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***Party Government, Institutions, and Social Protection  
in the Age of Austerity\****

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In a recent survey of the welfare state impacts of political parties, Manfred Schmidt concludes (2010, 223): "...partisan theory remains a valuable tool in the comparative study of the welfare state in economically advanced democratic states..." Schmidt cites, among other evidence, clear programmatic differences in the early 2000s between social democratic and secular center-right parties on the issue of raising taxes to support enhanced social protection, the mode of welfare state finance, and the overall balance between state and market in the production of welfare. Yet, many scholars have come to question the current relevance of partisan theory. Perhaps most notable are power resources theorists Evelyne Huber and John D. Stephens; Huber and Stephens conclude a comprehensive analysis of the policy impacts of party government by noting (2001, 220): "Partisan effects on a whole array of welfare state indicators declined in the 1970s compared to the Golden Age, and they disappeared virtually entirely by the 1980s."

This chapter offers some new theory and evidence on the impact of party government on social protection during the postindustrial period. I first discuss extant partisan theory and emphasize the reasons why partisan government should still matter in an era of austerity, deindustrialization, and globalization. I next develop and estimate models of the effects of social democratic and Christian democratic governments on the generosity of core social programs from the late 1970s to early 2000s. I do so through empirical models that account for the international diffusion of social policy reforms, policy constraints from trade openness and global capital markets, and pressures from structural and dynamic socioeconomic changes in postindustrial societies. I also assess the roles of political economic institutions of advanced democratic capitalism – the degrees of economic coordination, institutional power dispersion, and partisan veto players – in constraining or facilitating political parties in pursuit of their policy

goals when in office. While this part of the analysis is explicitly inspired by the work of Manfred Schmidt on parties and political institutions, I emphasize the role of economic coordination – especially union and employer organization – in the formation of postindustrial welfare coalitions to support social democratic policy. I also summarize my parallel research on active labor market policy and “outsider-insider” conflicts to complete the analysis of partisan governments’ welfare state impacts in the era of austerity.

### **Partisan Government and the Politics of Contemporary Welfare Reform**

Paul Pierson (2001) has astutely observed that contemporary welfare state politics occur in the context of intense pressures for austerity and continued public support for core features of social protection. There is certainly little question that postindustrial pressures in capitalist democracies militate toward austerity in social program budgets. Despite the complexity of its social policy effects, economic globalization increasingly pressures governments to reign in welfare state costs.<sup>1</sup> Notable secular rises in unemployment rates and the aged share of the populations place fiscally unsustainable demands on generous social protection systems (e.g., Hicks and Zorn 2005; Huber and Stephens 2001; Swank 2001). At the same time, postindustrialization reinforces the impulse to retrench by weakening the political coalitional basis of the welfare state: interests of skilled workers in the core sectors of the economy increasingly diverge from (evermore marginalized) semi- and unskilled workers (e.g., Iversen and Soskice 2009; Rueda 2007).

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<sup>1</sup> Today, it is clear that globalization has not produced a convergence of national welfare states around the liberal welfare state model (e.g., Starke, Obinger, and Castles 2008; Swank 2010). Yet, recent research clearly suggests that governments at least by the 1990s systematically shifted the response to globalization from social compensation and insurance against risks to more efficiency-oriented social policy (e.g., Jahn 2006; Busemeyer 2009b).

On the other hand, an ample body of work has illustrated that public support for the welfare state – relatively high in social democratic and conservative welfare regimes, and moderate in liberal welfare regimes – has been relatively stable from the 1970s to 2000s.<sup>2</sup> Moreover, a variety of new social risks attendant postindustrialization place new demands on governments for modernization of industrial societies' welfare states (e.g., Armingeon 2006). Ultimately, as Pierson (2001) observed a decade ago, the welfare state is continually renegotiated, restructured, and modernized under these conflicting pressures.

### **The New Politics of Social Protection in an Age of Austerity.**

The central question of this chapter – one inspired by the work of Manfred Schmidt – is whether partisan government is still a central force in determining postindustrial trajectories of welfare state reform. In fact, a large and familiar body of work in the social sciences had by the 1990s established the view that alternation in government of social democratic, Christian democratic, and secular center-right governments was foundational in shaping the century-long process of welfare state development.<sup>3</sup> Sweeping historical studies by Francis Castles (1978), Gøsta Esping-Andersen (1990), Alexander Hicks (1999), John D. Stephens (1979), and others provided strong evidence that working class mobilization – manifested most centrally through

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<sup>2</sup> See Svallfors (2010) for a synoptic survey of research on mass attitudes toward public social provision; see Brooks and Manza (2007) for a state-of-the-art assessment of the roles of public opinion in shaping welfare state change. See Kenworthy (2009) for a skeptical view.

<sup>3</sup> Hicks (1999), Huber and Stephens (2001), van Kersbergen (1995), Wilensky (1981), and others have promoted the now widely accepted view that while the ideological bases, program structure, and funding arrangements of their social policies differ, both social and Christian democratic parties were instrumental in initiating and expanding core social insurance programs. Social democratic parties, on the other hand, have far surpassed reluctant Christian democrats in the development of universally available public social services.

left party electoral success and eventually government control (often in partnership with secular center and Christian Democrat parties) – was a powerful cause of initiation and expansion of core social insurance programs.<sup>4</sup> A body of increasingly sophisticated research on the post-World War Two welfare state consistently provided evidence on the fundamentally important roles of social and Christian democratic party government (versus the right) in fostering expansion of social spending (e.g., Castles 1982a; 1982b; Castles and McKinley 1979; Hicks and Swank 1984; 1992; Huber, Ragin and Stephens 1993; Schmidt 1982a; 1997; Wilensky 1981) and the public sector as a whole (e.g., Cameron 1978; Castles 1982b; Cusack 1997; Schmidt 1982b; Swank 1988).

Yet, as the postindustrial era evolved, a new body of work – led by the scholarship of Paul Pierson – made a strong case that conventional party politics simply could not explain patterns of retrenchment (for instance, those observed within and across programs in Reagan’s American and Thatcher’s Britain). For Pierson and followers, the new politics of social policy retrenchment under postindustrial pressures for austerity entailed the difficult task of reducing concentrated benefits to well-defined, mobilized constituencies in return for future, diffuse benefits. Pierson (1994; 1996) argued that given the continued popularity of social benefits and the mobilization of long-standing pro-welfare program constituencies, incumbent governments had to engage in the politics of blame avoidance. Governments could pursue relatively short-term strategies of obfuscation, division of constituencies, and compensation of some interests for costs of retrenchment; they could also pursue relatively long-term strategies of altering public opinion,

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<sup>4</sup> Generally, I do not distinguish between the power resources school of welfare state studies that emphasizes union (and business) organization and associated institutions as well as partisan government (Hicks 1999; Huber and Stephens 2001; Korpi 1980; 1996; Stephens 1979) and the more electorally centered partisan government model of social and economic policy associated with Hibbs (1977; 1992); the latter is largely subsumed in the former theory.

revenue-raising, group power, and institutional contexts. The success of governments and the amount of retrenchment and reform across programs depends on the character (e.g., unity) of program constituencies, the depth of lock-in effects, and related programmatic factors.

Ultimately, Pierson and fellow travelers argue that crossnational and temporal policy reform patterns are determined not by the partisan hue of governments, the relative power of labor, and institutional features of the state, but by the program specific features of welfare state structures.

