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## **Welfare State Persistence in OECD Democracies**

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## Abstract

Welfare states within most developed democracies appear quite resilient in the face of profound shifts in their national settings, and with respect to the turbulent global environment of the past 20 years. This contrasts with once-widespread predictions of retrenchment, and it has refocused debates over trends in social policymaking on the phenomenon of welfare state persistence. The resilience of mature welfare states is of further significance in light of the possibility that the causal forces underlying persistence differ from those accounting for their initial historical development. Using recent formulations of power resources and path dependency approaches, and also the emerging literature on policy responsiveness, we argue for the importance of considering mass policy preferences as a mechanism behind welfare state persistence. Analyzing a new country-level dataset, we find that economic and demographic factors have exerted significant pressures on contemporary welfare states. But of far greater importance are the larger effects of mass policy preferences and constitutional structures. Further analyses suggest that more extensive changes in policy preferences have the potential to alter the trajectory of welfare state development, particularly within European democracies. We discuss implications of these results for advancing emerging debates over welfare state persistence.

Data from the Health Data, Labor Force Statistics, Main Economic Indicators, National Accounts, and Social Expenditures Database were provided by the Organization for Economic Cooperation and Development; data and machine-readable codebooks from the International Social Survey Program were provided by the Inter-University Consortium for Political and Social Research and by the Central Archive for Empirical Social Research; and data and a machine-readable codebook from the Comparative Welfare States Dataset were provided by Evelyne Huber, Charles Ragin, John D. Stephens, David Brady, and Jason Beckfield. The usual disclaimers apply.

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## Welfare State Persistence in OECD Democracies

### INTRODUCTION

Once viewed as spiraling into inevitable decline, welfare states within most developed democracies now appear to be resilient in the face of profound shifts in their national settings, and with respect to the turbulent global environment of the past 20 years. Indeed, contrasting with once widespread declarations of retrenchment (e.g., Brown 1988; Marklund 1988; Schwartz 1994; cf. Gilbert 2002), high levels of public provision and social expenditure continue to be a centrally distinguishing feature of many West European polities (e.g., Esping-Andersen 1996; Iversen 2001; Swank 2002). This holds within Scandinavia, where despite such instances of reform as reductions in unemployment benefits in Sweden during the 1990s, the social democratic model continues to set the standard for public generosity within the OECD (Stephens 1996; Korpi and Palme 1998; Kautto et al. 2001).

Welfare state scholars, it should be emphasized, have acknowledged that recent patterns of demographic change and economic globalization may exert negative pressures on social expenditures and provisions (e.g., Garrett 1998; Standing 1999; Huber and Stephens 2001). But while the “golden age” of postwar social policy development appears for the time being to have drawn to a close (Esping-Andersen 1996; Stephens, Huber, and Ray 1999; Pierson 2001b), a growing scholarly consensus is that sweeping declarations of retrenchment provide a limited basis for understanding

welfare state *persistence* in the contemporary historical era. The phenomenon of welfare state persistence is particularly notable in light of accumulating evidence linking the level of social spending to subsequent levels of inequality and poverty (e.g., Kenworthy 1999; DiPrete 2002; Bradley et al. 2003; Moller et al. 2003; cf. Esping-Andersen 1990). If welfare states had indeed experienced retrenchment, this would clearly foreshadow trends toward more extensive patterns of stratification within developed capitalist democracies.

The persistence of welfare states, when combined with enduring cross-national differences in social policy-making (Ferrera 1996; Montanari 2001; cf. O'Connor, Orloff, and Shaver 1999; Hicks and Kenworthy 2003), defines an important new agenda for welfare state theory and research. While understanding the origins and historical dynamics of welfare state development remains a central concern of welfare state scholarship (e.g., Weir, Orloff, and Skocpol 1988; Amenta 1998; Hicks 1999), an emerging challenge is to account for causal mechanisms behind contemporary patterns of persistence. This issue takes on particular significance in light of a causal scenario, developed most forcefully in the work of Pierson (1996; cf. 1994; 2001a), that the factors underlying contemporary welfare states differ from those generating initial demands for the emergence and expansion of social policy. Because it is only recently that evidence against widespread retrenchment has reached something of a critical mass,

scholarship on welfare state persistence is as yet in a relatively early stage of development.<sup>1</sup>

In this context, we believe that a particularly useful line of inquiry concerns the role of mass policy preferences in helping to account for welfare state persistence. To this point, the policy preferences of national publics have not been a central focus within welfare state theorizing, and policy preferences has not figured explicitly within research on welfare state development.<sup>2</sup> But a number of scholars anticipate a role for policy preferences, where the latter act as an historical counterweight to negative pressures exerted by factors such as fiscal crisis or economic globalization.

With regard to the impact of changing global and economic conditions, for instance, Esping-Andersen (2000, p. 4), proposes that “The ways in which welfare states have responded, so far, reflect mainly a logic of...voter allegiance to accustomed

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<sup>1</sup> Summarizing the thrust of work since his initial statement concerning the “new politics” of welfare states, Pierson (2001b, pp. 2-3) notes that

... On the growth of the welfare state, there is a huge and sophisticated literature, and well-developed arguments about the sources of variation across programmes, countries, and time... This cannot be said of the dynamics emerging in this new era. Indeed, a systematic program of research has barely begun. Such a program is badly needed...because there is good reason to believe that research on the ‘golden age’ of social policy will provide a rather poor guide to understanding the current period.

<sup>2</sup> Factors relating to public opinion has yet to be explicitly considered in existing theories of the welfare state (cf. Burstein 1998; Erikson, MacKuen, and Stimson 2002; Manza and Cook 2002), and there have been as yet no studies of the role of mass policy preferences in explaining over-time patterns of welfare state change. But for cross-sectional analyses, see Schwabish, Smeeding, and Osberg (2003) on the interrelationship of interpersonal trust and social spending.

benefits.” Referring to the possibility that factors relating to mass policy preferences mediate long-term political dynamics behind welfare state development, Huber and Stephens (2001, p. 322) argue that “Ideological hegemony refers to the center of gravity of public opinion regarding the shape of a desirable social order, including the proper form and functions of the welfare state.” According to Korpi and Palme (1998), the universal scope of public services and cash benefits within generous welfare states reduces zero-sum patterns of conflict between the middle and working classes. This is said to generate higher levels of middle class support within such polities (cf. Svallfors 1997; 1999), and, by implication, higher levels of public support for the welfare state.

Do mass policy preferences help to explain tendencies toward persistence within developed welfare states? In addressing this question, our study seeks to contribute to the emerging challenge of accounting for mechanisms underlying welfare state persistence. The theoretical perspective we develop builds from established theories of the welfare state, considering, in particular, points of relevance to power resources and path dependency theories. Our empirical analyses take into account established sources of welfare state development, but we add to these models over-time (and cross-nationally standardized) measures of public opinion.

In the first section of the paper, we review theories of mechanisms behind welfare state development as the background to our focus on mass policy preferences. The

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second section discusses the design of the research, including the data, measures, and models used in the analyses. Results are presented in the third section. In conclusion, we discuss implications for identifying novel factors behind contemporary patterns of welfare state persistence.

## THEORETICAL PERSPECTIVES ON WELFARE STATE PERSISTENCE

### *Power Resources and Path Dependency*

The theoretical perspectives developed by scholars within the power resources and path dependency traditions provide the backdrop to our investigation of mechanisms of welfare state persistence. Power resources and path dependency are central to contemporary welfare state theory and research, and recent strains of work anticipate a role for policy preferences in accounting for the phenomenon of persistence. But scholars within both traditions have yet to take the next steps by explicitly theorizing and then investigating such a linkage.

The causal focus of the power resources approach (Korpi 1983, 1989; Esping-Andersen 1990; cf. Hicks 1999; Huber and Stephens 2001) is on political parties and class-related factors, with a key proposition being that welfare state policies are a product of historical legacies of class and partisan influence over government, particularly in the extent to which public benefits and services are provided as a matter of citizenship rights. This historical patterning of welfare state development is said to

create distinct types of ideal-typical regimes (Esping-Andersen 1990; Huber, Ragin, and Stephens 1993), where the institutionalization of high levels of public provision and social spending is hypothesized as being most secure within polities in which benefits are distributed universally.

Faced with evidence of a pattern of continuity in welfare states, power resources scholars have argued further that historical legacies of partisan control over national government generate tendencies involving inertia with respect to specific countries approaches to social policy (Korpi and Palme 1998; Rothstein 1998). The distribution of “power constellations” within a polity, to use Huber and Stephens’ (2001) recent formulation, is thus said to account for tendencies toward welfare state persistence. As discussed below, this formulation of power resources theory is readily interpreted as suggesting the historical operation of mass policy preferences as an additional mechanism behind recent patterns of welfare state development.

