-income households. There are also demographic aspects to child poverty, groups like African American children and Hispanic children having a three times higher probability of living in poverty than white and Asian children (Gitterman et al. 2016, 2). It is worth mentioning that the measurement for the poverty threshold differed slightly in 2014 from what it that in 2022. In 2022, 200 percent of the federal poverty level was \$53 000 (Coughlin, Bovell-Ammon, and Sandel 2022, 226). Thus, 100 percent of the income poverty level in 2022 is \$26 500, as demonstrated by the U.S. Department of Health and Human Services.

There is also a discrepancy between the level of poverty in general and poverty among children. Before this difference is discussed, it is important to address the fact that poverty levels vary from year to year, and different measurements used by different researchers will lead to different results. According to the findings of the U.S. Census Bureau in 2015, 46.7 million Americans lived in poverty, or 14.8 percent specifically (McCarty 2016, 623). Approximately one third of these people were children, and since children make up 23 percent of the overall population, the overall child poverty rate was at 21.7 percent. This clearly demonstrates that the percentage of children living in poverty is considerably higher than the percentage of citizens living in poverty in general. Additionally, child poverty is greater among children under the age of 5 compared to older children, in particular youth at the age of 16 or 17 (McCarty 2016, 624).

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<sup>1</sup> According to the U.S. Department of Health and Human Services in 2021, the poverty thresholds for all states, except for Hawaii and Alaska, was \$12,880 for a household with one person. For each additional member of the household, \$4,540 is added, resulting in a threshold of \$26,500 for a family of four. (U.S. Department of Health and Human Services 2021).

Figure 1 - Percentage of children living in poverty from a selection of industrialized countries from 2012. Data from OECD income distribution database.



(Smeeding and Thévenot 2016, S68).

Figure 1 demonstrates the percentage of children living in poverty in a selection of industrialized countries. It also demonstrates that the United States has the highest percentage of its children living in poverty out of the countries in question. There are obviously societal factors that determines this, but these poverty numbers do also have numerous consequences. The number of children born with a low birth weight were higher than the other countries in the illustration, in addition to higher levels of post-neonatal mortality rates (Smeeding and Thévenot 2016, S69).

Children who are born in disadvantaged circumstances are also less likely to perform well with regards to education and more likely to face other negative effects in their early childhood development. Two factors that determine or counteract poverty is the income of a household and income support from the government. The income that parents receive is instrumental in terms of determining the economic situation a child grows up in, and if that income is sufficient, it is arguably the best means for combating poverty. Unfortunately, income is not always enough, especially if wages are not sufficient. In the income gained from wages is inadequate, cash transfers from the government also has a positive effect on child poverty levels (Smeeding and Thévenot 2016, S70).

## 2.5. The American Dream

The United States do certainly have its distinguishing features and unique concepts. Since its founding the promise of a new nation and the pursuit of happiness and individual fulfillment

the sentiment of a land of opportunity has to a large degree permeated the collective consciousness of the American society (Hanson and White 2011, 2). The concept of the American dream will therefore be discussed, not primarily to examine the reality of the ideal or to disprove the notion. Instead, the goal is to try and illuminate its underlying ideas, and how they permeate American society and in turn influence public opinion and public policy.

Though the exact conception of the American dream has not always been clear it could be described as being, in essence, a state of mind and an optimism that is directly opposed to adversity (Hanson and White 2011, 3). Perhaps the most precise conception is the idea that every citizen in the United States can, through hard work achieve success and enjoy a better quality of life regardless of where they were born or in what circumstances. Thus, it could be defined as an idealized way of looking at one's own prospects and opportunities and the promise of a better life for all individuals (Wolak and Peterson 2020, 968).

The essence of the American dream is therefore social mobility, but the question then becomes whether social mobility exists to the degree that the ideal implies. In reality, there is much that suggest that the prospect for the American dream is in trouble, as the levels of social mobility in the U.S. are in decline. Additionally, the benefits of economic growth are getting more and more disproportionately distributed, and the subsequent economic challenges are weighing heavily on the middle- and working class (Wolak and Peterson 2020, 970). Polls conducted regarding the views of citizens demonstrate that the idea of hard work and personal ability is what determines who can achieve the American dream. However, this notion does not stand up to scrutiny as the neglect of demographic and societal factors fail to consider the full picture.

In fact, there is much to suggest that there is a deep discrepancy between the ideal of the American dream and a realistic assessment of it. This is especially true for certain parts of the population. Historically at least, and arguably today, women and minorities have not reaped the same rewards as for example Caucasian men. There is also the aspect of differences between social class, those with fewer resources having lower prospects than those with higher income (Hanson and White 2011, 142).

The American dream is also a concept that has been thoroughly politicized, as politicians will often take advantage of the element of optimism inherent in the ideal. This is not exclusive to one party, as several Presidents and politicians in general, both Democrat and Republican have

appealed to the more emotional aspects of the American ethos (Hanson and White 2011, 143). The ideal also corresponds with the American view of individualism, self-sufficiency and the notion that every American should be responsible for themselves and not rely on help from the government or other individuals (Gilens 1999, 34). These notions do in turn play a role in how American citizens view the idea of aid being provided by the government.

## 2.6 Underlying themes on the history of American childcare

To understand the process underlying the expansion of the child tax credit, it is important to highlight aspects of the history of childcare in the United States. Although the share scope of this history is broad, it is important to emphasise that the overarching theme is that there consists of a highly problematic relationship with childcare and economic assistance for children, both from government and private enterprises. This is partly due to the fact that childcare has, at least historically, not been an issue that the government has prioritized (Cohen and Dodd 2001, 2). By highlighting some of the key historical changes and events around childcare, I hope to demonstrate the patterns that can be observed with regards to this type of legislation. The reasoning behind this is that historical events can tell us what has been done, which subsequently can point to what is possible to achieve now.

In terms of the use of the word childcare, an issue that arises is how the term is to be defined, as the definition of the term is instrumental in deciding how the term is to be understood. A definition that have been utilized by previous scholars, namely Abby J. Cohen is the “*nonparental care of children from birth through 13 years of age*” (Cohen 1996, 27). The definition is intended to cover the developing years of children as well as early childhood education.

The difficulties regarding the definition of childcare mirrors the conflict around what citizens believe childcare should be and how care for children should be provided (Saraceno 2011, 79). One could also question whether the CTC is childcare in the traditional sense, since checks and cash provided to parents by the government were primarily provided so that parents could spend them on childcare services (Besharov and Samari 2000, 197). It is therefore appropriate to address whether the CTC should be defined as a form of childcare given that it is a tax credit. Though the CTC does not specify the use of the money that is received by families, it is not difficult to imagine that struggling families will use that money on food, clothes, and childcare



services. Additionally, in order to receive the credit, the family in question must have a child in the household (Marr, Cox, and Sherman 2021, 1).

Despite the fact that the CTC was originally aimed at low-income to moderate-income taxpayers, and more specifically such taxpayers with children, it also acted as an incentive to encourage work among low-income families (Hungerford and Thiess 2013, 2). Even though the CTC works as an incentive for low-income families, some would argue that it is aimed at the middle class due to a considerable portion of families not earning enough to qualify for the full credit (Burman and Wheaton 2005, 390). However, the CTC has endured much scrutiny over the last 20 years by the fact that it some ways neglects those at bottom end of the income chain by not providing benefits to the lowest-income households (Goldin and Michelmore 2022, 4). Numbers from 2018 indicate that prior to the expansion in 2021, 27 million children under the age of 17 lived in households that did not earn enough to qualify for the full credit, while some did not qualify for any credit at all (Greenstein et al. 2018, 1).

In fact, public financing for childcare have varied and have to a large extent been coloured by the everlasting tension between public and private responsibility. This is because childcare and other forms of welfare are seen by some as violating the idea of individualism and personal responsibility. The opposition to redistributive policies like childcare can therefore partly be explained by the conflict between welfare and the culture of individualism (Gilens 1999, 36). This does not mean that all childcare policies have been hindered, but values and ideological notions have certainly influenced the choice regarding what policy to implement, in addition to the lifespan of these policies. Most often childcare have been provided to address very specific circumstances, like the need for women to work during World War II. However, a consistent pattern is that childcare and other services often stops being provided as soon as the crisis or perceived need has ended (Cohen 1996, 26).

It is also important to emphasise that the issue surrounding care or support for children have not been determined or hindered purely on the grounds of needs but also impeded by values. There are two dimensions here, the first being the to keep the governments influence small and far away from families. The other dimension is the value that families are expected and/or supposed to care for themselves without the government interference, namely the idea of individualism (Cohen 1996, 27). Despite governmental interference being somewhat at odds with the American way of life, there are other aspects of the American value system that

encourage public support for children. This could perhaps most notably be with regards to equality of opportunity with the ideal being that all American children should be in the same position and have access to the same opportunities (Cohen 1996, 28).

## 2.7 Earlier attempts at expansion and investment of childcare

This following section will address some of the most instrumental undertakings and investments towards childcare. The starting point for these changes is the 1930s and all federal investment in childcare ever since have varied to some degree regarding the nature of the measures. Not all federal investment resulted in direct cash transfers like the child tax credit. On the contrary many of these investments and policies were services, but the goals of these investments were nonetheless similar.

It is also worth mentioning that the historical section of this analysis has opted for the 1930s as a starting point, as the aftermath of the great depression made it necessary for the federal government to intervene in the lives of citizens. Thus, in a sense the 1930s is the starting point for the modern response to child poverty, making it a fitting point of departure for the analysis. This is partly due to the attempt to limit the scope of the analysis, but also capture the response and measures taken towards childcare specifically.

Table 1 below provides an overview of a selection of childcare policies in the United States since the 1930s.

*Table 1 – Timeline for childcare policies since the 1930s*

<b>Unemployment because of the depression 1933</b>	<ul style="list-style-type: none"> <li>- Government-paid jobs being provided to citizens rendered unemployed because of the depression</li> <li>- Emergency nursery school program by the Works Progress Administration (WPA) enrolling between 44,000 and 72,000 throughout the years affected by the depression</li> </ul>
<b>World War II</b>	<ul style="list-style-type: none"> <li>- With the war industries of World War II escalating, there became a demand for women to work. The focus of childcare shifted to supporting women to enter the workforce</li> <li>- The Lanham Act: Temporary emergency measure aimed at children 1-12. Granted to communities based on demonstrated need</li> </ul>
<b>The changing attitudes towards poverty in the 1960s</b>	<ul style="list-style-type: none"> <li>- Childcare was now considered as its own policy instead of being part of a larger wartime initiative</li> <li>- Economic Opportunity Act and Head Start on the basis that early childhood development could positively impact their situation later in life</li> </ul>
<b>Growing advocacy and support for child services 1971</b>	<ul style="list-style-type: none"> <li>- Growing need for child services, especially with the growing number of married women in the workforce</li> <li>- The Child Development Act championed the idea that everyone should have access to childcare as a right</li> </ul>
<b>Low-income families 1974-1981</b>	<ul style="list-style-type: none"> <li>- 1974: The implementation of Title XX of the social services amendments \$2.5 billion</li> <li>- 1981: The social Services Block Grant, reduced funding with 20 percent</li> </ul>
<b>Family support act 1988</b>	<ul style="list-style-type: none"> <li>- Changing welfare attitudes, and higher levels of scepticism towards welfare recipients</li> <li>- FSA – childcare that focused on parental participation in work and education</li> </ul>
<b>Child Care and Development Block Grant 1990</b>	<ul style="list-style-type: none"> <li>- Aimed at benefiting low-income parents who were either employed or sought employment, but the campaign focused on the childcare needs of all families to broaden the support for the program</li> <li>- The CCDBG mandated a wide range of choice of providers but continued the trend of minimal health standards and left most responsibility to the states</li> <li>- 5 % of funding for the program were set aside to improve the childcare quality of services</li> </ul>
<b>The Title IV-A At-Risk Child Care 1990</b>	<ul style="list-style-type: none"> <li>- Eligibility for childcare was limited to the working poor in need of childcare</li> <li>- States were required to provide an alternative to decrease the use of federal funds</li> </ul>

(Cohen 1996).

### 2.7.1 Responding to the unemployment of the 1930s

The first significant federal investment towards childcare was made in 1933, in a period where government-paid jobs were provided to thousands of unemployed citizens. Much of the driving force behind this investment was a response to the amount of unemployment that had come as a result of the depression. Part of the investment was towards an emergency nursery school program implemented to alleviate children from the physical and psychological suffering and struggles that came as a result of the economic difficulties of the depression, as many citizens became unemployed. The resulting struggles among children with unemployed parents led to

the establishment of the Works Program Administration being an emergency school nursery program (Cohen 1996, 28). In 1933 these emergency nursery schools of the (WPA) were funded with \$6 million. By 1938 the amount had been raised to \$10.7 million, with between 44 000 and 72 000 children being enrolled every year. However, as previously mentioned the relationship between need and crisis would manifest itself with regards to this investment as the funding from the WPA did not outlast the years plagued by the depression. The primary reason for this was the fact that the investment was realized in order to address the unemployment of the depression, and because unemployment was waning by the early 1940s, the WPA was abolished in 1943 (Cohen 1996, 29).

### 2.7.2 World War II

The circumstances surrounding childcare during the second World War were quite different from those of the depression. With the United States entering World War II in 1941, the war industries created an enormous demand for women to work. The focus for childcare was therefore shifted to supporting the ability of mothers to enter the workforce. Prior to the war, the long-standing belief was that mothers from families who could afford it should stay home to raise the children. With the U.S. entering the war it quickly became apparent that many children were left alone while their mothers worked. As a response to this Congress authorized in 1942 the use of \$6 million to address the decreasing support from the WPA to make care facilities available for children with working mothers rather than only those mothers who were unemployed (Cohen 1996, 30). This period also saw the implementation of the U.S. Lanham Act in 1940, a subsidized childcare program that aimed to provide children with a safe environment due to the need for mothers to enter the workforce (Herbst 2017, 520).

The impact of the Lanham Act was that during its four-year utilization period it provided \$51,922,977 from the federal government and \$26,008,839 from the states on childcare, creating 3,102 centres serving 600,000 children. The Lanham Act was affected by some inherent limitations, one of which being limiting funds to war impacted areas and though broad in scope only 13 percent of children needing care during this period received it. Additionally, as with the response to unemployment after the depression, the funding for childcare was terminated once the war was over. As a result most of the child care programs initiated during the war ended without further federal funding (Cohen 1996, 30).

### 2.7.3 Changing attitudes towards poverty in the 1960s

The 1960s marked a shift in attitudes towards how poverty was to be dealt with. This period was also marked as the first time national lawmakers considered and implemented national childcare on its own, instead of childcare being part of a larger policy or wartime initiative (Cohen and Dodd 2001, 22). Research on the child development demonstrated that the experiences and circumstances that children were exposed to during their early years would have an enormous impact on their later development. For this reason, federal funding for child services in 1965 focused on enhancing welfare for children in low-income families. President Lyndon B. Johnson's war on poverty and Economic Opportunity Act championed the Head Start for young children in low-income families on the basis that early childhood education could positively impact the later success of poor children. It was therefore defined as a more comprehensive program than childcare, emphasising both learning and health as well as facilitate services for families. The aspect that really distinguished the Head Start program from the WPA and Lanham Act was the fact that the program was not terminated after its initial authorization, but has been reauthorized for decades (Cohen 1996, 31).

### 2.7.4 Growing universal childcare needs 1971

In the early 1970s a growing support and advocacy for child services emerged. Not only for the importance of child development, but also for the need of working parents. Specifically, many advocates of childcare legislation highlighted the increased number of married women in the workforce. In 1950 only 13.6 percent of married women with children under the age of 6 were in the labour force. In 1970 this number had risen to 32.2 percent (Cohen and Dodd 2001, 27).

The proposed Child Development Act of 1971 championed the idea that child development programs should be available to everyone as a right, regardless of class or family background. The program would require \$2 billion in funding annually and care would be provided free of charge to families earning up to \$4,320 and offered on a sliding scale to those families earning up to \$6,960 per year. Despite previously supporting a federal role in subsidizing childcare, when the legislation was brought before him, President Nixon vetoed the legislation. According to Nixon himself, his reasoning was that it would be a massive commitment for the federal government and would mean that the government would side with the communal approach, in which the task of child care would be a communal responsibility, rather than the family-centred

approach where the responsibility of child care would be undertaken by families themselves (Cohen 1996, 32).

### 2.7.5 Low-income families 1974-1981

1974 saw the implementation of Title XX of the social services amendments, amendments that allocated \$2.5 billion a year to several services, including childcare, the prevention of child abuse and neglect, as well as promote adult self-sufficiency. This amendment was also included with a capped entitlement XX, to expand the assistance the amendment provided to include the working poor and former welfare recipients. In several states this amendment was the only source of public support for subsidized childcare and in 1981 it included \$2.9 billion in funds for social services and \$715 million for childcare. The title XX was replaced in 1981 to the Social Services Block Grant. As a result funding fell by approximately 20 percent and several funding streams were combined into one grant in order to give the states more freedom in terms of how the grant was used (Cohen 1996, 32).

### 2.7.6 Responding to welfare dependency 1988

1988 was yet again a moment in time where changes in welfare attitudes would occur. The idea that poor mothers should receive support to stay home and raise their kids was no longer the prevailing view. Additionally, those who received such benefits were increasingly made up of mothers who never married, which only exacerbated the view that these people were less deserving of aid (Cohen 1996, 33).

The views of this period were also very much affected by the racial welfare queen stereotype frequently used by Ronald Reagan (Pruitt 2016, 289). This stereotype conflated the aspects of dependency and poverty with being black, while the aspects of self-sufficiency and autonomy with being white. Despite his reasoning Reagan's conflation and visualization of poverty had a major influence on the national imagery and perception of poverty and its racial dimensions (Pruitt 2016, 290).

As a result of these changing attitudes the Family Support Act (FSA) of 1988 was passed, requiring welfare recipients to participate in education, training, or work. A significant aspect of the FSA was that it guaranteed childcare for participating families, but it was vague when defining the quality of childcare, as the law focused more on ensuring parental participation.

Despite this, the FSA stood as the first open-ended entitlement regarding childcare in American history. Families that met the eligibility standards could receive childcare regardless of economic situation, but the benefit was only guaranteed to those who were on the Aid to Families with Dependent Children (AFDC) or those who were leaving the program, meaning certain parts of the population were not guaranteed childcare benefits (Cohen 1996, 33).

