PS 343: Huber & Stephens, 
Development & Crisis of the Welfare State: 
Parties & Policies in Global Markets

I. Introduction:

A. Subject: Evolution Welfare States in Developed Democracies
   1. First three postwar decades of expansion
   2. Past two decades of crisis (& (some) retrenchment)

B. Core Arguments:
   1. Partisan Politics (Independent Variable/Explanatory Factor):
      a. Single most-important factor (not only factor, not more than others combined, but most important) in cross-country & cross-time variation
      b. Specifically, the dominant, long-term partisanship of government:
         (1) Social Democratic, Christian Democratic, or Secular Center/Right
         (2) Of course, long-term dominance heavily rests on organization of societal interests (depth & structure labor movement, esp.) and social cleavage-structure (religious ethnic rel. to econ. cleavages, esp.)
   2. The Kind of Welfare State (Dependent Variable(s)):
      a. Generosity: height of social safety net
      b. Structure of System: basis of eligibility, of magnitude, duration, etc, type of payments: means testing, requirements, etc.
      c. Type & Volume Public Services:
         (1) Active Labor-Market Policies: (re)training, search & matching, etc.
         (2) Health Care: who, how, how much
         (3) Child-care & Family Services: esp. re: role women workplace (& pol)
         (4) Social Security & Pension: who, how, how much
C. Secondary, Broad Arguments:

1. Position State International Markets (openness & globalization):
   a. Throughout, generous welfare states must maintain high investment & employment to fund, which, in high export-dependence countries ⇒ welfare state must be compatible international competitiveness
   b. ↑ trade integration, in itself, not terribly problematic or constraining for such welfare states (always highly trade integrated & successfully)
   c. ↑ capital mobility & financial integration more constraining:
      (1) Shifts capital-labor balance power (to favor capital (more))
      (2) Constrains govt direction preferential capital allocation (explain)
   d. ⇒ smaller partisan effects in retrenchment period because:
      (1) Popularity welf state (“path dependence”, see below) constrains right
      (2) Financial integration constrains left & weakens invest instrument

2. Veto Points (Tsebelis):
   a. [What are veto points? (Theoretical definition; Substantive examples); What do they do?/How do they work?]
   b. ⇒ for Evolution Welfare State: Retards expansion & retrenchment.
   c. ⇒ Need few veto points, right government, and SMSP [DEF] for rapid, major changes welfare state.

3. Political-Economic Mobilization of Women:
   a. Female labor-force participation spurs welfare-state expansion [endog. issue]
      (1) Creates demand for public services to aid labor-market entry
      (2) Also demand for public-employment opportunities.
   b. Especially effective when political mobilization through S.D., much less so if through C.D. (or Sec. Cons.)

4. ‘Path Dependence’: (Math’ly: not strictly path-dep, but state-dep.)
   a. Not ‘critical juncture’ arg that events/situation in critical formation period permanently & immutably imprint path for evol. WelfState, but...
   b. Class-power balance, structure state-society relations, & int’l econ relations—all affected by previous gov’t action—inherited by current & shape what can & can’t do & how effectively.
5. **Retrenchment:**

   a. *Immediate cause = large & so far, perm. ↑↑ unemployment and ↓ growth*
      
      (1)  ➔ ↑↑ deficits & debt, (seems) unsustainable
      (2) ➔ cut entitlements, programs, &/or generosity [why not ↑τ?]
         
         (a)  [counter-productive: recall, need high employment rate, so ↑τ problematic]
         (b)  [↑τ may be constrained by international capital mobility (not trade)]

   b. Almost all cut entitlements, but all but two (UK & NZ) [why?] only modestly (so far), and basic structure welfare state remains.

II. **Preliminary Theoretical Elaboration**

A. **“Power Constellation Theory”**

1. **Class balance of [political-economic] power**

   a. *[Privileged Position of Capital] [EXPLAIN]*

   b. *Organizational Resources [Collective Action Problem: explain]: n.b., relatively more important to left-labor than right-capital due to above.*

   c. How to gauge power; on what depend?
      
      (1)  Vote shares, seat shares, government control (cabinet seat-shares), union density, union/bargaining centralization/coordination.

      (2)  *H&S argue govt control, esp. long-term, & combo density & encompassing*

2. **Structure of State and State-Society Relations**

   a. *State Structure*: esp. concentration v. dispersion authority, i.e. veto points

   b. *Structure State-Society Relations:*
      
      (1)  labor-org struct. (union density & concentration) & its mapping to party sys.
      (2)  cleavage structure [EXPLAIN], esp. relig./ethnic frag,

      (a)  esp. as reflected in party system [e.g., C.D.? & where its partisan competition?]
      (b)  & esp. its overlap w/ labor-org structure (union density & concentration)

   (3)  ditto for women’s movement

   (4)  welfare state embedded in *production regimes*: patterns of relations among firms, b/w firms & labor, b/w firms & banks/finance, labor-mrkt structure, educational-system structure, etc. [Basically, these systems inter-related, so changes in one have effects that depend on rest & overall economic performance depends on their effective interaction.]

3. **International Econ [&# Pol] Relations**: *(openness & globalization)*
B. Theoretical Contributions [theoretical advances]:

1. Neither pluralist view of policy as unweighted resultant of free interplay of different interest, nor Marxist view of state policy as pure expression of capital’s interests, but “power relations mediated by institutions.”

2. *Path Dependence* by four mechanisms [state, not path, & two, not four]:
   a. Structural limitation, regime legacies:
      (1) past policies & systems to implement & embedding in related systems alters future ability & effect of altering;
      (2) i.e., conditions the range of possible actions & their effects
   b. Ideological Hegemony, Ratchet Effect:
      (1) previous history of policy actions & effects can change references for popular discourse, & enacted policies create constituencies (that’s above) & change what’s known and what’s uncertain;
      (2) i.e., previous policies Δ knowledge, information, & expectations of public.

3. Esping-Andersen’s *Three Worlds Welfare Capitalism*:
   a. [EXPLAIN & DISCUSS]
   b. To which, add “wage-earner” welfare states; re-label ‘conservative’ as C.D.; & add emphasis on public-service provision & gender-equity policies
<table>
<thead>
<tr>
<th>Country</th>
<th>Corporatism</th>
<th>Etatism</th>
<th>Means-tested poor relief (as % of total public social expenditure)</th>
<th>Private pensions (as % of total pensions)</th>
<th>Private health spending (as % of total)</th>
<th>Average universalism</th>
<th>Average benefit equality</th>
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a Measured as number of occupationally distinct public pension schemes. Only major schemes have been included.
b Measured as expenditure on pensions to government employees as % GDP.
c Estimates of poor-relief expenditure exclude benefits from normal income-tested schemes (such as Housing allowances in Scandinavia, unemployment assistance in Germany, or old-age, unemployment, and sickness assistance in Australia and New Zealand). It should be kept in mind that the borderline between these two types of targeting is difficult to draw. Our estimates here are based on an individual assessment of how the system operates in each nation.
d Average for sickness, unemployment, and pensions. (Income-tested assistance programs, like the Australian and New Zealand unemployment and sickness benefits, have been scored 0 since none provides full citizen rights to benefits.)
e Average differential between basic and maximum social benefits for sickness, unemployment, and pensions (based on net, after-tax, benefits). Benefit differentials are based on the ratio of guaranteed basic social benefit to the legal maximum benefit possible in the system.
f Data are not available.
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\(^a\) Basically non-existent system.