At the heart of the path dependency approach is a deceptively simple idea: early developments in the history of social policy set nations on “paths” that, once adopted, are difficult to reverse (Pierson 2000; Hacker 2002). Work within this theoretical tradition identifies two distinct types of causal mechanisms that produce path-dependency. One of these is the process of policy feedback, whereby the establishment of a new government policy itself influences sources of welfare state support and the strategies of actors seeking to shape policy (Hecló 1974; Pierson 1993, 1994; Skocpol



1995). In arguing that conventional theories ignore evolutionary dynamics of this sort, Pierson (1993, 1994) cautions that they underestimate the self-generating tendencies that operate within mature welfare states. Because of such tendencies, the development of welfare states is said to eventually transcend the historical pressures behind their initial emergence.

Recent work by Pierson (1996, 2001b) has further proposed that the “old politics of welfare states” involving class and other historical factors have been displaced. The contemporary stage of welfare state development is said to reflect a “new politics” characterized by novel constituencies and interest groups, and different incentives for government officials to expand (versus reduce) government benefits and services. It is the new politics of welfare states that have been viewed as “locking-in” contemporary patterns of social policy development (Pierson 1996), raising the question of whether policy preferences may play a role into helping to account for welfare state persistence.

### *Incorporating Mass Policy Preferences*

Recent extensions of power resources and path dependency theorizing are broadly consistent with, and may even suggest, the operation of mass policy preferences as a mechanism behind tendencies toward welfare state persistence. In the power resources argument, the historical development of specific types of welfare states is expected to influence the degree of zero-sum conflict and subsequent distribution of

interests among social groups (Korpi and Palme 1998; Rothstein 1998). This suggests that the persistence of generous welfare states is linked to the presence of robust preferences on the part of working and middle-class citizens (and, more generally, the population as a whole). Similarly, the path dependency approach (Pierson 1996; 2001b;) is broadly consistent with the proposition that the “asymmetry” of benefits versus costs for government officials to expand rather than retrench welfare state entitlements is *itself* shaped by of the prior distribution of policy preferences on the part of voters. In this way, then, the degree of aggregate preference for welfare provisions within specific countries may act as a constraint on trends involving a fundamental redirection in social policy-making.

The proposition that policy preferences shape contemporary welfare states is buttressed by a separate body of recent work on “policy responsiveness” within democracies, particularly with respect to the United States (e.g. Stimson, MacKeun and Erikson 1995; Wlezien 1995; Erikson, MacKuen, and Stimson 2002; cf. Burstein 1998). Focusing on linkages between mass opinion and public policy outputs, the policy responsiveness literature offers a critical and parsimonious assumption, that government officials have an incentive to incorporate mass policy preferences into policy-making so as to avoid voter sanctions in the form of electoral defeat or public protests.

To date, research on opinion/policy linkages has not focused on welfare state policy output *per se*, and studies beyond the United States have been quite rare, considering one or a small number of specific countries rather than developing systematic cross-national comparisons (e.g., Brooks 1987; Petry 1999; Soroka and Wlezien 2002; see Manza and Cook [2002] for review). But the policy responsiveness literature is critical in fleshing out the key insight regarding an hypothesized linkage between elected officials and the aggregate preferences of national publics. Notwithstanding, then, differences in the level of responsiveness reported across U.S. states (e.g., Erikson et al. 1989; Berry et al. 1998), American foreign and military policy (e.g., Bartels 1991; Hartley and Russett 1992; Jacobs and Page 2004), and the U.S. Congress and Presidency (e.g., Stimson et al. 1995; Erikson et al. 2002), this emerging research tradition provides ample warrant for investigating the possibility of linkages between policy preferences and welfare states within developed democracies.

#### *Constitutional Structures, Postindustrialism, and Economic Globalization*

The possible impact of policy preferences in buttressing welfare states requires an approach that takes into account established factors behind welfare state development. A significant body of scholarship has argued for the causal importance of political institutions in understanding the historical development of welfare states. Distinguishing political-institutional factors from social class and demographic

pressures (e.g., Evans, Rueschemeyer, and Skocpol 1985; Weir, Orloff and Skocpol 1988), scholars have argued that the structure of political institutions within a national polity shapes the range of policy options and strategies operating in the development of welfare state programs.

Recent work within this tradition has offered further analytical refinements by focusing on features of constitutional design (see Immergut [1992] for an overview). In particular, polities with decentralized constitutional structures are viewed as *lowering* the likelihood of generous benefits programs because the multiple “veto points” around which they are organized provide opportunities for business organizations and their political allies to block egalitarian policy initiatives (Huber and Stephens 2001; Swank 2002). In contrast, polities whose institutions facilitate greater centralization provide fewer opportunities for conservative interest groups to exercise veto-power (see Lijphart 1999). Insofar as such sources of veto points as the use of judicial review or the presence of a presidential system are difficult to change once they have been established, constitutional structures are an important source of influence over welfare states.

A second set of factors involves the pattern of demographic or economic change within a society. Early work on the “logic of industrialism” (e.g., Kerr, Dunlop, Harbinson, and Myers 1960; Wilensky 1975; Flora and Alber 1981) was limited by an inability to account for comparative and historical variation in welfare state

development. Nevertheless, few scholars would deny the (more limited) relevance of contemporary patterns of “postindustrial” change (Korpi 2003) to understanding the domestic environment of contemporary welfare states. Among such factors, persistent unemployment and demographic changes associated with the rise of lone-parent households (Esping-Andersen 1996; Taylor-Gooby 1999; Kuhnle and Alestalo 2000) have been viewed as exerting significant pressures for welfare state change.

A final, if somewhat more controversial, set of welfare state factors relates to pressures associated with economic globalization. According to one popular formulation of this argument, the growing mobility of international capital exerts pressure on national governments to lower taxes and scale back social programs (e.g., Rodrik 1997; Misra 1999). A quite different perspective argues that globalization may instead have *positive* effects on welfare state development because it stimulates welfare states in smaller polities to reduce uncertainty for workers and employers by providing benefits lost through declines in manufacturing employment (Iversen 2001; cf. Hall and Soskice 2001). Little as yet has been conclusively established with respect to the significance or directionality of globalization’s effects (Berger 2000), but a useful innovation (e.g., Firebaugh and Beck 1994; Alderson 1999) has been to identify direct investment in-flows and out-flows as capturing a core dimension of economic globalization. In the analyses that follow, we use this approach to control for the possible effects of globalization on contemporary patterns of welfare state development.

## DATA, MEASURES, AND MODELS

As discussed earlier, there have been no studies of the linkages between mass policy preferences and contemporary welfare state trends. A first requirement in developing a suitable analysis is high-quality data on welfare state policy output and mass policy preferences in cross-national and historical perspective. Welfare state data should be derived using standardized definitions of social policy output, and data on mass policy preferences should be based on items that employ identical question wording and response formats across repeated surveys. The new dataset we have assembled (details discussed below) addresses these requirements by merging together data from the *Organization for Economic Cooperation Development* and the *International Social Survey Program*, enabling analysis of 12 OECD democracies during the recent historical era from 1980 through 2000.<sup>3</sup>

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<sup>3</sup> We emphasize the importance of a fully *comparative* cross-national design in which there is standardized data for multiple countries and time periods. Even where there are sufficient datapoints for statistical analysis of a single country (e.g., Brooks 1987, 1990; Petry 1999; cf. Erikson et al. 2002), evidence from one country is insufficient to evaluate whether mass policy preferences are a factor behind welfare state trends among more than a single polity. Comparisons between countries based on *country-specific* measures are a further alternative (e.g., Soroka and Wlezien 2002), yet these also suffer from inherent limitations because subsequent results (involving a pattern of similarity *or* difference across countries) could be an artifact of the country-specific measurement. The only way to address such limitations is to use a fully comparative research design.

A second requirement is to analyze the contributions of mass policy preferences to welfare state persistence net of more established factors behind the operation of welfare states. The analyses we develop take into account key features within the power resources, path dependency, constitutional structures, postindustrial, and economic globalization literatures.

The third challenge is to analyze the *aggregated* output of contemporary welfare states. A significant body of work has focused on policy-specific domains such as pensions and unemployment benefits rather than the aggregated output of welfare states. Such analyses are clearly informative with respect to domain-specific trends and dynamics, yet past debates over retrenchment have highlighted the importance of considering the overall policy activities of welfare states (cf. Huber and Stephens 2001; Swank 2002). It is the overall institutional contours or expenditure of welfare systems that appear to exemplify persistence, rather than specific domains which frequently suggest more extensive patterns of decline (and, in other instances, expansion).<sup>4</sup>

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<sup>4</sup> In this context, we emphasize that a domain-specific policy focus can obscure larger temporal patterns of overall welfare state change. For instance, in the key cases of Sweden (e.g., Anderson 2001; Timonen 2001) and the United States (e.g., Piven and Cloward 1997; Weaver 2000), programmatic revisions in the 1990s to AFDC and to Swedish unemployment benefits represent significant instances of policy change, but ones that nevertheless provide an insufficient (and even potentially misleading) basis for observing the presence versus absence of retrenchment trends affecting overall welfare output in both countries.