Another distinguishing feature of the FSA was that it marked the first instance in which public subsidies were explicitly linked to the private childcare market. This meant that individual payments for childcare could not exceed the local market rate. As a result, the childcare payments varied across states, with states like Ohio and Minnesota receiving higher rates while states like Alabama and Indiana received the bare minimum of what the FSA allowed (Cohen 1996, 34).

### 2.7.7 A response to the working poor

The year 1990 witnessed the introduction of additional childcare legislation because of the growing recognition and need for childcare for all families, not just those with dependent children. Additionally, the growing number of upper-middle-class women in the workforce resulted in a new level of political will demanding a government response to the economic concerns of families (Cohen 1996, 34).

The legislation introduced was the Child Care and Development Block Grant (CCDBG) and the Title IV-A At-Risk Child Care. The CCDBG was advertised as a bill that would support the childcare needs of all families regardless of income. The CCDBG had several similarities with the FSA, one of them being the mandate that parents would be able to choose their childcare services from a wide range of providers. Another similarity was that most regulatory aspects were left to the states, with some minimal standards being established by the federal government (Cohen 1996, 34). Families were eligible to receive aid if their children were under 13 years old and the family's income was below 75 percent of the state's median income. Though the CCDBG was advertised as services provided to all families, the states could restrict eligibility if need be, in order to prioritize the very low-income working families (Blank 1991, 7).

In the fiscal year of 1991 the program was funded with \$750 million and though much was left to the states, 25 percent of the funds were reserved for quality standards, for early childhood

development, and before and after school services. After the states met the minimum requirements they were free to organize as they wished, however the funds was only meant to be a supplement to the states' own child care, not supplant it (Morse and Steisel 1990, 3).

The Title IV-A At-Risk Child Care was not targeted as broadly as the CCDBG, instead specifically targeting the working poor and families that were in need of child care in order to work (Maynard and Mgginnis 2013, 199). Being a capped entitlement, it did not require a congressional budget hearing every year, but states were required to provide matching alternative in order to decrease federal spending limited the utilization of the program (Cohen 1996, 35).

## 2.8. Historical patterns

The first aspect that is important to highlight when looking at American childcare historically, is the relationship between perceived need or/and crisis and the expansion of benefits. As mentioned previously, the implementation of new benefits or extensions to existing one's have often come as a response to very specific circumstances. For instance, the levels of unemployment rising to unprecedented levels in the 1930s or the need for women to work during World War II. Though not always the case, the various programs implemented to solve these problems have often been terminated as soon as the crisis, and by extension the end of the perceived need (Cohen 1996, 26).

An additional point is that childcare policies have often failed to include, or sometimes intentionally excluded certain sections of society. A notable example being the fact that the benefits provided by the Lanham Act only reached 13 percent of the children who were in need, thus being lacking to some extent. The Family Support Act is an example of a redistributive program which included eligibility standards meant to ensure that parents that received aid would participate in either work, training, or education in order to improve their opportunities for work. This is arguably an example of the idea that those who are recipients of welfare should be deserving, which aligns with the notion of the deserving poor, as stated by Katz (2013, 2). The demand for eligibility standards is a concept that is still prevalent in today's society.

The change in how childcare is provided ever since the 1930s is a demonstration that the attitudes towards poverty and the poor have not been the subject of a stable definition



throughout this period. As stated by Skocpol the debates surrounding social policies is a reoccurring theme in American society (Skocpol 1995b, 3). The 1960s is arguably the period where lawmakers saw the need to address childcare itself, rather than treating it as part of a larger piece of legislation. This period is also marked by the idea that early childhood development does have implications for later development. The early 1970s demonstrated the notion that some people believed that childcare should be treated as a right, yet others would disagree and were sceptical of the government having such influence. As stated by Skocpol, many Americans still maintain the notion of smaller-scale government (1995a, 65). This demonstrates the conflict between the role and commitment of society, and the idea of personal responsibility, a conflict that still influence the debate to this day. As stated by Gilens, the way society view the poor has repercussions for how poverty is dealt with (Gilens 1999, ix).

American society have also proven to be sceptical towards certain aspects of welfare, namely a disapproval towards certain welfare recipients, especially single mothers in the 1980s. This is part of the cynicism towards the true motivation of welfare recipients on the part of American citizens (Gilens 1999, 4). Additionally, the racial welfare and dependency stereotype of this period is further evidence that a large portion of Americans believe that most welfare recipients are black, lazy and thus undeserving (Gilens 1999, 3).

## 2.9 Summary of the chapter

The reasoning behind the elaboration of social policies in the United States is to bring attention towards the political realm in which the CTC exists, and the disagreements surrounding redistributive policies in general. The U.S. certainly has a considerable level of poverty amongst its citizens, yet the differing attitudes towards how this problem is dealt with ranges from those who emphasize societal factors, to those who see poverty as personal inadequacy. This in combination with many still viewing poverty in racial terms creates a societal disagreement regarding how poverty should be dealt with, and a scepticism towards those who are at the receiving end of government aid.

Attention have also been directed towards the history of childcare to demonstrate what the United States have opted to do in the past, but also to highlight the patterns that can be observed. Every piece of legislation and situation will to some extent be unique, yet commonalities can be demonstrated. It therefore prevents examining the child tax credit in a vacuum. The historical

conflicts over childcare and redistributive policies in general, is the struggle over the question of how to alleviate poverty most effectively. The temporary nature of many of these programs is not the only point this chapter has aimed to emphasize, as the scope of these policies is also worth considering. A common feature of redistributive policies in the U.S. historically, is that they either fail to cover, or intentionally exclude certain parts of the population through the implementation of requirements for the recipients. It is also worth pointing out that there have been societal changes with regards to attitudes towards poverty. Most notably the changing attitudes towards poverty in the 1960s and the 1980s.

Much research has been conducted on the American society and its government. Especially the lacking elements and differing viewpoints towards welfare and redistributive policies. Because the expansion of the child tax credit in 2021 is such a recent legislative event, it provides the opportunity to apply existing theories to a new phenomenon, that has not been thoroughly investigated.

### **3.0 Theoretical Framework**

In the following chapter I will discuss the theoretical framework that will be utilized in the examination of the expansion of the child tax credit. I will therefore explain the five principles for examining politics as outlined by Lowi et. al, as these principles will operate as the primary framework for this case study.

#### **3.1. The Five Principles of politics**

With the expanded child tax credit being such an historically significant policy expansion and a shift in American redistributive policy, it is important to elaborate on the policy itself but also the circumstances, actors, and processes behind its rise and fall. For this task the analysis will utilize the five principles of politics given that they are able to demonstrate the underlying logic and overall process of the expansion (Lowi et al. 2019, 7). The reasoning behind the use of these principles is that they will allow the examination to be conducted from different viewpoints. Although all the principles offer their own explanations, it is worth emphasising that they differ in terms of applicability with regards to specific policies.

##### **3.1.1 Rationality: All political behaviour has a purpose**

This theory is based on the view that most citizens, and certainly politicians have goals and preferences. Thus, the political behaviour and the choices they make are guided by these goals and their own aspirations. This is also an instrumental factor for why governments do as they do, as they will often respond to what people want. Political behaviour on the part of the individual ranges from reading the news, having political discussions with your neighbour, voting, or signing a petition. These acts also differ with regards to how much time and resources they require, or in terms of what it requires from the individual (Lowi et al. 2019, 7).

For everyday citizens the line between political behaviour and daily activities is blurred. Politicians on the other hand face another problem, specifically that every act they commit is explicitly political. Whether that be introducing a piece of legislation, or voting for or against a bill, there are always consequences and pitfalls. To keep their job politicians are forced to think through the benefits and the costs of their decisions (Lowi et al. 2019, 8). For elected politicians their behaviour is based on the goal of maximising votes at the next election or/and maximise the probability of winning (Lowi et al. 2019, 9).

All political behaviour may have a purpose, but it would not be unreasonable to question whether all choices made by individuals are truly rational. Rational choice theory assumes that actors know what they want, but also that they know what they want transitively. This would require the ability to choose the best option among a number of goals, and being able to choose the second best option if the desired first goal is unachievable (Riker 1995, 24).

This assumption rests on the notion that actors attempt to choose the best means to meet their ends. It also assumes that actors can order their goals, but the choosing of instruments to achieve these goals is another matter. Because of the complexity of choosing the means of achieving a goal people will often choose those means they believe to achieve desired outcome, sometimes mistakenly (Riker 1995, 25). An example of this could be voting for a political candidate or a legislative proposal that the individual considers to be the appropriate means to achieve the desired outcome when this may not be the case. The challenge is therefore assessing the degree to which citizens are informed and to what degree their preferences align with the evidence (Chong 2013, 1). Additionally, though people may often or always have reasons for their actions, these reasons are not always the best or the most selfless. For voters and politicians' alike ignorance or misjudgements can be the obstacle to the best solutions, as well as personal ambition or conflicting goals (Simon 1995, 47).

People are not just their own agents since a major determinant and indicator for the goals of citizens is political parties. In the current political climate, the choice of a political party is either the Democratic or the Republican party. In broad terms the Democratic party favours a strong government that can provide services and healthcare to its citizens through taxation. Many Democrats also favour fairness for disadvantaged groups and think the government should stay out of matters such as abortion and gay rights. Additionally, Democrats are generally more in favour of international negotiations and climate change measures. In contrast, the Republican party favours a smaller government that does not interfere in business or personal freedom. Republicans favour less taxation, especially for the wealthy as they believe that the wealthy will grow and stimulate the economy. Republicans usually favour a strong military and individual success, but are also more likely to prefer that the government should regulate individual behaviour with regards to abortion and gay rights (Hershey and Aldrich 2017, 23).

It is also worth pointing out that a striking development over the past 40 years is that both Democratic and Republican voters are increasingly voicing negative opinions and resentment towards the other party (Kingzette 2021, 75). Perhaps more than any time previously the political parties are more strongly divided and further apart. Additionally there are tensions and disagreements within the parties themselves (Drutman 2017, 3). These divisions are not exclusive to either politicians or voters but are prevalent amongst both groups. Additionally, for a country with over 300 million inhabitants, simply dividing people between two possible political affiliations is not a sufficient classification for understanding the share diversity of political opinions and beliefs. The classical left-right axis is therefore quite fluent and voters as a result will not have a consistent ideological viewpoint (Drutman 2017, 4).

An instrumental factor for why political attitudes differ to such a degree across the country is the share size of the United States, and the different issues that politicians need to address across different parts of the country. There is also a divide between the urban and rural parts of the country. Though both parties have supporters in cities and rural areas, the divide between where people live is becoming increasingly political. Urban areas are increasingly consisting of Democratic voters while rural areas are increasingly consisting of Republican voters (Mettler and Brown 2022, 130).

This goes to show that in trying to understand why politicians do as they do, the increasing political polarization in the U.S. can often tell us much about what individuals will do by examining what political party they support. This is particularly true within Congress, as the typical congressman in 2015 voted with their party 87 percent of the time (Lee 2015, 264). Using the example of COVID-19, political affiliations have been shown to have a considerable effect on people's attitudes towards the virus (Franz and Dhanani 2021, 649).

The political reality cannot be explained in terms of just Democrats and Republicans however, as both parties vary across different states, the share size and diversity of the U.S. means that Democrats in California will to some degree differ from Democrats in West-Virginia. The difference within the parties is arguably just as important as the differences between the parties with regards to the CTC, as it demonstrates that politicians from different states will have different agendas and different needs to address. Therefore, some ideological differences exist within the parties themselves as there are both conservative Democrats and liberal Democrats (Lee 2021, 5). When examining why the expanded CTC was not renewed for 2022 through the

Build Back Better Act, the conflicting interests within the party itself is one of the primary reasons for its termination. The more conservative Democratic Senator Joe Manchin of West Virginia preventing the passage of the Build Back Better Act out of concerns of cost of the program and claiming that it included too generous welfare arrangements (Lipman 2022, 1).

### 3.1.2 Institutions matter

In the pursuit of political goals, citizens and political officials alike are often confronted with reoccurring problems. As a result, standard ways of addressing these problems have been established, namely through institutions (Lowi et al. 2019, 9). According to Lowi et. al institutions are “*a set of formal procedures, often administered by a bureaucracy, that shapes politics and governance*”. Institutions are therefore the procedures put in place for how the political process will occur. In this way they also shape political activity by establishing political players, their positions and what they can do. Although the constitution presents a framework for how the different institutions across the Unites States can operate, these institutions themselves are highly flexible and are shaped by the political actors that occupy them (Lowi et al. 2019, 10). Nevertheless, political institutions are intrinsic to the policy process because they, as outlined by Paul Pierson, determine the rules of the game (1995, 449).

The institution most in need of elaboration is the United States Congress, an institution with an importance that cannot be overstated. The very fact that the constitution brings up Congress as the first branch of government before both the Presidency and the Supreme Court, granting Congress the power to formulate and implement legislation for the federal government, speaks to its intended influence and power (English 2003, 1). Being a bicameral institution, Congress is divided into two chambers. The first of these is the House of Representatives that has 435 elected officials from all the states, the share of Representatives from each state being in relative proportion to the number of citizens in each state. The second chamber is the Senate that contains 100 Representatives. If the House of Representatives favour the more populous states the Senate does the opposite, with each state having two Senators regardless of population. The Senate was therefore partly implemented to prevent the possibility of majority rule by the larger states (English 2003, 8-9). The primary purpose and responsibility of Congress is that of legislation, Congress having the sole power to make federal legislation. A bill can originate in either the House or the Senate, except a bill concerning revenue that must originate in the House, but for that bill to become law it must pass through both chambers (English 2003, 10).

Congress, like any institution, is shaped by the members that inhabit the institution, as well as the goals and motivations of those members. Though all individuals have different goals when managing to enter either the House or the Senate, they all have one goal in common, namely that of re-election. Some would even go as far as to say that this focus on re-election is the primary factor that will influence the decision-making process of these congressmen (English 2003, 43). However, if the only concern of congressmen was re-election it would obviously be a bit of a concern for a democratic institution, yet there is much to suggest that the quest to keep their jobs is not the only motivation for congressmen. For one thing, elected officials are accountable to the voters that elected them meaning that catering to those voters will be essential. In contrast to the view that re-election is the primary force behind decisions made by congressmen, Richard Fenno argued that the goals of politicians were threefold. The goal of re-election being joined by making good policy and attempting to gain influence within Congress itself. This viewpoint puts emphasis on the political impact that voting will have for politicians in certain situations. One vote may have significant influence on their position and re-election chances while others may have no influence at all (English 2003, 44-45).

Although all congressmen are considered equal, the reality is more complicated. Given that Congress deals with all manner of policies, every politician in Congress cannot possibly be specialized in every policy area. The level of influence that individual members of Congress have is dictated and to a degree limited by what issues they prioritize. Therefore, different members of the House and Senate have different specialization in different policy areas that they choose to prioritize (English 2003, 46). The prioritization on certain issues by members of Congress is not restricted to their own interest, as political motivations are just as important. An example is the state and the constituency that members of Congress represent, as these representatives are incentivised to specialize in and prioritize the concerns and aspirations of the state that they represent to be re-elected and appeal to voters. Members of Congress can also be influenced to vote a specific way by other members, as well as having other members influence what legislative field, they choose to specialize in. A Senator or member of the House may choose a specific policy area to distinguish themselves from other members of Congress (English 2003, 47).

### *Money in Congress*

It is also pertinent to elaborate on the issue regarding money in Congress. With the goal of re-election being the primary concerns of representatives, they are dependent on having enough money to fund their campaigns, and the amount they must raise to win elections is increasing (Gilens 2012, 197). This has led to interests groups, organized groups who attempt to influence government policies, being more prevalent in American politics (Lowi et al. 2019, 555).

### *Committee systems*

In accordance with the different areas of specialization on the part of individuals in Congress, the institution itself is divided into different committees. Though all pieces of legislation must pass through the House or the Senate itself, the committees is often where key aspects of legislation is shaped (English 2003, 61). Because the entirety of Congress cannot deal with everything at once, the early stage of all legislation is delegating different legislation to different committees with different specializations.

The different types of committees can also be divided into five types, namely *Standing committees* in charge of reviewing the bills that are introduced to Congress. *Ad Hoc committees* being temporary bodies that are put in place to report legislation regarding specific topics. *Special committees*, a panel intended to examine specific topics, but like Ad hoc committees, their usefulness is only temporary, as they will disband as soon as their task is complete, and the utilization of these committees are only occasional (English 2003, 62). *Joint committees* that are distinguished by having no power to write legislation, but instead have the task of investigating other committees and their members. And lastly Conference committees, also temporary bodies that are required to level out possible differences if the House and the Senate have passed slightly different versions of the same legislation. These committees are therefore the gate keepers in Congress as most legislation dies in these committees (English 2003, 63). In fact, the percentage of bills that become law sits at around 4 percent (Volden, Wiseman, and Wittmer 2018, 679).

In order for Congress and the committees to work effectively, subcommittees for each committee exists to specialize in very specific policy areas, and each committee can have several subcommittees (English 2003, 65). The role of these subcommittees is to conduct research surrounding the issues of the bill that has been put forth. This type of research is done through hearings where the committee or subcommittee invite witnesses that will provide



opinions on the legislation in question (English 2003, 66). In principle these hearings are intended to give the members of a given committee the opportunity to receive viewpoints and insight so they can decide whether a law is to be changed or not. However, to what degree these hearing influence political outcomes remains uncertain. There is certainly a possibility that members of Congress can change their mind after hearing a different viewpoint, but others will stay committed to the path and viewpoint they have chosen (English 2003, 67).

### *The House and Senate budget committee*

Even though the number of committees and subcommittees in the House and Senate are numerous, they do differ in terms of how relevant they are for this analysis. Thus, the most important committees to address are the House and Senate Budget committees, as these played a part in passing the expansion of the child tax credit. In order to discuss these committees and how they operate, it is important to discuss their origin and why they were implemented. The House and Senate budget committee was established as a result of Congress seeing the need to improve its control over federal taxation and spending (LeLoup 1979, 227). The responsibility of these committees was to recommend budget resolutions to Congress and though there was initially a restriction on what agenda the committee could address, the range of fiscal issues being addressed by these committees increased quickly (LeLoup 1979, 228).

