




The asymmetric *long-term* electoral consequences of unpopular reforms: why retrenchment really is a losing game for left parties

Alexander Horn


To cite this article: Alexander Horn (2021) The asymmetric *long-term* electoral consequences of unpopular reforms: why retrenchment really is a losing game for left parties, Journal of European Public Policy, 28:9, 1494-1517, DOI: [10.1080/13501763.2020.1773904](https://doi.org/10.1080/13501763.2020.1773904)

To link to this article: <https://doi.org/10.1080/13501763.2020.1773904>

 View supplementary material 

 Published online: 23 Jun 2020.

 Submit your article to this journal 

 Article views: 1125

 View related articles 

 View Crossmark data 

 Citing articles: 15 View citing articles 



The asymmetric *long-term* electoral consequences of unpopular reforms: why retrenchment really is a losing game for left parties

Alexander Horn

Center for European Studies, Harvard University, Cambridge, MA, USA

ABSTRACT


Debates about the electoral malaise of the Left, punishment for cutbacks, and left parties as *credible protectors* of the welfare state have neglected the long-term consequences of retrenchment. To find out how reforms affect parties' popularity *beyond* individual government periods, we track the electoral performance of government parties over five elections and assess the interplay of unpopular reforms, partisanship, and the economic legacy. Based on well-known asymmetries in the conditionality of welfare support among parties' core groups, we hypothesize that right parties reap the economic fruits of their reform labour, whereas left parties struggle to claim credit even if the promised positive economic legacy materializes. Our analyses of the consequences of retrenchment for 196 cabinets in 18 countries confirm that losses of left parties after reforms – in contrast to losses of right parties – are permanent and independent of the economic legacy; creating a tragedy of social-democratic responsibility.

KEYWORDS Crisis of social democracy; electoral punishment; unpopular reform; welfare state reform

Introduction: modernize and agonize

This article is the first to analyse the long-term electoral implications of welfare state legislation across OECD-countries (Organisation for Economic Cooperation and Development). Thus far, studies of whether unpopular reforms are punished by the electorate and the role of partisanship in this regard focus on one election period (comparing the vote share at an election t_1 with the previous election t_0) or on one or a few countries. We examine the electoral performance of former government parties over the course of two additional elections (t_2 and t_3) and take the level of support before the parties enter office ($t-1$) into account. We find that the Left suffers permanent damage after retrenchment – irrespective of the economic consequences – whereas the Right typically recovers if the economy bounces back as

CONTACT Alexander Horn  alexander_horn@fas.harvard.edu

 Supplemental material for this article can be accessed at <https://doi.org/10.1080/13501763.2020.1773904>.

© 2020 Informa UK Limited, trading as Taylor & Francis Group

promised. The Left's problem is perhaps most prominently exemplified by the longstanding electoral crisis of the social democrats in Germany and Britain after the labour market reforms under Tony Blair and Gerhard Schröder. Despite economists' praise for the reforms and their allegedly positive impact on the economic trajectories of both countries, both parties paid a high price for reform. In short, Blair's and Schröder's battle cries (respectively, 'modernise or die' and 'either we modernise [...] or the market will modernise us'), which were directed at the labour movement and their own rank-and-file, may have made sense economically, but electorally they were misguided.

Our theoretical discussion identifies two related arguments that lead us to expect more enduring costs for unpopular social policy decisions among left parties in general. The first rationale can be called 'left brand dilution'. Cutbacks might well be universally disliked, but they can create a crisis of (party) identity for welfare-affinitive left core groups, whereas they merely constitute transient conflicts of interest for right core groups. The underlying reason is that voters typically consider left parties as the owners of the welfare state issue and as credible protectors of the welfare state (Arndt, 2013; Ross, 2000; Schwander & Manow, 2017). Right parties are free of such expectations. Recent research on issue ownership suggests that ownership may be less stable over time than believed (Seeberg, 2016). We assume that one reason for this is that after left parties engage in reforms that conflict with their brand as welfare protectors, they are often neither able to regain the same dominance in welfare issue ownership nor to compensate via gains in economic and fiscal responsibility. This brings us to our second – and closely related – rationale: the structure and conditionality of welfare state support among supporters of left and right parties. The share of unconditional (or general) supporters of the welfare state is higher among left voters, whereas there are more cross-pressured voters who also consider the economic costs of the welfare state among right voters (Giger & Nelson, 2013). So while left parties have to fear the wrath of their voters whether or not the economic situation improves after they retrench, right voters see a connection between economic efficiency and welfare generosity changes. They see social policy changes in light of subsequent economic outcomes. We call this partisan asymmetry the 'economic compensation' argument. It is our main argument to explain why retrenchment tends to be a losing game for the left.