\(^b\) There are no data on expenditure for the 'industrial funds'. This has been estimated on the basis of contribution ratios.

\(^c\) 1981 data.

\(^d\) The data pertain to 1977.

\(^e\) 1979 data. Labor-market pensions have been allocated to the private sector when contracted out, except in the case of public-employee benefits.

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The category of 'other unspecified' income sources has been omitted from the table; thus figures do not necessarily add up to 100 percent. For Canada, Germany, Sweden, the UK, and the US, the data refer to households with head aged 65-74. Note that for Norway and Denmark, where retirement age is 67, the data refer to heads 67+. The Danish data are a weighted average of single male, single female, and married households, recalculated from source (below).

<sup>a</sup> Work incomes include income from self-employment.

<sup>b</sup> Social security pensions and other public-sector income-transfers to the aged, including civil-service pensions.

<sup>c</sup> The Norwegian private pension figure includes civil-service pensions within the household income statistics. We know from national accounts that the ratio of civil service pensions to private occupational pensions is 9:1, and have adjusted accordingly - allocating 90 percent to 'social security transfers'.

<sup>d</sup> This includes also private occupational pensions, which cannot be estimated separately.


5. Openness, Corporatism, & Welfare States:
   a. Not just Katzenstein’s (see also Cameron, Rodrik) argument that small-open economies ⇒ demand for social insurance & mechanisms for wage restraint [EXPLAIN CORPORATISM & COORDINATED BARGAINING], but
   b. Only where labor strongly organized will small-openness’ need for wage restraint favor coordinated bargaining, and
   c. Only where these conditions combine with long-term left-government will this produce *tri-partite* bargaining [see above] that includes social safety net [partly as side-payment for the negotiated wage restraint].

6. *Globalization*’s main effect through fin.integ./cap.mob. & how this shifts political balance of power & constrains govt direction favorable invest terms

C. Policy Recommendations:


2. Specific Recommendations:
   a. ↑ Emphasis on active rather than passive labor-market policies
   b. ↑ Child & elderly care to facilitate FLFP
   c. ↑ Social protection for part-time work
   d. ↑ Hire/fire flexibility, esp. for small & medium-sized enterprises
   e. Partial funding of pensions & other transfers to
      (1) ↑ Fiscal solvency
      (2) ↑ National savings

3. [DISCUSS]

III. Theoretical Framework & Methodology

A. Main Contending Schools of Thought on Welfare State ↑ ↓

1. *Logic of Industrialism* (Wilensky; Pampel & Williamson): by-product of ec dev & its demographic & social-organizational consequences [ELAB...]
2. **State-Centric Approach(es)** (Heclo; Skocpol): bureaucrats’ policymaking role; B’s relatively autonomous from social & political forces ⇒
   a. *State Capacity*: human, technological, infrastructural, organizational...
   b. *Effects of State Structure*: state infrastruct & org + political institutions
   c. *Influence Past Policy* on New Initiatives: prob perception & devised solutions

3. **Political Class Struggle** (Korpi, Swank, H&S): left/right-center power distribution; in this, the organizational strength of former esp. important

4. **International Economic Position**: “Golden Age”: Openness ⇒ domestic vulnerability ⇒ ↑ demand ↑ soc safety net (Cameron; Katzenstein; Rodrik)
   a. Openness ⇒ need wage restraint for export competitiveness ⇒ corporatism
   b. Retrenchment Era: Openness ⇒ constraint on domestic welf state options
   c. H&S: Open w/ ↓lab-org strength ⇒ need corp (o/w restraint by lab weak)...
      (1) w/ coordinated lab-org & left political strength ⇒ welfare-state expansion as soc-pol side-payment for restraint
      (2) [w/ uncoordinated lab-org strength, or w/ coord but right pol pow ⇒ lack restraint & poor economic performance.
      (3) w/ lab weak ⇒ restraint & social inequality under right; restraint (prob slightly less), and expensive & passive reduction inequality under left.]

5. **Strength Political Catholicism** (Wil., E-A, H&S, Swank, Van Kersbergen):
   a. “Conservative” or “Christian-Democratic” Welfare States almost as generous but much less redistributive than Social-Democratic.
   b. Philosophically, based on religious obligation to care for less fortunate.
   c. Politically, based on need to draw support from across class structure.
   d. H&S emphasize/argue:
      (1) For strong C-D to arise & to have this effect, society must have relatively prominent (salient) & cross-cutting religious cleavage.
      (2) C-D will have greater positive effect on welf-state generosity when its political competition in party system is from left [Swank].

6. **Feminist Approaches**: H&S: women = potential political force for ‘women-friendly’ (Hernes 1987) policies, but only successful when find potent political allies (differently, depending on ally—see below).
B. H&S’ Core Theoretical Framework

1. “Power Resources Theory” [that left/right balance of power thing again]
   a. Struggle over welfare state = struggle over distribution ⇒ [relative] power of those standing to benefit crucial ⇒
      (1) Organizational power of labor [relative to capital...].
      (2) Political “articulation” of that [relative] org’l power (i.e., parties) mediate.
   b. H&S’ Classes: [n.b., usu., broadly 1-2 v. 4-5, w/ 3 & 6 swing, & latter orthog.]
      (1) Big capital (bourgeoisie proper—big employers)
      (2) Small & medium capital
      (3) Upper-middle (Prof’s) [human capitalists]
      (4) Lower-middle class, non-manual employees [lower white collar]
      (5) Wrkng class, manual lab.
      (6) Farmers
   c. Organization critical to political power of all groups, but relative importance of organization increases 1-5. [“power resources”]
      (1) Logic of Collective Action [Olson]
      (2) Privileged Position of Capital [Lindblom (Marx)]
   d. Political Articulation:
      (1) Under PR, usually social structure maps into party system fairly 1-for-1.
      (2) Under Plur/Maj, usually some aggregation of soc.struct. into fewer parties, but still usually parties gen’ly aligned w/ some & against others.
      (3) Rel. Political Strength, esp. long-term control govt, is what translates soc-structural power into (welfare-state) policies &, from there, outcomes.
   e. NOTE: Classes definition excludes...
      (1) Women, esp. early postwar period.
      (2) Long-term unemployed & underclass.
      (3) These acted upon by welfare state, perhaps, but not actors in its evolution.

2. Religious & Ethnic Divisions also poss. base soc-pol org. & action:
   a. Can reinforce, but more often cross-cuts class bases.
   b. Examples: Religious divisions in society often ⇒
      (1) weaker &/or fragmented labor movement (e.g., France, Italy).
      (2) divided party system & weaker/frag’d left/wrkng-class parties.
c. Christian Democratic Parties

(1) Political Catholicism: soc. integration, class compromise, political mediation
   (a) Cater to workers’ interests somewhat, but
   (b) middle- & upper-class constituencies make reluctant fund too generous W.S.

(2) Subsidiarity: smallest social-unit possible to care for society’s members:
   family > congregation > community > state/nation (last resort). [ASIDE: on redistribution & subsidiarity...]

(3) Political Competition: compete w/ strong wrkng-class parties pushes C-D more generous, interventionist, & universalistic than on own or sec ctr/rt.

3. Argument re: & Role of Women: basically parallels that for labor. It’s soc org & political allies that determine efficacy of potential/demand.

4. Party System: frag’d v. unified party representation of competing sides in societal struggle over welfare state critical to relative power.