### *The Budget Reconciliation Process*

It can certainly be stated that U.S. institutions are not unfamiliar with checks and balances, especially in congressional hearings. Recent years has seen more frequent and sometimes extraordinary use of the peculiar congressional arrangement that has existed for decades called the filibuster. This arrangement allows for unlimited debate in the Senate, so that any Senator can simply request that the debate be continued when discussing a bill, without actually using that time to speak (Johnson 2021, 29). The filibuster has become increasingly usual, to the point that it is utilized in the case of nearly all legislation. The only way to stop the filibuster is through a cloture motion, meaning a 60-vote majority in the Senate rather than 50+1. In the case of Joe Bidens Presidency, the Democratic party possess no such majority, and thus the filibuster has already put a stop to several of Joe Biden's law proposals (Johnson 2021, 30).

There are, however, some exceptions to the filibuster. As of 2013 appointments to lower federal courts (Nash and Shepherd 2020, 646). As of 2017, the vote threshold for a Supreme Court

Justice nominee, which was lowered from 60 votes to a simple majority, when 52 Republicans voted to disallow the filibuster of Supreme Court nominees. Most notably used when the Republican party approved Supreme Court Justice nominee Neil Gorsuch in 2017 (Gerhardt and Painter 2017, 264).

However, the most important exception for this analysis is the budget reconciliation process, that owes its origin to the 1974 Congressional Budget Act. The idea behind this act was that instead of voting on different aspects of a budget separately, members of the House of Representatives and the Senate would instead vote on a single budget resolution. The act also requires the House and the Senate to adopt at least one such budget every year. The budget resolution is not sent to the President for either approval or veto and is, in essence, a statement from Congress concerning what is regarded the appropriate policies concerning revenue spending and debt-limit policies (Keith and Heniff 2006, 1).

The main purpose of the reconciliation process is to provide Congress the ability to change current laws to align spending, revenue, and the debt-limit with the policies of the budget resolution. The process of reconciliation itself is twofold, with reconciliation instructions directing the appropriate committees to produce legislation that will align with the desired budgetary outcomes. Following this the reconciliation legislation gets reviewed by Congress, with the debate in the Senate being limited to 20 hours, thus preventing the filibuster. Because such a bill cannot be filibustered they have increasingly been passed when the same party controlled Congress and the Presidency (Keith and Heniff 2006, 2). The Senate can consider the three subjects of reconciliation separately and can sign three bills regarding either spending, revenue, or the debt limit, or sign a single bill including all three. The resolution process cannot pass more than one bill that addresses each of these subjects (Kogan and Reich 2022, 3).

### *The President*

In today's America the executive branch has the role of formulating both the domestic and foreign policy of the government (Duignan 2009, 21). The last century has also seen a rise in the President's power, arguably becoming the most powerful institution of the nation in terms of foreign, military, and domestic policy. The President is also not burdened by the collective decision-making procedures that is required in the other institutions, instead being a unitary decider (Lowi et al. 2019, 248-249). Though initiating legislation is primarily the responsibility of Congress, the President has the power to formulate proposals for extensive policies and bring

that policy agenda before Congress. This is partly because the President and the assistance of his staff and cabinet can initiate such action more quickly than Congress. With regards to budgets specifically, the Budget Act of 1921 empowered the executive branch to submit an annual budget, being a considerable influence over the political agenda of the nation (Lowi et al. 2019, 266). In the case of the ARP, it was very much a proposal and an agenda proposed by Joe Biden, however that proposal had to be brought before Congress to be implemented.

### *The dynamic between Congress and the President*

The executive and legislative branches were each granted different responsibilities and powers, and not by accident. As devised by the founders, the checks and balances between the President and Congress shapes much of the political agenda, as each branch is checked by the other. The President is granted the power to appoint cabinet members and Supreme Court nominees and more, but they must all pass through a confirmation in the Senate (English 2003, 120). The President's role is formally limited to veto, as the role of initiating legislation is primarily granted to Congress. If a bill is passed in the House and in the Senate, the President can sign that legislation, making it law or do nothing, resulting in the legislation becoming law after ten days without his signature. The President can also veto legislation, sending it back to Congress, requiring a two-thirds majority in both the House and Senate to override the veto (English 2003, 133).

The envisioned dynamic between the Executive and Legislative branch was therefore a system of interbranch competition that would provide the checks and balances necessary to limit the power of each branch and its members. In a sense this included the notion that each branch would have a will of its own. However, the party politics of today have altered the relationship between the branches, making the competition between them more similar to the competition between the parties themselves (Levinson and Pildes 2006, 2313). The last 20 years have seen a considerable increase in partisan voting, especially during the Presidency of Barack Obama. During his first term both chambers of Congress witnessed a partisan divide over most issues and Republican votes for Obama's policies were rare (Lowi et al. 2019, 237).

As a result, the relationship between the President and Congress is to a considerable degree determined by what party holds the majority in the House of Representatives and in the Senate. Though the President represents a party, the executive branch does still operate as independent from the party, meaning that even if the opposition party has a majority in Congress the

President is still allowed considerable room to manoeuvre (Duignan 2009, 23). Even so the party composition within Congress does certainly have implications for what the President can achieve. Joe Biden experienced this with the vote regarding the proposal of the Build Back Better Act in December 2021. In this case there was unanimous Republican opposition, meaning that there was no Republican support to count on when Democratic Senator Joe Manchin of West Virginia voted against the legislation, acting as a roadblock for what could have been the most influential policy of Joe Biden's political legacy (Lipman 2022, 1).

### *Criticism of and challenges for the institutional features of the United States*

The arrangements, organizational structures and separation of powers is, of course, the distinguishing feature of American institutions, and though intrinsic to its political system the inner workings of American institutions are not without its critics. At the core of these criticisms is the sense that American institutions are ineffective and that the separation of powers leads to different authorities competing with one another (Weaver and Rockman 2010, 1). The separation of powers along with the different checks and balances imbedded in the constitution also presents a challenge for those who champion major policy reform and efforts to change social and economic programs (Béland and Waddan 2012, 3). When examining the CTC, it becomes evident that there are many obstacles and procedures that makes the process of implementing change difficult. It is also important to note that these obstacles are inherent to the American system and are therefore not in any way exclusive to the story of the CTC.

Because no single institution can govern on its own, there becomes plenty of opportunity for disagreement and gridlock, to the point where both the legislative and executive branches avoid dealing with societal problems until the cost of living with them becomes too great. The separation of powers also prohibits the country from speaking with a unified voice, apart from times of a unified government. Part of this can be blamed on the founders and the construction of the American government itself as the constitution was not designed to ensure an efficient government, but rather to inhibit tyranny (Weaver and Rockman 2010, 2). Not only are there checks and balances between the different branches of government, but also within these branches themselves. The main example of this is Congress which is divided into two chambers, resulting in a bicameral system put in place for Congress to check itself (English 2003, 8). Though there remains much disagreement as to the nature of possible remedies for American institutions, many would agree that the institutions and governance itself is in need of changes

to prevent institutional insufficiencies and increase the capabilities, and effectiveness of the existing political institutions (Weaver and Rockman 2010, 3).

As stated by Martin Gilens, one of the reasons for why the United States is in need of remedies for its institutional insufficiencies is the fact that the U.S. differs greatly from other industrialized nations with regards to the effectiveness of its antipoverty programs. The U.S. being at the bottom end of the spectrum when it comes to reducing the poverty rate through social policies (1999, 204). The inner workings of American institutions are by no means the only factor that determines this outcome, but it is not a stretch to imagine that a fragmented political system with institutions plagued by too many checks and balances and/or divisions would present obstacles for the implementation of redistributive policies. As stated by Skocpol, the poor have historically benefitted the most from redistributive programs that have been relatively universal, and suffered the most when left to fend for themselves at the mercy of the division's between America's fragmented political institutions (1995b, 32). It could be argued that the welfare arrangements seen in industrialized European countries would better aid those who are economically deprived, but the nature and fragmentation of U.S. political institutions have prohibited such social provisions from being implemented (1995b, 33).

### 3.1.3 The theory of Collective Action

The principle of collective action maintains that political change does not occur from the aspirations of a single individual. Political action is collective and involves different people, groups, organizations, and institutions coming together to enact change, resulting in the amalgamation of different goals. On the other hand, different people and groups have different goals, something that can lead to challenges and disagreement, resulting in different motivations for cooperation. The focus of this viewpoint is therefore directed towards the actors in question, and or lack of cooperation between them (Lowi et al. 2019, 13). Problems can also arise if individual people or actors choose strategies or options that maximize short-term benefits for themselves, and in turn diminish the potential long term gains for the collective (Ostrom 2010, 155).

With regards to the expansion of the CTC collective action primarily occurred between the Legislative branch and the Executive branch, with the Democratic party in Congress and Joe Biden as a Democratic President being the two major players. It is also important to address the

median voter theorem, as this pertains to one of the actors in question, that being Senator Joe Manchin of West Virginia and the influence of his vote. This framework asserts that the individual who occupies the position in the middle and stands between the preferences of two groups is in a position to prevail against any of the two opposing majorities (Lowi et al. 2019, 217).

An important aspect of collective action is bargaining. For different groups to cooperate, agreements must be made. If there are different preferences or diverging goals a deal is impossible, but if they align and different groups are willing to compromise, collective action can occur. Much of politics and bargaining can be relatively informal, but as is the case with everything, different groups must be willing to both give and take for cooperation to be possible. For those who consistently try to maximize their gain or advantage, cooperation will not last long (Lowi et al. 2019, 13-14).

Not all bargaining can be informal, as certain bargaining situations are governed by specific rules that determine which group or party that gets to do what, who gets to make an offer, what happens when a proposal is rejected and so on. Therefore, formal bargaining is primarily associated with events and procedures within institutions, courts, legislature, administrative agencies and so on. The formal bargaining between these different agencies is therefore governed by rules that regulate the proceedings in order to maximize the probability of reaching an agreement (Lowi et al. 2019, 14-15).

Issues regarding how to accomplish something increase when the number of interested parties increase. If groups of people come together with the intent to pool their resources and coordinate their efforts to achieve common goals, collective action takes place. A reoccurring problem here is the danger of free-riding, namely individuals or groups who coast on the work and by extension the benefits others have worked for. Collective action is therefore dependent on a strong leadership structure in order for this to be avoided (Lowi et al. 2019, 16-17).

The collective action principle therefore looks at the way individuals try to accomplish goals, not as individuals, but as part of a larger collective, be it political parties, interest groups, etc. It therefore covers the obstacles to overcome, and the necessary steps needed for collective action and cooperation (Lowi et al. 2019, 18). With regards to the actions of political parties, concerted action by the members of the party is necessary, as this is a predicator for achieving

desired political outcomes (Aldrich 2011, 21). By being a collection of individuals, one could say that everything political parties do involve collective action (Aldrich 2011, 30).

From the viewpoint of the political science approach to collective action such factors as norms, culture, and ideology play a key role. Collective action theory is to some extent based on the foundation that the actors involved are rational. Political actors in particular, may have a sensible starting point for their agenda, but their self-interest will simultaneously be shaped by experience, possible benefits and their own ideology, as well as the ideology of the group they are a part of (DeMarrais and Earle 2017, 185).

### 3.1.4 The Policy Principle

Regardless of the processes that lead to a policy, the most important aspect is nonetheless the results of politics. Ultimately individuals care about how laws and policies affect their own welfare and the welfare of the people closest to them. It is therefore important to pay attention to the link between individual goals, institutional arrangements, collective action, and the outcomes that occur as a result. As was demonstrated with the rationality principle, all political behaviour has a purpose, but additionally all political decisions are the product of different processes that leave their mark on the legislation that is enacted (Lowi et al. 2019, 18). With the CTC and every other piece of legislation, there is the intended effect and the actual effect that citizens experience. But the CTC is also coloured by the fact that it was completely partisan, the fact that only Democrats voted in favour of it resulting in an arguably more unstable foundation and security for the legislation itself.

The political motivations that determine outcomes are threefold. Firstly, there are personal interests, for instance a political actor being in favour of a certain policy because they themselves, their friends or their community would benefit from it. Though far from being the only reason, there is a lot to suggest that politicians are motivated by a desire to influence policy (Balian and Gasparyan 2017, 12). Secondly, there are electoral ambitions, for instance a Senator who introduce legislation to broaden his support. An example being a liberal Senator introducing conservative legislation to gain support from that part of the electorate. Lastly there are institutional ambitions, for instance a representative promising his or her vote to a party leader to gain their endorsement come the next election. These sources of influence help illustrate how an eventual policy is shaped by both personal aspirations and institutional

procedures. Because of this level of institutional complexity and a political process that require success at every step, changes or/and implementation of something radically different is almost impossible. The institutional arrangements, political motivations and complex policy process therefore result in the final policy implementation being lacking and sloppy (Lowi et al. 2019, 19).

### 3.1.5 History matters

The core aspect of the theory surrounding why history matters is the simple fact that where we have been and what we have done is affecting what can be done now. History also lets us see what circumstances led to what outcome and what choices that were available to political actors at a given time and the consequences of these circumstances. The history principle, therefore, illustrate that a current situation can too some degree be explained by the historical path that has led to it. Path dependency is therefore a key point here, the idea that certain possibilities and/or outcomes are more or less likely due to the historical paths and decisions taken earlier (Lowi et al. 2019, 20). This perspective matters for the CTC because the alterations made to childcare previously, and especially alterations made to the CTC earlier does have consequences for what is done today. Not only in terms of whether an increase is viewed as possible by the public and by politicians, but also because the economic ramifications from previous alterations could have an impact on how citizens view future alterations.

With regards to path dependency, a process is path dependent if the first move in a particular direction leads to more moves in the same direction (Kay 2005, 553). In this sense, decisions made previously could be seen as creating a precedent for decisions that are to come. In the case of the CTC, alterations and increases to the credit have been done prior to its expansion in 2021, paving the way for future increases. However, the idea of path dependency is not without its shortcomings or critics, as many are unsure of its usefulness given that it has no clear framework or specific variables (Kay 2005, 554). Path dependency have also primarily been utilized when examining the framework of political institutions, namely a path dependency regarding the procedures and norms within the structure of the institution. Additionally, there remains disagreement as to whether public policies are path dependent, but there certainly is a key distinction between a policy and the institution(s) that shape that policy (Kay 2005, 555-556).



Regardless of the applicability of the idea of path dependency, historical actions and events do have an impact for how the world is today. Three factors specifically help illustrate why history matters. The first of these is rules and procedures, the choices made at one moment in time will continue to have consequences for decades or even centuries to come. The second way of illustrating how history matters is through the lens of loyalty and alliances. Many of the political alliances made decades ago persist to this day, an example Jewish American being among the democratic party's most consistent voters (Lowi et al. 2019, 21). The third factor is the historically conditioned points, being the fact that past events shape current perspectives. As stated by Lynn Hunt, current actions are justified through our understanding of the past, and as the debate about the past is never settled, historical truth to some can be used to mislead others (2018, 31). An example of this is the American citizens who experiences the Vietnam war experienced the more recent conflicts in Iraq and Afghanistan through the lens of the Vietnam war (Lowi et al. 2019, 21).

Another aspect of why history matters is what role the knowledge of history has for the individual. According to John Tosh, history is a critical component of what makes and active critical citizen in a representative democracy. The general idea being that historical knowledge informs individuals about political decisions undertaken previously, which will inform their choice regarding the possibilities of today and enhance the intellectual resources available to them in their decision-making process (Tosh 2019, ix). Whether historical knowledge is a necessity for being a critical citizen is not a discussion this analysis will attempt to undertake, but it is not a stretch to imagine that the idea of historical knowledge and experience possessed by individuals will influence their political viewpoints.

### 3.1.6 The interaction between different theoretical viewpoints

It is important to emphasise the fact that these different theoretical viewpoints are not mutually exclusive from one another. At the same time, these theoretical viewpoints can also collide at times. An example of this is Congress, as the institutional principle highlights how Congress is organized, but the way in which it is organized can also be seen in historical terms. Using the example of social programs to deal with poverty, an ambitious social program would most often require a considerable collective effort to be realized. Although many would see this collective action as necessary, history and traditional views may convince others that collective efforts is not the way to deal with poverty, but rather individual efforts (Lowi et al. 2019, 700).

### 3.2 Expectations for the applicability and utilization of the theory

This theoretical section has covered the five principles of politics. The intended utilization of this theoretical framework is to demonstrate the different points of examination for the political realities that surrounds the child tax credit and other redistributive. The five principles of politics help demonstrate that there are differing views and angles for examining a specific piece of legislation, whether that be the rules and institutional procedures that will shape it or the differing motivations and ambitions of the political actors that engage with it.

Based on the theory, one would expect that a major change to the child tax credit would create controversy. Given that the previous earning requirements and refundability threshold was removed, making the credit more generous and inclusive, it would lead one to assume that this increase would be opposed by some. The Republican party is generally more opposed to government spending, and welfare measures lacking requirements. The motivation for Republicans being opposed to this expansion would thus be to limit spending and limit the reach of the program. With the increased political polarization over the last decades, one could also assume that a major motivation would be to oppose the agenda of the opposing party.

With regards to institutions and collective action, the passing of such a major policy proposal would require collective action between the President and Congress, both also collective action within Congress itself. Being a bicameral institution, passing the bill through one chamber would not be enough. With a narrow Democratic majority at the time of passing the American Rescue Plan, collective action between the members of Congress would also be imperative.

History does also have consequences, as it is reasonable to assume that politics today would be influenced by historical precedents. Not only the way in which the U.S. government functions, but also what has happened to the child tax credit previously. Regarding the Policy principle, the effects of the child tax credit would also be a point of contention, as they would lead some to argue for the continuation of the expansion, while others would argue that the expansion has negative effects.

## **4.0 Method**

This chapter will elaborate on the chosen method for the analysis that being the case study approach. I will therefore discuss the defining features and components of a case study, as well as the strengths and weaknesses of the method. Lastly, I will address how the case study approach will be utilized in the case of this analysis. It is worth mentioning that this thesis aims to be a case of Americas problematic struggle to alleviate poverty and how the conflicting perspectives about the appropriate means of action has led to yet another temporary measure during the COVID-19 pandemic. Consequently, the analysis will utilize previous literature and research, as well as newspaper articles, to demonstrate why the expansion of the CTC falls in line with the history of redistributive policies with a short lifespan.