## *The Centrality of Welfare State Effort Measures*

We use the ratio of government spending on aggregated social benefits and services relative to gross domestic product to measure the overall policy output of welfare states. Such measures of *welfare state effort* were introduced in early studies of the welfare state (e.g., Wilensky 1975; Pampel and Williamson 1985), and they remain central to the large portion of contemporary work (e.g., Pierson 1994; Clayton and Pontusson 1998; Huber and Stephens 2001). Effort-related measures have a critical and theoretically relevant property, insofar as it is social spending relative to GDP that has been found to predict subsequent patterns of inequality and poverty within democracies (e.g., Kenworthy 1999; Brady 2003; Moller et al. 2003). While there is clearly room for the development of further measurement approaches, alternative indices of overall welfare state output that might better serve the goal of cross-national comparison are as yet undeveloped.<sup>5</sup>

## *Data*

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<sup>5</sup> A possible exception is an index of average benefits replacement levels that is in the process of being assembled at the Stockholm Institute for Social Research, but the principal investigators have yet to publicly release these data (see Korpi and Palme 2003, Methodological Appendix); whether such a measure better predicts stratification outcomes or how it is related to spending effort measures are important questions for further research.



The dataset we analyze in this study combine data from the Organization for Economic Cooperation and Development (OECD) with data from the International Social Survey Program (ISSP). The OECD's systematic use of consistent definitions and measures has made it the primary source of government spending data within welfare state research, and we take advantage of the *Social Expenditures Database* (Organization for Economic Cooperation and Development 2002b) that provides high-quality data on overall welfare state effort. As summarized in Table 1 below, overall welfare state effort is aggregated across thirteen categories of cash and in-kind benefits and services. This measure represents the more comprehensive current index of welfare state spending, and the data we analyze represent the most recent update, extending the OECD series through the late 1990s.<sup>6</sup>

[TABLE 1 ABOUT HERE]

We use the OECD measure of welfare state spending effort in two separate sets of analyses. The first of these is an analysis of trends involving welfare state persistence (as

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<sup>6</sup> Preceding quantitative studies of welfare state trends have generally approximated welfare state effort using data on social security transfers, a measure that scholars have cautioned is unable to capture the service dimensions of welfare states (Huber and Stephens 2000; cf. Pierson 1996). The current study builds this work, and also from an earlier release of the OECD's more inclusive benefits and services measures that charted welfare state trends through 1993 (Clayton and Pontusson 1998).

well as expansion versus retrenchment) for which we make use of the observations for 17 developed democracies in the time period from 1980 through 2000.<sup>7</sup> These analyses extend past studies of welfare state trends, providing a subsequent baseline for the key multivariate analyses with which we evaluate the contributions of mass policy preferences to understanding welfare state persistence.

For this second set of analyses, we combine the OECD data with data from the ISSP's *Religion I and II* and *Role of Government I, II, and III* surveys (International Social Survey Program 1988, 1993, 1994, 1999, 2001). Merging the ISSP with OECD data enables us to measure the novel factor of mass policy preferences within specific countries and time periods. As discussed further below, our measurement of policy preferences follows key requirements of opinion research by employing identically-worded questions and survey response formats. Following our earlier theoretical discussion, we assume that policy preferences exert an influence in the *aggregate* within specific countries and time periods. The ISSP data is thus in summary form at the *country-level*, and the unit of the analysis in the merged dataset is the country-year.<sup>8</sup>

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<sup>7</sup> The 17 countries are: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

<sup>8</sup> The merged OECD/ISSP data for welfare state effort is for 12 democracies, with country-observations for the liberal democracies of Australia, Canada, Ireland, New Zealand, the U.K., and the U.S.; the Christian democracies of Austria, France, Germany, and Italy; and Norway as

### *Independent Variables*

Independent variables in the multivariate analyses are listed in Table 2. The first six variables are associated with established theoretical approaches; their measurement follows previous research. Unemployment rate, elderly population composition, and women's labor force participation represent key economic and demographic factors, and the source of these data is the OECD (Organization for Economic Cooperation and Development 2003a, 2003b, 2003c).

With regard to power resources theory, we measure partisan control over policy-making by political parties or governing coalitions using variables for three major party families (e.g., Korpi 1989; Esping-Andersen 1990; Huber et al. 1993): right-wing parties; religious parties; and left-wing parties. As summarized in Table 2, the *Comparative Welfare States Data Set* (Huber et al. 2004) is the source of these data.

[TABLE 2 ABOUT HERE]

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the paradigmatic social democracy. Observations for Japan are included, and while the Japanese welfare state has at times been classified as a conservative/Christian democratic regime, the absence of a Christian democratic or successful religious party in postwar Japan suggest little grounds for such a classification.

The next two measures take into account factors associated with work on path dependency, political institutions, and economic globalization. With regard to the constitutional structure of political institutions, *veto points* are scores for the degree of centralization versus decentralization within a polity (higher scores indicate more veto points and thus greater decentralization). This measurement of veto points follows the work of Huber and Stephens (2001) on constitutional structures. With regard to economic globalization, data from the *Welfare States Data Set* (Huber et al. 2004) yield a summary measure of the quantity of investment in-flows and out-flows relative to a country's gross domestic product.

Table 2's final variable is for the novel factor of mass policy preferences, and data come from five ISSP surveys conducted between 1985 and 2000<sup>9</sup> (International Social Survey Program 1988, 1993, 1994, 1999, 2001). Care was taken by ISSP planners and principal investigators to field survey questions in a standardized way across national context, and the two items in the analyses have identical question wording and response formats.<sup>10</sup> As summarized in Table 2, these items ask questions about

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<sup>9</sup> Surveys of specific countries for a given ISSP module were not always fielded in the same calendar year, so the coding of country-years in the analyses reflects the actual survey date.

<sup>10</sup> These items are drawn from a larger battery of ISSP questions about attitudes towards social policy. Initial analysis of this battery revealed that the pair of items in Table 2 account for just over 50 percent of the total variance; the Eigenvalue for the next largest component was less than 1, providing evidence that the two items we analyze in this study capture the common factor underlying the larger set of ISSP items.

respondents' attitudes toward the proper degree of government responsibility for providing employment opportunities and reducing income inequality, issues that are central to contemporary ideological conflicts within developed democracies (Garrett 1998). As summarized in note *b*, the two items scale with a high degree of reliability, and following the work of Stimson et al. (1995), country-year scores for aggregate preferences are measured with a 1-year lag.

#### *Cross-Sectional Time-Series Models*

The data in this study are cross-sectional time-series data in which the unit of analysis is the country-year. Cross-sectional time-series data are frequently characterized by the presence of correlated errors, violating classical assumptions regarding the independence of errors across observations (Greene 2000). Such errors also tend to be heteroskedastic, possessing a non-constant variance across observation. These conditions pose non-trivial challenges to statistical inference, insofar as they can lead to biased estimates and misleading significance tests.

We use a robust-cluster OLS approach to address correlated and non-identically distributed errors in the analysis of country-level data. The robust-cluster approach has several advantages in comparison to a number of past approaches in the quantitative analysis of welfare states (see Moller et al. 2003). A once popular approach, the Parks

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method, involves estimation of country-specific error correlation parameters, yet as demonstrated by Beck and Katz (1995), this approach (under conditions frequently applying to country-level datasets) tends to *underestimate* standard errors by between 50 percent and 200 percent, resulting in overly-optimistic significance tests. Prais-Winsten regression with a correction for serial correlation represents a second approach, but estimation of the serial correlation parameter requires data that are evenly-spaced with respect to time interval, and our OECD/ISSP data, like many other recent welfare state datasets, is characterized by countries contributing different numbers of observations which are spaced over unequal temporal intervals.

The robust-cluster approach is useful under these conditions. Like the more standard Huber-White estimator for heteroskedastic errors (cf. Long and Ervin 1980), the robust-cluster approach provides correct standard errors in the presence of unequal variance among the error terms. But unlike the Huber-White estimator, the robust-cluster approach remains valid in the presence of errors that are correlated within units, including serially-correlated errors (Rogers 1993).<sup>11</sup> In the course of the analysis, we also compared the robust-cluster approach with random-effects and fixed-effects estimators

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<sup>11</sup> A further version of the Huber-White approach is the HC3 estimator, and Monte Carlo analysis by Long and Irvin (2000) find this approach to perform well in small samples characterized by heteroskedasticity. In the current application, the HC3 estimator delivers comparable results to the robust-cluster approach, though in several cases standard errors are slightly smaller using HC3. This may be a product of the HC3 estimator not taking into account correlated errors within clusters, a point noted by Moller et al. (2000).

(Hsiao 1996). This analysis (available from the authors) favors the robust-cluster approach, using Raftery's Bayesian Information Criterion (1995; see also Beck and Katz 2001) to compare models.<sup>12</sup>

## RESULTS

### *Trends in Overall Welfare State Effort*

We consider first the nature of trends in welfare state effort within developed democracies during the two-decade long period since 1980. In Figure 1 below, we display results of this analysis for 17 OECD democracies. That data in this figure are 3-year moving averages for trends in welfare effort within specific countries. To further facilitate the presentation, we have arranged country-specific results into three separate panels for social democracies, Christian democracies, and liberal democracies.

