Policy Impact Detail - Clinton Administration (Second Term) (1997–2001)

15 Important Policies / Decisions and their relevance to inequality

Query used to generate the 15-item list

What were the 15 most important decisions, policy changes, or legislation undertaken by the Clinton Administration, Second Term (1997-2001)?

1. Balanced Budget Act of 1997 - imposed spending caps and created the State Children's Health Insurance Program (SCHIP).

2. Taxpayer Relief Act of 1997 - cut the capital gains tax rate from 28% to 20% and created the Child Tax Credit and Roth IRA.

3. Minimum wage increase to $5.15 per hour (1997).

4. Gramm-Leach-Bliley Act (1999) - repealed the Glass-Steagall separation of commercial and investment banking.

5. Commodity Futures Modernization Act (2000) - exempted most over-the-counter derivatives from federal regulation.

6. Workforce Investment Act (1998) - replaced JTPA with a consolidated federal job-training framework.

7. Higher Education Amendments of 1998 - reduced student loan interest rates and expanded Pell Grant funding.

8. China Permanent Normal Trade Relations Act (2000) - paved the way for China's accession to the World Trade Organization.

9. Veto of the Death Tax Elimination Act of 2000 - blocked full repeal of the federal estate tax.

10. Kosovo War / NATO intervention (1999).

11. Clinton impeachment and Senate acquittal (1998-1999).

12. Achievement of federal budget surpluses (1998-2001) - first sustained surpluses since 1969.

13. Y2K remediation spending and preparation (1999-2000).

14. Camp David 2000 Summit - Israeli-Palestinian negotiations.

15. NATO expansion - Poland, Hungary, and the Czech Republic admitted (1999).

Relevance to Inequality (evaluation of the 15 Important Policies)

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
1	Balanced Budget Act of 1997 - imposed spending caps and created the State Children's Health Insurance Program (SCHIP).	Yes	Common Man (SCHIP substantially expanded children's health coverage)	High
2	Taxpayer Relief Act of 1997 - cut the capital gains tax rate from 28% to 20% and created the Child Tax Credit and Roth IRA.	Yes	Mixed (capital gains cut favors investors; Child Tax Credit and Roth IRA benefit middle-income families)	Moderate-High
3	Minimum wage increase to $5.15 per hour (1997).	Yes	Common Man (raised the wage floor for lowest earners)	Moderate

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
4	Gramm-Leach-Bliley Act (1999) - repealed the Glass-Steagall separation of commercial and investment banking.	Yes	Wealthy (facilitated financial consolidation; later linked to too-big-to-fail dynamics)	High
5	Commodity Futures Modernization Act (2000) - exempted most over-the-counter derivatives from federal regulation.	Yes	Wealthy (deregulated derivatives markets; later implicated in the 2008 financial crisis)	High
6	Workforce Investment Act (1998) - replaced JTPA with a consolidated federal job-training framework.	Yes	Common Man (consolidated job-training programs, though effectiveness is debated)	Low-Moderate
7	Higher Education Amendments of 1998 - reduced student loan interest rates and expanded Pell Grant funding.	Yes	Common Man (lower loan costs and expanded grant aid)	Moderate
8	China Permanent Normal Trade Relations Act (2000) - paved the way for China's accession to the World Trade Organization.	Yes	Mixed (lower consumer prices vs. well-documented manufacturing job losses in following years)	High
9	Veto of the Death Tax Elimination Act of 2000 - blocked full repeal of the federal estate tax.	Yes	Common Man (preserved a check on multi-generational wealth concentration)	Moderate
10	Kosovo War / NATO intervention (1999).	No		
11	Clinton impeachment and Senate acquittal (1998-1999).	No		
12	Achievement of federal budget surpluses (1998-2001) - first sustained surpluses since 1969.	No		
13	Y2K remediation spending and preparation (1999-2000).	No		
14	Camp David 2000 Summit - Israeli-Palestinian negotiations.	No		
15	NATO expansion - Poland, Hungary, and the Czech Republic admitted (1999).	No		

Narrative Analysis - Items with Meaningful Inequality Impact

Only a subset is expanded here to keep this as a true companion report.