5. Long-Run Control of Government is the key.

**********************ASIDE**********************

● Logic of Collective Action:

○ “The larger the number of individuals or firms that would benefit from a collective good, the smaller the share of the gains from action in the group interest that will accrue to the individual or firm that undertakes the action. Thus, in the absence of selective incentives, the incentive for group action diminishes as group size increases, so that large groups are less able to act in their common interest than small ones” (p. 31).

○ The CAP as an Externality: simple CAP w/ N equal-sized individuals

  - Cost of providing good, C, some function, f(·), of provision level, T => C=f(T); (let f’>0 & f”<0; i.e., production is costly; diminishing costs)
    ■ Value of good to each individual, V_i, equals provision level => V_i=T
    ■ Value of good to whole group, V_g, is \( N \) times that => V_g = N \cdot V_i = N \cdot T
  - If grp could act as unit: maximize grp net benefit: V_g-C=V_g-f(T)=N \cdot T-f(T)
    ■ Max_{T} N \cdot T-f(T) : Setting derivative equal w.r.t. to choice var, T, to zero
    ■ d[N \cdot T-f(T)]/dT = 0 ==> N-f'(T) = 0 ==> N=f'(T)
- I.e., grp acting as unit invest in public good until more provision ↑ total cost ($f'(T)$) exactly as much as extra goods worth to (whole) group ($N$).

- If grp can’t act as unit; rather every individual free to (must) act solo: each individual maximizes her/his own net benefit: $V_i - C = V_i - f(T) = T - f(T)$

  - Max$_T T - f(T)$
  - $d[T - f(T)]/dT = 0 \implies 1 - f'(T) = 0 \implies 1 = f'(T)$

  - I.e., each extra unit of public good individual produces brings her/him 1 unit greater value. S/he \dot{\cdot} contributes until cost of +1 unit is exactly 1

- Conclusion: (given $f''(T) < 0$), $T$ such that $f'(T) = N$ is more than $N$ times $T$ such that $f'(T) = 1$. I.e., group as unit would provide more than sum of $N$ individuals would choose to provide solo.

  - Loosely: individuals stop giving $N$ times sooner than grp acting as unit.

  - I.e., severity of CAP increases w/ grp size: ↑$N$→↓ individ. contribution relative to grp optimum: more CA per capita in small grps.

- CAP as an externality:

  - Individuals self-interested => value of giving to cause is return to self

  - Total contribution of grp cause to each individual is not just gain brings her/him, but also gain brings everyone else in grp (public good => one’s enjoying it does not diminish others’ enjoyment).

  - =>disparity b/w value to individual and to grp of individual contribution

  - Individual values his contribution less than optimal from grp viewpoint, so individual does not invest group-optimally in the public good

  - In short: the public good (collective action) is under-provided.

○ CAP as a “free-rider problem”, modeled game-theoretically.

- Classic Prisoners’ Dilemma (PD)

<table>
<thead>
<tr>
<th>Prisoner B →</th>
<th>● Confess</th>
<th>● Stay Silent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prisoner A ↓</td>
<td>● Confess</td>
<td>● (A gets 10 years, B gets 10 years)</td>
</tr>
<tr>
<td>● Stay Silent</td>
<td>● (A gets 20 years, B goes free)</td>
<td>● (A gets 5 years, B gets 5 years)</td>
</tr>
</tbody>
</table>

- Equilibrium: each player’s strategy is best response to other(s)’s strategy
- **PD**: each finds confess optimal, but joint silence could bring 2\textsuperscript{nd} best

- **Logic of CA as a (multi-player) PD**:  
  * If others contributing, don’t bother b/c good will be provided  
  * If others not contributing, don’t bother b/c can’t provide it solo  
  * => One equilibrium: no one pays (≈ most don’t, or most under-)  
  * With fewer players, it’s less like PD...

- **Logic of CA as Battle of the Sexes Game**:  
  - contribution by *either* suffices  
  - each prefers pay/good to no-pay/no-good

<table>
<thead>
<tr>
<th>Prisoner B → Prisoner A ↓</th>
<th>Contribute</th>
<th>Free-Ride</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute</td>
<td>(Good provided, A &amp; B pay)</td>
<td>(Good provided, A pays)</td>
</tr>
<tr>
<td>Free-Ride</td>
<td>(Good provided, B pays)</td>
<td>(Good not provided, A &amp; B don’t pay)</td>
</tr>
</tbody>
</table>

- Two eqba: A pays or B pays, but B likes former and A likes latter better  
- => CA more likely to happen, but some hard bargaining over who pays

- **Logic of CA as a Coordination Game**:  
  - Each prefers pay/good to no-pay/no-good  
  - Contribution by *both* required  
  - Two eqba: both pay, and both don’t pay, but both like former better  
  - CA very likely to occur: simply must both understand game, be rational, and be assured others understand & rational: *No conflict of interest*

<table>
<thead>
<tr>
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<td>Free-Ride</td>
<td>(Good not provided, B pays)</td>
<td>(Good not provided, A&amp;B don’t pay)</td>
</tr>
</tbody>
</table>

- **Exploitation of Great by Small**:  
  - Contribution by one necessary but A prefers (no pay, no good) to (pay, good) while B prefers (pay, good) to (no pay, no good)

- 1 eqbm: A “dominant strategy,” & B an optimal response to it.
“Exploitation of the big by the small”: here, of who really wants good by less adamant. In CA game, can also be of large by small (b/c large receives more of coll.benefit may pay to provide unilaterally. If so, small benefits w/o paying.

<table>
<thead>
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</tr>
</tbody>
</table>

- Games illustrate and intuition: CA easier to achieve (& more likely to be more effective) in small groups than in large groups.

○ Anecdotal Illustrations of Logic of CA (Olson, pp. 32-34):
  - Different size grps, same net gain CA (=>smaller grps more CA per capita):
    - 1000 ind’s gain $1 each if organize effectively in CA costing $100 total
      * If each gave $0.10, they each gain $0.90 net, so grp likes it
      * But, suppose 999 people gave $0.10 & 1 refused. Each of other 999 individually has incentive to give $0.10 left, still netting $.80, so hold-out should reasonably expect to get full $1 for self. But, others could refuse too b/c rest should still make it up. etc. etc. Unravels all the way back => everyone giving not an eqbm.
      * From other side: any 100 people could give $1 to CA. These 100 break even; other 900 gain $1 each. Could be eqbm, but 100 don’t care, give/no. If any 1 dislikes at all doing all the giving, then will quit. Then pays none to give, so unravels to zero.
      * On other hand, also pays any of 900 free-riders to pay possible quitter $0.01 to keep contributing, so maybe CA occurs.
      * CA difficult: always in interest of everyone to free-ride, either (a) expecting some in other 999 to give difference as in their interest or (b) it doesn’t matter because CA isn’t going to happen anyway.
    - $1,000 at stake; cost of nec. CA still $100, but now grp is 5 lrg firms
      * Each firm gains $200 if CA undertaken, so any one willingly to foot the whole bill her/himself if s/he must.
      * CA still not certain b/c fight over who pays how much, but obviously much easier for smaller grp (of firms) even though size prize & cost obtaining has not changed.
  - Same grp size, prize, and cost, different divisions of grps into jurisdictions: smaller jurisdictions will exhibit greater CA per capita than larger
    - $1000 prize, $100 CA cost, 1000 small firms, but now compare 1000 unorganized firms, scattered all over country, and 1000 firms organized by
industry into lobbies of 200 firms in each of 5 industries.