The investigation of the neglected long-term costs and benefits of social policy decisions is not only interesting per se, but it also carries important implications for three closely related scholarly discussions: First, considering the asymmetric long-term costs and gains from cutbacks helps us understand the enduring electoral crisis of the Left. This crisis has often been attributed to a social democratic dilemma or a tragedy of responsibility: how to balance social justice and economic efficiency? Our evidence suggests that reformist left parties suffer enduring electoral losses even when they create growth.

Second, the results complement the growing literature about electoral punishment after unpopular reforms. Third, our paper sheds critical light on the argument that left governments are more likely to get away with retrenchment because they are regarded as the 'credible protector' of the welfare state, free of the ideological motives assigned to right parties that retrench. Scholars familiar with the 'Third Way' of social democracy, its labour market reforms, and their enduring electoral consequences will agree that a fair assessment of this 'Nixon goes to China' claim should factor in long-term developments (Ross, 2000, p. 190: 'when unpopular policies are on the agenda, the latitude for leadership is largely reserved for those who seem least likely to act, e.g., it took a vehement anti-Communist such as Nixon to open diplomatic relations with the People's Republic of China in 1972'). Overall, our evidence suggests that welfare state retrenchment is a losing game for the Left – at least in the long term.

At this point, we want to state that this paper is not – and cannot be – a comprehensive assessment of the decline of social democracy. The arguments advanced and substantiated here are not the only factors at play. Even if our time frame predates the so-called *refugee crisis* starting 2015, aspects such as dealignment and value change matter. It is thus important to keep in mind that a major motivation of this study is that long-term effects of reforms are uncharted territory (see Schwander & Manow, 2017). When we formulate our main argument(s) and hypotheses against the background of earlier research in the following section, we argue that addressing this lack of large-n studies on long-term consequences of unpopular reforms is relevant for three strands of literature of which the debate about the malaise of the Left is only one.

Our main task is to introduce the new data we have compiled on the long-term electoral performance of governments and to conduct a large-n test of our argument based on an interaction analysis (of reforms, economic legacy, and partisanship) for 196 governments in 18 OECD countries since the early 1970s. The asymmetric electoral long-term effects of (unpopular) social policy reforms we find for left and right cabinets, and more specifically the greater ability of right parties to compensate losses with a positive economic legacy, mean that the opportunities for credit taking are skewed in favour of right parties. They suggest that the reformist agendas that brought left parties back into office in the 1990s and that were widely perceived as economically prudent, were a losing proposition for the Left; at least in the long-term.

Taking stock of three streams of literature

Social scientists have long discussed the strategic and electoral crisis of the Left, the importance of electoral punishment for unpopular reform, and the

idea that left parties are spared voters' wrath after retrenchment because they are regarded as the credible protectors of the welfare state. While neither of these three debates has addressed long-term consequences, it is important to summarize them here before we lay out our rationale for expecting that retrenchment is a losing game for the Left in the long term.

The crisis of the Left

Over the course of the last four decades, the electoral success of left and right parties has ebbed and flowed. Since the end of the Golden Age of industrial capitalism with growth figures in the double digits and full employment – the oil crisis in 1973 and subsequent stagflation crisis are often regarded as the symbolic demarcation – the Keynesian Left came under pressure from monetarist approaches that prioritized the stability of the money supply and budgetary discipline. While the self-proclaimed conservative revolutionaries, such as Thatcher in the UK, Reagan in the US, and Kohl in Germany, prevailed over the old Left during the 1980s, Kitschelt (1994) and Merkel (1993) have made it clear that there was nonetheless variation rather than a secular left decline and that party choices – often defined by factors endogenous to parties – matter at least as much as socio-economic changes. Kitschelt (1994) points to organizational entrenchment (as opposed to leadership autonomy) as a constraint that made it hard to adapt and address increasingly important new post-materialist issues, on which the voter distribution is orthogonal to the old left right conflict (ibid: 31). Left parties were under pressure to become 'more libertarian and more capitalist' to appeal to the new middle class; but too much adjustment would alienate workers (ibid: 32, 33).