[FIGURE 1 ABOUT HERE]

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<sup>12</sup> Using the Bayesian comparison of models and further specification tests, additional analyses provided evidence that the fixed-effects estimator is unsatisfactory in accounting for correlated and heteroskedastic errors in the current dataset. Although widely-applied for panel (i.e., individual-level) data, the use of fixed effects methods for country-level data appears somewhat more problematic (see Plumper, Troeger, and Manow 2004). In this context, we note that analyses applying the Hausman test for endogeneity (1978; cf. Davidson and MacKinnon 1993) provide clear evidence for the exogeneity of the mass policy preferences covariate with respect to welfare state effort.

Starting with the results for Sweden in the first panel of Figure 1, Swedish welfare state spending in the 1980s was stable at 30% of gross domestic product, rising to approximately 36% by 1993 but moving back towards earlier levels by the late 1990s. Net of this cyclical variation, Swedish welfare state spending during the past two decades shows little evidence of decline, suggesting instead a degree of stabilization for the time period under investigation. Indeed, for 1997 (the most recently available year in the OECD data), Swedish welfare state effort was 31%, closely corresponding to the level of social spending *prior* to the cyclical pattern of an increase followed by a decrease.

The data series for Norway is shorter yet suggests a comparable pattern of stabilization, with Norwegian welfare state spending rising from approximately 26% in 1990 to a high of 29% in 1993, dropping back to 27% during the next few years. Regarding the remaining two Scandinavian countries, Denmark and Finland are presented together in Figure 1; these data document a larger net increase in welfare state spending between 1980 in the late 1990s, driven in large part by the Finnish welfare state catching up to the higher levels of other Scandinavian countries. Nevertheless, the inverted U-shaped trend during the mid-1990s for Denmark and Finland is similar to the case of Sweden. Policy stabilization appears the best description of welfare state trends within the four social democracies.



As summarized in the second panel of Figure 1, the Christian democracies of Western Europe have tended to follow a different pattern, steadily *increasing* social spending relative to GDP from the early 1980s through the 1990s (this also characterizes the shorter data series for Austria). The single exception is the Netherlands, whose approximately 30% welfare state effort during the early 1980s was more characteristic of the social democratic regime type, far exceeding the average Christian Democratic level of social spending. In the 1990s, however, the Dutch welfare state experienced a pattern of steady decline, yielding a net change of approximately -4%, and thus suggesting a significant retrenchment trend.

The liberal democracies are characterized by lower levels of social spending, and this is corroborated in the third panel of Figure 1, where the average level of liberal-democratic welfare state effort during the 1990s was approximately 19%. Patterns of change within liberal democracies have also been somewhat more heterogeneous. Starting with the U.S., the American welfare state reveals some variation over time, with only a modest net change in spending effort during the 1990s and no evidence of decline or retrenchment trends.<sup>13</sup>

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<sup>13</sup> Note that U.S. welfare state spending effort in 1999 was 14.3%, slightly higher than the start of the decade (13.4%), and slightly lower than in 1996 (15.3%), the year in which the reforms of the AFDC program were implemented.

Contrasting with the American pattern of stability is the case of Ireland, where a rapid increase in the mid-1980s was replaced by two subsequent periods of decline, yielding a net reduction in spending effort and thus clear evidence of retrenchment. The remaining five liberal democracies experienced an increase in welfare state effort through the 1980s, followed by a pattern of stabilization. Japan, the final country in the analyses, experienced a 4% increase during the 1990s, although this pattern of growth still left the Japanese welfare state as rivaling its American counterpart in exhibiting the *lowest* level of welfare state effort (14%) among our 17 OECD democracies.

#### *Sources of Welfare State Change*

The results of the preceding analyses are broadly consistent with the emerging scholarly consensus that welfare state retrenchment is a relatively usual event. Trends involving stabilization, continued expansion, or an *absence* of change together represent far more common patterns of recent development. This in turn raises two critical questions: What forces explain instances of significant welfare state change? And what mechanisms explain other cases in which welfare states have experienced persistence/stability?

To address these causal questions, we estimate a statistical model of welfare state effort that includes covariates reflecting established factors behind social policy-making, and also the more novel factor of mass policy preferences. Coefficients and standard

errors for this model are presented in Table 3. All but two of the coefficient estimates are significant,<sup>14</sup> and their signs are generally consistent with past work and theoretical expectations.<sup>15</sup> Coefficients for unemployment level, elderly population composition, veto points, and the more novel factor of policy preferences represent particularly large effects. Note that the negatively-signed coefficient for the interaction effect means that policy preferences have much smaller effects on welfare state effort within liberal democracies in comparison to other polities.

[TABLE 3 ABOUT HERE]

Turning to consideration of causal factors behind instances of trends, we use the preceding coefficients and relevant country-specific covariate means to decompose sources of change in welfare states. Not all countries have experienced trends, and in a number of other cases temporal variation appears to be largely cyclical rather than

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<sup>14</sup> The coefficient for left party control over government is small and not significant, and we note that this result is consistent with earlier quantitative studies finding smaller effects of left party incumbency for the social security transfer measure during recent decades in comparison to earlier historical eras (see Huber and Stephens 2001, chap. 6).

<sup>15</sup> Our estimate of the positive effect of foreign direct investment flows is in keeping with research calling into question expectations that economic globalization has large *negative* effects on welfare states (see also Iversen and Cusack 2000). But it is important to note that the effect represented by the .27 coefficient is modest in magnitude: a standard unit increase in the direct investment covariate is predicted as raising by just .67% the subsequent level of welfare effort.

reflective of a net change in welfare effort. Our decompositions thus focus on three cases of welfare state trends: expansion in Germany; stabilization in the U.S.; and retrenchment in Ireland.

By way of illustration, consider in Table 4 the decomposition estimate for the impact for direct investment flows on German welfare state expansion. The 4% estimate indicates that economic globalization makes a positive but relatively modest contribution to understanding welfare state expansion in Germany (*observed* change in welfare state effort is 7%, and this figure is italicized in Table 4 to distinguish it from the decomposition estimates). Decomposition estimates for unemployment, the proportion of the elderly, and women's labor force participation together account for 79% of German welfare expansion. In contrast, changing patterns of partisan control of government and mass policy preferences are relatively minor factors, and the negatively-signed decomposition estimate indicates that changes in partisan control by themselves contributed to a small *decrease* in German welfare state effort. The residual decomposition estimate indicates that 23% of the trend is left unexplained by the causal factors measured in the model.

[TABLE 4 ABOUT HERE]

With respect to the U.S., our focus is on the small increase (2%) occurring between 1986 and 1992 that preceded the very stable level of spending effort during the remainder of the 1990s. Decomposition results suggest that women's rising labor force participation (35%), elderly population growth (13%), and changes in unemployment level (11%) were the main causal factors behind the trend, with policy preferences (7%) also making a contribution.

The remaining decomposition in Table 4 is for Irish welfare state retrenchment. By far the most critical factor is unemployment; the 245% estimate indicates that declining unemployment by itself would have led to over twice as large a pattern of decline in the Irish welfare state during the 1990s. Changes relating to elderly population composition, partisan control over government, and policy preferences explain very little of welfare state retrenchment in Ireland, and trends in women's labor force participation instead anticipate a pattern of growth. The residual -61% estimate indicates that the preceding factors significantly overestimate the magnitude of change in the Irish welfare state.

#### *A Closer Look at Sources of Welfare State Persistence versus Change*

Two large sources of variation in the spending effort of welfare states are the constitutional structure of a polity and the degree of citizens' preference for high versus low levels of public provision. The magnitude of these effects is apparent in the

coefficients from our statistical model (see Table 3). Using a standardization for further comparison, a single unit increase in veto points *lowers* welfare state effort by over 2 percentage points, while a parallel one-unit increase in mass policy preferences *increases* welfare state effort by 4.8 percentage points.

Although constitutional structures and policy preferences thus exert a large influence over welfare state policy output, these factors make at best a relatively modest contribution to explaining instances of welfare state trends. This is because the distribution of mass policy preferences has been fairly stable over the time period covered by the analyses, and with regard to constitutional structures, the level of veto points has been perfectly stable. This tendency towards stability in aggregate policy preferences is consistent with the results of country-specific research on opinion trends, including with respect to the Scandinavian social democracies (Smith 1990; Pettersen 1995; Svallfors 1997, 1999; Andersen et al. 1999), where generous social policies remains quite popular with national publics. Constitutional structures during this period have been perfectly stable, indicating that the main features of developed democracies' political institutions were established prior to the contemporary historical era since 1980.