### **4.1 The Case Study**

As with any analysis within the field of social science, it is important to elaborate on the chosen method and approach. As noted in the introduction and as stated by Gerring, the case study approach is defined as the “*An intensive study of a single unit with an aim to generalize across a larger set of units*” (2004, 341). Although case studies share certain aspects with statistical models and formal modelling, namely the fact that all attempt to develop logically consistent models and theories, they also differ greatly with regards to case selection, operationalization of potential variables and the used of inductive or deductive logic (George and Bennet 2005, 13).

#### **4.1.1 Strengths of the case study approach**

The strengths of the case study approach are in many ways answers to the weaknesses of statistical methods. With regards to the examination of individual cases, the case study approach is well equipped to closely examine the hypothesized role of a potential causal mechanism in a particular case. Were statistical methods often end up with conceptual stretching by including too many dissimilar cases into a larger sample, case studies allow for a more precise examination and a higher level of validity over a smaller number of cases (George and Bennet 2005, 19). Some would argue that the case study does not have the clearest set of characteristics and that it consequently should be considered as an ideal type. This fact does not preclude the approach from its strengths however, as the lack of hard rules lead to different researchers being able to utilize widely different approaches (Gerring 2004, 346).

Additionally, the case study approach is well suited for examining complex causal relations, interaction effects and path dependencies (George and Bennet 2005, 21). In the case of this analysis these attributes are appropriate as the case for the analysis being a specific piece of legislation and the political process surrounding it. It will thus require a more detailed examination of not only the legislation itself, but the circumstances in which it arose. However, the case study approach also allows for descriptive inference, meaning that the examination does not have to make assertions of causal relationships beyond those that could be considered to be the most proximal (Gerring 2004, 347). The choice for this analysis is the descriptive approach, specifically a narrative examination, as a single-unit case study is not particularly well suited for examining causal effects. However, if the construction of the single-unit case study is sufficient, it can allow for the examination of the intermediate causes and steps in an process, thus providing causal insight (Gerring 2004, 348).

Case studies are therefore able to attain high levels of conceptual validity, namely being able “to identify and measure the indicators that best represent the theoretical concepts the researcher intends to demonstrate” (George and Bennet 2005, 18). In this way, case studies have an advantage over statistical methods in terms of being able to identify new variables or hypotheses (George and Bennet 2005, 20). With regards to the issue this analysis is attempting to solve, namely looking at the main reasons for the passing and termination of the CTC, the ability of the case approach to identify the factors that explain these outcomes is its primary utility.

#### 4.1.2 Components of the case study

In terms of what is appropriate to include in a case study, the definition of a research design is of high importance. As stated by Robert K. Yin, a case study is in many ways a question of getting from *here* to *there*, *here* being the question(s) that is to be addressed, while *there* are the conclusions that can be drawn by these questions (2018, 66). Additionally, even though the analysis concerns only one piece of legislation and its legislative process, the research questions and approach must encompass the relationship this legislation has to the legislation that came before it in this field of policy. This includes the relationship to legislation that was implemented and those who failed to pass, as the questions being asked can only be discerned after information is collected from previous examples (2018, 66). This is the reasoning behind

the examination of previous childcare policies in chapter 2. What's more, it is the basis for why chapter 5 will review 20-year history of the child tax credit prior to 2021.

Yin also outlines five components that are important in research designs in case studies, but this analysis will only cover the first three, as these are the most appropriate for the analysis since the remaining two principles concerns the use of case study evidence in datasets. The components in question are the *formulation of the research question*, the *study propositions*, namely directing attention toward something that needs examination, and lastly the *choice of case itself* (2018, 67).

The first component concerns how the research question is formulated. *The formulation* of this question is important as its function is to clarify the nature of the study in question and where the analysis focuses its attention. The second component is the *study propositions*, an important aspect as they direct attention towards something that warrants examination within the scope of the study. The how and why questions are part of what leads to the discoveries of a case study and though not able to point to every essential aspect of the case, they serve the analysis by providing purpose to the exploration in question (2018, 67-68). Third, the *choice of case* itself also warrants careful consideration as there are different types of cases, not only by their nature and scope, but also in terms of their beginning and end point. Carefully defining the chosen case is therefore important, as this will provide the framework for the research question and study propositions (2018, 68).

It is also worth pointing out that case selection can happen through different circumstances, a usual scenario being that the case is derived from the research question. For instance, a study aiming to investigate the role of military dictatorships or parliamentary democracies in a particular region, will have to find and utilize an appropriate case that fits the parameters of the study in order to properly address the phenomena in question (2018, 69).

#### 4.1.3 Weaknesses and challenges of the case study approach

No method is without weaknesses or potential pitfalls and the case study approach is no exception. One of the primary challenges when selecting a case is the choice between parsimony or richness. With every case study the problem that must be addressed is whether one is to achieve high internal validity and a good historical explanation or attempt to make a

generalization that can be applied to a broad population of other cases. Inherent in the case study approach is also the inability to make judgements on the frequency or representativeness of a particular case (George and Bennet 2005, 22).

With the choice of case for this analysis, the relationship between high internal validity and historical generalization will be at the forefront. This is because the circumstances surrounding the expansion of the CTC are in many ways unique, yet it has come to be flavoured by processes, discussions and disagreements that has affected previous expansions to redistributive policies. However, given that the case in question is the expansion of the CTC, the primary focus will be high internal validity for the chosen topic, as internal validity is necessary for findings to be generalized (Gerring 2011, 84). Despite this, the question of whether the findings can be generalized to a broader population will not be forgotten and common features with previous attempts at expanding childcare and welfare will be drawn.

An additional challenge that is particularly relevant when conducting case studies is the process of identifying the boundaries of the case that is to be analysed. In case studies it is often easier to identify the spatial boundaries of a case, especially when dealing with for example a country. It is easier knowing *where* a case begins and ends, but more difficult to establish the temporal boundaries, meaning *when* the case begins and ends (Gerring 2007, 5). However, in order for an examination to be possible, some case studies are in need of such boundaries. Some cases have more clear temporal boundaries than others, like crises, revolutions or in the case of this analysis legislative acts. This is because the aspect of when something happened is critical for understanding the circumstances surrounding the phenomenon in question (Gerring 2007, 6).

Additionally, case studies face a challenge in terms of what causal insight it can provide, specifically being the challenge concerning the difference between causal mechanisms and causal effects. With case studies, and in particular single-case studies it is difficult to estimate the exact causal effect of a phenomenon, meaning the evidence concerning causal effects are almost always grounded in evidence provided by cross-case evidence (Gerring 2007, 12). Because this analysis is focusing on one specific case, the primary interest of discovery is a narrative examination of the events that shaped the legislation in question. Therefore, a considerable weakness of this case is that there is no direct comparison with another case, thus making it difficult to measure any specific effect or potential causal mechanism.

## 4.2 Theoretical justification

An important consideration when choosing a case is paying attention to the theory surrounding the phenomenon that is to be analysed. The theoretical framework for a case study can both be the justification for why the phenomena in question is worth investigating, as well as being the source for expectations and hypotheses (Yin 2013, 370). The reasoning behind the choice of the expanded child tax credit as a case is the fact that it in some ways differs from previous redistributive policies aimed at children, being a tax provision. This makes it more of an indirect way of providing assistance to families with children (Murdock 2013, 18). It has also provided meaningful cash support for nonworking families, and certain sections of the population who have been excluded by the social safety net programs historically (Kleiman 2021, 1). Simultaneously, the viewpoints and disagreements surrounding the expansion have common features with previous legislation and the circumstances in which they arose. One of the primary similarities being that the child tax credit and previous expansions to childcare came because of a national crisis (Lowi et al. 2019, 26). However, some of the debates pertaining to welfare are similar, most notably concerning the reach and generosity of the program.

## 4.3 Choice of evidence

The case study approach is also distinguished by not being limited in terms of what evidence it can utilize. The evidence may be qualitative, quantitative or both, so long as all the evidence converge on the same research question. An important aspect regardless of the choice of case is that the researcher presents the evidence as objective as possible, free from any interpretation the researcher may have about the given subject (Yin 2009, 261). This examination will primarily draw its material from previous research, academic journals, and books to examine the case in question. However, with the expansion of the child tax credit being such a recent legislative event, it does present its limitations with regards to the amount of scholarly work that has been conducted. Therefore, newspaper articles will be utilized to present viewpoints and statements made by political actors. Though the use of newspaper articles is a potential weakness, they are necessary to a degree, as it is difficult to assess the specific viewpoints and arguments of politicians without them.

#### 4.4 Generating hypotheses versus testing hypotheses

With all social science there is a contrast between searching for new theories or using existing theories to test or examine new phenomena. In the case of this analysis the approach aligns more with the utilization of existing theories to examine the case in question (Gerring 2007, 9).

According to Harry Eckstein, a case is often a constituent member of a target population, and as a single member of a population it is not in a position to be used for generalization or theory (Eckstein 2000, 23). Therefore, some would argue that the case study approach is not particularly useful for arriving at a theoretical understanding (Eckstein 2000, 119). However, case studies are well equipped for testing hypotheses, especially when examining whether the hypotheses concerning a single example is false (Eckstein 2000, 24). As stated, the utility of the case study approach is somewhat dependent on the scope of what the researcher is trying to demonstrate. If the goal is great breadth, then a cross-unit analysis could be viewed as necessary, but for smaller analyses aiming to explain causal arguments, case studies concerning a single unit is sufficient. In terms of providing theoretical understanding and/or the representativeness of a causal argument in a single-unit case study, choosing a case that is representative to a broader population is appropriate. However, staying within the causal argument of a single-unit case makes it easier to establish clear boundaries for the analysis, though the inference often remains unclear and will often extend far beyond the case in question (Gerring 2004, 347).

With this in mind, it is important to emphasise that this examination is first and foremost attempting to conduct a narrative examination of the actors, institutions and differing viewpoints that led to the passing of the expansion of the child tax credit. The findings and potential understanding will thus be utilized to convey a larger point about the continued struggle the U.S. has with its attempts to alleviate poverty. Thus, this analysis aims to illustrate that the case in question have commonalities with a broader population of cases. Not only in terms of its temporary implementation, but also because of the persistent ideological viewpoints and conflicting notions of how to deal with poverty and how far the government should go when providing aid to its citizens.



#### 4.5 The use of the case study approach in this analysis

As mentioned, the child tax credit being the case is the starting point for demonstrating how American redistributive policies are usually temporary, and the difficulties with passing major redistributive legislation. With regards to boundaries this analysis is in the fortunate position of examining a piece of legislation with a very clear beginning and end point. The institutional process and passing of the expanded CTC took place between February and March 2021. The expansion was also effectively terminated in December 2021, as the legislative changes included in the American Rescue Plan were not renewed. As a result, the expanded CTC payments would come to an end at the arrival of 2022. However, the relationship between this expansion and previous alterations to the CTC must also be established to grant a historical perspective and to not see the expansion in 2021 in a vacuum. Thus, chapter 5 in this thesis will start by discussing the history of the CTC itself. This in accordance with chapter 2 that discussed childcare in the U.S. in general, will provide a broader view of the circumstances that surrounds this case.

As stated by Yin, the *how* and *why* parts of the case and research question provides the purpose for examination (2018, 67). The *how* part of the case is therefore the political process, namely how it was formulated by politicians and then how it was shaped in Congress. The *why* part of the case is the reasoning and motivations of the actors that both enabled the policy expansion and its subsequent termination. In some sense the *how* question is more straightforward as it aims to examine the specific institutional steps that that determined the outcomes in question. Though the essence of the question is simple, it can still provide valuable insight with regards to the institutional process redistributive legislation must undergo. The *why* question could in some ways be described as more complex as the motivations of political actors are not always clear. Even so, ideological viewpoints and political motivations help elaborate on the rationale and the motivations behind the choices that political actors make, as well as the conflict between differing viewpoints.

Thus, the main goal of this case study is to examine how and why the expansion of the child tax credit was passed and terminated. Though the examination might not present definitive answers, it is able to bring light upon key aspects that will be useful for future research.

## **5.0 Analysis**

Lowi, Ginsberg, Shepsle and Ansolabehere outlines five principles or dimensions of politics (Lowi et al. 2019, 2). In chapter 5 I will utilize these principles as the framework for the examination of the expansion of the child tax credit, and its subsequent termination. First, I will address the relevant and relatively recent history of the child tax credit prior to March 2021, specifically between 1997 and 2017. Though the changes that are demonstrated in Table 2 below are separated from the expansion in 2021 they still provide perspective in terms of why the legislation was initially passed and by demonstrating the changes that have been made to it since.

Therefore, this "history matters" discussion of the child tax credit will act as a point of entry for the analysis. The next principle is rationality, namely why people and politicians do as they do. Institutions, namely the rules and procedures that politicians must follow when attempting to pass a specific piece of legislation. Collective action, namely the negotiations and/or lack of compromises that is needed to implement policies. And lastly the policy outcomes themselves, being the result of the political process, as well as how citizens and politicians responds to these policies. Finally, the chapter will discuss the debate surrounding welfare that has come as a result of the expansion.

### **5.1 The History Matters**

Although the issue of child poverty along with measures of mitigating it has a long history in the United States, the story of the child tax credit initiative is considerably shorter. It owes its origin to a recommendation made by the National Commission on Children in 1991, a recommendation urging the President to implement a \$1000 refundable tax credit for all families with children up to the age of 18. The report was issued because of a slow growth in wages and the increased costs of living. The child tax credit was therefore envisioned as a way to alleviate the burdens on families with children (Crandall-Hollick 2018, 2).

Attempts would be made to implement a child tax credit several times throughout the 1990s. Examples of this was the inclusion of a child tax credit in the Republican policy program for the 1994 midterm election. Furthermore, the proposal of the American Dream Restoration Act and the Tax Fairness and Deficit Reduction Act in 1995, both included a \$500 refundable credit for children under 18, had they been enacted. Additionally, Bill Clinton proposed a \$300 non-

refundable tax credit in his Middle-Class Bill of Rights Tax Relief Act of 1995. The proposal being that the credit would be non-refundable through the years 1996-1998, and then increased to \$500 after 1998, with an income phaseout beginning at \$60 000. Eligible children would have been defined as under 13 under this legislation (Crandall-Hollick 2018, 3). Table 2 below provides a brief overview of the legislative history of the CTC that will be elaborated on further to address the historical precedents for the CTC.

*Table 2 - Timeline*

1991	Recommendation by the National commission on Children to implement a \$1000 tax credit for all children under 18
1997	Creation of the child tax credit through the Taxpayer Relief Act. Eligible recipients could subtract \$400 per of their owed federal income taxes each year.
1998	The credit was increased to \$500 per child in the household each year
2001	Further developments through the Economic Growth and reconciliation Act (EGTRRA). Implemented scheduled increments until it reached \$1000 in 2010. The credit was also made refundable to coordinate with the earned income tax credit
2003	Jobs and Growth Tax Relief Act (JGTRRA) accelerated the planned increase for 2003 and 2004 to \$1000 instead of \$600
2004	Working Families Tax Relief Act (WFTRA) accelerated the scheduled change of a maximum credit of \$1000 from 2010 to 2009
2009	The American Recovery and Reinvestment Act (ARRA) Refundability threshold \$3000, earnings requirement \$10 000
2012	The value of the child tax credit was permanently increased to \$1000, and once again coordinated with the income threshold of the earned income tax credit
2015	Protecting Americans from Tax Hikes (PATH) \$3000 refundability threshold made permanent
2017	Tax Cuts and Jobs Act increased the value of the child tax credit to \$2000 per child, while the refundable amount was limited to \$1400 per child

(Crandall-Hollick 2018)

### 5.1.1 Implementing the child tax credit

The implementation of the child tax credit was not realized until the passing of the Taxpayer Relief Act of 1997. Initially, eligible recipients could subtract the credit amount from their owed federal income taxes, originally being \$400 per child under the age of 17 and being non-refundable for most families. Following the instructions of reconciliation, the bill featured the inclusion of a sunset provision, limiting the time and effectiveness of the tax reductions (Keith 2010, 16). The credit was increased to \$500 per child in 1998 and was further increased in 2001 while also made refundable to coordinate with the earned income tax credit. The refundable part is called the additional tax credit (Goldin and Michelmore 2022, 3).

The key difference between the child tax credit introduced in the Taxpayer Relief Act and earlier attempts was the interaction between the child tax credit and the earned income tax credit, the interaction making the CTC less available for lower-income families. The House of Representatives and the Senate proposed that the CTC be applied after the EITC had reduced the tax liability. However, President Bill Clinton proposed that the CTC be implemented first as moderate and low-income families would have reduced or altogether had their child tax credit eliminated if the CTC was applied after the EITC. Additional differences were the age of qualifying children and the income phase-out levels (Crandall-Hollick 2018, 4).

### 5.1.2 Changes made between 2001 and 2017

The first significant changes to the CTC were committed through the Economic Growth and Tax Reconciliation Act of 2001 (EGTRRA). The EGTRRA would increase the credit for each child by implementing scheduled increases to the credit until it would reach \$1000 per child within 2010. The credit was also made refundable regardless of the size of the family. Additionally, the refundable portion of the credit was set to 10 percent of a taxpayer's earned income in excess of \$10,000, up to the maximum amount of the credit for that tax year (Crandall-Hollick 2018, 5).

Following this, the Jobs, and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) accelerated the previous scheduled increase of the maximum credit. Whereas the previous maximum credit for 2003 and 2004 according to the EGTRRA was \$600 per child, the JGTRRA increased the maximum amount for these years to \$1000 per child. However, these payments were scheduled to expire after 2004 and revert to their previous scheduling following the EGTRRA, being \$700 in 2005. Shortly after, the Working Families Tax Relief Act of 2004 (WFTRA) further accelerated the implementation of the EGTRRA and extended the maximum credit for 2009 to \$1000, instead of 2010. In addition, WFTRA also raised the refundability rate to 15 percent for 2004, and kept this rate at 15 percent from 2005 to 2010 (Crandall-Hollick 2014, 11).

As a response to the financial crisis in 2008, Congress passed in October of 2008 the Emergency Economic Stabilization Act of 2009 (EESA). This law lowered the refundability threshold for the child tax credit for 2008 from \$12,050 to \$8500, however, this lower threshold would not

be continued without congressional action, and an increase in the threshold was therefore scheduled to \$12,550 in 2009 (Crandall-Hollick 2018, 6).