During the 1990s, under the intellectual auspices of Anthony Giddens' 'Third Way' between old social democracy and neoliberalism, a new generation of centre-left cabinets came into office: Clinton and the New Democrats in the US, Blair and New Labour in the UK, Schröder and the SPD invented the *New Middle* in Germany, and the Swedish SAP under Carlsson became more centrist. Since this electoral comeback of the Left it has clearly declined electorally (Arndt, 2013; Karreth et al., 2013). There is an ongoing discussion about whether left government reforms – particularly regarding the labour market and protection against labour market risks – are to blame for this crisis. Arndt's (2013) evidence for four countries points in this direction; Karreth et al. (2013) – without having a measure for actual policy – conceive of vote losses in three countries as a backlash against the moderation (programmatic move to more centrist positions) that brought left parties back into office in the 1990s. As we see it, this is part of a larger discussion about the strategic conundrum of the political Left: How to reconcile demands for efficiency with demands for social solidarity and social protection (Kraft, 2017). Lean too much towards market reforms, and you are exposed to the populist Left (think of Renzi in Italy). Lean too much towards

tax and spend, and the rating agencies and the mobile asset class lament that you act economically and fiscally irresponsibly (think of the French president Hollande and the ('Cuba without the sun') backlash against his agenda that lead to a policy U-turn reminiscent of his comrade and presidential predecessor Mitterrand in 1983). Today, while both left *and* right parties have to find answers to the steady reconfiguration of their societal support coalition(s), said balancing act has not become easier for the Left (see Kitschelt, 1999 and Gingrich, 2017) with growing support from the (new) middle class(es). The centrality of social investment preferences among this new left electorate (Häusermann et al., 2013; Gingrich & Häusermann, 2015) makes it conceivable that compensation for cutbacks in insurance generosity could depend on social investments rather than economic performance. We discuss and test this plausible possibility in the online appendix, but find neither (compensation) effects of social investment policies, nor do our key findings change when we control for the changes in different social investment variables.

Electoral punishment

The discussion of the electoral crisis of the Left is closely intertwined with two other discussions. First, social scientists cannot yet agree on whether voters are actually punishing governments for unpopular reforms. Based on Pierson's seminal work on the 'new politics of the welfare state' (1996), we should expect cutbacks to be deeply unpopular and governments to avoid cuts following the new 'blame avoidance' imperative. Yet we know from recent studies that governments engage in unpopular reforms, sometimes even radical retrenchment (e.g., Horn, 2017; Starke, 2008). Some studies have pointed out that such cutbacks are less electorally costly than assumed, while others argue that countervailing effects hide behind non-effects (Armingeon & Giger, 2008; Giger & Nelson, 2011, 2013). So far, the long-term consequences of unpopular decisions, such as welfare state retrenchment, have been neglected. The only exception (Schwander & Manow, 2017) looks exclusively at the electoral fallout from the Agenda reforms in Germany for the Social Democrats, finds limited and lagged costs and emphasises the role of the party system (similar to the encompassing work of Arndt (2013), whose data structure does not allow for intertemporal conclusions on long-term consequences though). Karreth et al.'s (2013) study is also relevant in this context, as it actually traces vote patterns over several elections in Sweden, Germany, and the UK, and suggests that the middle-class support earned by left parties via moderation was short-lived. It is an impressive study, but instead of using an actual policy indicator as an independent variable, it focuses on the (lagged) backlash against positional moderation measured on the multi-dimensional left-right index RILE and therefore does not allow for inferences regarding the electoral effects of cuts.

The Left as credible protector

Finally, there is a longstanding discussion about the notion of the Left as a credible protector of the welfare state (Kitschelt, 2001; Ross, 2000, who, to be fair, is primarily concerned with party configurations as opportunity structures). The gist of the argument is that left parties, by virtue of their historical record as the main defender of the welfare state, are assumed to be sincerely concerned with its survival. While right parties are assumed to use economic arguments as a smokescreen to implement their ideological agenda, left parties benefit from their reputations and are therefore not punished as harshly for retrenchment as right parties. This is often referred to as a Nixon goes to China logic (the anti-communist hardliner Nixon was not suspected of selling out the values of liberal democracy when visiting China in 1972; see Ross, 2000).

This discussion has never been settled empirically, perhaps because there are at least two approaches to the observable implications of the credible protector argument. The first implication is that left retrenchment may be more frequent than expected by traditional partisan theory (Hibbs, 1977; Korpi, 1983; Korpi & Palme, 2003) or even more frequent than right retrenchment. The second implication is that left parties are not punished or at least are punished less for cutbacks. Left retrenchment under specific scope conditions is not controversial (Vis, 2009), although we are not aware of any large-N evidence that left retrenchment is actually *more* likely than right retrenchment. Likewise, with the benefit of hindsight, few scholars would agree that left parties are spared the voters' wrath after retrenchment. This is perhaps most evident precisely for the 'Third Way' social democratic governments (that Ross (2000) had in mind). Neither the explicit justification that adjustments are necessary for the sake of the economic viability and competitiveness of the welfare state nor a recovering economy saved UK Labour and the German SPD from the enduring electoral crisis in which they find themselves. This begs the question: could (previous) pro-welfare reputation be a liability rather than an asset for left reformers? This is exactly what Schumacher et al. (2013) find when they consider the short-term electoral consequences of cutbacks: only parties with a positive welfare image are electorally punished for retrenchment. However, their measure for the image could also be interpreted as welfare pledge, promise, or policy position, which makes it less surprising that retrenchment incurs voters' wrath when the government enacting retrenchment has a more positive welfare image.