Taken together, then, these considerations imply that tendencies toward stability in constitutional structures and policy preferences are important *constraints* on change within contemporary welfare states. This brings us to our second causal question

regarding mechanisms behind recent patterns of persistence within many welfare states. We address this question in greater detail by developing estimates of how change in a specific theoretically-relevant factor would have affected recent patterns of welfare state development, holding constant all other sources of welfare state effort measured in our statistical model.<sup>16</sup>

For these analyses, we focus on three specific countries (Norway, Germany, and the U.S.) during the time period from 1991 to 1997, where each country exemplifies an ideal-typical welfare state regime. Figure 2 summarizes the results for Norway, with the figure's left-hand panel showing *baseline* estimates of the predicted level of Norwegian welfare state effort from 1991 to 1997. These baseline estimates are obtained by assuming *no* hypothetical manipulation in covariate levels, and they reveal a net predicted increase of 3% in the Norwegian welfare state during the 1990s.

[FIGURE 2 ABOUT HERE]

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<sup>16</sup> Formally, these analyses involve counterfactual inference, and this analytic strategy is gaining in systematic application within the social sciences (e.g. Kiser and Levi 1996; Dinardo and Lemieux 1997; Alderson 1999), particularly among quantitative analysts. We note that our own use of counterfactuals incorporates the methodological criteria identified by scholars as central to the valid applications (Tetlock and Belkin 1996, p. 18; cf. Hawthorne 1991). These include *clarity* (i.e., specifying the variables under consideration); *historical consistency* (i.e., maximizing plausibility by minimizing the number of counterfactuals simultaneously considered); and *statistical consistency* (i.e., developing inferences based on analysis of real data).

Turning to Figure 2's middle panel, the second set of estimates are identical to the first; this is because they use the 1997 level of *Norwegian* welfare state effort, though as shown below, this covariate manipulation yields substantively-interesting differences in the cases of Germany and the U.S. By contrast, the third estimate recalculates the predicted level of Norwegian welfare effort by using the corresponding U.S. level of elderly population composition, and this results in a 2% lower level of Norwegian welfare state effort in 1997. Even more dramatically, estimate 4's assumption of the U.S. level of constitutional veto points converts the predicted 3% increase in Norwegian welfare effort into a 2% net *decrease* in the 1990s. But substituting the *U.S.* level for the Norwegian level of policy preferences in estimate 5 yields the most profound pattern of change: welfare state effort in Norway is now predicted as experiencing a massive 10% net decline between 1991 and 1997. In other words, a trend in policy preferences of this sort would, by itself, predict a full-blown retrenchment in the Norwegian welfare state.

[FIGURE 3 ABOUT HERE]

The results for Germany in Figure 3 are generally similar. Using estimate 2, substitution of the (lower) level of Norwegian unemployment takes 2% away from the baseline pattern of German welfare state expansion in the 1990s, and an identical result

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is obtained in estimate 3 by assuming the 1997 level of U.S. elderly population composition. A movement to the 1997 level of American veto points lowers by 4 percentage points German welfare state growth. As before, substitution of the U.S. level of policy preferences has an even larger effect, converting the baseline growth trend within Germany into a net 6% *decline* in welfare effort.

[FIGURE 4 ABOUT HERE]

The U.S. results summarized in Figure 4 provide a contrast. This is primarily due to the use of the U.S. as the index values in estimates 3, 4, and 5. But estimate 2 recalculates 1997 U.S. welfare state effort using instead the Norwegian level of unemployment. Because Norwegian unemployment is slightly higher than the corresponding U.S. level, estimate 2 thus predicts a 1 percentage point increase in American welfare effort between 1991 and 1997.

To this point in the analysis, the estimates are derived by assuming the emergence of *negative* pressures on welfare states. This is done through positing a change in the level of a right-hand side variable, as when we assumed that Norway moved to the 1997 U.S. level of elderly population composition. But change in the level of an independent variable that moves in the opposite direction, thereby exerting positive *pressures*, provides a further perspective on the capacity of specific causal factors to generate

change in welfare states. In Figure 5, we consider an important example of this type of pressure: a movement of countries to the 1997 level of Norwegian policy preferences.

[FIGURE 5 ABOUT HERE]

Figure 5's left-hand panel displays the results for Norway; in this panel, estimates 1 and 2 are identical because the Norwegian level of policy preferences is the index value that is manipulated for these analyses. In the case of Germany, however, the assumption of a trend toward the (higher) Norwegian level of policy preferences is predicted as raising German welfare state effort by four percentage points. Results for the U.S. show a smaller effect, with Norwegian policy preferences raising American welfare effort by a single percentage point. Trends involving a movement toward higher levels of policy preferences thus increase both German and U.S. welfare state effort, but the comparatively more modest nature of this scenario in the U.S. again attests to the smaller effect of policy preferences on social policy-making within liberal democracies.

Taken together, the preceding estimates extend our earlier results by showing the potential of more extensive change in key independent variables to influence and possibly even transform the trajectories of contemporary welfare state development. In doing so, these analyses provide evidence for the importance of the pattern of over-time

stability in constitutional structures and policy preferences to understanding sources of welfare state persistence. We discuss these implications in greater detail below.

## DISCUSSION

Welfare states are one of the most central institutions within capitalist democracies, and their far-reaching consequences for societies can be seen in their substantial effects on patterns of stratification and poverty (e.g., DiPrete 2002; Korpi and Palme 1998; Bradley et al. 2003; cf. Esping-Andersen 1990). For these reasons, questions about contemporary trends in their development are of vital interest to scholars of political institutions and public policy, and to comparative political scientists and sociologists. For these reasons, announcements of the impending demise of high levels of public entitlements and social expenditure have fueled a series of wide-ranging and interdisciplinary debates concerning the underlying pattern of welfare state trends (for review, see Pierson 2001b; Korpi 2003).

But as discussed in the introduction to this paper, retrenchment debates appear to be in the process of winding down, with accumulating evidence for the persistence of welfare states, including with respect to the generous regimes of Nordic Europe (e.g., Stephens 1996; Kautto et al. 2001; Swank 2002). This evidence, combined with growing awareness of the analytical limits of the retrenchment concept, present scholars with a critical new challenge. Indeed, if “...the cards are very much stacked in favor of the

welfare state status quo” (Esping-Andersen 1996, p. 267), the key question for a new generation of scholarship is what mechanisms underlie the phenomenon of welfare state persistence.

The current study extends past work on welfare state trends to provide a detailed analysis of mechanisms behind recent trends and broader patterns of persistence within developed democracies. Before discussing our findings in greater detail, it is useful to briefly review two features of our research that underlie results. The first is a focus on the aggregated output of welfare states, as measured by the ratio of overall social spending to GDP. This focus and measure is critical because if it is overall social spending relative to GDP (rather than domain-specific policies such as unemployment benefits *per se*) that has been found to shape levels of stratification within a society.

A second goal of our research has been to incorporate key theoretical perspectives on welfare state trends into the analyses. This allows us to examine whether factors associated with welfare state growth and development have shaped the phenomenon of welfare state persistence. But in addition to taking into account established factors within comparative welfare state research, our analyses have sought to incorporate more systematically the novel factor of mass policy preferences. This has enabled us to generate findings about the effects of this factor as a source of welfare state persistence.

### *Mechanisms behind Welfare State Persistence*

Of the seventeen developed democracies in our trend analysis, only two (Ireland and the Netherlands) have experienced retrenchment, while six are characterized by expansion, and the remaining nine suggest a pattern of stability or emerging stabilization in their welfare states. With regard to instances of monotonic trends, our multivariate analyses provide evidence that economic and demographic factors such as unemployment level and women's labor force participation can generate a pattern of growth (as in the case of Germany) or even contribute to welfare state decline or retrenchment (as in the case of Ireland during the 1990s). These findings substantiate scholarly expectations that changes within the domestic environment of social policy-making, particularly in the form of "postindustrial" transitions (cf. Taylor-Gooby 1999; Korpi 2003), are capable of significantly influencing the direction of contemporary welfare state development.

But as important as they are, monotonic trends of this sort are less common than cases in which countries have experienced little net change, or instead a pattern that is indicative of stabilization in social policy output. It is these cases that exemplify the phenomenon of welfare state persistence, and they point especially to the operation of constitutional structures and mass policy preferences as factors facilitating stability in contemporary welfare state development. Indeed, with respect to constitutional structures, the level of veto points within countries has been perfectly stable during the 1980-2000 historical era covered by our analyses, attesting to the earlier establishment of

this core feature of political institutions during the postwar period. But it is precisely their stable temporal distribution which has made constitutional structures a powerful source of persistence within many welfare states. In the case of Germany, for instance, our results suggest that a movement toward the U.S. level of veto points would have lowered by four percentage points German welfare state spending effort.

While constitutional structures thus emerge as an important temporal influence on contemporary welfare state development, the further effects of mass policy preferences are even larger in magnitude. Returning to the case of Germany, a trend toward the lower level of U.S. policy preferences by itself is predicted as lowering German welfare state effort by eight percentage points. With respect to Norway, the results are even more dramatic: assuming the 1997 level of U.S. policy preferences trims thirteen percentage points from Norwegian welfare effort, thereby suggesting a full-blown instance of welfare state retrenchment. Unless we are prepared to categorically rule out the possibility of further trends in aggregate policy preferences, a more extensive pattern of change within specific countries could contribute to the as-yet unobserved scenario of retrenchment (or, alternatively, patterns of further expansion) within European welfare states.