Ross (2000), Green-Pedersen (2002a; 2002b), and others extended Pierson's theory with respect to partisan government; these scholars argued that parties of the left might actually retrench social protection as much (or even more) than right governments given their facility for blame avoidance. Left parties are associated with development of the welfare state and, hence, are trusted to retrench only when necessary and only in the fairest of ways. Thus, left governments may reduce benefits with less electoral punishment than parties of right who are less trusted to fashion and implement retrenchment measures. Case analyses by Ross, Green-Pedersen and others as well as studies of episodes of budgetary consolidation across the OECD by Wagschal and Wenzelburger (2008; 2012) support this "Nixon goes to China" hypothesis.

In support of the Piersonian "new politics" framework, three additional (now familiar) arguments have emerged that suggest social (and Christian) democratic parties are highly constrained by the postindustrial structure of labor and capital markets; the additive weight of these arguments, in combination with new politics theory, lead some scholars to expect few systematic partisan impacts on contemporary welfare state reforms. First, Iversen and Wren (1998) argue that social democratic (and all) parties face a "trilemma of the service economy." For social democrats, government may foster earnings equality (for instance, through wage

solidarity and a high social wage) and employment levels (for instance, through public employment) in the face of postindustrial pressures on the income and jobs of lower skilled workers but they can not simultaneously achieve fiscal discipline (as pursuit of the first two goals adds to fiscal imbalances). The social democratic policy regime is also threatened by international capital mobility as rises in capital market integration undermine domestic credit control and weaken macrocorporatist institutions; this results, in turn, in a loss in state capacity to maintain low unemployment and economic growth essential to the sustainability of a generous welfare state (Huber and Stephens 1998; 2001).

Finally, David Rueda (2005; 2006; 2007) has argued that with respect to social democratic parties' constituencies, postindustrial labor markets increasingly consist of insiders (skilled industrial sector workers) and outsiders (younger, female, immigrant and less skilled workers increasingly concentrated in the service sector and on the unemployment rolls); the interests of insiders are in the continuation of employment protection and the moderation of tax burdens on labor income, while outsiders favor both social transfers for short-term security and active labor market programs for reintegration into labor markets. Rueda argues that in the absence of rises in unemployment and risks that threaten insiders, social democratic parties will pursue maintenance of employment protection and tax moderation but not enhanced transfers and active labor market programs (with their associated tax burdens) that benefit outsiders. Adding force to the predictions of new politics theory, these propositions, together, suggest that social democratic welfare policy diverges less if at all from center-right governments as the left faces intensifying internal political conflict and is pressured to pursue cost containments in social insurance programs and services.

Some evidence exists to bolster these views. As noted, Huber and Stephens (2001) find that partisan government impacts virtually disappear in the 1980s and beyond on a wide range of indicators of welfare effort and state size. Kittel and Obinger (2003) report null results for the partisan theory in their study of determinants of 1982-to-1997 changes in social expenditure. Hicks and Zorn (2005) also report null findings for the impact of party governments on the probability of retrenchment episodes in the same period. Similarly, Busemeyer (2009b) finds few if any direct partisan impacts on social expenditure and no partisan government mediation of the impacts of globalization on social transfers in contemporary era. Jahn (2006) actually reports weak positive effects of Left governments on social expenditure prior to the time when nations reach critical thresholds of international openness and economic turbulence; substantive small left government effects turn negative after these break points. Yet, despite these results and the new politics and related theory that undergirds them, both relevant theory and what is arguably the preponderance of the evidence suggests that Schmidt's recent claim about the continued power of the partisan model of social welfare policy may well be borne out.<sup>5</sup>

### **Partisan Government, Institutions and Social Policy Reform in Postindustrial Societies.**

In perhaps the most effective response to "new politics theory," Korpi and Palme (2003) argue that power resources theory, and alternation in government of social democratic, Christian democratic, and secular center-right parties, is still highly relevant to postindustrial welfare state

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<sup>5</sup> It is also important to point out that recent research has begun to explore basic mechanisms highlighted in the new politics theory and finds problems. For instance, Giger and Nelson (2010) have reported that welfare retrenchments do not clearly affect the electoral fortunes of left or right parties; Lynch and Myrskylä (2009) have reported that the attitudes toward welfare programs of important constituencies such as the elderly are more influenced by partisan attachments and other conventional factors than by receipt of benefits.

politics. The differential distribution of physical and human capital still shapes the formation of social policy preferences across employers and employees and between strata of employees; the postindustrial welfare state still fundamentally affects the distribution of economic outcomes – incomes and security – as the industrial welfare state did for much of the Twentieth Century. Political parties still represent class-based constituencies and reflect class-based conflicts. In fact, recent studies of individual preferences for social insurance and redistribution highlight the foundational roles of incomes and exposure to risks (e.g., risks associated with skill specificity) in shaping social policy attitudes (e.g., Iversen 2005; Rehm 2011). In turn, these preferences for transfers and taxes significantly influence partisan identification of citizens in postindustrial capitalist democracies (e.g., Cusack, Iversen, and Rehm 2006).

Yet, as recognized by Korpi and Palme (2003), the aforementioned work of Rueda (2005; 2006; 2007) highlights the increasingly divisive conflicts over social policy between insiders and outsiders and the problems these divisions create for social democracy. Similarly, Iversen and Soskice (2009) make the important point that in the postindustrial production process, skilled and unskilled workers – heretofore intertwined in the structure of industrial production and politically linked in a progressive social democratic-based coalition – are increasingly separated and dispersed across enterprises and sectors. Keman, van Kersbergen, and Vis (2006) argue that Christian democratic parties are also adversely affected by the fissure. Specifically, these scholars argue that as both social and Christian democratic parties find it difficult to meet the needs of multiple constituencies under conditions of fiscal austerity, they face a double backlash in the

form of real or potential electoral defections from insiders and outsiders.<sup>6</sup>

Iversen and Soskice (2009) provide, however, a foundation for partisan theory in postindustrial societies characterized by new cleavages. Drawing on their work on the determinants of redistribution (Iversen and Soskice 2006), they argue that for Christian democratic parties in systems with proportional representation (PR), maintenance of a traditional cross-class coalition of core-sector blue collar workers, lower tier middle class voters, and some professionals and business people is a politically feasible solution. Given the integrative, cross-class character of Christian democratic parties and the power of constituent groups in party policy making, extensive appeals to outsiders – through policies to blunt rising dualism – is politically difficult. On the other hand, for lower and middle class parties in PR systems, Iversen and Soskice suggest that it is still the best strategy to build political coalitions – effectively a coalition of insiders and outsiders – to tax high income citizens in order to maintain income security programs and develop policies that blunt social exclusion.<sup>7</sup> Ultimately, Korpi and Palme,

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<sup>6</sup> Armingeon (2006) notes that conflicts over old and new social risks actually occur on four cleavage dimensions: age, gender, class, and public-private sector (also see Kitschelt and Rehm 2006). Thus, the insider-outsider cleavage should certainly be regarded as a simplification of postindustrial welfare state politics.