Issue ownership and brand dilution

Whether a pro-welfare reputation shields parties from punishment or whether it increases the political costs of retrenchment is ultimately an empirical question. The credible protector argument is plausible, but we think the reverse is

even more plausible – at least in the long term. Contrary to the credible protector argument, the Left could suffer negative long-term costs precisely because its pro-welfare reputation is hard to reconcile with retrenchment, and an identity crisis fuelled by disappointed expectations and a feeling of betrayal is more enduring than transient conflicts of interest. The Left is typically deemed more trustworthy and competent regarding the welfare state issue (Petrocik, 1996; Seeberg, 2016). Left parties are expected to remain true to this core of their historical brand, especially by their voters – many of whom are unconditional supporters of the welfare state (Giger & Nelson, 2013). When left modernisers campaign, it may be possible to build a coalition of this traditional base and the *New Middle* (as Schröder and the SPD put it in 1998). Once welfare cutbacks are introduced, however (e.g., as a part of Third Way labour-market reforms), the subsequent disenchantment of the old base shrinks the electoral coalition permanently. Following Warren Buffet, we might say that it takes 20 years to build a reputation and one Hartz 4 to ruin it. By contrast, with the partial exception of those centre-right Christian Democrats that were supporters of the expansion of the post-war welfare state (Van Kersbergen, 1995) – right parties are less bound by such reputational constraints, as they have less or no pro-welfare reputation to lose. Thus, the Left is more susceptible to the threat of permanent brand dilution in the aftermath of cutbacks.

To summarize this line of argument and following the recommendations of Brambor et al. (2006) for the formulation of interactive hypotheses, we hypothesize that retrenchment is associated with greater long-term loss of votes if introduced by left parties (H1) and associated with smaller long-term loss of votes if introduced by right parties (H2). In other words, we expect a statistically significant and substantial interaction effect of generosity change and the share of left parties in office on the long-term vote change. By contrast, the share of right cabinet parties and generosity change should not have an interaction effect on the long-term vote change of former cabinet parties. These observable implications of the ‘brand dilution’ argument are summarized in Table 1.

H1 and H2 capture the observable implications of left brand dilution primarily at the level of electoral outcomes here, not at the level of mechanisms. Ideally, we would also observe that retrenchment leads to a drop in issue ownership on matters of the welfare state and social justice and, thus, becomes a discursive burden for the Left in future election campaigns, whereas no such problems haunt right parties. This argument has face validity for political observers familiar with the high-profile cases of left retrenchment, how it was perceived in former left electoral core groups, and the effects on issue ownership (Karreth et al., 2013; Schwander & Manow, 2017; Scally, 2016; Wiesendahl, 2011, p. 208). For instance, the German Social Democrats’ competence score for the social justice issue was high at the start of the Red-

Table 1. Predicted long-term electoral consequences and welfare state policies.

| | | | |
|-------------------------|---|---------------|---------------|
| Welfare change | + | No punishment | No punishment |
| | - | Punishment | No punishment |
| | | Left | Right |
| Government partisanship | | | |

Green coalition (e.g., 42% in July 1999 according to Infratest Dimap Deutschlandtrend), began to erode slightly when the first plan for the Hartz Commission became public (July 2002: 40%), decreased further after the implementation of the Agenda 2010 labour market reforms (July 2005: 38%), continued to dwindle (July 2009: 31%), and remained below the > 40% levels of the 1990s. Unfortunately, even the most encompassing database on (welfare) issue ownership to date (by Henrik Seeberg) does not include enough observations for a thorough (time series) analysis of whether the long-term electoral fallout from cuts is channelled through decreasing issue ownership scores. In any case, as we argue below, brand dilution per se is not the biggest challenge for left governments that retrench the welfare state (Lupu's work on party brand dilution in South America is discussed in the online appendix). The tragedy of the Left, as outlined below, is that left promises of economic performance do not lead to compensation, even if they are fulfilled.

Main argument: credit taking and economic compensation

What we see as the real problem of reformist left governments (vis-à-vis right governments) is that they are not credited by voters even if they leave the positive economic legacy that they promised in return for unpopular welfare cuts (Schröder's version of Blair's 'modernize or die' slogan was 'either we reform ourselves or the market will reform us'). In other words, the differences in the long-term electoral effects of cuts between left and right parties as posited in H1 and H2 can be explained by the (in)ability of right (left) parties to take credit for positive economic legacies.