- 1000 unorganized firms must agree to give $100 total somehow: hard
- Or 5 lobbies must give $100 total: much easier.

- **Differences in intensity of preference:**
  - 25 people, valuing CA at $1000 each might seem less powerful potential force than 25,000, each valuing denial of that proposal $1.50.
  - Logic of CA suggests former group may prove more powerful despite latter’s numbers & despite denial being more valuable to society:
    * Suppose participation in CA costs $100 each (e.g., CA-er’s would picket somewhere for a while and ½ day pay)
    * Suppose moving to promote denial of CA would only cost $2 (e.g., paper, pen, time, & stamp on letter denouncing picketers).
    * Smaller grp will act, larger one will not.
    * LofCA works against numbers advantages of larger grps, even in democracy & prob. if anything more so in less democratic

○ **Summary**: smaller groups disproportionately represented in collective actors: (does **not** mean smaller grps always win, but that have more influence than # alone would imply b/c more effective collective actors)

***************END ASIDE**************

C. H&S’s Auxiliary Theoretical Frameworks

1. **[Policy Inertia]**
   a. “**Path Dependence**”:
      (1) (Previous) Policies create (current) constituencies ⇒ “ratchet effect”.
      (2) “**Structural Limitations**”: (previous) policies affect (current) societal & political distributions power, which may constrain current action. [This is MUCH more complicated to do right analytically than H&S make it seem.]
      (3) “**Policy Legacies**”: this basically the same as 2, but here talk of (previous) policies, taken as given, affecting the effect of (current) policy. What’s possible, what the effects of certain actions will be.
      (4) [Long-term shaping of discourse...]
   b. **Veto Points**: federalism, bicameralism, presidentialism[, party ill-discipline, coalition governments, consensual decisionmaking, indep judiciaries w/ review...] slow/Dampen expansion & retrenchment.
2. Production Regimes:

a. DEF: patterns of relations (markets/systems) b/w & among firms (product), banks & fin.instits. (financial), labor (labor), govt (edu&training & pub pol)

b. Coordinated v. Liberal Market Economies (CME vs. LME):
   (1) LME:
       (a) flexible contracting, deep financial intermediation, decentralized or no bargaining, private edu. & little training, pub pol that supports all this
       (b) ⇒ comparative advantages in innovation & creation, and in low-skill production
   (2) CME:
       (a) long-term contracting, strong (long-term) fin-inst ties to firms, coordinated bargaining, broad public education & public tech/voc training, supp. pub. pol.
       (b) ⇒ comparative advantage in high-skill, high-quality (& high wage) production

c. H&S: Welfare State must be part of this ‘supportive public policy’; i.e., nature of welfare state must be consistent w/ rest of production regime...

3. Openness:

a. How worked exactly in Golden Age [see above].

b. How “Globalization” affects Welfare State viability & retrenchment
   (1) Fin integ&dereg, not trade, constrains [for more reasons than H&S note...]
   (2) Smaller partisan effects as left g-constrained; right popularity-constrained.

*************** ASIDE **********************

[HOW COORDINATED BARGAINING WORKS...]

*************** END ASIDE **********************

4. Equity v. Difference Feminism: [DEF]

a. Equity Feminism ⇒ Working-woman’s welfare state; emerges/works best where find allies in S.D.

b. Difference Feminism ⇒ Female Caregiver’s welfare state; emerges/works best where find allies in C.D.

c. Neither ⇒ Traditional Male-Breadwinner Welfare State.

D. Empirical Methodology:

1. Broad, Large-N Statistical Comparison: Time-Series Cross-Section & Cross-Section—in levels, long-term dynamics.

2. Focused, In-Depth Historical-Qualitative Analysis 9 cases.
IV. Evidence: Statistical Analysis Comparative-Historical Record

A. Determinants of Welfare State Expansion:

1. Samples (Empirical Base)
   a. Pooled TSCS from WWII through ca. 1985
   b. Cross-section of inequality, redistribution, poverty, & “decommodification”

2. Main Findings
   a. C.D. & S.D. more generous than Sec. Cntr-Rt, but different W.S. types
      (1) CD ⇒ social insurance & generous transfers, but employ & income based
      (2) SD ⇒ that plus public services & emphasis ALMP & FLFP, & cit rights
   b. C.D. & S.D. both effective anti-poverty & redistributive, but C.D. less so
   c. In this era, dispersed policymaking power (veto actors) reduce expansion.
   d. Ancillary Results:
      (1) Affluence supports Welf. State expansion (Wagner’s Law)
      (2) Aging populations also spurs expansion (but not generosity ⇒ ‘need’ effect)

B. Measures of Welfare State

1. Detailed measures of specifics of systems spotty at best ⇒ some cross-section analysis possible, not much dynamics or pooled

2. Eight aggregate measures of W.S. expenditures & employment, use both to enhance robustness & to explore what affects which dimensions of W.S.

C. Positive-Theoretical Arguments:

1. Core Argument: (Long-Term) Partisan Control of Government
   a. Incumbency, esp. long-term, political parties based on organizational power wrkng & lower classes ⇒ generous & redistributive welfare state
   b. In Cath or relig’ly mixed soc’s, where C.D. attract signif. cross-class base, CD’s too promote W.S. expansion, esp. where strong SD competition, but...
      (1) Entitles based on insurance principle, & so employment not citizenship
      (2) Not Universalistic/Solidaristic, Subsidiarity, & Maintenance Lvng Std ⇒
      (3) Reliance More Transfers & Less Services, & net less Redist.
c. Elaboration of S.D. v. C.D. Theoretical Distinction

(1) **Subsidiarity** [DEF] Principle ⇒ smaller role for state

(2) **Traditional-Family** Principle: male bread-winner/female care-giver, whereas SD evolved to extend equality commitment from class to gender

(3) Social Services tend to be civil rights whereas Social Benefits & Transfers more employment & income based ⇒ frmr SD, latter CD. [circular?]

(4) Part of S.D. political agenda to compete econ’ly by ↑ human-capital invest

(5) S.D. more favorable of transfers to youth (non-aged): services beyond health

(6) S.D. emph on public *delivery* (⇒ pub employ) stems from its emph equal access to equal benefits.

d. Specific Predictions:

(1) S.D.
   a. Overall expansion, driven by public provision of social services
   b. High “decommodification” [DEF] of W.S. provisions
   c. Strong redistributive effects.

(2) C.D.
   a. Overall expansion (less), driven by transfer payments
   b. Moderate “decommodification”
   c. Less redistributive effects.

(3) [Sec. Center-Right: Less expansion, less-universal, transfers based, & little or no redistributive effects.]

(4) Thus, by empirical measure:
   a. SD & CD associated w/ broad spending measures, SD more so
   b. SD & CD associated w/ transfers spending measures, CD more so
   c. SD strongly associated w/ public-employment based measures, CD not or less
   d. SD & CD associated w/ “decommodification” & anti-poverty, but SD more so
   e. Only SD associated (negatively) w/ inequality measures

2. **State Structure**: Veto Points & Concent/Diffusion Policymaking Power

   a. Main Arg: ↑VP ⇒ less W.S. expansion in this era.

   b. Main Measures: Federalism, Presidentialism, Bicameralism, Referenda

   c. [n.b., for arg. to work, need that ↑VP increases ease of blocking change from SQ relative to ease of pushing change SQ. E.g., it’s a veto to stop change, so only need one on your side to defend SQ v. need majority to change SQ.]