<sup>7</sup> In their previous work, Iversen and Soskice (2006) suggested that the magnitude of redistribution in a democratic capitalism is effectively determined by the character of the polity's electoral system. PR generates representative parties – stylized as parties of low, middle, and high income voters – that sustain programmatic commitments to their class base. Under such conditions (and with a few simplifying assumptions), Iversen and Soskice show that the party of the middle class is better off forming a coalition with the left in order to tax high income voters to provide benefits to low and middle income citizens. In majoritarian systems with single member district/plurality vote rules, parties are leadership parties that strategically appeal to the median voter and, after elections, commonly move back toward their class base. Iversen and Soskice show that under these electoral conditions, middle income voters are typically best off when they ally with high income voters. Empirically, PR generates frequent left-center governments (relative to majoritarian systems) and, in turn, significantly more redistribution.

Iversen and Soskice, and fellow travelers predict clear and extensive policy differences between social democratic and secular right parties; Christian democrats should still defend policies for their constituencies such as core social insurance and employment protection programs but their overall impact on social protection should be moderate compared to social democracy.

Considering the best recent evidence, postindustrial partisan theory seems quite useful in explaining a variety patterns in social policy change. Korpi and Palme (2003) present evidence that the probability of retrenchment in social citizenship rights decreases as one moves from right to Christian democratic and then to social democratic governments; this pattern holds at different levels of fiscal stress, globalization, and unemployment as well as in different institutional contexts. Similarly, Allen and Scruggs (2004) show that left government positively influences sickness and unemployment replacement rates until the threshold period of the 1980s; right governments systematically lower replacement rates afterwards. With respect to pension policy in the postindustrial era, Hicks and Freemam (2009) present analyses that reveal right governments lower pension income replacement rates and Immergut and Abou-Chadi (2012) provide evidence that right governments systematically increase the probability of pension retrenchments. Focusing on Bismarkian welfare states, scholars such as Palier (2010) and Häusermann (2010) have shown that while left governments probably do not significantly alter trajectories for retrenchment of core social insurance programs, they do make a significant difference in modernizing social programs to accommodate new social risks groups.

For their part, Iversen and Soskice (2009) show that in polities with PR and weak or non-existent Christian democratic parties (that is, PR nations with frequent left-center governments), post-1970s shocks were met with higher government spending, passive and active labor market

program resources, and public employment. Similarly, Martin and Swank (2004) and Swank (2011) show that social democratic governments increased spending for active labor market policies in the postindustrial era. Related, both Hicks (1999) and Martin and Swank (2012) provide evidence that social democratic governments significantly bolstered macrocorporatism and that these institutional arrangements – centralized and encompassing employers and union organizations with coordinated collective bargaining – were also central to the maintenance of spending, social rights, and training for current workers in the contemporary period.

Moreover, Brooks and Manza (2007), Castles (2004), Moene and Wallerstein (2003) and others have offered systematic evidence on the positive impacts of left governments and/or negative effects of right governments on aggregate social spending from the early 1980s through the 1990s. In a recent study, Kwon and Pontusson (2010) also offer counter-evidence to those who argue that partisan effects on social spending disappear in the 1990s and beyond. Kwon and Pontusson do uncover declines in partisan effects on aggregate social spending in the 1990s and show that this pattern is associated with rising internationalization; yet, consistent with Garrett's (1998) earlier formulation of the progressive effects of the left party-union nexus, where unionization remains strong, left party governments still have positive impacts on national resources devoted to social protection. In addition, scholars such as Zehavi (2012) and Gingrich (2011) have shown that the character of market-oriented reforms of social services (e.g., the degree of universalism and state oversight in privatized education, health, and elderly care services) has been fundamentally conditioned by social democratic parties. From a wide angle lens, scholars such as Brady (2009) and Wilensky (2002; 2012) highlight the foundational role of social democratic (or social democratic corporatist) legacies in explaining variations in poverty

and a variety of features of inequality in the early Twenty-first century. In sum, a large literature has emerged to support Schmidt's view that partisan theory remains salient in the era of postindustrial transformation and fiscal austerity.<sup>8</sup>

*Parties, Political Economic Institutions and Social Welfare.* In the context of lively debates over postindustrial partisan theory, Manfred Schmidt (1996; 1997; 2002) has offered an additional amendment to the partisan model. Specifically, Schmidt argues that fiscal and socioeconomic policy influences notwithstanding, the presence of counter-majoritarian institutions – the institutional dispersion of authority away from central government through federalism, bicameralism, and related power fragmentation – inherently constrains partisan governments. Theoretically consistent with Tsebelis's (1995; 2002) parallel work on institutional veto points, Schmidt's (1996; 1997; 2002) argument is supported by his empirical findings of negative effects of counter-majoritarian institutions on magnitudes of changes in total government, public consumption, and social welfare spending in the 1980s and 1990s. Similar results on the importance of concentrated authority in central governments for contemporary partisan policy differences have been reported by Blais, Blake, and Dion (1993), Franzese (2002), Huber and Stephens (2001), and Kühner (2010), among others (although see Bonoli [2001] on how institutional veto points may force consensus building on major welfare reform).

While Schmidt does not extend his argument to what Tsebilis (2002) labels partisan veto players, the logic of counter-majoritarian institutions encompasses the idea that multiple effective

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<sup>8</sup> Another stream of research is relevant. As suggested by Schmidt (2010), scholars have reported relatively clear evidence that party manifesto positions of left and right parties respond differentially to postindustrial pressures – and have not converged – in the contemporary era (e.g., Adams, Haupt, and Stoll 2009; Burgoon 2012).

legislative and executive parties, especially under conditions of large ideological distance between parties, will also slow welfare policy reform (see also Swank 2002; Crepaz and Birchfield 2000; Becher 2010; c.f. Lindvall 2010). In sum, Schmidt's work – consistent with several streams in political science – clearly points to the importance of political institutional context in determining the magnitude of partisan differences on postindustrial social policy change. As such, like Korpi and Palme (2003), Iversen and Soskice (2009) and related work, it is a rebuttal of “new politics theory.”

Consistent with – but moving beyond – Schmidt's institutionally constrained partisan model, I would argue that to fully appreciate the potential for partisan impacts in the contemporary era, one must look to the broader institutional structure of postindustrial capitalism, namely, the degree of coordination of markets. In turn, one must then assess how institutions of coordinated market economies (CMEs) versus liberal market economies (LMEs) shape the formation of postindustrial political coalitions that undergird different partisan strategies for reform of the welfare state. As Hall and Soskice (2001) famously argued, employers – in conjunction with labor and the state – build institutions in some economies that address information and collective action problems inherent in markets. They do so in four areas: in relations between finance and producers, in relations between otherwise competitive firms that face collective business goods problems (e.g., training, R&D), in exchanges between management and labor within the enterprise, and in relations between capital and labor in collective bargaining over income shares and conditions of work. It is my contention that the degree of coordination of markets and associated institutions is crucial for enabling partisan differences in welfare policy in the postindustrial era. This is especially so for the ability of social

democratic parties to politically sustain their preferred policies of modernizing protection against old social risks and improving public responses to new social risks.

The most important reasons for stressing the level of nonmarket coordination rest with the organization of employers and labor and its political consequences. With respect to employers, Cathie Jo Martin and I have highlighted the foundational importance to egalitarian welfare state reforms of high levels of employer organization (Swank and Martin 2001; Martin and Swank 2004; 2012): employers' organization fosters a collective orientation to the long-run interests of employers (e.g., a well trained labor force), and through repeated interactions with labor (and the state) that flows from macro-corporatist exchange, high employer organization is associated with trust, reciprocity and a clearer commitment to the public interest. Perhaps most important, with postindustrialization increasingly fragmenting employers between those who produce for internationally competitive markets versus sheltered markets and between those who employ high versus low skilled workers, high levels of employer organization facilitates formation of a coalition of business (for instance, public sector, core manufacturing, and low skilled service sector employers) for support of equitable reforms of social insurance and improvements of training and related services. Moreover, high employer organization provides social democratic governments with an institutional vehicle through which to mobilize business in support of progressive reforms.