This main line of our theoretical argumentation is based on the intuitive yet important empirical finding that right voters are clearly more cross-pressured than left voters in their welfare state support. While the latter are more often unconditional supporters of the welfare state, the former are more frequently

conditional supporters of the welfare state since they worry that the welfare state could hamper the economy (Giger & Nelson, 2013; Larsen & Andersen, 2009). Whether this inverse relationship between welfare statism and (macro-)economic performance exists empirically is *not* decisive for these cross-pressured voters.¹ It is their beliefs that matter.

The work by Giger and Nelson marks an important shift away from the traditional focus on overall welfare support towards arguments stressing the interconnectivity of beliefs concerning the economy and the welfare state. Similar shifts are underway in *politics matters* research, where governments' policy reactions to economic challenges are increasingly conceptualized as results of different crisis perceptions and economic worldviews (see Horn, 2017). We think that there are at least two important implications of partisan differences in the degree of conditional support for the long-term effects of retrenchment. Unconditional welfare state supporters should not change their opposition to retrenchment in light of the economic legacy, even when the retrenching government leaves behind a booming economy at the end of its term. This constitutes a long-term problem for reform-minded left parties, as unconditional supporters are overrepresented among left voters. So even when welfare reforms have the desired positive economic effects, the Left is electorally punished in future elections by disgruntled unconditional welfare supporters. In contrast, conditional supporters are more likely to assume a causal nexus between welfare generosity and economic performance. A sound economy in the aftermath of retrenchment thus dissuades them from the punishment of the cabinet parties in future elections. Since right voters are more often among these cross-pressured conditional welfare state supporters, welfare retrenchment, combined with a favourable economic legacy, can even benefit the Right electorally. The interactive relationship and the observable implications of this economic compensation argument are summarized in Table 2. While left parties must bear the high long-term costs of cutbacks irrespective of the economic record they leave behind, right parties are not punished for cuts in the long term if they leave behind a sound economy. This translates into two additional hypotheses: For left parties, we expect the negative long-term effect on vote shares from generosity change to be independent of the economic legacy (H3). For right parties, negative long-term effects on vote shares from generosity change are conditional on the economic legacy (H4). While left parties lose irrespective of growth, right parties can offset losses with growth.

Data and model(s)

We want to draw inferences regarding the long-term electoral consequences of social policy changes in countries that were established democracies, highly industrialized and mature welfare states for the entire period of

Table 2. Predicted long-term electoral consequences of welfare state retrenchment.

| | | | |
|--|------|------------------------|-------------------------|
| Economic growth | High | Punishment | No punishment |
| | Low | Punishment | Punishment |
| | | Left (general support) | Right (perceived costs) |
| Government partisanship (and core group beliefs) | | | |

observation (which is, for reasons of data availability, 1971–2011). Because of their late transition to democracy in the mid-1970s, we excluded Spain, Portugal, and Greece from the analysis. This leaves us with 18 OECD countries (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, United States). Each of these countries had ca. 10 governments since 1970, some slightly more. This leaves us with 196 governments.

Our main dependent variable is the net change in the vote share of the government compared to the election result that brought it into office (t_0). The default strategy in research on electoral punishment is to compare this t_0 -value with the next election (t_1). Based on Döring and Manow's (2014) parl.gov database, we have tracked the election results of the former government parties for two additional elections (t_2 , t_3). In order to obtain a measure for the long-term electoral consequences that is less volatile and less susceptible to idiosyncratic events, we average the electoral changes over the elections t_2 and t_3 . For any given cabinet, the long-term electoral change is calculated as $((t_2 - t_0) + (t_3 - t_0)) / 2$. For instance, when we plug in $t_0 = 40\%$, $t_2 = 30\%$, and $t_3 = 25\%$, we get an average long-term change of -12.5 percentage points compared to t_0 , the election that is the baseline for our comparison(s). As the histogram shows (see appendix 1), our resulting long-term vote change variable for former cabinets approximates a normal distribution but has a slight negative skew.

As a measure for labour market reforms and labour market-related risk retrenchment, our first core independent variable is the generosity change of unemployment insurance throughout the cabinet period. This cabinet balance approach is an obvious choice since our dependent variable only varies at election dates (see online material, p2 for details). The generosity data itself comes from the Comparative Welfare Entitlements Dataset (CWED 2) (Scruggs et al., 2014a). The so-called generosity index

summarizes changes in unemployment insurance based on developments in income replacement rates for families and singles, benefit duration, benefit qualification period, waiting days, and coverage ratios (Scruggs et al., 2014b). Higher values on the index indicate more generous programmes and less strict eligibility conditions. While previous research has often regarded unemployment insurance as the key power resource in the ‘democratic class struggle’ (Korpi, 1983), our focus on unemployment has several more specific advantages. First, measures of pension generosity are marked by high uncertainty, as grandfathering clauses create time lags, and public sickness or health insurance did not exist in the US until recently. Second, and related to the aspect of visibility, arguments that rest on a perceived efficiency vs. welfare trade-off are most plausible with regard to labour-market risks (see endnote 1 and online appendix 5, which shows that unemployment insurance generosity change and growth at t2 and t3 are inversely associated in panel regressions, changes in other programs positively).