Further perspective is provided by considering trends involving a movement toward the Norwegian level of mass policy preferences. In the case of Germany, this assumption adds four percentage points to welfare state effort in 1997, but only a single

percentage point to the level of U.S. welfare effort. This is because while the *level* of U.S. policy preferences is quite low in cross-national terms, the estimated *effect* of policy preferences on welfare states considerably more modest within liberal democracies. Taken together, then, these results support the proposition that when levels of aggregate preferences are characterized by temporal stability, they act so as to constrain more extensive welfare state trends, particularly within West European democracies, where the influence on welfare states of policy preferences appears stronger.

### *Welfare State Theory*

The capacity of mass policy preferences to shape the ongoing development of welfare states has implications for theoretical perspectives on the phenomenon of welfare state persistence. As discussed in this paper's introduction, mass policy preferences have yet to be fully considered in comparative welfare state theory and research. Recently, however, scholars within the power resources and path dependency traditions have presented statements that anticipate the potential influence of policy preferences in facilitating welfare state persistence (e.g., Esping-Andersen 2000; Huber and Stephens 2001, chap. 8).

The preceding statements, when combined with the results of this study, suggest the possibility of fruitful analytical synthesis. Mass policy preferences may fit well within both power resources and path dependency frameworks by identifying an

additional factor behind the institutionalization of social policy frameworks within specific national settings. With respect to of the power resources approach, mass policy preference potentially operate as sources of legitimacy for specific types of welfare states, as when enduring preferences for a wide array of public provisions buttresses national governments within Scandinavia.

The temporal effects of aggregate preferences on welfare state persistence also have implications for theorizing new sources of path dependency. Indeed, an important reason why political officials may have greater incentive to maintain (or extend) entitlement programs may stem from their enduring degree of popularity within many polities. In this way, then, recent patterns of welfare state “locking in” operate not only through well-known mechanisms such as constitutional structure and partisan control over government, but also through the less-established factor of policy preferences.

Given the novelty of these proposals for analytical synthesis, further theoretical work and empirical evaluation are in order. Scholarly consideration of the phenomenon of welfare state persistence is, as Pierson (2001b) has cautioned, yet in an early stage of development. The results of the current study suggest the utility of considering the policy preferences of national populations, alongside more established factors behind social policy-making, as part of a larger explanation for the resiliency of welfare states.



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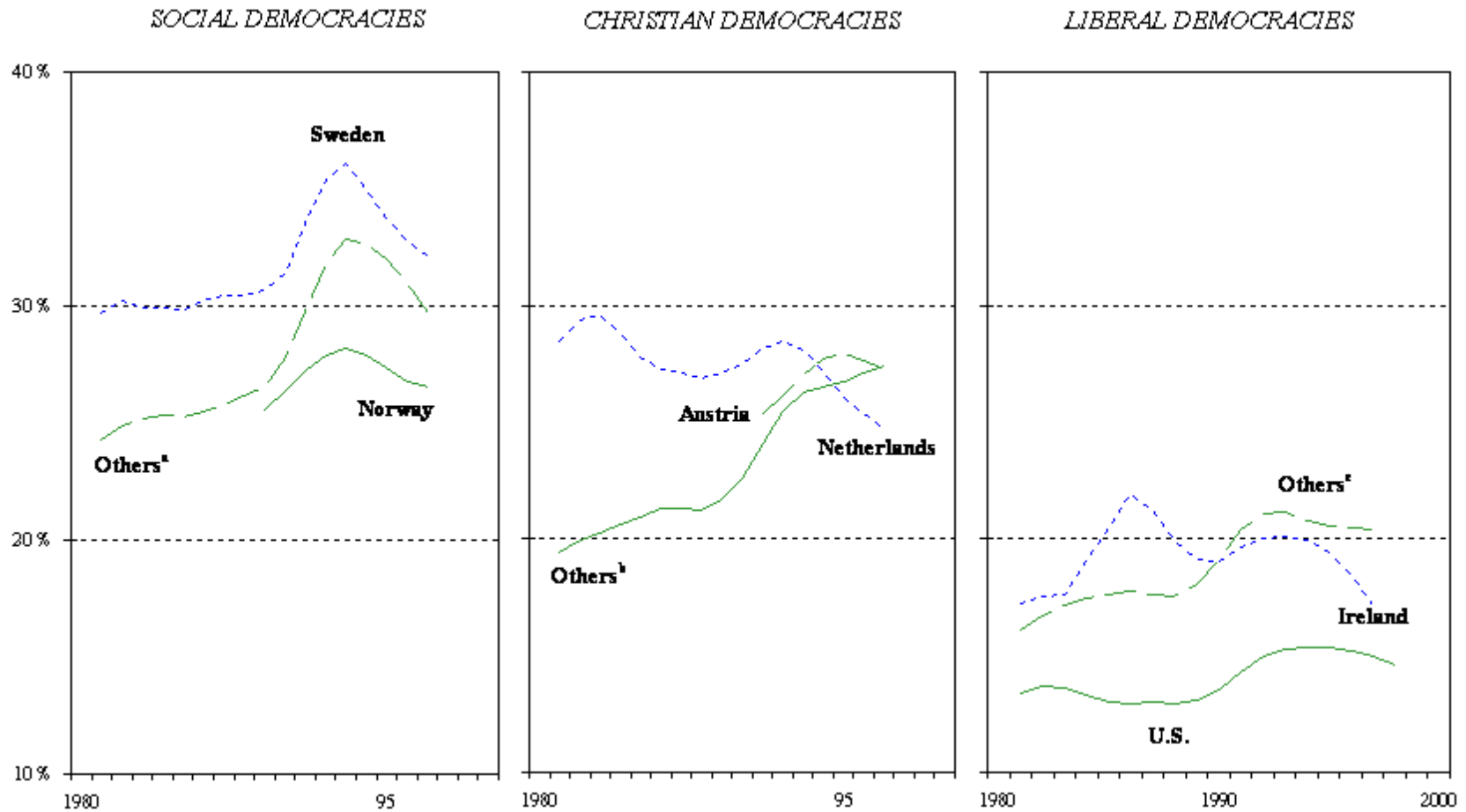
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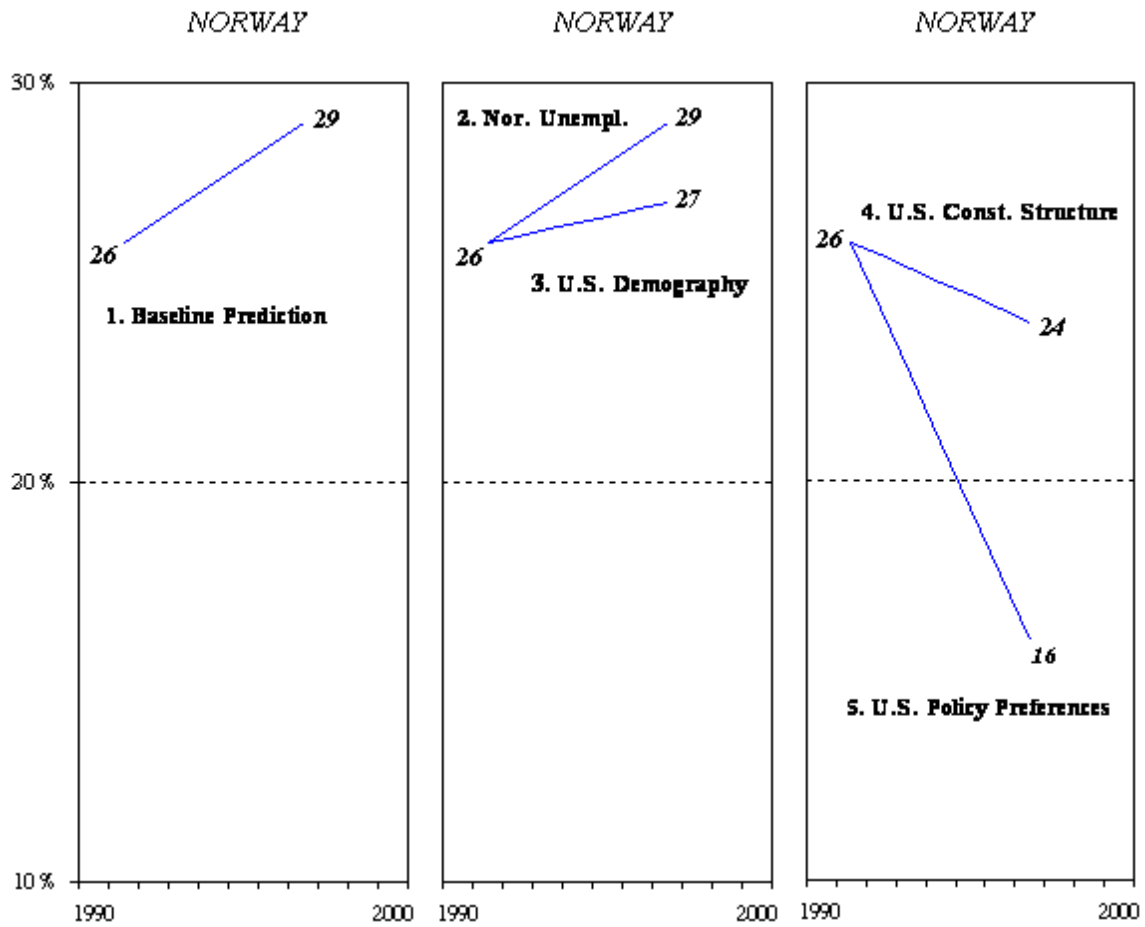
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**Figure 1: Country-Specific Trends in Welfare State Effort, 1980 - 1999 (3-year moving averages)**