3. **Policy Legacies**:


   b. Policy regimes create their own support constituency in their clientele.
c. [brief disc. authoritarian legacy: early in century, some authoritarian regimes sought to accommodate/coopt leftist pressure, offered some W.S., but highly graduated & preserved privileges ⇒ strong tendencies to remain so.]

4. Female Labor Force Participation:

a. Core Argument:
   (1) ⇒ Demand for greater public role in care-giving ⇒ expansion pressures.
   (2) Where supported by political allies, W.S. policies facilitate combo paid work & family care (pub child & elderly care, etc.).

b. Positive Feedback:
   (1) Enables more women to enter, which ↑ demand more, & most of supply comes from female labor.
   (2) Where publically provided, these female laborers would be heavily public sector; that sector often very effectively organized ⇒ ↑ Pol. Pow. also.

c. These direct & feedback effects stronger where FLF allies w/ SD ⇒ interactive proposition.

5. International Economy:


b. Std Openness Args:
   (1) Cameron & Rodrik: Open ⇒ domestic vulnerable ⇒ ↑ demand ↓ safety net
   (2) Katzenstein: Open ⇒ domestic vulnerable & need wage restrain ⇒ ↑ corp tri-partite policymaking & ↓ safety net.
   (3) H&S: skept. b/c (1) politically mediated & (2) need strong lab to need corp

c. H&S [see also Rodrik; Franzese & Mosher]: key for expected/feared globalization effects: FDI [cap/fin integration/dereg.; portfolio mobility].

6. Additional Explanations/Controls:

a. Affluence/Development: Wagner’s Law/Logic-of-Industrialization

b. Demographic Effects: distinguish ‘need’ from ‘pressure-grp’ effects.

c. Macroec Conds: UE & INF [distinguish ‘need’ from ‘pressure-grp’ effects]

7. Military Expenditure:

a. Adds to total expenditure measures, obviously.

b. Perhaps Guns v. Butter tradeoff effects for soc spending measures.
V. Political Economy of Germany (in comparative perspective), from the notes of John D. Stephens “The German Economic Miracle: The Social Market Economy and Co-determination”:

A. Germany: The World's Export Powerhouse

### Average Real GDP per Capita Growth

<table>
<thead>
<tr>
<th>Country</th>
<th>50-73</th>
<th>73-79</th>
<th>79-89</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2.1</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Canada</td>
<td>3.0</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2.2</td>
<td>-0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.1</td>
<td>-0.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.2</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>3.6</td>
<td>2.1</td>
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<tr>
<td>Denmark</td>
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<td>1.8</td>
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<td>Finland</td>
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<td>Netherlands</td>
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<tr>
<td>Japan</td>
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<td>3.4</td>
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</table>

Average: 3.7 2.1 2.0
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<tr>
<th></th>
<th>Germany</th>
<th>Britain</th>
<th>Japan</th>
<th>United States</th>
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<tbody>
<tr>
<td>Population in Millions</td>
<td>61</td>
<td>57</td>
<td>123</td>
<td>246</td>
</tr>
<tr>
<td>Exports as % of GDP</td>
<td>30%</td>
<td>30%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Exports as a % of World Total</td>
<td>12%</td>
<td>5%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Trade Balance, % of GDP</td>
<td>7%</td>
<td>-5%</td>
<td>3%</td>
<td>-3%</td>
</tr>
<tr>
<td>Index of Hourly Wage of Workers (US = 100)</td>
<td>160 (119)</td>
<td>91 (82)</td>
<td>100 (66)</td>
<td>100 (100)</td>
</tr>
</tbody>
</table>
B. General Reasons for Germany's excellent economic performance in the Golden Age (and the seventies)

1. Technological catch up: "Advantages of economic backwardness" worked massively for Germany.

2. Union strength & structure & bargaining system: "Coordinated" industry level bargaining with agreement b/w IG Metal & metal industry employers exercising wage leadership delivers wage restraint & low strike rates.

3. Provision of cheap credit to industrial investors, investors new equipment and technology
   a. Close links between industry and banks
   b. Public spending on research and development

4. Good human capital base

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Britain</th>
<th>Sweden</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low literacy %</td>
<td>22</td>
<td>23</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>% information age literate</td>
<td>53</td>
<td>49</td>
<td>74</td>
<td>59</td>
</tr>
<tr>
<td>Score 5th percentile</td>
<td>133</td>
<td>145</td>
<td>216</td>
<td>208</td>
</tr>
<tr>
<td>Score 95th percentile</td>
<td>371</td>
<td>360</td>
<td>386</td>
<td>359</td>
</tr>
<tr>
<td>% with vocational education</td>
<td>3</td>
<td>11</td>
<td>36</td>
<td>34</td>
</tr>
</tbody>
</table>

5. Success in macro-economic policy?
   a. Bundesbank, German central bank, not controlled by sitting government. Consistently prioritized fight infl over combat unemp & stimulate growth.
   b. On other hand, German macro-economic policy provided an extremely stable economic environment which probably stimulated business investment.
C. Idiosyncratic Reasons for Germany's excellent econ performance

1. Active industrial policy of the Länder

2. Unusually effective system of skill training
   a. Vocational education system
   b. Active labor market policy

D. "Hidden" solidaristic wage policy
E. Causes of wage dispersion

1. Bargaining centralization
2. Quality of skills on the bottom
3. Union strength
4. Union contract coverage

F. 90-10 wage ratio - ratio of wage and salary income of a full time employee at the 90th percentile of the wage distribution to wage and salary of a full time worker at the 10th percentile

1. Sweden: 2.0 to 1
2. Germany: 2.7 to 1
3. United Kingdom: 3.5 to 1
4. United States: 4.6 to 1

G. Employees' Role in the Governance of Industry (Work Councils): Codetermination: Employee elected representatives on the board of directors of businesses

VI. Christian Democratic Ideology & Welfare States in comp. (US, UK, SW) perspective; from notes of John D. Stephens:

A. Christian Democratic Ideology - based in Catholic social thought

1. Catholic social thought denies that class divisions fundamental to society. It explicitly rejects liberal individualism in which individuals have no responsibilities to others in society & socialist conceptions of class conflict.
   a. Rerum Novarum (1893) - "Labor is not a commodity" - Workers should be paid a "fair wage" which is enough for breadwinner to support his family.
   b. Quadragesimo Anno (1931) - further supported workers' right to organized, advances the notion of "subsidiarity"

2. The Catholic concept of subsidiarity - the smallest possible unit should take responsibility for peoples' welfare; the family, if not family then
community - of course, pivotally, the church - only after that the state.

B. The Christian Democratic Welfare State pattern

1. Transfer payments are generally tied to employment and contributions to the social security system and financed by payroll taxes
2. Few citizenship benefits
3. Few publicly delivered social services, public funding of some, but delivered privately, in many cases by churches
4. Treatment of women: pro-traditional stay at home mother

Replacement Rates in Sickpay and Unemployment Insurance
Replacement Rates in Public Pensions

Public health, education & welfare employ: % of working age pop working in public health, education & welfare jobs:
Public share of health care spending and employment

Redistributive effect tax & transfers sys: % reduction income inequality from govt transfer payments & direct taxes.
% of groups in poverty - poverty line is 50% of the median household income in the country. (Median income: Half of households have more income and half have less.)