Third, there is also an inductive element. When we started to compile the data set on the long-term electoral performance of governments, we simply thought it important to study the electoral fallout of widely discussed labour-market reforms much more systematically than hitherto possible to find out whether they are as toxic for the electoral fortunes of the Left as popular wisdom would have it. On average, Left-dominated cabinets expand unemployment generosity (mean = 0.3). Right-dominated cabinets expand as much as they retrench (mean = -0.05). Fourth, as discussed in the online material (p3), alternative indicators such as spending ratios have considerable weaknesses. Finally, in spite of these rationales, our results hold if we look at averaged generosity changes across programmes (using *total generosity*, see online appendix 3).

Other core independent variables are the share of left and right parties in government (varies between 0 and 100) and the real GDP growth to account for a deteriorating or improving economic climate at the start of t2. Similar ways of accounting for the economic legacy yield similar results. These variables are taken from the popular CPDS (Armingeon et al., 2014). We operationalize the mediating role of the economic context based on the continuous growth-to-GDP ratio, *not* on a threshold or cut-off value. A dummy variable has presentational advantages but inevitably leads to discussions about country-specific differences in the definition of what constitutes *enough* growth or even about potentially opportunistic reasons for choosing a certain growth cut-off point.

We also use a (parsimonious) set of control variables in the multivariate regression analysis. For an overview of the variables, their content, the source, and their mean and standard deviation, see Table 3. We include the absolute number of cabinet parties (from Armingeon et al., 2014), as more

Table 3. Variable overview.

| Variable | Description A = Armington et al. (2014), S = Scruggs et al. (2014a) | Mean from 1971 to 2011 | Standard deviation |
|---|---|------------------------|--------------------|
| Generosity change | Net change unemployment insurance generosity (S) | 0.15 | 1.01 |
| Cabinet right share | Cabinet share of right parties (ministers) (A) | 38.87 | 39.82 |
| Cabinet left share | Cabinet share of left parties (ministers) (A) | 33.84 | 38.38 |
| Number of parties | Number of parties in cabinet between t0 and t1 (A) | 2.38 | 1.46 |
| Vote share change | Long-term vote change (t2 and t3 compared to t0) | -6.27 | 8.68 |
| Real GDP growth | Real GDP growth at the start/first year of t2 (A) | 2.44 | 2.49 |
| Total generosity change /change across programs | Net change in overall welfare state generosity (S) | 0.32 | 1.46 |

parties could make it more difficult for voters to allocate blame for retrenchment. We also control for generosity changes across programmes (Scruggs et al., 2014a).² Other potential confounders and omitted variables are considered in the robustness analysis (relegated to an online appendix): continued government participation of parties *after* t1 and/or t2, levels of electoral support at t1, different ways of measuring welfare cutbacks, or the welfare promises/welfare pledges (measured as in Horn & Jensen, 2017) of cabinets at t0.

The analysis proceeds in three steps. First, the (left) brand dilution hypothesis is tested through an interaction term consisting of the generosity change and percentage share of left-wing parties in cabinet (Model 2, testing H1) and right-wing parties in cabinet (Model 3, testing H2). If left cabinets indeed incur particularly high long-term electoral costs for retrenchment, the former interaction should yield statistically significant and substantially higher losses for left cabinets that cut back generosity. In contrast, the latter interaction should indicate a non-finding. Note that we still speak here about the effect of generosity changes on the electoral fortunes of right governments irrespective of the economic situation they leave behind after leaving office. This non-effect could thus be the result of the economic compensation relationship hypothesized in H4.

This brings us to the second stage of our analysis. We build a threefold multiplicative term consisting of the generosity change, the share of left cabinet parties (Model 4) or right cabinet parties (Model 5), and the economic climate modelled via real GDP growth in the last cabinet year. If it holds that the different susceptibility of left and right voters to the economic legacy is at the heart of the asymmetric long-term costs of retrenchment for left and right parties, the three-fold interaction should be insignificant for left cabinets (H3) but significant for right cabinets (H4).