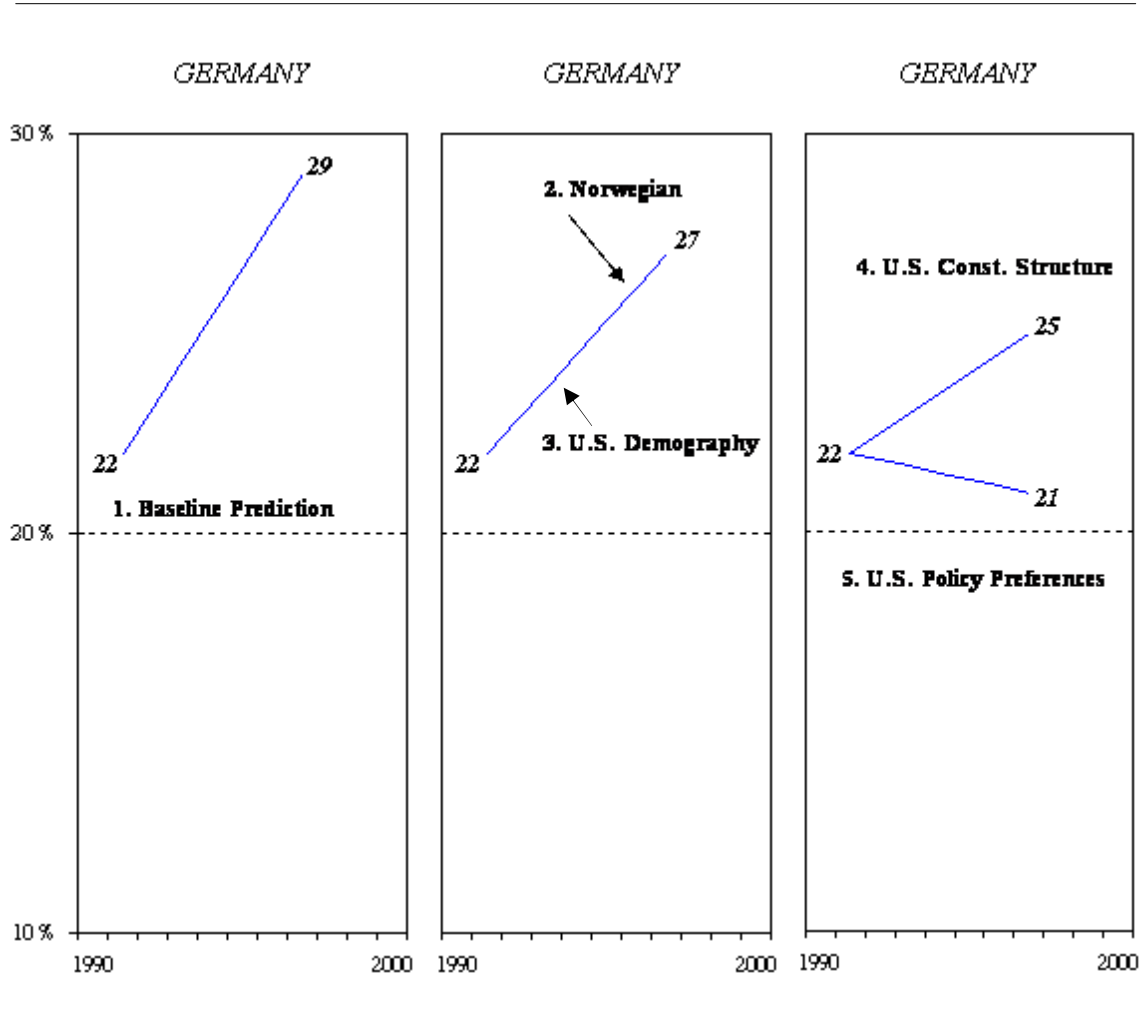


- a. Others = average for Denmark and Finland.
- b. Others = average for France, Germany, Italy, and Switzerland.
- c. Others = average for Australia, Canada, New Zealand, and U.K.

**Figure 2: Predicted Trends in Welfare State Effort**



**Figure 3: Predicted Trends in Welfare State Effort**



**Figure 4: Predicted Trends in Welfare State Effort**

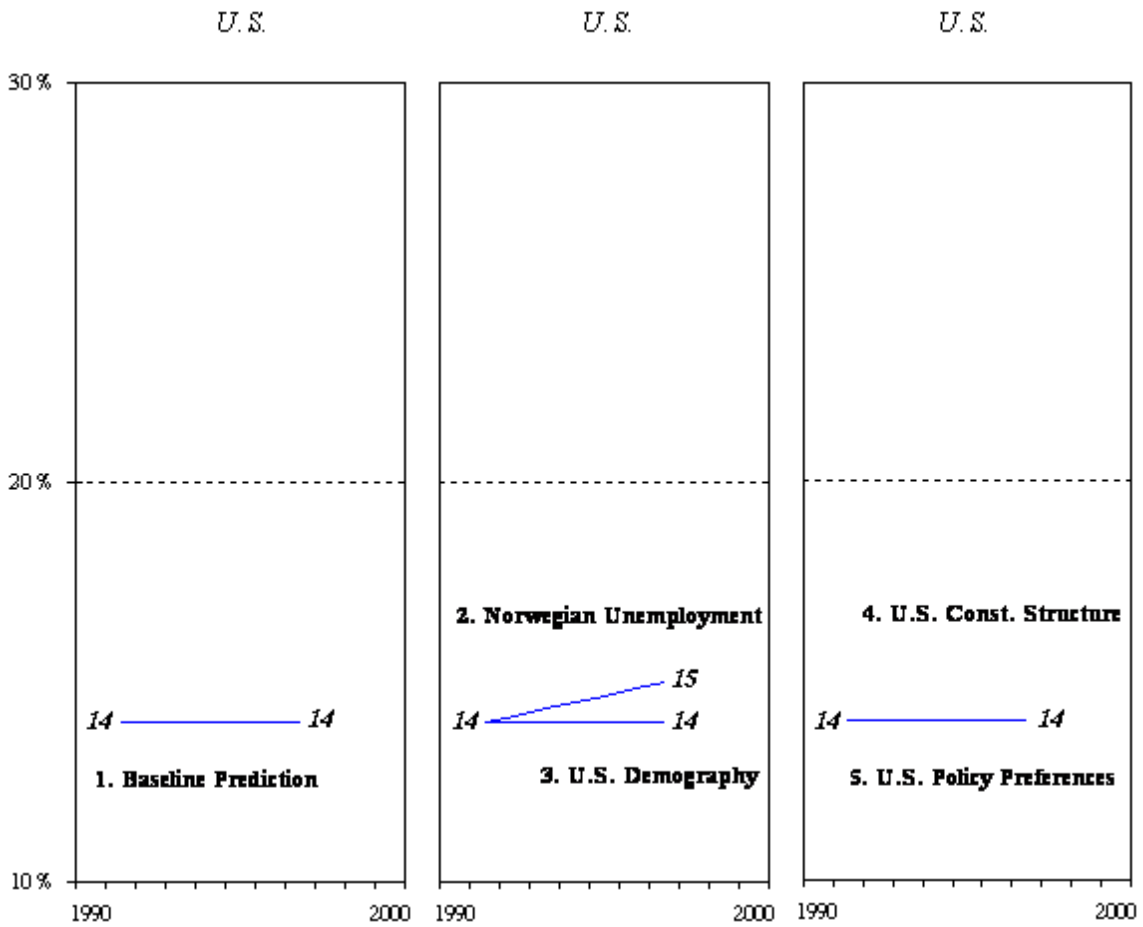
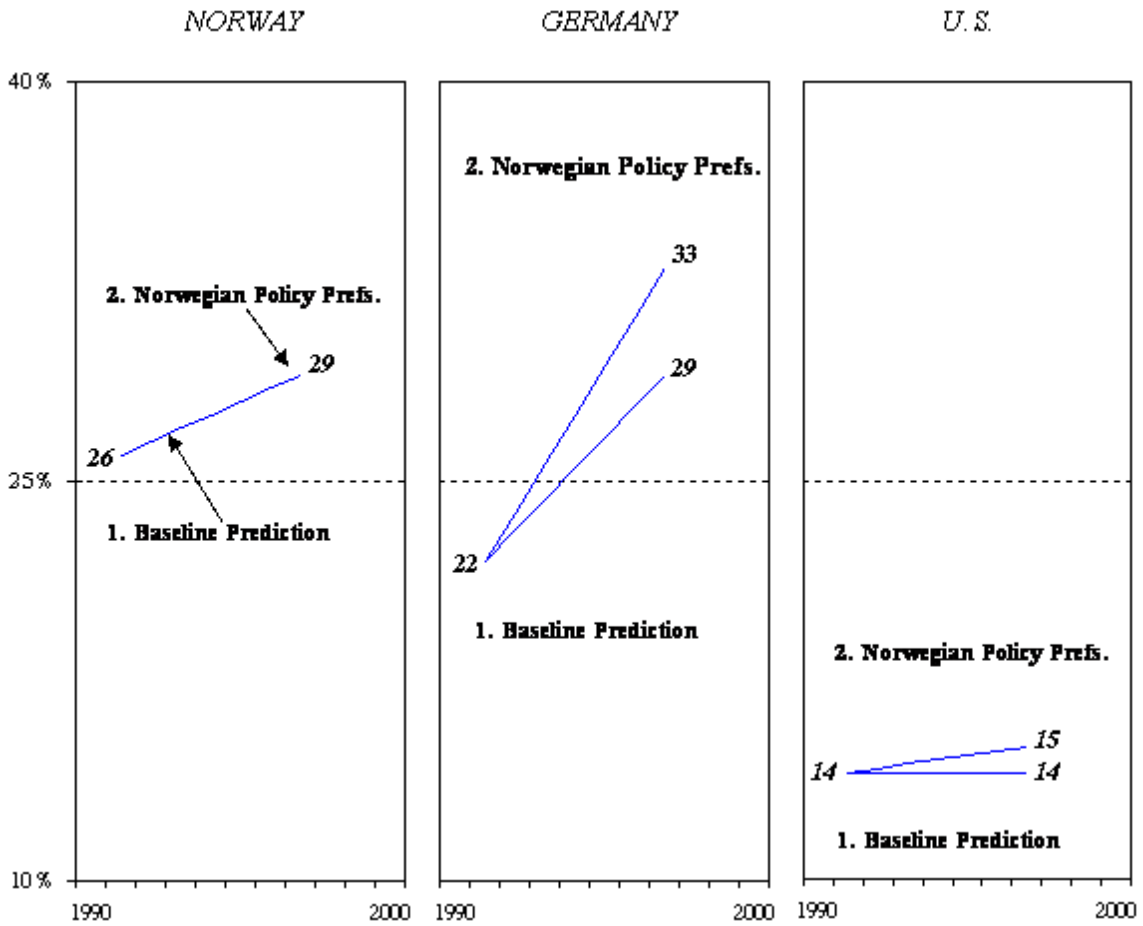