From the perspective of labor, high union organization (density and centralization of power in a national peak association) fosters the maintenance or creation of an egalitarian coalition of public and private sector unions and of unions with relatively high and low skilled workers. In this context, highly organized peak union associations are likely to represent interests

of outsiders as well as insiders in corporatist policy making forums and to mobilize electorally insiders and outsiders in support of more egalitarian policy change. As such, social democratic governments have the political base – organizationally and electorally – to push forward equitable reforms of costly core social insurance programs and modernize insurance and social services to blunt labor market dualism. Declines in union (employer) organization make the political construction of such coalitions very difficult for any progressive government.

The final reason for highlighting the social policy impacts of the institutions of CMEs is well understood: income protection through core social insurance as well as significant public policy promotion of training is crucial to sustaining employee and employer commitments to the acquisition and deployment of specific skills (Iversen and Soskice 2001; Iversen 2005). As Jensen (2011) has recently noted, employers will simply be less likely to aggressively mobilize politically for retrenchments in the face of postindustrial pressures in CMEs.<sup>9</sup> Generally, social democratic parties will be structurally supported in CMEs (versus LMEs) in their efforts to respond to new and continuing postindustrial needs with a balance of equitable reforms of income security and policy initiatives to bolster protections against social exclusion.

Thus, in more coordinated economies – where macrocorporatist organization of employers and unions facilitates encompassing coalition building (and the competitive needs of CMEs undergirds such efforts), social democratic parties should have large, distinct impacts on welfare generosity and new social risk programs. As coordination declines (and especially in LMEs), the political and structural underpinnings of partisan policies are absent; left parties may

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<sup>9</sup> In some CME's such as Germany where employers' organizations are sectorally based, small and medium-sized enterprises have pushed aggressively for neoliberal retrenchments in the face of labor costs, competitive pressures, and related problems (see Martin and Swank 2012, Ch. 11).

pursue exclusively insider programs or a “Nixon goes to China” approach to welfare state reform under adverse fiscal and electoral pressures.

### **Empirical Models of Partisan Government, Institutions and Welfare Generosity**

In subsequent sections I present and estimate empirical models of the linear and nonlinear (institutionally contingent) effects of partisan government on social protection in the age of austerity. In addition to accounting for central features of economic globalization, these models also allow for international policy diffusion and control for structural and dynamic socioeconomic forces that potentially shape postindustrial nations’ social welfare provision. To make the analysis manageable, I focus primarily on what Scruggs (2008) calls welfare benefit generosity. Similar to Esping-Andersen’s (1990) measure of welfare decommodification, this indicator records and aggregates replacement rates, wait times, duration, program quality, and coverage rates for unemployment compensation, sickness insurance, and pensions in 18 developed capitalist democracies. As such, it taps the strength of income maintenance and the extent of citizens’ entitlement rights embodied in a polity’s welfare state. (I also offer a summary of my parallel research on political determinants of active labor market policy and labor market dualism.)

To further focus the analysis and to employ empirical modeling strategies most appropriate to the central theoretical questions at hand, I construct and estimate empirical models of variations of welfare benefit generosity across space and time for 18 developed capitalist democracies for the years 1976-2001 (i.e., the era of austerity in democratic capitalism).<sup>10</sup> The

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<sup>10</sup> The current Scruggs’ Welfare Entitlements Dataset provides relatively complete data for 1971 through 2000 or 2001, depending on the nation. While an updated version of this data set (replacement rates and entitlements through roughly 2010) is being developed, 2002-to-2010 data

general empirical model of contemporary variations of social welfare generosity is:

$$\begin{aligned}
 \text{[Eq. 1] Welfare Benefits}_{i,t} = & \alpha + \varphi(\text{Welfare Benefits}_{\text{competition weighted } j-n})_{i,t-1} + \\
 & \beta_1(\text{Social Democratic Government})_{i,\text{cum } 1950 \text{ to } t-1} + \beta_2(\text{Christian Democratic} \\
 & \text{Government})_{i,\text{cum } 1950 \text{ to } t-1} + \beta_3(\text{Trade Openness})_{i,t-1} + \beta_4(\text{International Capital} \\
 & \text{Mobility})_{i,t-1} + \beta_5(\text{De-industrialization})_{i,t-1} + \beta_6(\text{Unemployment})_{i,t-1} + \beta_7(\text{Aged} \\
 & \text{Population})_{i,t-1} + \beta_8(\text{Coordination})_{i,t-1} + \beta_9(\text{Institutional Power Dispersion})_{i,t-1} + \varepsilon_{i,t},
 \end{aligned}$$

To assess the theoretically central roles of party control of government, I use as the principal partisan measures cumulative years of government control (from 1950) of social and Christian democratic parties. Cumulative years in office is used for several reasons (and note the rationale for a focus on social and Christian democratic versus secular center-right party governments is given above). First, social policy changes are often phased in over several years; for instance, some facets of pension reform in 1980s and 1990s Germany and other countries were implemented over a decade (e.g., Swank 2002). Second, policy changes often take the form of discrete, limited reforms (e.g., limits to duration of benefits) that accumulate over time and, in turn, only produce change in aggregate measures of welfare effort (total social spending, decommodification) after several years. Third, sustained partisan government produces changes in policy agendas, programmatic priorities, and bureaucratic ideological dispositions that shape policy over the long term. Short-term measures of partisan government control (cabinet shares in the last year or two) do not tap any of these foundational causal dynamics.

As suggested, a central feature of this model is the assumption that reform of national

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is only available for only a subset of nations at the time of this writing.

welfare systems is interdependent.<sup>11</sup> Failure to appropriately model crossnational interdependence risks omitted variable bias in tests of policy impacts of domestic political factors (Franzese and Hays 2008). Specifically, I use a spatial lag to test the proposition that policy makers monitored and responded to social policy change in other developed nations. The initial test, given by the significance of the coefficient for the weighted spatial lag,  $\phi$ , is based on the social benefits index impact of the variable,  $(\text{Welfare Benefits}_{\text{competition weighted } j-n})_{i,t-1}$ ; this variable weights past welfare generosity in all (17) countries  $j-n$  by the correlation at  $t-1$  between their patterns of trade and the focal country's ( $i$ ) pattern of trade. The pattern-of-trade variable for any country at  $t-1$  is the inflow and outflow of merchandise trade relative to GDP for the nation and each of the other (17) developed capital democracies. Thus, if say Sweden and Denmark's pattern of trade at some time point,  $t-1$ , is correlated at .93, the weight for past policy in Sweden, if the focal point is social policy in Denmark at time  $t$ , is .93. The variable,  $(\text{Welfare Benefits}_{\text{competition weighted } j-n})_{i,t-1}$ , is simply the mean of these weighted lag policies for countries  $j-n$ .<sup>12</sup>

As to the variables that tap the common pressures of internationalization on national

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<sup>11</sup> Previous work has largely assumed that national social policy makers have responded to common pressures from internationalization independent of what policy makers in other nations do. However, social welfare reform in the era of globalization and domestic retrenchment pressures is not an independent process. As Brooks (2005) and others have noted, technologically driven and dramatic cost reductions in global communications make it possible for policy makers in Europe, Latin American, or Asia, for instance, to view immediately and relatively quickly assess policy innovations for shared problems across the globe. Scholars note that for the late 20<sup>th</sup> century, diffusion of neoliberal policies may occur by coercion, policy learning, social emulation, and economic competition (Simmons, Dobbin, and Garrett 2008). While other modes may be relevant, I focus here on diffusion through competitive pressures as it is the mechanism most consistent with more general hypotheses about the social policy impacts of postindustrialization.