We address common problems in the analysis of time-series cross-sectional data (unit heterogeneity, autoregressiveness, and heteroscedasticity), as they would violate the assumptions underlying general OLS. We use Prais-Winsten regressions with panel-corrected standard errors (PCSE) to account for autoregression and heteroscedasticity, and we include country dummies. Such a fixed-effects approach accounts for unit heterogeneity (Beck & Katz, 1995) and implies that we can safely exclude the option that unobserved stable country-specific circumstances drive the regression results. This approach is preferable to fixed effects with vector decomposition (Plümpner & Troeger, 2007) in cases where ‘sluggish’ independent variables are not central as is the case with our analysis. The long-term vote change for a cabinet can be positive or negative, as illustrated in the histogram in appendix 1 (the appendix also includes histograms for real GDP growth, generosity, and government partisanship).

Results/analysis

Before we present the analysis, a descriptive examination of the post-retrenchment electoral changes of left versus right governments is instructive. A comparison of bar charts for left and right vote changes (all relative to t_0) in the aftermath of cuts (only negative changes) in Figure 1 suggests that there is a partisan gradient. Right parties recover at election t_2 and t_3 , whereas left losses grow and consolidate. Granted, this descriptive pattern – while interesting unto itself – can only be a point of departure for a thorough analysis because we learn nothing about the effects of cuts *ceteris paribus*.

Table 4 summarizes all the models we have run to test hypotheses 1–4. We use predicted vote-change plots to allow for an intuitive interpretation (see Figures 2–5). We should emphasize that we focus on realistic values. For generosity change, partisanship, and growth, we show values between the 5th and 95th percentile. This helps to address a justified concern regarding multiplicative interaction terms and triple interactions: The interaction may be significant, but not at typical values (e.g., Hainmueller et al., 2019). It is therefore important to note that the histograms for our core variables in the appendix and separate histograms for the distribution of generosity changes under left cabinets (e.g., Panel A in Figures 2 and 3) and right cabinets (Panel B in Figure 2 and 3) show that we have sufficient variation on the key variables of interest. Model 2 in Table 4 shows the interaction term of the generosity change and the left-wing party share (Model 2). In line with H1, the interaction term for left parties is significant. We graph the predicted long-term vote effects of generosity changes of left cabinets and non-left cabinets in panels A and B of Figure 2. Left cabinets exhibit a steep positive slope, indicating strong electoral punishment for negative changes (i.e., generosity cutbacks). In contrast,

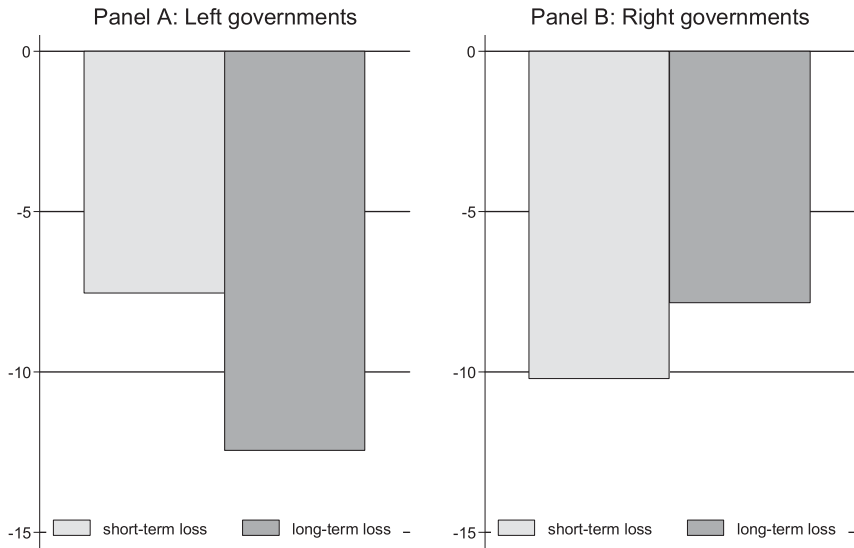


Figure 1. Short-term and long-term electoral losses after cutbacks in percentage points.

the slope for the long-term effect of social policy generosity changes for non-left parties is horizontal, signalling a non-effect.

When thinking about the substantial rather than the statistical significance of the visualized vote share changes (in [Figure 2](#) and the other figures), it helps to recall that a standard deviation in generosity means a change of 1.008 (see [Table 3](#)) – a coincidence that allows us to treat the values on the x-axis as standard deviations. For example, in [Figure 2](#), for every standard deviation (1.008) that a left government decreases generosity, it loses (*ceteris paribus*) 2.4 percentage points of its long-term vote-share, whereas the long-term losses for non-left cabinets are not affected by cutbacks. We obtain the number 2.4 based on the slope of Panel A (i.e., change in *y* if *x* shifts one unit), or by calculating the margins based on model 2 in [Table 4](#).