Figure 5: Predicted Trends in Welfare State Effort



**Table 1: Dependent Variable in the Analysis**

Variable	Description	Data Source
<i>Overall Welfare State Effort<sup>a</sup></i>	Public expenditures on social transfers and services (13 categories) <sup>b</sup> relative to GDP.	OECD <i>Social Expenditures Database</i> .

a. Country-years in the analysis: Australia (1987, 1991, 1997, 1999), Austria (1994), Canada (1997), France (1998), Germany (1986, 1991, 1992, 1997), Ireland (1992, 1997), Italy (1991, 1997), Japan (1997), Norway (1991, 1997), Netherlands (1992), New Zealand (1992, 1998, 1999), Sweden (1997), U.K. (1986, 1991, 1992, 1997), and the U.S. (1986, 1991, 1992, 1997, 1999).

b. Old age and disability cash benefits, occupational injury and disease, sickness benefits, services for the elderly and disabled, survivors' benefits, family cash benefits and services, labor market programs, unemployment, health, housing, and other contingencies.



**Table 2: Independent Variables in the Analysis**

Variables	Description	Data Source
<b>Economic and Demographic Factors—</b>		
<i>Unemployment Rate</i>	Unemployed persons as a percentage of the civilian labor force.	OECD <i>Main Economic Indicators</i> , various years.
<i>Elderly Population</i>	Percentage of population age 65 and over.	OECD <i>Labour Force Statistics</i> , various years.
<i>Women's Labor Force Participation</i>	Female labor force participation as a percentage of female population age 15 to 64 years (coded with 1-year lag).	OECD <i>National Accounts</i> , various years.
<b>Partisanship Factors—</b>		
<i>Right Party Government Control</i>	Percentage of seats held by government parties controlled by secular conservative parties.	CWS <sup>a</sup>
<i>Religious Party Government Control</i>	Percentage of seats held by government parties controlled by Christian-Democratic and Catholic parties.	CWS <sup>a</sup>
<i>Left Party Government Control</i>	Percentage of seats held by government parties controlled by labor, social-democratic, socialist, and communist parties.	CWS <sup>a</sup>
<b>Constitutional Structures—</b>		
<i>Veto Points</i>	Scale of four measures of federalism (0-2), parliamentary vs. presidential system (0-1), strength of bicameralism (0-2), and use of judicial review (0-1).	CWS <sup>a</sup>
<b>Economic Globalization—</b>		
<i>Foreign Domestic Investment Scale</i>	Scale of direct investment outflows and inflows relative to gross domestic product ( $\alpha = .78$ ).	CWS <sup>a</sup>
<b>Mass Policy Preferences—</b>		
<i>Policy Preferences<sub>t-1</sub></i>	Scale constructed from two survey items below (coded with 1-year lag):  <i>On the whole, do you think it should be or should not be the government's responsibility to: Provide a job for everyone who wants one? On the whole, do you think it should be or should not be the government's responsibility to: Reduce income differences between the rich and poor?</i>	<i>International Social Survey Program Surveys</i> 1985-1986, 1990, 1991, 1996, and 1998. <i>Role of Government I, II, and III; Religion I and II.</i>

a. Evelyne Huber, Charles Ragin, John D. Stephens, David Brady, and Jason Beckfield. 2004. *Comparative Welfare States Data Set*. Chapel Hill: Department of Political Science, University of North Carolina.

**Table 3: Statistical Model<sup>a</sup> of Welfare State Effort (N = 32)**

Independent Variables	Coefficient (s.e.)
<i>Constant</i> .....	-10.25* (3.64)
<i>Year</i> .....	.18* (.07)
<i>Unemployment</i> .....	.66* (.19)
<i>Elderly Population</i> .....	.60* (.35)
<i>Women's Labor Force Participation<sub>t-1</sub></i> .....	.24* (.06)
<i>Right Party Control</i> .....	.01 (.01)
<i>Religious Party Control</i> .....	.12* (.02)
<i>Left Party Control</i> .....	.01 (.01)
<i>Veto Points</i> .....	-.91* (.21)
<i>Foreign Direct Investment</i> .....	.27* (.13)
<i>Policy Preferences<sub>t-1</sub></i> .....	2.51* (.59)
<i>Policy Preferences<sub>t-1</sub> × Liberal Democracy</i> .....	-2.34* (.69)
<i>R</i> <sup>2</sup>	.94

a. Coefficients in estimated by OLS with robust-cluster standard errors; an asterisk next to a coefficient denotes significance at the .05 level.

**Table 4: Decompositions<sup>a</sup> for Analyzing Trends in Welfare State Effort**

Independent Variables	<i>Welfare State Expansion: Germany, 1986 - 97</i>	<i>Welfare State Stabilization: U.S., 1986 - 92</i>	<i>Welfare State Retrenchment: Ireland, 1992 - 97</i>
<b>Economic and Demographic Factors:</b>			
<i>Unemployment</i> .....	26%	11%	245%
<i>Elderly Population</i> .....	26%	13%	1%
<i>Women's LFP<sub>t-1</sub></i> .....	27%	35%	-78%
<b>Partisanship:</b>			
<i>Partisan Control of Government</i> .....	-5%	0%	15%
<b>Constitutional Structures</b>			
<i>Veto Points</i> .....	0%	0%	0%
<b>Economic Globalization:</b>			
<i>Foreign Direct Investment</i> .....	4%	-3%	-31%
<b>Mass Policy Preferences:</b>			
<i>Policy Preferences<sub>t-1</sub></i> .....	-1%	7%	9%
<b>Residual Component:</b>			
<i>Unexplained Change</i> .....	23%	36%	-61%
-----			
$\Sigma$ Estimates <sup>a</sup> .....	100%	99%	100%
<b>OBSERVED CHANGE IN WELFARE STATE EFFORT</b>			
	+ 7%	< - 1%	- 3%

a. Decomposition estimates do not all sum to 100 percent due to rounding error.