<sup>12</sup> It is important to note that bilateral trade data also proxy bilateral capital stock and flow relations between two nations (e.g., Swank 2006; 2011).

policy makers, I use for trade openness the conventional measure, namely, imports and exports of goods and services as a percentage of GDP. For international capital mobility, I use the familiar Quinn (1997) index of international financial liberalization. As to domestic economic and demographic pressures, I follow Iversen and Cusack (2000) and measure deindustrialization as 100 minus industrial and agricultural employment as a percentage share of the working age population. Unemployment and the elderly population are measured conventionally as the percentage of the civilian work force unemployed and the percentage of the population over 64 years of age, respectively. As a general control for economic conditions, I include in all versions of the estimating equation variations in real per capita GDP (in international prices). All these variables are lagged one year.

I also control for two theoretically important institutional dimensions: economic coordination and the degree of dispersion of power (i.e., institutional veto points). These two factors, along with partisan veto points, are also hypothesized to mediate the policy impacts of partisan government.<sup>13</sup> Following the varieties of capitalism framework of Hall and Soskice (2001), economic coordination is operationalized as a standard score index of (1) the interconnectedness of banks and productive enterprises, (2) the organization of business for collective goods provisions (e.g., training, R&D), (3) enterprise-level labor management cooperation, and (4) the coordination of labor and industrial relations (an index of union and employer power [organizational density, peak association centralization] and coordination of

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<sup>13</sup> One might also control for the direct effects of partisan veto points, although they have received less systematic attention in the literature than economic coordination and institutional dispersion of power. In any case, partisan veto points never has a significant direct effect in any of the empirical models and is excluded as part of the basic model.

bargaining). Institutional dispersion of power is a standard score index of the strength of federalism, bicameralism, presidentialism, and judicial review. Partisan veto points is a standard score index of the number of government parties and the mean ideological difference between them. (See the Appendix for more measurement detail and sources for these and all variables.)

To assess the institutionally contingent effects of partisan government, I estimate Eq. 1 with a series of interaction terms; the equation for Social Democratic Government and Coordination is as follow:

$$\begin{aligned}
 \text{[Eq. 2] Welfare Benefits}_{i,t} = & \alpha + \varphi(\text{Welfare Benefits}_{\text{competition weighted } j-n})_{i,t-1} + \\
 & \beta_1(\text{Social Democratic Government})_{i,\text{cum } 1950 \text{ to } t-1} + \beta_2(\text{Christian Democratic} \\
 & \text{Government})_{i,\text{cum } 1950 \text{ to } t-1} + \dots \dots \dots \beta_8(\text{Coordination})_{i,t-1} + \beta_9(\text{Institutional Power} \\
 & \text{Dispersion})_{i,t-1} + \beta_{10}(\text{Social Democratic Government} \times \text{Coordination})_{i,t-1} + \varepsilon_{i,t},
 \end{aligned}$$

Similar equations are estimated for each social and Christian democratic government and the three institutional dimensions. In addition, given theory, I also disaggregate coordination and estimate party government interactions for union power, employer organization, and an index of cooperation on the other three dimensions (or what might be called enterprise/sectoral level coordination). Finally, to assess arguments that partisan effects have disappeared with the 1990s and beyond and with further economic liberalization, I test the significance of interactions of party government on the one hand, and a dummy variable for the post-1980s era and the index of financial liberalization on the other.<sup>14</sup>

For estimation of all versions of the empirical model, I use Prais-Winsten regression with

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<sup>14</sup> I also estimate models to assess the welfare impacts of several additional potentially important forces such as the ideological position of the median voter and public sector debt. None of these forces proved substantively important (and do not alter reported findings).

first-order serial correlation and panel correct standard errors (i.e., variance-covariance matrices for panel data corrected for heteroskedasticity and contemporaneous correlation) (see Beck and Katz, 1996, on panel correct standard errors). In addition, as the time series end in either 2000 or 2001 (due to data unavailability for the social benefits index in 2001 for a few cases), I use a standard technique for unbalanced panels where elements of the variance-covariance matrix are computed with all available pairs of panels.

In this analysis, I do not use lagged dependent variables; in models such as these, lagged endogenous variables absorb significant amounts of the explanatory power of causal variables (e.g., Achon 2000; Huber and Stephens 2001) and they will typically absorb some of the variation of the substantively important spatial lag (Jahn 2006). In addition, I eschew the more elaborate error correction models that estimate effects of levels and changes in explanatory variables (i.e., long-term equilibrium and short-term dynamic impacts). A principle motivation for these models is often non-stationarity in the time series for the dependent variable; appropriate tests suggest that this is not a severe problem in the present case.<sup>15</sup>

Finally, while F- tests suggest country and year fixed effects might be included, I do not use a fixed effects estimator as the primary method. Models without fixed effects account for a sizable portion of the variance in welfare generosity with R-squares ranging from roughly .70 to .80; this suggests minimum coefficient bias in the absence of fixed effects. Moreover, inclusion of fixed effects in models such as these (i.e., models with several variables with little temporal variation) suppresses substantive effects (Huber and Stephens 2001) and produces coefficients

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<sup>15</sup> Im Pesaran Shin tests for unit roots in unbalanced panels allows us to reject the null that there is a unit root in all the national time series.

that are difficult to interpret (Kittel and Winner 2005).<sup>16</sup>

### **Findings: Parties, Institutions and Social Protection in the Postindustrial Age**

The results of the estimation of the basic model of welfare generosity and of models that include tests for the hypothesized roles of coordination and its components are presented in Table 1. As the first column reveals, social democratic governance is significantly associated with greater social welfare protection. Keeping in mind the index of welfare generosity ranges from scores of roughly 15 to 45 points, the effect of one year of social democracy government (.3074) is moderate; 10 years of social democratic governance would produce a level of social protection on average three points higher than the center-right. That said, it is important to note that net of international, domestic, and institutional forces, Christian democratic government during the age of austerity is not significantly related to welfare generosity. This finding is certainly consistent with the view derived from Iversen and Soskice (2009) that Christian democratic governments (and not social democratic ones) play an insider strategy (and I return to this point below).

– **Table 1 about here** –

Turning to the role of coordination in mediating partisan effects – the core hypothesis advanced here, the second through fifth columns of Table 1 provide some clear evidence. As the results of the second column suggest, there is a significant interaction between social democratic governance and the degree of coordination. Recalling that the impact of social democracy at given levels of coordination is given by the equation,  $\beta_{\text{social democracy}} + (\beta_{\text{social democracy} \times \text{coordination}} \times$

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<sup>16</sup> Alternative estimators such as Plümper and Troeger’s (2007) Fixed Effects Vector Decomposition (FEVD) method are available; however, these estimators are marred by difficulties (see contributions to the “Symposium on Fixed-Effects Vector Decomposition,” *Political Analysis* Spring 2011). In the end, I estimate full fixed effects models for all core final models as a test of findings’ robustness (and report these results below).