After the world financial crisis of 2008, debates around the refundability threshold of the child tax credit for 2009 and 2010 were once again back on the agenda. The House of Representatives proposed reducing the threshold to zero, while the Senate proposed a reduction to \$8100. The compromise became to reduce the threshold to \$3000 for 2009 and 2010 through the American Recovery and Reinvestment Act (ARRA) of 2009 (Crandall-Hollick 2018, 6-7). The ARRA was also the first time the minimum earnings threshold of \$10,000 was lowered, being reduced to \$3000 (Goldin, Maag, and Michelmore 2021, 3).

2010 marked a year of uncertainty for the child tax credit, as both the EGTRRA and ARRA additions to the credit were set to expire. The expiration of these provisions to the credit would terminate the expansions made to the refundability, meaning the credit would only be refundable to families with three or more children. Additionally, if no further expansion was undertaken, the credit would revert to \$500 per child. However, December 2010 saw the extension of both these provisions to the child tax credit through the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, extending these provisions through 2012 (Crandall-Hollick 2014, 12).

In 2012 adjustments to the child tax credit was once again undertaken, as the value of the credit which at this point was \$1000 per child was made permanent by the American Taxpayer Relief Act of 2012 (ATRA). Additionally, the income threshold was adjusted to correspond with the earned income tax credit and the \$3000 refundability threshold was made a part of the American Recovery and Reinvestment Act, and was therefore extended through the end of 2017 (Crandall-Hollick 2014, 13). Further changes to the CTC would be implemented in 2015, namely the Protecting Americans from Tax Hikes Act (PATH) made the \$3000 refundability threshold permanent (Crandall-Hollick 2018, 7).

The final alterations made to the child tax credit prior to 2021 were undertaken in 2017, namely the Tax Cuts and Jobs Act which increased the child tax credit from \$1000 to \$2000 per child. It also increased the refundable portion of the credit (the additional child tax credit) from \$1000 to \$1400 per qualifying child. The refundable amount of the credit was also limited to \$1400. Changes was also made to address the level at which taxpayers could begin to receive the

additional child tax credit, from \$3000 to \$2500. The level at which the credit was phased out was also increased from \$75,000 to \$200,000 for unmarried taxpayers, and from \$110,000 to \$400,000 for married taxpayers (Crandall-Hollick 2018, 8).

### 5.1.3 The historical perspective

The situation prior to 2021 was thus a tax credit that was limited to a certain section of the population, with only citizens earning a sufficient income qualifying to receive tax credit payments, and the full credit being limited to citizens with a sufficient tax liability (Goldin, Maag, and Michelmore 2021, 1). The CTCs history could also be described as one of frequent change, but also changes that have been temporary in nature. As with redistributive policies in general, the CTC have frequently been altered as a response to the changing situation in the American society. An example being the refundability threshold of the credit being lowered as a response to the struggles families were faced with during the world financial crisis in 2008. This also demonstrates the disagreements that exists concerning the refundability and earnings requirement of the credit. Some alterations have also been made permanent, for instance the refundability threshold of \$3000 in 2015.

With the historical precedent for altering the CTC, it would likely prevent politicians from hesitating to use the tax credit as a means of alleviating poverty. It is also important to note that the implementation of the program, as well as several previous alterations made to the CTC was carried out by the Republican party meaning that the program does have a bipartisan history. The CTC is also an example of the United States government using the tax code to advance social welfare in the United States (Evans 2021, 247).

It is also important to pay attention to the historical frames of institutions, namely the perspective of historical institutionalism. As stated by Béland, this is the assumption that historical precedents put institutional constraints on policy feedback and the behaviour of political actors and interest groups during the political process (2005, 1). Though some view this concept as overemphasised, it is useful for understanding the possible institutional obstacles to reform (2005, 4). Therefore, institutional arrangements and precedents embody principles and assumptions which may constrain future alternatives (Peters, Pierre, and King 2005, 1288). A relevant example is the welfare reforms under President Bill Clinton in the 1990s that imposed work requirements and limited the amount of time that benefits would be handed out

to recipients (Peters, Pierre, and King 2005, 1290). Attitudes from this period and the demand for various requirements for welfare recipients is still highly relevant today.

The historical sources of party allegiances are also important to consider. One of the differences between the two parties today is their demographic composition. The historical trend since the 1960s is a transformation of the American electorate and party system, with a steady movement of white working class voters changing their affiliation from Democrat to Republican (Abramowitz and McCoy 2019, 138). The result of this is that 55 percent of the white electorate have voted with the GOP in recent years.<sup>2</sup> In contrast, 90 percent of African Americans vote for the Democratic party (Lowi et al. 2019, 522) This is important to emphasise as it does have consequences with regards to racial resentment between different groups, since the support for social programs is still affected by the historically based resentment against the social programs that benefit African Americans and minorities (Lowi et al. 2019, 699).

Americans at the upper end of the income level are more likely to vote Republican, while low-income individuals are more likely to vote for the Democrats. Thus, the Republican party have been more responsive to the wishes of the affluent, especially during the last couple of decades. Democrats tend to support the less affluent parts of the population, which includes more of a willingness to increase social spending (Lowi et al. 2019, 523).

Considering other historical precedents, the lessons from the years of the Clinton and the Obama administrations have demonstrated the Republican party's unwillingness to compromise or bargain over their agenda, especially with regards to stimulus packages and healthcare (Johnson 2021, 29). The last 30 years has also seen a steady rise in party polarization (Abramowitz and McCoy 2019, 146). This is worth emphasising since the result of these developments is clearly demonstrated in the case of the CTC with the Republican party's unanimous opposition towards Joe Biden's proposed stimulus package.

## 5.2 Rationality – Politicians pursue their own agenda

Since both the actions of citizens and politicians are guided by their own wishes and aspirations, it would stand to reason that many would be in favour of a more supportive government and a

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<sup>2</sup> During the presidential election in 2016, Donald Trump received the highest percentage of votes among white Americans in recent years. Specifically getting 57% of the vote among white Americans, and 66% of whites without a college degree (Lowi et al. 2019, 522).

more robust safety net in a country with as much poverty as the United States. As stated by Gilens, Americans generally believe that the government should spend more on the needy as long as those in need are perceived to be deserving of aid (1999, 2). Though not all wishes, and aspirations will be catered to, this expansion would not have occurred without citizens wishing for it, nor some politicians seeing it as urgent or necessary. In trying to understand why politicians do as they do and why the expansion of the child tax credit took place when it did, it is important to understand where the United States finds itself during this time. This is an important consideration because these circumstances help demonstrate the challenges facing a country, and the attitudes amongst its citizens as a result.

As a result of the COVID-19 pandemic, politicians especially have been pressured and expected to react to the challenges presented by COVID-19. According to the New York Times, surveys conducted in March 2020 demonstrated that there was a discrepancy in the level of concern of COVID-19 between Democrats and Republicans. Specifically, both Republican politicians and voters voiced a lower level of concern for the consequences of the pandemic in their communities (Badger and Quealy 2020). However, surveys conducted in April 2020 demonstrated a clear change in these perceptions with over 80 percent of respondents supporting COVID-related relief, most notably Democrats, but in this instance also a majority of Republicans (Baum et al. 2021, 5). This is supported by research conducted by Franz and Dhanani that demonstrate that there was, and still is a great discrepancy in the perceived risks from the virus. Conservatives often downplaying the dangers of the virus, and employing fewer measures to combat it like social distancing less often (Franz and Dhanani 2021, 642).

All political behaviour has a purpose and most political behaviour is rational in the sense that voters choose the options that they perceive to be the most beneficial. For politicians however, it is not so simple, as the political landscape in the U.S. and most countries are shaped by differing purposes and competing interests, both selfish and noble. An aspect of rationality that is key for politicians is also to enhance their own prospects and their own situation, resulting in strategic choices (Shepsle 2010, 159). The idea of self-interest, that is to say what politicians themselves deem to be the right course of action, is therefore an insufficient explanation for determining the exact causes for political behaviour (Kingdon 2010, 75). It is therefore not at stretch to imagine that politicians do not always base their political actions on what they themselves believe to be the right course of action, but instead make decisions that can gain them favours down the line or advance their own position. For Democrats who supported the



ARP a potential reason behind their support may have been to gain favour from the party establishment, as this is necessary to secure funding in the next election (Lowi et al. 2019, 19).

With public opinion clearly demanding measures to deal with the pandemic, politicians from both parties were quick to demand relief. From a selfish perspective, proponents of pandemic relief may have done so to appeal to voters. Despite being critical of too much federal spending initially, the Senate minority leader Mitch McConnell urged Congress in November 2020 to pass additional pandemic relief, while also accusing Democrats of blocking Republican proposed aid while citizens were in need (Main and Barrett 2020). This points to the conclusion that politicians adjust their position according to what the electorate wants. This is supported by statements from Shapiro and Jacobs, as their findings suggest that politicians do follow and alter their positions somewhat to correspond with public opinion (2001, 151).

Thus, the COVID-19 pandemic is the main driving force behind the expansion, as with much of the legislation that would come to be implemented throughout the pandemic across all the world's governments. Even though the United States have experienced hardship in the past, COVID-19 is certainly an outlier in the sense that it virtually shut down the economy. One of the results of this was the unemployment levels that would follow and that had not been seen since the Great Depression of the 1930s. This in turn put pressure on both national and local authorities to respond (Joyce and Prabowo 2020, 745).

However, the nature of the impending pandemic was such that a federal response was necessary, as the entirety of the United States would be affected, not just certain parts of the country. A federal response was clearly needed and to some extent demanded by a large portion of U.S. citizens. Despite this, the Trump administration was slow when it came to both recognizing the threat of COVID-19 and implementing measures to combat it. As a result, Congress alone acted to implement legislation, resulting in four laws that included relief measures being passed between March 6 and April 24, 2020 (Joyce and Prabowo 2020, 746).

On January 20, 2021, Joe Biden was sworn in as President of the United States, and the challenges of the pandemic was therefore for him and his administration to face. The political realities surrounding the first part of his Presidency was a narrow Democratic majority in Congress. The narrow timeframe and the narrow majority between January 2021 and the midterm elections in November 2022 would be the time during which most political action

could be enacted by his administration and the Democratic party. For Joe Biden and the Democrats, part of their ambition and political goal is to demonstrate that their policies and the policies of a Democratic government provides wanted change and desired policies for most Americans (Posen 2021, 127).

In contrast to this, the Republican agenda could be argued as being the opposite of Joe Biden and Democratic party. With the aforementioned polarization of the two political parties, it is no wonder that Republican politicians would be against such a major piece of legislation championed by the opposite party. Especially legislation that would have lasting consequences. The Republican agenda has over the last decade increasingly been defined as a near-uniform opposition to the agenda of the Democratic party (Kabaservice 2012, xvi).

Additionally, the cost of the legislation was one of the primary concerns voiced by Republicans in Congress, as they claimed that it went far beyond what is considered traditional infrastructure spending (Garrison 2021). This is consistent with the ideological differences between the two parties that partially determines the actions of political actors. Democratic voters and politicians are generally more in favour of economic intervention by the government, meaning that the rationale for a major stimulus package made more sense for the Democrats. In contrast, Republicans are generally more opposed to major social spending (Noel 2016, 168).

According to the Guardian, Republican Senators Mike Lee of Utah and Marco Rubio of Florida argued that Congress should restrict CTC payments to working parents exclusively. They also refused to vote for the American Rescue Plan Act as they maintained that the CTC under this legislation would be “welfare assistance” to jobless parents (Reich 2021). Democratic Senator Joe Manchin of West was also critical of expanding the CTC (Thompson and Gusmano 2022, 8). According to CNN, Manchin expressed his view that the credit was too generous, though it is worth mentioning that this criticism was aimed at higher income earners specifically (Luhby 2022b). These statements are apt examples of the attitudes and talking points that have permeated this debate for a long time, in addition to the push for requirements for recipients.

Considering the American Rescue Plan first, despite their not being bipartisan support for the stimulus bill itself the Republican party was not oblivious to the struggles that came because of the pandemic. In fact, in February 2021, 10 Republican Senators presented their own alternative for a COVID-19 relief package in the form of a bill that reportedly was a \$618 billion plan for

various COVID-19 measures and unemployment insurance (Collinson 2021). Even though there was not bipartisan support for the ARP within Congress, a majority of Americans were in favour of the bill. According to CNN, polls suggested that 61 percent of Americans supported the entirety of the ARP, while 85 percent supported the legislation included in the bill that would provide increased tax credits to families (Agiesta 2021).

Appealing to the electorate is, regardless of party ideology, an important part of what politicians do, not only by championing legislation, but taking credit for policies that benefit citizens. Despite unanimous opposition towards the ARP, several Republican politicians was reported supporting the program on social media after it was passed, demonstrating that politicians make the effort to appeal to voters, even under false pretences (Rupar 2021). In a sense, these politicians could be accused of free-riding, namely enjoying the benefits of an outcome that others have worked for (Lowi et al. 2019, 17). According to Vox, in a poll conducted in March 2021, 31 percent of Republican voters believed their party was in favour of the ARP (Zhou 2021).

With Regards to the vote on the Build Back Better Act in December 2021, this stimulus package would have extended the tax exchange subsidies first featured in the ARP through 2025 (Thompson and Gusmano 2022, 7). Though far from being the only roadblock for the BBB, Senator Joe Manchin certainly was the primary resistance within the Democratic party itself. With an initial budget of \$3.5 trillion for infrastructure, climate measures and tax credits, Democratic Senators Joe Manchin of West Virginia, and Kyrsten Sinema of Arizona voiced concerns regarding the cost of the stimulus package. Though it is worth mentioning that the scope and cost of the bill was lowered considerably after negotiations (Katz 2022, 2). In December 2021 Joe Manchin stated that he would not vote in favour of the bill, expressing reservations about the child tax credit and clean energy provisions specifically. This was despite certain measures being removed and the overall price being lowered (Thompson and Gusmano 2022, 8). The negotiated cost was in excess of \$1.7 trillion at the time of Manchin's refusal to support it (Lipman 2022, 1).

According to Vox, the West-Virginian Senator had to consider his primarily conservative constituency who are generally opposed to this level of government spending. This is despite the fact that approximately 50,000 West-Virginian children would fall under the poverty threshold without a continuation of payments (Cohen 2022). What is arguably more

instrumental is the fact that West Virginia is a state with a considerable coal industry (Bell and York 2010, 112). Given that the initial draft of the BBB included very severe climate change measures, it is not difficult to imagine that Manchin was in a bind and would be opposed to legislation that would hurt an important sector of industry his own state (Prokop 2021). The coal industry also spends millions on corporate lobbying annually and are therefore more likely to have a political influence than everyday citizens (Schneider et al. 2016, 6-7).

An additional contributor for the conflicting views concerning the reach of the CTC itself is arguably the differences in the American electorate. Those who benefitted the most from the expanded CTC were ethnic minorities, as minorities and children of colour were among those who received the least amount of benefits prior to the expansion (Goldin, Maag, and Michelmore 2021, 1). For instance, the overwhelming majority of African Americans identify as Democrats, while a majority of white Americans identify as Republicans (Iyengar et al. 2019, 134). Additionally, very low-income Americans are usually Democrats (Lowi et al. 2019, 523). It could therefore be argued that the expanded CTC benefitted Democratic voters to a greater extent than Republicans. This is perhaps not the most surprising notion, as the legislation was enacted by the Democratic party, who in turn must please their electorate.

As mentioned when discussing the history principle, the Republican party have both implemented and made alterations to the CTC, yet prior changes have excluded those at lowest end of the income scale (Acs and Werner 2021, 2). Passing legislation that to some degree excludes voters of the opposite party is something that is not likely to be exclusive to just one party. This is supported by the findings of Persson and Fabellini who compare two types of motivations for politicians, namely opportunistic and partisan motivations. Opportunistic motivations would include a politician caring or/and prioritizing the well-being of specific groups in society. Partisan motivations would include politicians who aim to maximize social welfare disproportionately (Persson and Tabellini 2000, 10). Consequently, parties would likely prioritize the groups that vote for them while to some degree exclude those groups that do not. This was reportedly one of the claims made against the Democrats by House Minority leader Kevin McCarthy representing California's 23<sup>rd</sup> district, who argued that expansions included in the ARP was a gift to the liberal constituents of Democrats (Reston 2021).

### 5.2.1 Summarizing the rationality argument

With the partisan nature of U.S. politics today, the party that has a majority in Congress and the Presidency will attempt to pass as much of their legislation within the timeframe they have. For Joe Biden and the Democrats, the period between January 2021, and November 2022 was, and still is the window of opportunity, meaning the motivation to enact the change they deem as pertinent was now. For Republicans, the motivation could be viewed as unanimous opposition against the agenda of the Democratic party. Not only because their interests diverge but halting the agenda of the opposite party is a way of preventing that party from pleasing its electorate. For individual politicians however, arguably the most important priority is that of reelection (English 2003, 43). This would involve supporting the leadership of the party they represent to gain their support, but also to make decisions that benefit campaign contributors to keep their support for the next election (Lowi et al. 2019, 9).

### 5.3 Institutions – The rules for shaping legislation

The wish for an expansion of the child tax credit may be a righteous idea among politicians and citizens wishing for it, but for the expansion to become a reality it had to undergo the process for institutional decision making. The passing of the expansion also hinged on the proposal of the American Rescue Plan passing through the House of Representatives and the Senate, something it did thanks to a Democratic majority (Posen 2021, 127). Without this majority, and the vehicle of the ARP, Congress may have been the end of this legislative proposal. In the case of the proposal of the BBB, Congress proved to be the final roadblock.

Institutional barriers are also important to pay attention to. The fact that the United States contains features of a majoritarian democracy, and thus practically a two-party system, means that its institutions are structured to allow one party to obtain the majority of political representation (Immergut 2010, 317). Additional institutional barriers include bicameralism where one chamber in a particular branch of government can prevent the growth of social expenditures, especially if the actors in question are partisan, something that can occur within both chambers of Congress (Immergut 2010, 319). The electoral system does also have implications for outcomes. Specifically, the lack of proportional representation has negative repercussions for the possibility of a welfare state expansion, as proportional representation allow more interests to be represented (Immergut 2010, 320). Institutional and political legacies also have implications for the politicians inhabiting the institutions. An example being the

political legacy of Ronald Reagan, and the how Republicans especially argue for a political outcome by pointing to Reagan's legislative legacy (Fong, Malhotra, and Margalit 2019, 454).