% Living in Poverty

Taxes and Social Expenditure as a % of GDP
C. Gender policy of the Christian Democratic welfare state

1. More women friendly but not because C.D. policy supports gender equality, but rather b/c it strongly pronatalist. Primary goal of social policy is to encourage women to have kids & stay home but if women must or choose to work, then social policy should aid to combine work & family.

<table>
<thead>
<tr>
<th>Welfare States Policies Supporting Women’s Autonomy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Allowance % of net income</td>
</tr>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Tax Credits, Allowances</td>
</tr>
<tr>
<td>Advance Maintenance Benefits</td>
</tr>
<tr>
<td>System</td>
</tr>
<tr>
<td>Maternity Leave:</td>
</tr>
<tr>
<td>Length</td>
</tr>
<tr>
<td>Remuneration</td>
</tr>
<tr>
<td>Parental Leave:</td>
</tr>
<tr>
<td>Length</td>
</tr>
<tr>
<td>Remuneration</td>
</tr>
<tr>
<td>Daycare Model</td>
</tr>
<tr>
<td>Tax System</td>
</tr>
<tr>
<td>Watson's Index</td>
</tr>
<tr>
<td>Gornick Index</td>
</tr>
</tbody>
</table>
2. Christian democratic welfare state and women's labor force participation; Relatively low levels of women's labor force participation in Germany:
   a. No public day care
   b. Low levels of public health, education, and welfare employment
   c. Small private service sector: Many private services jobs, such as personal services and hotel and restaurant jobs, are low productivity - low wage jobs. The high wage costs (including high social security payroll taxes) and small wage differentials between small and large workplaces means that these services are priced out of the market. Families "self-service".
   d. Flat rate parental benefits - encourages lower paid spouse to take leave
   e. Joint taxation - second wage earner taxed at spouse's marginal tax rate
   f. Recruitment of foreign workers to fill job shortages in 1960s and early 1970s
   g. Breadwinner wages; i.e., wrkrs paid enough to support families on 1 income.
   h. Expensive private day care (due to the wage structure)

3. Results of this:
   a. Less gender equality
   b. Many more German families depend on one breadwinner.
   c. Thus, Germany depends on proportionately fewer people to support others. Ratio of active working population to others (young, aged, stay at home spouses, unemployed) is 40% to 60%
   d. Waste of human resources.
<table>
<thead>
<tr>
<th>Country</th>
<th>Cost of washing and ironing one man's shirt US$</th>
<th>Working age population per laundry worker</th>
<th>% of households with washing machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>5.20</td>
<td>3500</td>
<td>74</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.25</td>
<td>727</td>
<td>87</td>
</tr>
<tr>
<td>France</td>
<td>4.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>3.70</td>
<td>667</td>
<td>88</td>
</tr>
<tr>
<td>Italy</td>
<td>3.25</td>
<td>n.a.</td>
<td>96</td>
</tr>
<tr>
<td>Spain</td>
<td>3.90</td>
<td>905</td>
<td>87</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.20</td>
<td>750</td>
<td>87</td>
</tr>
<tr>
<td>United States</td>
<td>1.50</td>
<td>391</td>
<td>75</td>
</tr>
</tbody>
</table>
VII. *Operationalization* / Measurement [From Positive Theoretical Arg’s & Testable Implic’s to Empirical Models & Evidence]

A. Dependent Variables (TSCS—broad aggregates): Want overall welfare state, transfers emph., extent pub fund & provision soc serves ⇒

1. “Size” or “Effort” Measures (i.e., size welfare state/height safety net):
   a. Soc Sec Bens (% GDP) (some serves: e.g. med, *not* house, daycare, *edu*)
   b. Social Security Transfers (% of GDP) (just money payments)
   c. Total Government Revenue & Expenditure (% of GDP)

2. Public Provision: Want share pub services *produced & provided* by govt ⇒
   a. Total Civilian Govt Employment as % of Working Age Population
   b. Includes too much (police, judiciary, govt infrastruct), but high corr w/ (less available) pub employment health, education, & welfare

3. Public Finance of Social Services
   a. Total Civilian Non-Transfers Public Spending (% GDP) (obv, too much...)
   b. Pub share total health expenditure (obv, too narrow)

4. Generosity Pensions:
   a. \( \frac{(\text{Tot Pension Spend}/\text{GDP})}{(\text{Pop65+}/\text{TotPop})} = \frac{(\text{Pens}/\text{Pop65})}{(\text{GDP}/\text{Cap})} \)
   b. \( \approx \) retirement “replacement rate” (for average-income person)

B. Dep Var’s (CS—more refined, but less avail., measures & data)

1. “Decommodification” (Esping-Andersen): “Capacity to maintain std living when separated from labor market due to old age, sickness, unemploy”
   a. Indices for Pensions, Sickness Benefits, & Unemployment (& combination)
   b. Based on replacement rates, qualification conditions, duration, etc.

2. FLFP Support:
   a. Index of Maternity Support for Mothers w/ Children <3
   b. Based on generosity & protection maternity leave, paternity benefits, tax relief for child care, availability public child care, etc.
3. Poverty & Inequality:
   a. Poverty Rates: Overall, Single Mothers, 65+, Wrkng Age
   b. GINI Indices: Overall, 65+, and % reduction from pre- to post-T&T

C. Independent Variables (Explanatory Factors)
1. Core Argument [?] ⇒ Measure [?] ⇒ Prediction [?]
   a. Sum of **left-party seat-shares in govt**, from WWII to time t (present)
   b. Sum of **C.D.-party seat-shares in govt**, from WWII to time t (present)
   c. Details:
      (1) “Expert” classifications of parties
      (2) Actually, subdivide cntr-rt into secular, Cath., other Christian (Prot. & mixed), explore for which works best [tech issue here] ⇒ (Ctr-rt & Cath+)
2. Constitutional Structure [i.e., Veto Pts] ⇒ [Arg?] [Measures?] [Predict?]
   b. Details: Fed & Bicam=(0,.5,1); Pres & Ref = (0,1) [n.b., latter=US & SZ]
3. Women’s Political-Economic Mobilization⇒ [Arg?] [Measures?] [Predict?]
   a. Female Labor Force Participation: FLFP = FLF/FemPop1564
   b. Endogeneity: uses time for identification
   c. Left * FLFP [interactive argument, interactive specifications]
4. Labor Political-Economic Mobilization:
   a. Union Density [union mems % total wage & salary earners]
   b. Corporatism [DEF]: Lehmbrecht’s CORP index, but Neth from strng med
5. Economic Openness & “Globalization”
   a. OPEN: (Exports+Imports)/GDP
   b. FDI: total foreign investment by nationals, % GDP
6. Controls & Rest:
### Table 3.1

**Variables**

**Dependent variables, pooled analysis**
- Government revenue as a percentage of GDP (HRS, OECD™)
- Government expenditure as a percentage of GDP (HRS, OECD™)
- Social security benefit expenditure as a percentage of GDP (HRS, ILO™)
- Social security transfers as a percentage of GDP (HRS, OECD™)
- Civilian non transfer expenditure as a percentage of GDP (HRS, OECD™)
- Civilian government employment as a percentage of the working-age population (HRS, WEEP™)
- Public health expenditure as a percentage of total health expenditure (HRS, OECD™)
- Pension spending as a percentage of GDP divided by the proportion of the population over 65 years of age (HRS, ILO™)