Coordination), the impact of social democracy at low (-1.0), average (0.0), and high (1.0) levels of our standard score index of coordination is -.1122, .1760, and .4642, respectively.<sup>17</sup> Thus, at the low level of coordination found in LME's such as Britain, New Zealand, and the United States (roughly -1.0), left parties would actually have a small (marginally significant) negative impact on social protection as suggested by our theory. That is, where postindustrial egalitarian coalitions are very difficult to form, left parties may well employ "Nixon goes to China" strategies in the face of austerity and postindustrial pressures. At moderate levels of coordination (say Netherlands and Switzerland) and at high levels of coordination (Finland, Norway, and Sweden), social democratic governments seem to clearly have the institutional supports and, hence, political bases, to pursue more equitable policy reforms; the impact of social democracy here is moderate to substantive large and highly significant. Finally, one should note that as expected, there is no significant interaction between Christian democracy and coordination.

In addition, Table 1 also displays the results of tests of the hypotheses that the main, theoretically relevant components of coordination – union and employer organization and the degree of economic cooperation – should all significantly mediate the impact of social democracy. As the table indicates, there is a significant interaction between union organization, employer organization, and economic cooperation on the one hand, and social democracy on the other. Using the mathematics of interactions outlined above, social democratic government has

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<sup>17</sup> Recall the interaction of, for example,  $X_1$  (social democracy) and  $X_2$ , (coordination) when the dependent variable is  $Y$  (welfare generosity), will tell us whether the effect of  $X_1$  on  $Y$  varies significantly with levels of  $X_2$ . The interaction term itself, when multiplied by a value of  $X_2$  and added to the coefficient of  $X_1$ , becomes the slope, or the marginal effect, for  $X_1$  on  $Y$  at that level of  $X_2$ . Standard errors for computing the significance of the effects of  $X_2$  at some level of  $X_1$  are easily calculated (Kam and Franzese 2008).

virtually no (or trivially negative) impacts on social protection (compared to center-right governments) at low levels of each of these three institutional dimensions. At moderate and especially high levels of union organization, employer organization, and enterprise cooperation, social democratic governments have significant and positive impacts on welfare generosity. As such, these results further underscore the likely roles of the institutions of coordination in fostering the political conditions for preferred social democratic policies in the postindustrial age.

As far as other forces are concerned, our models indicate that several additional features of the postindustrial era are central to the determination of trajectories of social protection. First, international policy diffusion seems to be quite relevant. Specifically, for each addition one point of recent change in welfare generosity in other nations (where country weights are determined by competition with the focal country), welfare generosity in the focal country has changed about a quarter of a point. Trade openness matters: the degree of openness in goods and services markets is positively and significantly associated with welfare generosity in each model. As to the (modest) substantive importance of trade, the difference in social welfare generosity between a country scoring 50 percent on the scale of openness and one at 100 percent (goods and service as a percent of GDP) is about 2 points. In addition, in the majority of models in Table 1 (and Table 2), deindustrialization and declines in per capita GDP bolster social protection. Consistent with theory that emphasizes welfare constituency power, the size of the elderly population is consistently positively and significantly associated with welfare generosity; each additional percent of the population over 64 is associated with – on average – roughly .45 additional points on the generosity scale. Finally, the direct welfare effects of coordination (given in column I of Table 1 and all columns of Table 2) is positive, significant, and substantively large. On the other

hand, the direct effects of institutional dispersion of power on welfare generosity are not consistently and negatively related to social protection.<sup>18</sup>

– **Table 2 about here** –

The tests of hypotheses that partisan change is constrained by institutional dispersion of power (institutional veto points), partisan veto players, and the adverse context of the post-1980s period are displayed in Table 2. As to the central test for the role of “counter-majoritarian” institutional dispersion of power, column I presents results which clearly show that institutional dispersion mediates the impact of social democratic governance. Recalling the mathematics of interactions, one can see that at moderately high levels of institutional dispersion (e.g., Australia and Canada), one year of social democratic government would have no impact on welfare generosity (.2546 +  $-.2461 \times 1.0$ ); at average and relative low levels of dispersion, social democratic government would have moderate and large impacts of .25 and .5 welfare generosity units, respectively. On the other hand, it is important to note that there is no evidence that partisan veto players (indexed by the number and ideological distance between governing parties) plays any role in constraining partisan government. Finally, in tests of interactions between Christian democratic governments and institutional contexts, there is no evidence that contemporary welfare impacts of Christian democracy are mediated by institutional or partisan veto points.

With regard to the notion that partisan welfare impacts disappear over time, especially after the turbulent threshold period of the 1980s (e.g., Jahn 2006), or with greater globalization

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<sup>18</sup> While at first glance this finding seems odd, Huber and Stephens (2006) note that institutional fragmentation had clear negative effects on welfare development up to the 1980s, but afterward, may have served as an effective institutional constraint on retrenchment.

(e.g., Kwon and Pontusson 2010), the third and fourth columns of Table 2 provide some straight forward tests: the model of column III includes a social democratic government/post-1980s interaction; column IV includes the interaction of social democracy with international financial liberalization. In both cases, there is a significant but substantively modest interaction effect; these results suggest that social democratic parties had mildly diminishing effects as time (and liberalization) proceeded yet remained a very important determinant of welfare generosity: the impact of (one year of) social democratic government from 1976 to 1989 is .34, while after 1990 it is a still significant and substantively large .29 (i.e.,  $.3400 + -.0434 \times 1.0$ ). Finally, it is important to note that other international and domestic political socioeconomic forces had the same impacts in Table 2 models as they did in Table 1: international diffusion, trade openness, deindustrialization, the size of the aged population, economic affluence, and coordination are also significantly related to variations in welfare generosity in the age of austerity.<sup>19</sup>

*A Note on Parties, Institutions, and Labor Market Dualism in Postindustrial Societies.*<sup>20</sup>

In parallel work, I have explored the impact of partisan government on both policies for outsiders (specifically, active labor market policy) and labor market outcomes that register the distance

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<sup>19</sup> Estimation of the basic, institutionally mediated, and temporally varying models of partisan governments' welfare effects with full (country and year) fixed effects produces similar results. Direct effects of partisan government are identical to those reported here; so too is the welfare effect of social democratic government as mediated by levels of coordination. The significant interactions between social democracy on the one hand, and institutional power dispersion, the post-1980s era, and financial liberalism on the other, however, fall to below conventional levels of significance is the presence of full fixed effects as do the effect of the spatial lag and trade openness. All other effects are the same.

<sup>20</sup> For an overview of the research on the important role of partisan governments in income redistribution, see contributions to Beramendi and Anderson (2008). For state-of-the-art research and a survey of the literature on partisan effects on education policy, see Busemeyer (2009a).

between insiders and outsiders. A synopsis of these studies (and the nature of the evidence) is presented in Table 3. As alluded to in discussions above and summarized in the first column of Table 3, I have consistently found that social democratic government is associated with higher levels of national resources for active labor market programs (ALMP) (Martin and Swank 2004; Swank 2011).<sup>21</sup> In addition, Martin and Swank (2012) report clear evidence that social democracy is positively and significantly related to macrocorporatist institutions and, in turn, that macrocorporatism has strong positive effects on the development and implementation of ALMP.