According to Harbridge and Malhotra, Congress as an institution incentivise its members to be loyal to the party, as parties can ensure resources and campaign funding to its members. Loyalty to the party can also lead to favourable positions and committee assignments (2011, 495). Additionally, the vote thresholds in Congress incentivise bipartisanship because partisan bills often end up lacking votes (2011, 496). However, bipartisanship would include a compromise between different agendas and could result in muddled legislation that ends up being lacking.

The framers of the Constitution pitted Congress and the President against each other out of fear of tyranny. It also pitted the two chambers of Congress against each other. As a result there has historically been interbranch competition between the legislative and executive branches (Levinson and Pildes 2006, 2313). Intriguingly with the partisan politics of today there is arguably both more and less cooperation between the President and Congress. The President must cooperate more closely with the party they represent since there is more persistent opposition from the opposite party. In the case of the ARP and the CTC, Joe Biden and the majority of Democrats in Congress were more or less on the same page when it came to pandemic related relief, while the checks and balances were imposed by the other half of Congress, namely the Republicans (Posen 2021, 127). It is therefore important to note that the Democrats did not have the 60-vote majority in the Senate to allow them to bypass the filibuster.

The instrumental reason for why the ARP and all the policies included in the bill was passed is the budget reconciliation process. The process of budget reconciliation may vary from year to year, but in practical terms this legislative process can only be utilized a few times every year (Kogan and Reich 2022). In 1974 the budget reconciliation process was implemented as a response to concerns that the executive branch was having an increasing influence over the budget process and that deficits would rise as a result. The reconciliation process was therefore based on the idea that Congress would have more control over the budget process and subsequent spending (Keith and Heniff 2006, 1). Therefore, every President has to cooperate closely with the leadership of their party in order to ensure that their agenda is brought before Congress (Lowi et al. 2019).

The budget reconciliation process was thus used when implementing the \$1.9 trillion-dollar American Rescue Plan Act. The Bill passed through the House of Representatives on February 27, 2021, with 219 votes against 209 and passed in the Senate March 6, with 51 against 50 votes, the deciding vote being cast by vice president Kamala Harris. On March 10, the House of Representatives passed the Senate amended bill, 220 votes against 211. On March 11, President Joe Biden signed it into law (Adashi and Cohen 2021, 27).

However, this Democratic majority in the Senate was not a reality when Joe Biden won the Presidential election in November 2020. The two Senate elections on November 3, 2020, in Georgia, resulted in run-off elections, since neither of the Republican incumbents received the 50 percent of the votes needed to avoid a runoff election. If the Democratic contenders won both Senate seats the Democratic party would have a majority in the Senate with Vice President Kamala Harris and her tie breaking vote. On January 5, 2021 Democratic challengers Jon Ossoff and Raphael Warnock defeated Republican incumbents Kelly Loeffler and David Perdue, ensuring a Democratic majority in the Senate (Algara, Hale, and Struthers 2022, 4). These elections were therefore a key factor for the congressional possibilities of Joe Biden and the Democratic party, as it created a window of opportunity for the Democratic party to act. Having a majority in both chambers of Congress was therefore a critical component, as a divided Congress creates the possibility of one chamber blocking the agenda of another (Immergut 2010, 319).

The primary contents of the ARP were emergency fiscal stimulus in response to the impacts of COVID-19, ranging from unemployment benefits, support for businesses, public services, and minor tax changes. By including all these changes in a single bill, Joe Biden and the Democratic party avoided the potential institutional veto points these enactments would experience if they were implemented separately. Although, it also limited the amount of time these changes would have an impact, as all legislation included in the ARP follows its one year lifespan (Johnson 2021, 31). The importance of the budget reconciliation process in this instance cannot be overstated, as it is difficult to imagine how the Democratic party could have passed the contents of the bill separately without a 60-vote majority in the Senate.

According to Curry and Lee, the filibuster is becoming an increasing obstacle for the agenda of the majority party given its 60 vote threshold in the Senate (2021, 696). However, they also emphasise that the majority party is more likely to fail to achieve its agenda due to

disagreements among members within the majority party (2021, 697). Despite being the majority party, the Build Back Better Act's primary hinderance was due to disagreements within the Democratic party itself. Institutions like Congress are made up of the people who inhabit the institutions and because the two major political parties in the U.S. encompass different coalitions who favour different interests, the politicians will also differ with regards to their agenda, but not in terms of re-election (Lowi et al. 2019, 518-519).

### 5.3.1 Institutional barriers for the poor

As with any democracy, the political process and the forces behind political outcomes are not limited to elections. The United States especially have several avenues that facilitate ways in which individuals and organizations can express their views and preferences. The idea of one vote per citizen is certainly an idealized principle, but the reality is that special interest groups do play an active role in the political process (Grossman and Helpman 2001, 1).

Interest groups are not unusual in industrialized countries, but it could be argued that the United States can be seen as one of the frontrunners in this regard considering the amount of existing interest groups. An additional aspect of interest groups is lobbying, being a group of individuals or organizations that makes policy-related appeals to the government (Lowi et al. 2019, 555). The lobbying industry involves millions of dollars every year and has reached such a level that it involves more than 10 000 individuals, firms and organizations Washington D.C. alone (Lowi et al. 2019, 571).

This is part of a development of a greater amount of money that goes into Congress and shape American politics as a result. This is because the amount that congressmen have to raise to win elections is increasing (English 2003, 150). This is a troubling development since money is now a critical component for those who seek to win elections (Gilens 2012, 197). The money that is required must come from someone and it is increasingly coming from affluent individuals. Thus, it is no stretch to imagine that campaign money do come with some strings attached, meaning law makers are more likely to support a bill that would help a contributor (Peoples 2013, 908). Just as with economic elites, there have been demonstrated a correlation between the wishes of interest groups and political outcomes. In the early stages of the pandemic, the top 1000 corporations by market capitalization spent over \$2.1 billion in political donations and lobbying in Congress (Zhang 2021, 1032).



According to Furnas, Crosson, and Lorenz, there was correlation between campaign contributions and what legislation members of Congress supported. Specifically, members of Congress have when debating COVID related relief mentioned and championed aid to sectors of industry that donate more money to their campaigns (2021, 3). However, they also maintain that the correlation during the first year of the pandemic is weaker than in previous years (2021, 18). According to Meier and Smith, out of the trillions of dollars that has been distributed as a result of all COVID-19 relief aid, \$1.8 trillion have been distributed to the private sector by the U.S. government and Federal Reserve (2021, 58). According to the Washington Post, the majority of the grants, loans and Covid aid went to either the wealthy and corporations, with individuals receiving only one-fifth of the aid, as of October 2020 (Whoriskey et al. 2020).

Why this receives emphasis is, as stated by Gilens, money does not guarantee any election victory or political result, yet it would be naïve to think that there is no relationship between money and political outcomes (2012, 244). Senator Joe Manchin could arguably be an example of this, as the coal industry in his state would likely employ lobbying measures to influence what legislation he supports. It is worth to point out that at least theoretically, interest groups can be in a position to influence public policy in a direction that aligns more with the preferences of lower income Americans. Unfortunately, interest groups have a tendency to align with the preferences of the affluent (2012, 124). Because of the level of inequality in the United States, Gilens argue that aspects of the American political system have commonalities with plutocracy, namely rule by the wealthy (2012, 234). Even though this could be described as somewhat of an extreme view, one could certainly argue that it is an ill omen for American democracy that the wealthy and affluent have an increasing influence over political outcomes compared to those with less income. Simultaneously, it is worth noting that there is a considerable correlation between the preferences of average citizens and the affluent. This means that even if it is the case that ordinary citizens have no influence over political outcomes, they would still get some of the policies they prefer (Gilens and Page 2014, 570).

With the number of poor citizens living in the United States there is certainly not a lack of people who could potentially fall into an interest group for the poor. Unfortunately, the number of members is not the only determinant for whether interest group is formed, as money, and leadership play a significant role. Despite not lacking potential members there is still the problem of financial resources needed to organize and maintain an organization. Given that

many interest groups rely on voluntary contributions, it does in turn present a challenge for a part of the population with scarce resources and low income. As a result, membership in interest groups is disproportionately high among families and individuals with higher incomes (Lowi et al. 2019, 558). Higher-income individuals are also more likely to vote and make political donations than low-income individuals (Gilens 2012, 239). Perhaps not surprisingly the part of the population that have the fewest resources also have the least number of avenues for their voices to be heard, partly because there are few resourceful lobbying organizations who stand behind the poor.

### 5.3.2 Summary of the institutional argument

Despite the fact that the ARP and BBB were Joe Biden's agenda, the process of initiating legislation is bestowed on Congress, meaning that it is Congress that must instigate the political process (English 2003, 133). Congress is made up of the people inhabiting the institution, and with the two parties not seeing eye to eye, the passing of the ARP and BBB required no shortage of congressional votes from the members of the Democratic party. Being a bicameral institution, a Democratic majority in both chambers of Congress was also instrumental, as only passing the bill through the House of Representatives would not be enough.

It is even more difficult to enact change in a political system that is becoming increasingly dependent on money. As mentioned, the primary recipients and the target population of the expansion of the CTC are low-income families with children (Goldin and Michelmore 2022, 16). Because this group does not have vast amounts of resources or influential organizations behind them, there is arguably not enough financial resources to push for congressional action on behalf of this group. This could potentially be part of the reason for why the passing of such a policy expansion required a global pandemic to enact change.

### 5.4 Collective Action – Legislation can only be achieved through cooperation

In terms of the collective action principle, the rather obvious fact is that the expansion of child tax credit did not occur out of the will of a single individual. As with all major legislation, cooperation among politicians and different political actors was necessary to implement this change. Political cooperation was also necessary due to the obstacles, being the political opposition that the ARP, BBB and subsequently the CTC faced. As these policy proposals were brought to the House of Representatives and the Senate, the implementation of these programs

would also have been the point of debate for political bargaining. Since so much of politics is not conducted by one individual, but by larger groups of people, collective action is something that very much permeates political life as divisions and dividing lines makes realizing change in a large society difficult (Shepsle 2010, 264). Additionally, with parties being a group of people who, for the most part, share a set of goals, collective action is in a sense a defining feature for a political party (Aldrich 2011, 30).

In some sense, much of the process of collective action has already occurred when the legislation reaches Congress. This is because the President cannot generally introduce legislation alone, requiring cooperation with their party as legislative proposals need to be introduced by a member of the party. To implement their agenda, the President is also dependent on acquiring majority support within Congress (Lowi et al. 2019, 517). The first stage of political bargaining happens at the committees in which a piece of legislation is discussed and for the legislative proposals in question this occurred at the house budget committee. Usually, the party composition of the committees is decided by the leadership of both parties, often resulting in the members of committees being in proportion to the number of members both parties have in that chamber of Congress. As a result, the majority party is likely to have control over the committee (English 2003, 70).

The party composition of the 117<sup>th</sup> Congress, January 2021 to May 25, 2022, included a majority of 220 Democrats in the House of Representatives, excluding 4 delegates who are not able to vote (Manning 2022). In the case of the House budget committee voting on the ARP, 20 out of the 35 members were Democrats. The committee vote was 19 members voting to pass the budget proposal for a vote in the primary chamber of the House, while 16 members, all Republicans and one Democrat, Rep. Lloyd Doggett of Texas, voted against the relief proposal (Fox and Grayer 2021). Political bargaining within this committee might have occurred, but with the Democrats having a majority further bargaining was arguably not needed. With one party having a majority, bargaining is more likely to occur within the party.

A key determinant for collective action to occur is compromise, but for politicians to be willing to compromise they must also be willing to moderate their ideological position (Noel 2016, 172). This is arguably an instrumental aspect of why collective action between the two parties failed. With the legislation in question being passed without any Republican support, collective action was not bipartisan in nature, as loyalty to the party and party ideology in large part

prevented this (Noel 2016, 173). It is worth pointing out that political bargaining did occur given the fact that both parties saw the necessity for some pandemic-related relief. However, the different ideas regarding the appropriate means for relief made the possibility for compromise difficult. The differences between \$618 billion and \$1.9 trillion resulting in the goals of the two parties diverging beyond the limits of cooperation (Collinson 2021). An example of this Senator Bernie Sanders of Vermont, who stated that he was not convinced that any suggestions from the Republicans would lead to a bipartisan bill, consequently urging Democrats to pass the bill through the process of reconciliation (Robertson 2021).

With regards to the bargaining within both chambers of Congress, the House of Representatives held the initial vote on the ARP. According to CNN, Democratic Congressman Kurt Schrader of Oregon initially voiced opposition towards the ARP in the House of Representatives, specifically because of a provision that would allow the government to negotiate the price of prescription drugs. Though eventually persuaded to vote for the ARP, Schrader demanded a change for the provision in order for Biden to receive his vote (Krieg 2022). With regards the vote in the Senate, the Democratic party was forced to keep the Senate roll-call vote open for 11 hours and 50 minutes, as Joe Manchin voiced a willingness to support the less generous and less costly alternative proposed by Republicans. Thus, the Democrats were forced to negotiate amendments with Manchin, which resulted in \$300 weekly unemployment benefits being limited through September 6, 2021, and making the first \$10,200 benefits non-taxable only for families earning less than \$150,000 a year, both being less than what the Democrats hoped for. After the negotiations, Manchin voted in favour of the ARP, stating that he was pleased with the compromises reached. (Raju et al. 2021). However, when neither the Democratic party nor Joe Manchin were willing to alter their positions on the BBB, collective action was prohibited (Thompson and Gusmano 2022, 8).

With his initial reluctance, Manchin demonstrated the influence he had over the political process and is therefore an apt example of the median voter theorem in Congress. This framework asserts that the preference of the member who occupies the position in the middle and stands between the preferences of two groups is in a position to prevail against any of the two opposing majorities (Lowi et al. 2019, 217). From the standpoint of both institutional and personal motivation it goes to show the real influence Manchin's decision would have, thus forcing the rest of the Democratic party to meet some of his demands.

#### 5.4.1 Summary of the collective action argument

Collective action did thus occur between Democratic politicians within Congress, despite opposing viewpoints. As the increasing polarization in the United States is making it ever harder for politicians to work across party lines, the party that has a majority in Congress at a given time will be pressured to push for their agenda in a purely partisan manner (Abramowitz and McCoy 2019, 151). Ironically this partisan divide is arguably resulting in more frequent collective action within the parties themselves as the political rivalry is creating a “us versus them” mentality for both Democrats and Republicans. Votes are therefore increasingly cast as a response to perceived threats towards the party, resulting in members of Congress increasingly voting with a party mindset (Miller and Conover 2015, 226). This party mindset is in large part what made passing the ARP possible, as only a unified Democratic party would be enough to pass the bill in March 2021. When this unification was broken by Joe Manchin the lack of collective action with Republicans led to the prevention of the BBB in December 2021.

#### 5.5 Policy Outcomes – What matters is the result of politics

The legislation that ultimately influence the lives of citizens is thus the result of actors, their motivations, the possible cooperation between them, and the institutions in which the actors operate. Regardless of the processes and institutional scrutiny that a budget, law, bill, or any piece of legislation must go through, arguably the most important aspect of it, and certainly what has the greatest influence on the largest amount of people, is the implementation of that legislation in the real world.

Viewing the expansion of the CTC through the lens of the policy principle presents several opportunities, as it is no stretch to imagine that the reason for supporting the expansion differed with regards to personal motivations and political ambitions. Politicians must therefore consider the costs and benefits of a given decision (Lowi et al. 2019, 8). A Democratic congressman supporting this expansion may have done so because he or she thought it would benefit them or someone they cared about. Politically they may have done so to please their electorate or to gain favour from the party leadership or the President himself (Lowi et al. 2019, 19). When viewing the result of this policy, or any policy for that matter, the specific effect that policy has, and in relation to what part of the population may differ from the imagined effect, as well as being the cause for further disagreement.

### 5.5.1 The expanded child tax credit of 2021

Despite political and ideological differences and divisions in the United States, Congress passed the American Rescue plan in March of 2021, which involved a large expansion of the child tax credit. This expansion included increased the amount of the tax benefit and transitioned from once-a-year payments to payments that were delivered monthly. The second payment in August 2021 reached 60.9 million children (Parolin et al. 2021a, 1). Additionally, the expansion increased the maximum credit to \$3000 per child, ages 6 to 17, and \$3600 per child under the age of 6. The expansion also meant that these benefits would come in monthly payments of \$250 or \$300 depending on the child's age (Parolin et al. 2021b, 2).

Before the ARP was implemented, the maximum amount that eligible tax fillers could receive was \$2000 per child. However, as mentioned earlier, not every family with children qualified for the full credit. Parents who did not earn enough to owe federal income taxes could receive part of the credit, namely 15 cents for every dollar earned above \$2500 (Greenstein et al. 2018, 2). As a result, one in three American children did not receive the full credit. The expansion of the CTC removed the earnings requirement, making it available to children in families with the lowest income. Low-income families qualify for the full credit regardless of income, while for higher earners, the credit phases out in two steps. For single parents the credit starts to decrease at \$112 500 and \$150 000 for married couples (Wheaton et al. 2021, 2). The decrease is a decline of 5 percent of adjusted gross income. For single parents earning more than \$200 000, or married couples earning more than \$400 000 a year, the decrease in the credit is an additional 5 percent of adjusted gross income (Greenstein et al. 2018, 2).

### 5.5.2 Effects of the expanded child tax credit

Regardless of political viewpoints, the expansion of the CTC has certainly had an influence on child poverty levels. Before accounting for COVID-related relief and just prior to the first monthly CTC payment, the national child poverty rate was at 20.3 percent. After accounting for early COVID-related economic relief, the child poverty rate was 15.8 percent. In July 2021, after the first expanded CTC payments was distributed, the child poverty rate fell from 15.8 percent to 11.9 percent (Parolin et al. 2021b, 3). This means that if other COVID-relief measures and the expanded CTC were removed, the child poverty rate would likely slide back to over 20 percent. Therefore, the estimated effect that COVID relief and the expanded CTC

has on the child poverty rate is 8.1 percentage points. In other words, these benefits kept 6 million children out of poverty in July 2021 (Parolin et al. 2021b, 4).