**Dependent variables, cross-sectional analysis**
- Support for mothers' employment (Goerich, Meyers, and Ross, 1997)
- Spending on the nonaged (OECD™)
- Public health, education, and welfare employment as a percentage of the working age population (WEEP™). Canadian figure provided by John Myles on the basis of Statistics Canada data.
- Decommodification in unemployment insurance programs (Esping-Anderson 1990: 50)
- Decommodification in sickness pay programs (Esping-Anderson 1990: 50)
- Decommodification in pension insurance programs (Esping-Anderson 1990: 50)
- Decommodification index (Esping-Anderson 1990: 52)
- Poverty—single mothers: percentage of single mothers with disposable incomes below 50% of the average disposable (posttax and posttransfer) household income.
- Poverty—aged: percentage of households in which the household head is over 65 with disposable incomes below 50% of the average disposable household income.
- Poverty—age 25–59: percentage of households in which the household head is between 24 and 60 with disposable incomes below 50% of the average disposable household income.
- Inequality—aged: Gini index for disposable household income among the aged.
- Redistribution: percentage reduction in the Gini index for pretax and pretransfer income caused by taxes and transfers (Mitchell 1991)
- Inequality: Gini index for disposable household income.

**Independent variables**
- Left cabinet: scored 1 for each year when the left is in government alone; scored as the fraction of the left's seats in parliament of all governing parties' seats for coalition governments, 1946 to date (HRS)
- Christian democratic cabinet: religious parties' government share, coded as for left cabinet (HRS)
- Union density: union membership as a percentage of total wage and salary earners (HRS, Ebbinghaus and Visser 1992)
- Corporatism: (Lembruch 1984)
- Political structure: veto points created by constitutional provisions (HRS)
- Female labor force participation: Percentage of women age 15 to 64 in the labor force (HRS, OECD™)
- Left female: left government centered on its mean multiplied by female labor force participation centered on its mean
- Voter turnout: voter turnout as a percentage of the adult population (HRS)
- Aged population: percentage of the population over 65 years old (HRS, OECD™)
- Strikes: working days lost per 1,000 workers (HRS, ILO™)
- Authoritarian legacy: political regime in the late nineteenth century (HRS)
- GDP per capita: gross domestic product per capita in constant US dollars (HRS, PWT™)
- CPI percent increase in the consumer price index (HRS, OECD™)
- Unemployment: percentage of total labor force unemployed (HRS, OECD™)
- Military spending: military spending as a percentage of GDP (HRS)
- Outward foreign direct investment: as a percentage of GDP (HRS)
- Openness: imports + exports as a percentage of GDP (HRS, OECD™)

---

4 Data from the Huber, Regin, and Stephens (1997) data set.
5 Original data source is OECD.
6 Original data source is International Labour Office.
7 Data from the Welfare State Exit Project, Science Center—Berlin.
8 From Luxembourg Income Surveys. The calculations were done by David Bradly with household adjustments and other definitions such that the figures are consistent with those in Mitchell 1991, Atkinson et al. 1995, and those periodically updated at the LIS website, http://lissy.ceps.lu.
9 Original data source is the Penn World Tables, http://pwt.econ.upenn.edu/.
D. Sample:

1. *Place:* 16/18 Continuously Dem largish: US, JA, GE, FR, IT, UK, CA, AU, BE, DE, FI, NE, NO, SW, SZ, AL [~NZ,IR:data, ~GR,PO,SP: non-dem]

2. *Time:* 1960-85, postwar expansion, as data available

E. Technical Specification Choices:

1. Levels vs. Changes / Dynamic Specification:
   a. Largely Immaterial: not critical substantively, little difference findings
   b. Highly Technical [and, anyway, I disagree w/ several choices]
   c. [So, OMIT]

   a. Cumulative (additive): Governmental Partisanship Measures
   b. Cumulative (averages): Strikes, VotePart, FLFP, UDEN
   c. [subtle diff args. cum-add v. cum-avg; not critical]
   d. Current: Need-based (Aged, Unemp) & other economic considerations (growth, infl); but if also political-interest, then Cum (avg) too. [H&S consider Aged only in this category; others? Open? Wealth? MilSpend? FDI?]
   e. Time-Invariant: Constitutional Structure (Veto Points); Authoritarian Legacy, Corporatism (need not be; discussion re: measure)

3. Multicolinearity:
   a. [Correlated Regressors ⇒ difficult to find effect of X₁ holding other X’s constant; just not much info about this in data if X’s highly correlated.]
   b. Problematic Complexes of Variables:
      (1) {Left, UDen, Corp, Open}
         (a) H&S ⇒ drop UDen b/c case study suggests path is UDen → Left ⇒ WelfState
         (b) H&S ⇒ drop Corp even though case study suggests in b/c “helps”
      (2) {Aged & CumAvgAged}: H&S just drop level
   c. [Problem of Correlated Regressors is fact of life; “fixes” like this just change the question being asked of the data. ⇒ OMIT]

4. [TSCS, PCSE, Unit-Root: OMIT; Case study not inherently helpful in sorting causality/endogeneity; Cross-Sect: Bivar Corr then Step[un]wise]
VIII. Empirical Results:

A. **Core Results**: Social Security Benefits (% GDP)

<table>
<thead>
<tr>
<th>Table 3.2</th>
<th>Regressions on Social Security Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>b</td>
</tr>
<tr>
<td>Left cabinet</td>
<td>.179***</td>
</tr>
<tr>
<td>Christian democratic cabinet</td>
<td>.377***</td>
</tr>
<tr>
<td>Constitutional structure</td>
<td>-1.071***</td>
</tr>
<tr>
<td>Female labor force participation</td>
<td>.109**</td>
</tr>
<tr>
<td>Left*female</td>
<td>.018***</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>-.076</td>
</tr>
<tr>
<td>% aged</td>
<td>.689***</td>
</tr>
<tr>
<td>Strikes</td>
<td>-.071</td>
</tr>
<tr>
<td>Authoritarian legacy</td>
<td>-.666</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>.419***</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>.518</td>
</tr>
<tr>
<td>Unemployment</td>
<td>.479***</td>
</tr>
<tr>
<td>Military spending</td>
<td>.123</td>
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<tr>
<td>Foreign direct investment out</td>
<td>-.173</td>
</tr>
<tr>
<td>Trade openness</td>
<td>.003</td>
</tr>
<tr>
<td>Year</td>
<td>.237***</td>
</tr>
<tr>
<td>Corporatism</td>
<td>.200**</td>
</tr>
</tbody>
</table>

1. Focus on Column 1, estimate of \(b\) (not \(\beta\))
   a. [Explain \(b\) v. \(\beta\); star system]
   b. [Explain why not time-trend models; 5-yr lag model OK, but col. 1 clearer.]
   c. [Explain why not corp-replaces-left model.]