– **Table 3 about here** –

With regard to labor market outcomes, Martin and Swank (2012) focus on determinants of the dualism in the form of the rise of wage inequality and low-wage labor across all developed democracies and, for the CMEs, the rise of labor market dualism between those in full-time stable employment on the one hand, and those involuntarily in irregular employment and on the long-term unemployment rolls on the other. A synopsis of Martin and Swank's analyses are reported in Table 3: while deindustrialization fuels dualism, social democratic government significantly suppresses wage inequality, low wage jobs, involuntary irregular employment, and long-term unemployment. So do macrocorporatist institutions in most cases. Christian democratic government also suppresses wage inequality and low wage work for full-time employees. Christian democratic government is, however, positively associated with long-term

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<sup>21</sup> These results differ from Rueda (2006; 2007) who effectively reports that in the presence of strong employment protection and low economic risks to insiders, short-term changes in social democratic government may actually be negatively associated with short-term changes in ALMP in the contemporary period (also see Armingeon 2007 on null partisan effects on ALMP). Yet, in perhaps the most comprehensive study of social democracy and labor market policy, Huo (2009) reports extensive case study and quantitative evidence supporting the view that social democracy has been, and is, the principal determinant of the deployment of ALMP policies.

unemployment as well as other features of dualism such as the growth of temporary contracts (not included in Table 3). The results from Table 3, taken as a whole, certainly suggest that social democratic parties pursue egalitarian policies when it comes to labor market outsiders; Christian democrats defend full-time workers' wage equality yet may allow the rise of dualism in some areas of the labor market in CMEs. This is certainly consistent with the outline of a postindustrial partisan theory in previous sections.

### **Conclusions**

While many advanced democracies experienced economic growth between 2002 and 2007, there is little question that postindustrialization continued to adversely impact the labor market and the maintenance of social protection; pressures associated with deindustrialization and globalization certainly intensified with the global financial crisis after 2007. A preliminary examination of income replacement rates in unemployment protection for the 2002-2010 period suggests that long-term trends of moderate retrenchment continued; yet, social democratic corporatist countries maintained income security for lower income workers more vigorously than other polities (Scruggs 2011). Similar patterns are observed (e.g., social democratic corporatist maintenance of more egalitarian outcomes) in labor market dualism in the years leading up to the financial crisis (Martin and Swank 2012).

In sum, it seems clear from evidence presented and cited here that “new politics” and related theory on the significantly diminished impact of partisan government on postindustrial welfare state trajectories is wrong. Social democratic party government continues to be associated with more equitable reforms of social protection and egalitarian labor market outcomes than center-right governments. Christian democracy may continue to defend the

interests of core sector workers and the middle class in the face of postindustrial challenges but it is clearly less egalitarian than social democracy. With respect to institutional constraints, there is some evidence that in polities with strong decentralization and dispersion of policy-making power across institutions, partisan government effects on social policy do significantly diminish; this is not the case with multiple, ideologically diverse party governments. Perhaps most important to partisan policy differences in the contemporary era is the fact that social democratic parties in coordinated economies – especially those characterized by strong macrocorporatism – can utilize the institutional foundations of relatively high labor and employer organization and mobilize political coalitions of outsiders and insiders and those who employ them. Overall, and to echo Schmidt’s reaffirmation of the continuing importance of partisan theory that began this chapter, one would have to conclude on the basis of the preceding analyses that partisan theory remains central to understanding the evolution of social welfare policy in postindustrial capitalism.

## Appendix

### **Data for internationalization variables:**

Bilateral Merchandise Exports and Imports: International Monetary Fund (hereafter IMF), *Direction of Trade Statistics*. Washington, DC: IMF, selected years.

Indexes of restrictions on capital and financial flows: Dennis Quinn, School of Business, Georgetown University. See Dennis Quinn (1997).

Exports and Imports of goods and services in national currency units: OECD, *National Accounts of OECD Member Countries*. Paris: OECD, various years.

Gross domestic product in current US dollars: OECD, *National Accounts*. Paris: OECD, selected years.

### **Policy/Government/Politics (and see below on socioeconomic data for some data on standardizations):**

Index of Social Benefits Generosity. Lyle Scruggs, *Welfare State Entitlements: A Comparative Institutional Analysis of Eighteen Welfare States*, Version 1.1. June 1, 2005

Left and Christian Democratic party cabinet portfolios as a percent of all cabinet portfolios. Sources for party portfolios: Eric Browne and John Dreijmanis, *Government Coalitions in Western Democracies*, Longman, 1982; *Keesings Contemporary Archives* (selected years); and "Political Data" updates in annual issues of *European Journal of Political Research*.

Sources for classification of parties: (1) Francis Castles and Peter Mair, "Left-Right Political Scales: Some 'Expert' Judgments," *European Journal of Political Research* 12: 73-88. (2) *Political Handbook of the World*. NY: Simon and Schuster, selected years. (3) Country sources.

Political Economic Institutions: *Union membership*: Jelle Visser, Trade Union Membership Database, Unionization Trends Revisited, Typescripts, Department of Sociology, University of Amsterdam, 1992 and 1996; and unpublished data from Bernhard Ebbinghaus. *Confederal power, level of wage bargaining, and related union and employer measures*: Miriam Golden, Michael Wallerstein, and Peter Lange, Union Centralization Among Advanced Industrial Societies: Update, Department of Political Science, UCLA, 2007. Golden-Wallerstein-Lange data have been extended to 2002 through utilization of a variety of comparative and nation-specific sources. *Political institutions data*. Lijphart (1999); and country-specific sources. *Components of Sector-Coordinated Economic model*: Hicks and Kenworthy data base. Hicks and Kenworthy 1998. Values of the components from the Hicks-Kenworthy data base for 1995 to 2002 have been added to the original 1960-1994 time series for those dimensions of the organization of capitalist economies. Data updates are based on a large variety of sources and are available upon request. *Components of Veto Points*: Lijphart (1999), country-specific sources, and electoral data

as given in this Appendix. *Median Voter/Ideological Position of Governing Parties*: Kim-Fording measure of voter and party ideology. 1945-2003 data supplied by HeeMin Kim, Department of Political Science, Florida State University. See Kim and Fording (1998; 2003). On the determination of governing parties, see sources on right party government above.

**Socioeconomic Data:**

Percent of the civilian labor force unemployed, wage and salary employees, civilian labor force, population, population 65 and older: OECD, *Labor Force Statistics*. Paris: OECD, various years.

Percent of civilian labor force unemployed one year or more (based on percent of unemployed out of work one year or more): OECD, *Employment Outlook*. Paris: OECD, various numbers.

Real per capita GDP in constant (1995) international prices: Source: The Penn World Table (Mark 6.1). National Bureau of Economic Research (<http://www.nber.org>).