However, being part of the ARP meant that CTC and other legislation would be terminated when the act expired, meaning that the ARP had a sunset clause defined as the arrangement of a government program being terminated at the end of a fixed period that is set in advance unless it is renewed (Armstrong 2002, 74). Despite the extended benefits of the CTC coming to an end after 2021, it is worth noting the short-term economic impact it had for children who historically have been excluded from these benefits. This is because welfare in the United States, at least since the 1990s, has not relied on cash-based income support, but rather on in-kind transfers, including benefits from the Supplemental Nutrition Program or work conditional benefits from the earned income tax credit. As a result, the U.S. differs from other high-income nations where some form of child allowance is more common. Consequently, the number of children born in low-income families has grown during the last couple of decades (Parolin et al. 2021a, 3).

The expanded CTC therefore had the opportunity to significantly reduce the level of child poverty. Studies from 2021 show that it could lead to as much as a 41 percent decrease in child poverty overall. The expansion will not only lift a large portion of children and families above the poverty threshold, but it will also mean that families who remain under the poverty threshold will have considerably more resources at their disposal. With the expansion these families would be lifted from 59 to 71 percent of the poverty threshold (Acs and Werner 2021, 4).

### 5.5.3 Ethnic disparities

Before accounting for the exact effects of the expanded CTC, it is appropriate to elaborate on some of the racial disparities that in some ways shape American society. Additionally, it is important to emphasise that although clear racial disparities exist, the overall level of child poverty is also considerably higher in the United States than what they are in other industrialized countries in Europe (Lichter 1997, 125).

With regards to racial differences historically, official poverty numbers from 1984 demonstrate that the poverty levels for Hispanic children was at 43.8 percent. For African American children, this rate was at 41.5 percent. Simultaneously the poverty rate for white children during this time was at 16.8 percent. Numbers from 1994 show that the rate of child poverty was 2.6

times greater among black children than white children (Lichter 1997, 131). Although the level of child poverty among all ethnic groups are lower today it is interesting to note that, as will be demonstrated below, the greater poverty rate among African American and Hispanic children as compared to white children has remained.

To utilize a very current example of the implications of ethnic income disparities, studies from 2020 illustrated that that racial and economic inequality were major factors for the disparities in deaths from COVID-19. Poverty is a major contributor with regards to this since low-income households may not have access to healthcare or other services. In addition, these families may not be able to afford to stay home from work or work in essential services themselves<sup>3</sup> (Abedi et al. 2021, 732). The expanded CTC is therefore an expansion that could influence the disparities existing between different ethnicities and help mitigate these differences. This is not to say that expanding the CTC would remove all differences between different ethnic groups, as one single policy expansion would not be enough to accomplish such a demographic change. However, the expanded CTC is in a position to contribute to change and improve the economic circumstances for all citizens regardless of ethnicity (Acs and Werner 2021, 5).

When looking at how the expanded CTC will affect disparities between ethnicities, it is appropriate to address the circumstances surrounding these disparities beforehand.

*Table 3 – Ethnic disparities prior to and after the expansion of the CTC*

**Percentage of Children in Poverty by Race and Ethnicity  
Before and after Expansion of CTC**

	Percent		Number (thousands)	
	Before expansion	After expansion	Before expansion	After expansion
All	14.2%	8.4%	10,403	6,107
Asian American and Pacific Islander	14.9%	11.3%	527	400
Black	20.4%	10.1%	1,982	981
Hispanic	24.2%	15.0%	4,489	2,777
White	7.7%	4.4%	2,818	1,631
Other	13.0%	7.1%	587	319

(Acs and Werner 2021, 6)

<sup>3</sup> Between March and October 2020, the mortality rate for Black Americans accounted for a larger portion of COVID-19 deaths, relative to the population of this group. Additionally, 26% of White Americans and 32% of Asian Americans reported being able to work at home during the initial six months of COVID-19, compared to only 13% of Hispanics, and 18% of Black Americans (Raine et al. 2020, 5-6).



When examining Table 3 above, it immediately becomes apparent that there are clear disparities between different ethnic groups both before and after the expansion. What is also demonstrated clearly is that the percentage of white children living in poverty is by far the lowest out of any ethnic group. Simultaneously, the greatest effects of the expanded CTC can be seen among Black and Hispanic children. As stated earlier, one in three children did not receive the full benefit of the child tax credit prior to the expansion, as their families did not earn enough to qualify for the full credit. When looking at the poverty levels prior to the expansion, one could assume that many Black and Hispanic families did not receive the CTC, making the effect of the expansion for these families even more profound than higher earning households.

Specifically, the expanded CTC could entail that poverty levels among African American children could be reduced from 20.4 to 10.1 percent, specifically a million fewer poor children within this group. Although the poverty rate among Hispanic children in the United States are by far the highest, their poverty rate could fall from 24.2 to 15 percent, or in other words 1.7 million fewer Hispanic children living in poverty (Acs and Werner 2021, 6). These numbers were strictly speaking hypothesised and will therefore differ to the actual poverty numbers. Additionally, the poverty levels used above are taken from 2020, while the numbers below are from 2021 and show the actual decrease that occurred.

With regards to the he actual decrease in poverty, the poverty levels among Hispanic children are the highest in the U.S. being 10.2 percentage points above the overall child poverty rate. With the expanded CTC this poverty level would be reduced to 6.6 percentage points above the average poverty rate (Acs and Werner 2021, 6). These hypotheses are not mere speculation either, as there was a clear decline in child poverty trends from June to July 2021, after the first payments were distributed. For example, the change in poverty rates among Black children went from 22.2 percent in June to 18.4 percent in July. For Hispanic Children the change was a decline from 22.9 to 16.8 percent in the same period (Parolin et al. 2021b, 6). The expanded CTC is not enough to erase all disparities surrounding poverty, but it was able to reduce them.

#### 5.5.4 Historical significance

This expansion and transformation of the CTC can certainly be described as a historic shift in American redistributive policy, especially regarding low-income families. Unfortunately, the historical significance ended up being short-lived as the program was set to expire in January

2022 (Parolin et al. 2021a, 2). Due to the initial effects of the program, many argued for its continuation as it in many ways benefitted those who need it the most. Additionally, the expansions made to the CTC is set to realize a historic reduction of child poverty, reducing the child poverty rate by more than 40 percent (Marr, Cox, and Sherman 2021, 1). Because of this, the possible loss of support for the program and subsequent decline of the program itself would lead to the levels of poverty and hardship rising drastically (Marr et al. 2020, 1). The extension of the program however, could make it embedded in the lives of citizens to such a point that it would be difficult and unpopular to remove it (Weisman 2021).

The program did not have unanimous support however, as critics of the expansion are of the view that parents in low income households will be discouraged from working since they have all the more resources available to them (Acs and Werner 2021, 11). Although the extended payments have lifted millions of children out of poverty, the payments were, as already mentioned only authorized for 2021. Despite broad support among Democrats, the Republican party remained strongly opposed to the increased social spending (Kapur 2021). A survey conducted in April 2021 demonstrated that 59 percent of the respondents supported the expansion. The political divide regarding this question was in this instance 75% of Democrats and 43% of Republicans. However, the same survey conducted in July 2021 showed that the percentage of Republicans being in favour of the expansion had dropped to 31% (Hamilton et al. 2021, 8). A considerable portion of those opposed to the expansion was seniors, perhaps not surprising given that the CTC targets the exact opposite end of the population (Olen 2022).

### 5.5.5 Investing in Children

The main driving force behind the expanded child tax credit and covid related relief in general was to address the high levels of hardship and economic difficulties families across the United States experience during the pandemic. The need and urgency for these COVID-relief policies demonstrate very clear problems in the American society, namely that the underlying policies in the U.S. tolerate very high levels of poverty and material hardship (Parrott et al. 2021, 1). An example of this is the fact that the United States entered the pandemic with 29 million citizens having no health insurance. Though some of the racial and economic disparities were mitigated to a degree by the expansion of the CTC, the termination of the expansion meant that the number of people who acquired health coverage would and did lose it once the benefit of the extended CTC came to an end. This is arguably a demonstration of the fact that the United States does

not consistently invest in low-income families and particularly low-income children, especially compared to other industrialized nations (Parrott et al. 2021, 2).

Initial numbers collected from the early months of the first expanded CTC payments demonstrate that low-income families spent a large amount of their credit payments on food, housing, clothing, and necessities. Early estimates also report that the number of households that do not have enough to eat have declined by 3.3 million, or nearly a third in the first weeks after the initial payments (Marr, Cox, and Sherman 2021, 1). In this way the expansion of the CTC had the potential to provide a level of stability for families, making it easier for them to plan their everyday lives and be prepared for emergencies. Additional payments like the expanded CTC would not only reduce the levels of poverty, but also help provide economic stability for struggling families and benefit the children in these families. The cost of continuing the program would obviously be considerable, but the fiscal cost of making it available to all is relatively modest. President Biden's proposal to extend the expansion through 2025 would potentially lead to the additional cost of making the credit fully available on a permanent basis would be less than \$3 billion a year. The continuation of the expanded CTC would ensure that low-income children in the United States would receive comparable support to that of other industrialized countries (Marr, Cox, and Sherman 2021, 2).

The expansion of the CTC could mark the beginning of a clear change in the mentality of American redistributive policies, one that involves investing in all children of the nation. More extensive support for children, be it income, housing, or food, especially for those who grow up in families living with financial hardship will not only alleviate the struggles of child or their families, but also benefit the nation in the long run. Studies also show that when such programs provide more extensive economic support, they consistently lead to the children who benefit from these programs showing better academic performance. Additionally, the consequences of failing to provide such support are much more substantial, as even small periods of economic difficulty or food insufficiency can lead to children falling behind (Parrott et al. 2021, 3).

#### 5.5.6 Challenges for the expanded child tax credit

The expansion of the child tax credit presented a potential new chapter in the history of American redistributive policies with a focus on supporting children regardless of economic situation. However, the program did have its challenges, one of which being the fact that certain

families faced obstacles when it came to receiving their payments. Specifically, many low-income households do not file taxes as a result of being out of work, and with this being the primary way in which families can receive the benefits from the expanded CTC it makes it difficult for them to receive (Pilkauskas and Cooney 2021, 1). Additionally, some households lack access to banking services, some reported administrative errors, while others lacked the knowledge of CTC altogether (Pilkauskas and Cooney 2021, 3). Although there are apparent challenges with the expansion of the CTC, the historic significance and potential it represented cannot be overlooked.

### 5.5.7 The expanded CTC 2022

For those who supported the expanded child tax credit the introduction of 2022 began with a sombre note. The expansion that came as a part of relief from the COVID-19 pandemic, the American Rescue Plan of 2021 was only a one-year extension, and without President Biden's Build Back Better Act passing in the Senate, the child tax credit was set to revert to what it was prior to 2021. Poverty numbers from January 2022 demonstrated that the child poverty rate had jumped from 12.1 to 17 percent between December 2021 and January 2022, and those who did not qualify for payments before 2021, will lose the credit all together. Specifically this meant that January 2022 saw an additional 3.7 million children living in poverty, disproportionately being African American and Hispanic children (Parolin, Collyer, and Curran 2022, 1). The poverty rate for the United States as a whole also rose from 12.5 percent to 14.7 percent during that same time (Parolin, Collyer, and Curran 2022, 2). A renewed extension through the Build Back Better Act failed primarily due to opposition from a single Senator Joe Manchin, due to his commanding vote as the median voting Senator, Democrats needed all 50 senators in order for the legislation to be passed (Adamczyk 2022).

According to CNN, despite the Build Back Better Act not being passed, the Biden administration is continuing its efforts to make the child tax credit available to low-income households (Luhby 2022a). This would lead one to assume that at least parts of the Biden administration and the Democratic party view the expanded CTC as the right course of action, and/or is motivated to appeal to and attract as voters the part of the electorate that benefits the most from this tax benefit (Lowi et al. 2019, 19).

### 5.5.8 Summary of the policy principle

Whether it is viewed as beneficial or not, the expansion of the child tax credit has certainly had a significant effect on the lives of a large portion of citizens. With the expansions of these programs coming to an end, it makes it difficult to determine what effect a permanent expansion could have had. The result of political motivations, institutional arrangements, and the process of collective action, is nonetheless a policy expansion that, at least briefly, had a major impact on the lives of a considerable portion of citizens.

### 5.6 Summary of the analysis

The primary contribution of the five principles of American politics is the principles and theory they provide to examine events and actions from different viewpoints. For the actors involved the motivation is arguably to assist the American public in the way they deemed to be appropriate, both from righteous and re-elections perspectives. An additional motivation for President Biden and the Democratic Party was that they had a narrow and time-bound window of opportunity for implementing their agenda. For the Republicans however, the agenda of the Democratic party, and the way in which they chose to implement it, conflicts with their own. In Washington, nobody gets a prize for securing success for the opposite party. Additionally, the ideological contradictions and political polarization between the two parties meant that bipartisanship on a pandemic relief bill could not be achieved.

Politicians must also consider the choices that benefit their own position. Consequently, both Democrats and Republicans must appeal to their respective electorates, leading to very different proposals for legislation. It also leads individuals to support their party to secure campaign funding. Being the primary hindrance within the Democratic party, the key aspects of the ARP, CTC, and BBB were clearly in conflict with the preferences held by Joe Manchin and the electorate and the interests he relies on. The fact that the Democratic party desperately needed his vote meant that his early opposition allowed Manchin to dictate alterations to the ARP.

The conflicting agendas of the two political parties exacerbates the challenges posed by an already complicated political institution. The 60-vote procedural threshold within the Senate means that proposed legislation needs to be somewhat bipartisan. When bipartisanship is not an option, the approach to pass the bill through budget reconciliation is a possible avenue, but this also limits the time and effect of the legislation in question. The bicameralism of Congress

is also part of what prohibited the renewal of the expansion through the BBB, as there were not enough votes in the Senate to pass the bill that was approved in the House of Representatives. The outcomes that occurred as a result of the CTCs expansion might be different than what politicians imagined, but the expansion certainly alleviated some level of poverty for a limited time in the American society. The effect the expansion had among citizens is also a cause for disagreement, as there are differing views as to whether the lasting effects of the expansion are harmful or beneficial.

The troubled history with welfare in America is also important to consider, especially the welfare reforms of the 1990s. The child tax credit is a fitting example, as the earnings requirement prior to the expansion is in many ways a manifestation of the belief that benefits should not be handed out to undeserving recipients. Thus, it is appropriate to highlight the different attitudes to welfare that can be seen in this case. According to Rine, the flaws of the American social and economic system have been further highlighted by the pandemic, yet the efforts to solve these challenges have been met with disagreements and controversy (2022, 85). According to Béland et al. the features and somewhat lacking elements of the United States welfare system demonstrates that the Corona-virus pandemic seemed to require significant emergency policies, without sufficient change actually being implemented (2021, 289).

Opposition towards welfare being too generous were demonstrated in the case of the CTCs expansion. Notably Senators Marco Rubio of Florida, Mike Lee of Utah, and Joe Manchin of West Virginia, voiced opposition towards the CTC specifically, fearing that the program was too costly, thus arguing against the reach of the program going too far. By also criticising the idea of aiding unemployed parents, it is arguably an attempt to present recipients of the expansion as undeserving. It also points to the contempt towards welfare itself, often being the result of misinformation about its recipients (Gilens 1999, 8). In addition, it indicates that the attitudes that play a part in the prevention of expanding a lacking welfare system will still be prevalent in the foreseeable future. Consequently, as stated by Lowi et al. the social programs that benefit those with the least income are also the most vulnerable (2019, 698).

## **6.0 Discussion**

In this chapter I will address the research question, namely how and why the CTC was passed and subsequently terminated. I will examine this by looking at the historical perspective, the differing views regarding the cost of the program, the impact it had on the level of poverty, and by examining the differing attitudes towards the poor. With COVID-19 bringing about unprecedented levels of unemployment and economic struggles for American citizens, it can certainly be stated that these policies emerged under extraordinary times. One could therefore argue that regardless of what, some legislation would be passed to address the struggles created by the pandemic. The ARP nonetheless stands as President Joe Bidens first major legislative victory, with the 628-page plan including \$1.9 trillion in aid across of wide range of policies. Another distinguishing feature of the ARP is the lack of compromise, resulting in the legislation passing without a single Republican vote (Jaffe 2021, 1047). Consequently, the partisanship in this case arguably makes for a less stable foundation for the expansion.

### **6.1 Historical perspective**

The overarching theme for the relatively brief history of child tax credit is one of change, and more specifically temporary change. The CTC has been altered ever since its implementation, including by Republicans as recently as 2017 (Crandall-Hollick 2018, 8). With the inclusion of a sunset clause in the original version of the credit, it was arguably never made to be permanent, and most alterations ever since have been coloured by some form of expiration date, unless renewed. (Keith 2010, 16). Nevertheless, tax expenditures have bipartisan appeal. The conservative appeal is the tax reduction and that the credit is able to reinforce the market by allowing individuals to choose how they allocate the means they receive from the tax reduction. For liberals, the appeal is that it can be seen as social spending (Prasad 2016, 189-190).

It is also appropriate to pay attention the statements made by Abby J. Cohen, namely that the United States has a history of implementing relief measures in times of crisis but has also terminated these measures when the perceived need for them has dissipated (Cohen 1996, 26). With the emergence of the COVID-19 vaccine and some of the struggles of the pandemic being alleviated, several states in the U.S. chose to ease many of the restrictions intended to limit transmission of the virus in the months leading up to 2022 (Gerace, Rigney, and Anderson 2022, 1). It could therefore be argued that some citizens and politicians alike, would have a harder time justifying measures and/or economic assistance provided by the government when

the danger of the virus is somewhat alleviated. As a result, the perceived need for measures would therefore dissipate. Regardless, implementing measures in times of crisis would inevitably involve that some if not all measures are temporary.