Gramm-Leach-Bliley Act (1999) - inequality impact

This law repealed the Glass-Steagall Act's Depression-era separation of commercial banking, investment banking, and insurance, allowing financial institutions to consolidate across these lines for the first time since 1933. Supporters argued it modernized an outdated regulatory structure and let U.S. institutions compete with less-restricted foreign banks.

The inequality relevance is almost entirely long-run and structural rather than immediate. By enabling much larger, more complex financial conglomerates, the law is widely cited by economists and policymakers as a contributing structural condition for the scale and interconnectedness of institutions that proved “too big to fail” in the 2008 financial crisis — a crisis whose costs (foreclosures, job losses, and wealth destruction) fell disproportionately on lower- and middle-income households, while the financial sector itself was substantially protected by subsequent government intervention. None of this was visible within the 1997-2001 term itself, but the structural change originates here.

Impact rating: High (long-run). Minimal immediate distributional effect, but a documented structural precondition for a later crisis whose costs were sharply asymmetric.

Commodity Futures Modernization Act (2000) - inequality impact

Passed in the final weeks of the term, this law explicitly exempted most over-the-counter derivatives, including the credit default swaps that would later play a central role in the 2008 financial crisis, from regulation by the Commodity Futures Trading Commission or state insurance regulators. It followed a period of internal executive-branch and congressional debate over whether such instruments required oversight.

As with Gramm-Leach-Bliley, the inequality channel is long-run and structural: unregulated derivatives markets allowed risk to build up in ways that were largely invisible to regulators until the 2008 crisis, when the resulting collapse in credit and housing markets destroyed a disproportionate share of wealth held by middle- and lower-income households (concentrated in home equity) relative to the financial sector itself. The law's proximate beneficiaries were financial institutions able to trade these instruments without regulatory friction.

Impact rating: High (long-run). A deregulatory decision with negligible visible effect at the time but substantial documented downstream consequences for financial stability and the distribution of crisis costs.

China Permanent Normal Trade Relations Act (2000) - inequality impact

This law granted China permanent normal trade relations status, removing the annual congressional review that had previously accompanied it and clearing the way for China's 2001 accession to the World Trade Organization. It reflected a broad bipartisan consensus at the time that expanded trade would benefit the U.S. economy overall.

The inequality relevance became much clearer in retrospect than it was in 2000: a substantial body of subsequent economic research (often referred to as the “China shock” literature) documented that the surge in Chinese import competition following WTO accession caused concentrated and persistent job losses in specific U.S. manufacturing regions, with effects larger and more durable than earlier trade models had predicted. As with NAFTA, the aggregate effect (lower consumer prices, broader economic gains) was diffuse, while the costs were concentrated in specific communities and occupations.

Impact rating: High. A trade decision whose broad, diffuse benefits and concentrated, significant costs became substantially clearer through research conducted well after this term.

Balanced Budget Act of 1997 / SCHIP - inequality impact

The Balanced Budget Act combined fiscal spending caps with the creation of the State Children's Health Insurance Program, which provided federal matching funds to states to cover children in families with incomes too high for Medicaid but too low to afford private insurance. It remains one of the larger expansions of public health coverage between the creation of Medicaid (1965) and the Affordable Care Act (2010).

The inequality relevance is direct: healthcare access and its cost burden fall unevenly across the income distribution, and SCHIP specifically targeted the coverage gap facing working-class and lower-middle-income families. Reducing uninsurance among children in this income band has documented long-run benefits for health outcomes, educational attainment, and future earnings, making this one of the more durable common-household-favoring actions of the term.

Impact rating: High. A substantial and durable expansion of public health coverage targeted specifically at the income band most exposed to the coverage gap.

Sources

- Congress.gov - Balanced Budget Act of 1997 summary
- Congress.gov - Taxpayer Relief Act of 1997 summary
- Congress.gov - Gramm-Leach-Bliley Act (Financial Services Modernization Act of 1999) summary
- Congress.gov - Commodity Futures Modernization Act of 2000 summary
- Congress.gov - China Permanent Normal Trade Relations Act of 2000 summary
- Economic Policy Institute - The State of Working America, 1998-99 and 2000-01 editions
- Economic Policy Institute - Raising America's Pay: Why It's Our Central Economic Policy Challenge
- U.S. Bureau of Labor Statistics - historical unemployment rate series, 1997-2001
- Autor, Dorn & Hanson - 'The China Shock' research literature (background)