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**Table 1. The Impact of Partisan Government, Postindustrialization and Coordination on Social Protection 18 Developed Welfare States, 1976-2001.**

	I	II	III	IV	V
<b>Partisan Politics and Institutions</b>					
Cumulative Social Democratic Government $t_{-1}$	.3074** (.0436)	.1760** (.0425)	.1176** (.0571)	.2241** (.0452)	.2278** (.0390)
Cumulative Christian Democratic Government $t_{-1}$	.0194 (.0422)	.0291 (.0323)	.0791 (.0414)	.0998** (.0374)	.0229 (.0312)
Social Democratic Govt × Coordination	---	.2882** (.0472)	---	---	---
Social Democratic Govt × Union Organization	---	---	.1343** (.0480)	---	---
Social Democratic Govt × Employer Organization	---	---	---	.1937** (.0406)	---
Social Democratic Govt × Economic Cooperation	---	---	---	---	.2687** (.0441)
<b>International Forces</b>					
Social Benefits in Other Nations (Weighted by Competition) $t_{-1}$	.2081** (.0813)	.2687** (.0658)	.2506** (.0757)	.2354** (.0744)	.2280** (.0663)
Trade Openness $t_{-1}$	.0376** (.0108)	.0443** (.0093)	.0303** (.0110)	.0408** (.0101)	.0436** (.0095)
International Financial Liberalization $t_{-1}$	-.0034 (.0124)	.0049 (.0129)	-.0025 (.0120)	-.0066 (.0124)	.0044 (.0127)
<b>Domestic Socioeconomic Forces</b>					
Deindustrialization $t_{-1}$	.0484** (.0355)	.0851** (.0391)	.0377 (.0343)	.0323 (.0354)	.0933** (.0402)
Unemployment Rate $t_{-1}$	-.0259 (.0572)	-.0336 (.0586)	-.0376 (.0529)	-.0482 (.0574)	-.0314 (.0591)
Elderly Population $t_{-1}$	.4528** (.1702)	.3805** (.1494)	.5249** (.1639)	.4603** (.1629)	.3854** (.1506)
Real Per Capita GDP $t_{-1}$	-.0002** (.0001)	-.0001** (.0000)	-.0001* (.0000)	-.0002** (.0001)	-.0001** (.0000)
Coordination (or component) $t_{-1}$	1.4208** (.4903)	-.4768 (.5017)	.4255 (1.1176)	-.5585 (.4931)	-.5542 (.3879)
Institutional Dispersion of Power $t_{-1}$	-.1147 (.4177)	-.7765** (.3545)	-.4303 (.4688)	-.4327 (.4070)	-.8876** (.3531)
Constant	12.7105	9.1192	12.4112	8.8980	8.8147

Observations	455	455	455	455	455
R <sup>2</sup>	.7240	.7737	.7240	.7420	.7697

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Dependent variable is the Scruggs-Allen “welfare benefits generosity” or “decommodification” index (see text). Social welfare models are estimated with annual 1976-2001 data for 18 advanced democracies by Prais-Winsten regression. The table reports unstandardized regression coefficients and panel-correct standard errors.

\* significance at the .10 level

\*\* significance at the .05 level or below

**Table 2. The Impact of Partisan Government, Postindustrialization and Political Institutions on Social Protection 18 Developed Welfare States, 1976-2001.**

	I	II	III	IV
<b>Partisan Politics and Institutions</b>				
Cumulative Social Democratic Government $t_{-1}$	.2546** (.0411)	.3162** (.0406)	.3400** (.0401)	.5331** (.1418)
Cumulative Christian Democratic Government $t_{-1}$	.0939** (.0461)	.0100 (.0401)	.0106 (.0378)	.0209 (.0396)
Social Democratic Govt $\times$ Institutional Power Dispersion	-.2461** (.0544)	---	---	---
Social Democratic Govt $\times$ Partisan Veto Points	---	.0120 (.0101)	---	---
Partisan Veto Points	---	-.0350 (.1919)	---	---
Social Democratic Govt $\times$ Post-1980s Period	---	---	-.0434** (.0205)	---
Post-1980s Period	---	---	-.2079 (.3424)	---
Social Democratic Govt $\times$ Liberalization	---	---	---	-.0025** (.0015)
<b>International Forces</b>				
Social Benefits in Other Nations (Weighted by Competition) $t_{-1}$	.2296** (.0797)	.1817** (.0789)	.1724** (.0739)	.1931** (.0768)
Trade Openness $t_{-1}$	.0426** (.0107)	.0420** (.0106)	.0466** (.0099)	.0403** (.0104)
International Financial Liberalization $t_{-1}$	-.0052 (.0122)	-.0047 (.0126)	.0024 (.0131)	.0025 (.0206)
<b>Domestic Socioeconomic Forces</b>				
Deindustrialization $t_{-1}$	.0428 (.0354)	.0565** (.0364)	.0692** (.0378)	.0580* (.0363)
Unemployment Rate $t_{-1}$	-.0362 (.0571)	-.0303 (.0582)	-.0244 (.0581)	-.0278 (.0575)
Elderly Population $t_{-1}$	.3763** (.1686)	.4684** (.1667)	.4359** (.1601)	.3961** (.1684)
Real Per Capita GDP $t_{-1}$	-.0002** (.0001)	-.0002** (.0001)	-.0001* (.0000)	-.0002** (.0001)
Coordination $t_{-1}$	1.5427** (.4723)	1.5846** (.4853)	1.7497** (.4855)	1.5481** (.4942)

Institutional Dispersion of Power <sub>t-1</sub>	1.7852** (.5851)	-.0588 (.3947)	-.1360 (.3667)	-.2049 (.3939)
Constant	9.0850	9.4500	9.8478	10.0257
Observations	455	455	455	455
R <sup>2</sup>	.7384	.7380	.7493	.7389

Dependent variable is the Scruggs-Allen “welfare benefits generosity” or “decommodification” index (see text). Social welfare models are estimated with annual 1976-2001 data for 18 advanced democracies by Prais-Winsten. The table reports unstandardized regression coefficients and panel-correct standard errors.

\* significance at the .10 level

\*\* significance at the .05 level

**Table 3. Partisan Government and Labor Market Dualism in the Post-Industrial Era.**

	All Capitalist Democracies			Coordinated Market Economies	
	Active Labor Market Policy	50-10 Wage Ratio	% Low Earners	Involuntary Part-Timers	Long-term Unemployed
Social Democratic Government	Positive Direct and Indirect Impacts	Significant Negative Impacts	Significant Negative Impacts	Significant Negative Impacts	Significant Negative Impacts
Christian Democratic Government	No Impacts	Significant Negative Impacts	Significant Negative Impacts	No Effects	Significant Positive Impacts
Macrocorporatism	Direct and Mediating Impacts	Significant Negative Impacts	Significant Negative Impacts	No Significant Effects	Significant Negative Impacts
Deindustrialization	Significant Positive Effects	Significant Positive Effects	No Significant Effects	Significant Positive Effects	Significant Positive Effects
Globalization	Mixed Effects	Mixed Effects	Mixed Effects	Mixed Effects	Mixed Effects

The models that undergird conclusions of the first column are found in Martin and Swank (2004; 2012) and Swank (2011). They are estimated with 1980s to 1990s/2000s annual data for 18 advanced capitalist democracies by Prais-Winsten (AR1) regression with panel correct standard errors. Models of the second and third columns are estimated for 1980s to 2000s annual data for 17 countries by Prais-Winsten (AR1) regression. Models of the fourth and fifth columns are estimated for 1980s to 2000s annual data for the 11 coordinated market economies by Prais-Winsten (AR1) regression; full results are in the text or online supplemental materials of Martin and Swank (2012).