One could also ask whether the United States is path dependent with regards to its struggle with redistributive policies. That is, when something is initiated, it is then often difficult to change. As stated by Skocpol, the very nature of the fragmented American welfare state has long prohibited comprehensive and universal social programs (1995b, 33). This is in part due to the limitations presented by Congress. Not only is it difficult to pass legislation, but the way in which members of Congress are elected limits the diversity of views and preferences of the members within this institution (Immergut 2010, 319-320). Some argue that the bipartisanship needed to pass bills in Congress also limits legislation (Harbridge and Malhotra 2011). This in turn makes it difficult to implement an increase to welfare in Congress. Additionally, the most notable manifestation of the scepticisms towards welfare in recent times is the reformation of welfare during the Clinton years. The reforms of this period still influence the debate today, chief among which being the requirements placed on welfare recipients, limiting the number of recipients of these programs (Peters, Pierre, and King 2005, 1290).

However, if a program is in effect long enough there is a possibility that it will be difficult to remove. Though the CTC only received a one-year expansion, it could have received an expansion throughout 2025, had the Build Back Better Act been passed (Thompson and Gusmano 2022). Joe Biden hoped that a continued expansion would lead to citizens becoming used to the additional credit, and consequently being in favour of keeping it. This would potentially make any attempt to terminate the expansion unwise politically. Senate minority leader Mitch McConnell was reportedly concerned that if citizens became accustomed to the expanded CTC, it would be politically unwise and untenable to repeal it (Zeballos-Roig 2022).

## 6.2 Differing views regarding cost

Among the many things that can be said about the ARP and the BBB, a crucial aspect of these programs is the cost. The easiest way to terminate any legislation is to put an end to its funding. Republicans in particular saw both these major stimulus packages as being too expensive and thus not worth aiding the increased number of citizens. The concern regarding cost is not without merit, as the ARP was a \$1.9 trillion dollar stimulus bill, meaning it is not difficult to



understand why some politicians would be worried about the overall cost of the program (Adashi and Cohen 2021, 27). Though there were differing conceptions of the BBB, the proposed cost was initially \$3.5 trillion in provisions through 2025 (Thompson and Gusmano 2022, 7).

The cost of the CTC was therefore not the only expenditure to consider. Though there is disagreement as to whether the expansion of the CTC was an appropriate measure, there is an actual cost to the program. The entire child tax credit program under the 2021 expansion was estimated to cost approximately \$85 billion a year, so there certainly were expenditures to keep in mind. Despite this, many would argue that much of the cost would be mitigated by more families and children with increased income which in turn produce more productive citizens (Goldin, Maag, and Michelmore 2021, 2).

Despite divisive views regarding cost, the ARP with the inclusion of the CTC stands as one of largest investments in childcare since the second world war. Despite Democrats seeing the legislation as a major opportunity for reform, the Republican party did not see the legislation in the same way. Instead seeing it as a way for Democrats to implement their political agenda that predate the pandemic and aimed to appeal to their voters. Though the main driving force behind this legislation was undoubtedly related to the struggles created by COVID-19, certain aspects of the bill was arguably not directly related to the pandemic. Some would argue that an expansion of the CTC as a means to alleviate child poverty should be implemented regardless of the ARP. However, by including it in the ARP it helped the expansion escape the scrutiny and political process that it would otherwise be exposed to. In addition, it escaped the committee hearings and the 60 votes it would need to be passed in the Senate (Jaffe 2021, 1048). In this way the accusation made by Republicans, namely that the Democrats were using the ARP as a way of implementing their own agenda, is in a certain sense true, as it alleviated the need for a long and tedious implementation process of several policies they wanted to enact.

Passing the bill through budget reconciliation was therefore no accident, as it is difficult to imagine how this expansion of the CTC could have been passed in Congress on its own. In some ways one could also be forgiven for thinking that the ARP and BBB was met with unanimous Republican opposition simply because the legislation was proposed by Democrats. This is one of many examples of bipartisanship becoming an increasingly rare phenomenon, as the contempt and rivalry between Democrats and Republicans is becoming an ever more

problematic roadblock for the agenda of both parties (Drutman 2017, 3). The fact that the ARP was passed with such a narrow majority and without any Republican support is further evidence that the Democratic and Republican party are drifting further apart and are less able to find commonalities between their political agendas (Bafumi 2012, 161). Some would therefore argue that the political parties in Congress have lost their willingness and desire for government to function by refusing to compromise, preventing Congress from implementing necessary change (Bruff 2014, 211). This has also led to a change in the dynamic between Congress and the President, as the President is now primarily facing checks and balances from the opposing party in Congress, rather than Congress itself (Levinson and Pildes 2006, 2315). One could also imagine that the obstacles posed by Congress and the majority needed to pass certain legislation would prevent some actors and individuals from even attempting to do so.

Even though budget reconciliation is a work around for the 60-vote threshold for the majority party it does have its limitations. Limits as a result of the Byrd rule include limiting the effect of enacted legislation, as the rules for budget reconciliation prohibits the inclusion of provisions to major legislation that does not directly relate to spending or revenue, in order to limit unnecessary provisions (Adair et al. 2020, 223). Passing a bill through reconciliation is therefore an approach that to a degree limits the type of legislation that can be included in a bill.

### 6.3 Impact on poverty and workers

The fact that the United States is faced with major levels of poverty is undisputable, but how this problem is to be dealt with is far from having an agreed upon solution. Due to economic aid and redistributive policies being society's way of tackling poverty, the expansion of the CTC is very much a way of addressing poverty and economic hardship amongst citizens. Even though the COVID-19 pandemic has meant that the CTCs expansion came along during extraordinary times, the discussions regarding how to assist citizens economically and determining who is deserving of economic aid, are in many ways similar.

Specifically, the situation around the CTC has raised the question of how society should deal with poverty. Though the consideration regarding expenditures is shared with all other social policy programs, the consequences that the CTC has for individual citizens is its most unique feature and its most controversial aspect. Besides the contention towards the fiscal cost of the program, the core Republican argument against the expansion is that parents of low-income

families will be discouraged from working since they have all the more resources available to them (Acs and Werner 2021, 11).

The expansion of the CTC is, to put it simply, a form of child allowance intended to alleviate some of the economic struggles of the pandemic. The point of contention arises when considering how this increase in income will affect people's willingness to work. The general idea is that a wage increase will act as an incentive for people to want to work more or longer, but if the increase in income is considerable enough it will incentivise people to work less (Karpman et al. 2022, 1). Though there is still much disagreement as to what level the workforce would decline because of the expansion, researchers at the University of Chicago calculated that although child poverty would be reduced with 34 percent, 1.5 million citizens would in turn drop out of the workforce if payments were made permanent. Some would therefore argue that the earned income tax credit is a better incentive for citizens as the tax break afforded by the EITC is only received when families earn a sufficient income (Kessler 2021).

Kevin Corinth and Bruce D. Meyer share this concern regarding a potential decrease in unemployment. They disagree with the view that the expanded CTC would exclusively have positive repercussions, and argue that it may lead parents to exit unemployment (2021, 1). Simultaneously they emphasise the fact that the temporary nature of the expansion prohibits us from seeing the true effect a permanent expansion of the CTC could have had on employment over a longer period. Additionally, the most prevalent decrease in employment would be among workers and households earning between \$10,000 and \$50,000, being those families who would benefit the most from the expanded CTC (2021, 2). If this decrease in unemployment is the case, one could understand why some politicians have a negative view of the expansion.

Though some are worried about the negative effects the expansion could have on people's willingness to work, there are others who express scepticism towards this view and argue that the CTC would actually benefit workers. The increase in income may grant parents the resources to overcome barriers to employment or be able to afford childcare for their children, enabling them to work more. Initial surveys finds that 5 percent of CTC recipients reported that the extra income granted by the expansion made it possible for them to work more, while an equivalent 5 percent stated that the increase allowed them to work less (Ananat et al. 2022, 2).

Those in favour of the expanded CTC arguably see it as a way of boosting the economy by supporting families and enable greater inclusion in the workforce and social mobility. This is especially relevant now as children are increasingly growing up in wildly different circumstances economically, where the level of resources available to children is increasingly becoming a predictor for early childhood development and how they perform (Smeeding and Thévenot 2016, S67). Additionally, the historical trend since the 1970s points to the levels of social mobility in the United States being in decline. This means that there is a lesser number of Americans children who have a probability of earning more than their parents (Beller and Hout 2006, 20). It is therefore important to support children of the nation early, as this increases the likelihood of them performing better later in life (Smeeding and Thévenot 2016, 70).

#### 6.4 Attitudes towards the poor

There is more to consider than purely the cost of the program. According to Rank, the perspectives concerning poverty and the poor is largely determined by the political ideology of the actors involved, instead of empirical reality (2004, 20). This implies that political actors will suggest solutions based on their beliefs, rather than what can be observed. As stated earlier, Republican politicians especially voiced opposition to the CTC because they saw it as unnecessary welfare assistance to undeserving parents. This is arguably part of the enduring cynicism towards welfare recipients prevalent in American society (Gilens 1999, 205). This is not just exclusive to conservative politicians however, since a large portion of the public favour time limits and work requirements for those who receive welfare (Gilens 1999, 4).

An additional example of this is Senator Joe Manchin who objected to what he called the entitlement mentality regarding the CTC, which does illustrate that he and others still see poverty in terms of who deserves what. To avoid that aid is given to people who are lazy or undeserving Manchin has also proposed work requirements, something that is heavily favoured by conservatives, and constituents in his state (Dempsey 2021). These attitudes correspond with the notion of the undeserving poor and in particular the racially loaded terms that has permeated the poverty debate for a long time (Gilens 1999, 3). That is not to say that Joe Manchin or other politicians opposed to the CTC believes that only ethnic minorities who are lazy and unemployed would benefit from the expansion. However, it is perhaps not surprising for American politicians to appeal to these attitudes in a population with persistent racial views regarding who is deserving of aid. Though the aspect of racial attitudes could be considered as

mere speculation, the use of established terminology and viewpoints point to the fact that these attitudes still play a part in the debate around social policies today. The underlying problem with regards to these attitudes is that viewing poverty in racial terms remains a major obstacle for public support for anti-poverty programs (Gilens 1999, 3).

To prevent aid being given to those deemed undeserving, work requirements has often been a solution. Social welfare is the policy area in which the divergence between the preferences of the affluent, the middle class and lower income Americans are the most negligible. The preferences do not change considerably across different income levels, meaning most Americans support for some form of work requirements for welfare (Gilens 2012, 117). The social programs that have been the most popular historically, are those that are perceived to bring people back work instead of simply being cash-based benefits (Gilens 1999, 215). An expansion of the CTC would arguably garner greater support from the public and conservatives if the increased credit included working requirements, as the credit would be targeted towards those who work for it. However, this would also result in the exclusion of certain families.

In trying to decide who is in need of aid, social redistributive programs in the U.S. have often been lacking and excluded certain parts of the population. Prior to the expansion in 2021, the child tax credit could certainly be described as falling into that category. The earnings requirement meaning that a third of American children were excluded from receiving the full credit (Wheaton et al. 2021, 2). The element of exclusion manifested itself most clearly with regards to African Americans and Hispanics being the groups who received the least benefits from the CTC. Simultaneously, these groups also benefitted the most from the expansion of the CTC in 2021 (Goldin and Michelmore 2022, 1). The racial divide is also amplified by the political aspect, as the majority of African Americans and Hispanics are Democrats, while a majority of white Americans are Republicans (Lowi et al. 2019, 522).

Regardless of the way in which its government chooses to deal with poverty, it is hard to argue with the fact that the United States is in a peculiar predicament. The country certainly does not lack the resources, assets or capital to deal with poverty, yet it consistently fails to address the problem in a meaningful way (Rank 2004, 4). This is especially concerning with regards to children growing up today, as there is a considerable discrepancy between the level of child poverty and poverty overall (McCarty 2016, 623). As is becoming increasingly apparent, the conditions and circumstances of early life is to a greater extent becoming a determinant for

social climbing (Hout 2015, 28). With regards to the disagreements and subsequent failure of the expanded child tax credit, columnist Helaine Olen of the Washington Post went as far as to say that the story of the expanded child tax credit is a clear demonstration of how the United States devotion to children so often is nothing more than a cheap sentiment (Olen 2022). Whether this claim is correct is subject for debate, but with such levels of child poverty in American society the viewpoint is certainly easy to understand.

When considering the ideal of the American dream one could argue that the U.S. tolerate high levels of poverty and material deprivation because there is always a hope that individual citizens can persevere and manage to improve their own economic situation. However, some would argue that the ideal can encompass something more than just individual aspirations. Wolak and Peterson argue that the American dream may be more than an ideal of improving one's own economic situation, and instead be an embodiment of how people want the country to work and provide for all citizens, instead of a competition between individuals (2020, 971).

For this to be possible the perceptions among the public are in need of change. The debate concerning poverty in the American society is the struggle of alleviating poverty without aiding the undeserving poor, and without creating citizens who are dependent on the government. This is a challenge that require no simple solution, and it is not a challenge that is inherently unique to the United States. As stated by Katz, when concerning poverty one must ask where the boundaries can be drawn with regards to who deserves aid, and how society can provide such aid without increasing dependence (2013, 268). This notion is not just held by politicians, as the preference in antipoverty policy amongst citizens reflect a desire to aid the deserving poor without undermining their work ethic (Gilens 1999, 8). The notion of bringing individuals back to work is arguably the right approach, yet for those living in poverty it might not be that easy.

The political process that is required to implement change is certainly a difficult one, and one that involves many obstacles. This is no accident, as the United States government was designed to make the process of enacting pollical change difficult out of fear of one branch of government abusing its power (Lowi et al. 2019, 48). However, with the polarized political climate of today it is arguably more difficult than ever. The political process is necessary to enact change, but the deeper problem is arguably the attitudes and perceptions towards those citizens who are poor and the rationale for why they are poor.

Perhaps more than any other consideration, the notion of the deserving poor is the primary contributor behind the persistence of dividing citizens between those who are deserving and undeserving of aid. As stated by Katz, the legislative process and government intervention is necessary to address poverty, but the engine of change must start beyond the political arena amongst the perceptions of citizens if it is to have an effect. This is because change will likely not be initiated by goodwill from the elite (2013, 274). The increased amount of money influencing American politics is therefore a cause for concern. The amount of money needed to both enter and influence politics creating additional obstacles for the prospects of the poor.

### 6.5 Empirical shortcomings and implications for future research

The use of the case study approach for this examination and the utilization of the five principles of politics has allowed for a more detailed narrative examination of the expanded CTC, and the process surrounding it. However, a considerable shortcoming is that the examination is limited by the fact that it is unable to precisely measure the specific effect of the phenomena and mechanisms in question. The approach has to a degree provided insight regarding the different factors, both institutional and ideological, yet it is difficult to estimate any specific effect these factors might have. As a result, the analysis could be described as making assumptions or/and speculation. Thus, the examination could be viewed as more of a starting point since the estimation of specific factors and attitudes will require a very different type of analysis.

An additional limitation is the fact that this analysis is not able to cover every relevant aspect, actor or process that determined the fate of the CTC. Nor is it able to give sufficient attention towards the factors that have been considered. Additionally, the proximity between the analysis and the events in terms of time also limits the number of previous examinations that have been conducted, thus limiting the amount of material the analysis can utilize.

Inherent in the single-case study approach is a limitation regarding the examination of the effect of causal mechanisms. Consequently, the limited explanatory value of this analysis points to the fact that further examination of this subject is in need of additional, and arguably different examinations. The underlying attitudes that influence the decisions and preferences of individual and especially political actors is arguably the most interesting aspect to explore. A quantitative analysis with the aim of examining the prevalence and effect of these attitudes

would therefore be of interests. Alternatively, a comparative case study of a specific set of factors would also be equipped to examine a more precise effect of specific factors.



## **7.0 Conclusion**

The aim of this thesis has been to answer the research question ‘*What are the main reasons for the implementation of the expansion of the Child Tax Credit and its subsequent termination?*’.

The factors discussed in this conclusion are deemed as the most important reasons for the implementation and subsequent termination of the Child Tax Credit.

With the child tax credit being expanded in response to a crisis in the form of COVID-19, the child tax credit arguably has commonalities with several previous expansions to social policies and childcare that were implemented in response to a crisis. When examining the shortcomings of the American welfare system, it becomes clear that these flaws exacerbate the need for emergency measures during times of crisis. Consequently, the U.S. have implemented measures to alleviate struggles in times of crisis in the past but inherent in a response to an emergency is that the response in question is somewhat temporary, which has often been the case in the U.S.

The difficulties with implementing major changes to welfare and redistributive policies in the United States is in part due to the nature of the American political system. This is no accident, as the American government was purposefully designed to make major legislative change difficult. The majority needed to pass legislation in Congress, especially the 60-vote threshold in the Senate becomes an even greater obstacle in a country that is increasingly becoming polarized politically. With the two political parties not seeing eye to eye, and having widely different agendas, it does limit the avenues for implementing change regardless of party. Arrangements like the budget reconciliation process facilitate ways for the parties to push legislation in a strictly partisan manner, but such arrangements also limit the scope and amount of time such legislation is in effect.

Politics is also partly a result of attitudes, as there is some correlation between public attitudes and the policies that politicians attempt to implement. Among a considerable number of Americans, both politicians and everyday citizens, there remains scepticism towards the nature of welfare and those who receive aid from the government. This is partly because Americans generally dislike the idea of aid being provided to those deemed undeserving. However, just as with attitudes towards poverty generally, there is no agreement as to who is deemed deserving, the causes of poverty, or how poverty is alleviated. Additionally, these views are exacerbated by the underlying racially distorted attitudes that in turn affect how Americans view poverty.

It is also important to emphasise that although the circumstances from which the expanded child tax credit arose are unique, the political and ideological obstacles are not. COVID-19 is certainly a unique causal factor, and one could argue that there simply would not be the perceived need, nor the political will required to push for this expansion if the pandemic did not have such an impact. However, the political challenges and ideological disagreements that the CTC faced are very much inherent to the political realities in the United States. Consequently, the findings from the analysis are generalizable in the sense that the challenges and disagreement that plagued the story of the expanded CTC would also affect other attempts at expanding welfare and redistributive legislation. As mentioned in the introduction, the United States has a long history of terminating welfare programs when the perceived need for these programs have dissipated. The story of the CTC is therefore one of the most recent additions to this pattern.

The case study approach is in a position to identify the instrumental factors for why the child tax credit was implemented and subsequently terminated, yet it is ill-suited to examine the specific effect of the causes or attitudes in question. A logical step forward could therefore be to examine the attitudes among citizens through a more quantitative analysis.

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