2. [Work through model:]
   a. [How to write it.]
   b. [Theoretical expectations.]
   c. [Substantive interpretations.]
B. Results for Other Welfare-State Aspects (focus always 1,b):

1. Total Revenue, Total Expenditure, & Transfer Payments (% GDP)

Table 3.3: Regressions on Government Revenue, Expenditure, and Transfers

<table>
<thead>
<tr>
<th></th>
<th>Government Revenue as a Percentage of GDP</th>
<th>Government Expenditure as a Percentage of GDP</th>
<th>Social Security Transfers as a Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>β</td>
<td>b</td>
</tr>
<tr>
<td>Left cabinet</td>
<td>.464***</td>
<td>.43</td>
<td>.365***</td>
</tr>
<tr>
<td>Christian democratic cabinet</td>
<td>.494***</td>
<td>.45</td>
<td>.273***</td>
</tr>
<tr>
<td>Constitutional structure</td>
<td>-1.799***</td>
<td>-1.36</td>
<td>-1.434***</td>
</tr>
<tr>
<td>Female labor force participation</td>
<td>.066</td>
<td>.09</td>
<td>-.023</td>
</tr>
<tr>
<td>Left female</td>
<td>.022</td>
<td>.16</td>
<td>.020**</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>-.118</td>
<td>-.13</td>
<td>-.069</td>
</tr>
<tr>
<td>% aged</td>
<td>.400</td>
<td>.52</td>
<td>.324*</td>
</tr>
<tr>
<td>Strikes</td>
<td>-.089</td>
<td>-.08</td>
<td>-.081</td>
</tr>
<tr>
<td>Authoritarian legacy</td>
<td>-.165**</td>
<td>-.16</td>
<td>-.971</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>.677***</td>
<td>.19</td>
<td>.411***</td>
</tr>
<tr>
<td>Year</td>
<td>.623*</td>
<td>.11</td>
<td>.338</td>
</tr>
<tr>
<td>Unemployment</td>
<td>.141</td>
<td>.05</td>
<td>-.061</td>
</tr>
<tr>
<td>Military spending</td>
<td>.522***</td>
<td>.09</td>
<td>.515**</td>
</tr>
<tr>
<td>Foreign direct investment out</td>
<td>-.166</td>
<td>-.01</td>
<td>-.217</td>
</tr>
<tr>
<td>Trade openness</td>
<td>.016</td>
<td>.05</td>
<td>.011</td>
</tr>
<tr>
<td>Constant</td>
<td>26.759***</td>
<td>1.61</td>
<td>14.871</td>
</tr>
<tr>
<td>Common ρ</td>
<td>.89</td>
<td>.91</td>
<td>.90</td>
</tr>
<tr>
<td>OLS adjusted R²</td>
<td>.88</td>
<td>.87</td>
<td>.89</td>
</tr>
</tbody>
</table>

b: unstandardized coefficient
β: standardized coefficient
Significance level: *** = .001, ** = .01, * = .05 (one-tailed test, except for openness)
N = 416 (16 countries; 26 years, 1960–85)

2. Civilian Non-Transfers Spending (%GDP) & Civilian Government Employment (% Total)

Table 3.4: Regressions on Civilian Nontransfer Spending and Public Employment

<table>
<thead>
<tr>
<th></th>
<th>Civilian Nontransfer Spending as a Percentage of GDP</th>
<th>Civilian Government Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b</td>
<td>β</td>
</tr>
<tr>
<td>Left cabinet</td>
<td>.344***</td>
<td>.46</td>
</tr>
<tr>
<td>Christian democratic cabinet</td>
<td>.190*</td>
<td>.22</td>
</tr>
<tr>
<td>Constitutional structure</td>
<td>-1.151**</td>
<td>-2.28</td>
</tr>
<tr>
<td>Female labor force participation</td>
<td>.057</td>
<td>.08</td>
</tr>
<tr>
<td>Left female</td>
<td>.014*</td>
<td>.14</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>.014</td>
<td>.02</td>
</tr>
<tr>
<td>% aged</td>
<td>.039</td>
<td>.01</td>
</tr>
<tr>
<td>Strikes</td>
<td>.040</td>
<td>.09</td>
</tr>
<tr>
<td>Authoritarian legacy</td>
<td>.301</td>
<td>.04</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>.44*</td>
<td>.16</td>
</tr>
<tr>
<td>Year</td>
<td>.390***</td>
<td>.38</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>.006</td>
<td>-.12</td>
</tr>
<tr>
<td>Unemployment</td>
<td>.387***</td>
<td>.16</td>
</tr>
<tr>
<td>Military spending</td>
<td>.044</td>
<td>.08</td>
</tr>
<tr>
<td>Foreign direct investment out</td>
<td>-.273</td>
<td>-.02</td>
</tr>
<tr>
<td>Trade openness</td>
<td>.017</td>
<td>.06</td>
</tr>
<tr>
<td>Common ρ</td>
<td>.90</td>
<td>.91</td>
</tr>
<tr>
<td>OLS Adjusted R²</td>
<td>.88</td>
<td>.85</td>
</tr>
</tbody>
</table>

b: unstandardized coefficient
β: standardized coefficient
Significance level: *** = .001, ** = .01, * = .05 (one-tailed test, except for openness)
N = 416 (16 countries; 26 years, 1960–85)
3. Public Share Total Health-Care Spending & Pension Pseudo-Replacement Rate, \((\text{Pension-Spending/Population 65+})/(\text{GDP/Population})\)
4. Cross-Sectional Analysis (of more-refined, but less-available, data)

C. Summary of Results:

1. **Strongest (Lrgst, Most-Consistent Effects) Explanatory Factors:** Govt Partisanship & Veto Players > Unemploy > FLFP/FLFP*Left

2. **Pattern of S.D. & C.D. Effects:**

   a. Social Democratic Parties:
      
      (1) Very Strong: Tot Rev, Tot Spend, Nontrans, Pub Emp, Pension Generosity
      
      (2) Some Relation: Soc Sec Benefits, Transfers
      
      (3) Weak Relation: Public Share of Health Spending

   b. Christian Democratic Parties:
      
      (1) Strong: Transfers, Soc Sec Benefits, Pension Generous, Tot Rev & Expend
      
      (2) Weak-to-None: Nontrans Spend, Pub Empl, Pub Share Health

3. **Constitutional Structure/Veto Players** ⇒ Strong & as expected.

4. **Female Political-Economic Mobilization** ⇒ Strong & as expected [elab.]


6. **Null Findings**: Turnout, Authoritarian Legacy, Strike-Militancy, **TRADE**

7. **Weak or Narrow Findings**:
   a. **Inflation**: perhaps rev, spend, trans, but not large or robust.
   b. **Military Spending**: ↑ spend, perhaps ↑ rev, but not apparent ↓ other spend.
   c. **FDI Outflows**: some, ltd signs constraint, but not til ‘80s that fin integ & dereg accelerates & becomes linked to Welf State retrench in political debate

8. **Welfare-State Details (Cross-Sectional Analysis)**:
   a. **Social Dems**: ++ Pub Emp Health-Edu-Welf, decommod, Pub. Supp. Mother’s Emp, 65- Spend, ALMP; -- Poverty & Inequality, all grps
   b. **Christian Dems**: + decommod; - pub emp, ALMP, poverty single mothers.
   c. **Const.Struct./V.P.**: moderate +/- as predicted
   d. **Puzzling Exception**: Unemployment Insurance

**IX. Chapter 7: Retrenchment--basic findings:**

A. **Periodization**:
   1. WWII-‘72: “Golden Age”
   2. ‘73-‘80: Stagflation Crises & Policy ‘Fumbling’
   3. ‘81-90: Adjustment (usually incremental)
   4. ‘91-00: Integration & New Challenges:
      a. Fall Berlin Wall & Collapse S.U. & *its market.*
      b. 1992 EU Program & NAFTA & Integration (⇒) Fiscal & Monetary Austerity

B. **Partisan Effects gen’ly fading, consist’ly across cntrys & policies**

C. *Veto Players delay, slow, & “incrementalize” retrenchment*