Model 3 in [Table 4](#) shows an insignificant interaction of the right cabinet share and generosity change. This means that the slopes-of-generosity changes in the two panels of [Figure 3](#) are identical (in this case, parallel to the x-axis) irrespective of right partisanship (this confirms H2). This could be taken as evidence that right parties are not affected by long-term punishment. However, Model 5 and [Figure 5](#) show that this non-effect conceals counter-vailing effects of cutbacks on the long-term vote changes of the Right, dependent on the economic legacy. It is worth repeating that we use a continuous measure of GDP growth in our models, but visualize two different growth scenarios for illustrative purposes (boom vs. crisis). This has presentational advantages. Yet, if we would use thresholds in the interaction models (for example, a crisis dummy) – this would lead to concerns about country-

Table 4. Long-term effects of labour market reforms.

| | (M1) General | (M2) Left | (M3) Right | (M4) Triple Left | (M5) Triple Right |
|---|-------------------|------------------------|----------------------|------------------------|-------------------------|
| Generosity change | 0.383 (0.882) | −0.0581 (1.016) | 0.330 (1.118) | 0.693 (0.844) | 0.809 (1.543) |
| Real GDP growth | 0.0360 (0.198) | | | 0.184 (0.262) | 0.0709 (0.374) |
| Number of parties | −0.413 (0.623) | −0.809 (0.633) | −0.537 (0.632) | −0.721 (0.625) | −0.526 (0.631) |
| Generosity change across programs | 0.152 (0.520) | 0.0887 (0.491) | 0.300 (0.565) | 0.333 (0.515) | 0.593 (0.567) |
| Left cabinet share | | −0.0615*** (0.0114) | | −0.0479*** (0.0157) | |
| Generosity change # left cabinet share | | 0.0244** (0.0114) | | 0.0138 (0.0116) | |
| Right cabinet share | | | 0.0279** (0.0116) | | 0.0269 (0.0196) |
| Generosity change # right cabinet share | | | 0.000869 (0.0107) | | −0.000788 (0.0139) |
| Generosity change # real GDP growth | | | | −0.472 (0.313) | −0.177 (0.187) |
| Left cabinet share # real GDP growth | | | | −0.00576 (0.00452) | |
| Generosity change # left cabinet share # real GDP growth | | | | 0.00640 (0.00719) | |
| Right cabinet share # real GDP growth | | | | | −0.000385 (0.00537) |
| Generosity change # right cabinet share # real GDP growth | | | | | −0.00720** (0.00328) |
| Governments / N | 196 | 196 | 196 | 196 | 196 |
| R ² | 0.187330 | 0.236072 | 0.206841 | 0.253312 | 0.232082 |

Note: Prais-Winsten regressions, PCSE in parentheses. * $p < .1$, ** $p < .05$, *** $p < .01$. All models country fixed effects. Generosity change is change in unemployment insurance generosity over the cabinet period.

specific differences in the definition of what constitutes ‘enough’ growth or about potentially opportunistic choices of cut-off points for a boom and a crisis. As indicated in the labels of [Figures 4](#) and [5](#), we use 4% and −2% growth to illustrate the difference between boom and crisis.

The three-fold interaction of generosity change, left cabinet share, and the GDP growth in the year the government leaves office (Model 4) is insignificant, as expected, meaning that the economic legacy of a left government

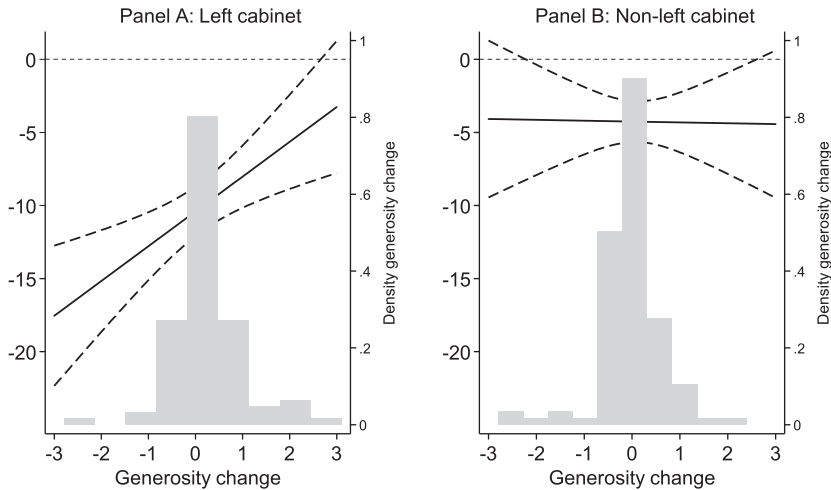


Figure 2. Long-term electoral consequences of generosity changes dependent on partisanship. Note: The solid line represents the predicted vote change as a function of the welfare generosity change (based on Model 2, Table 4). Dashed lines represent the 90% confidence interval.

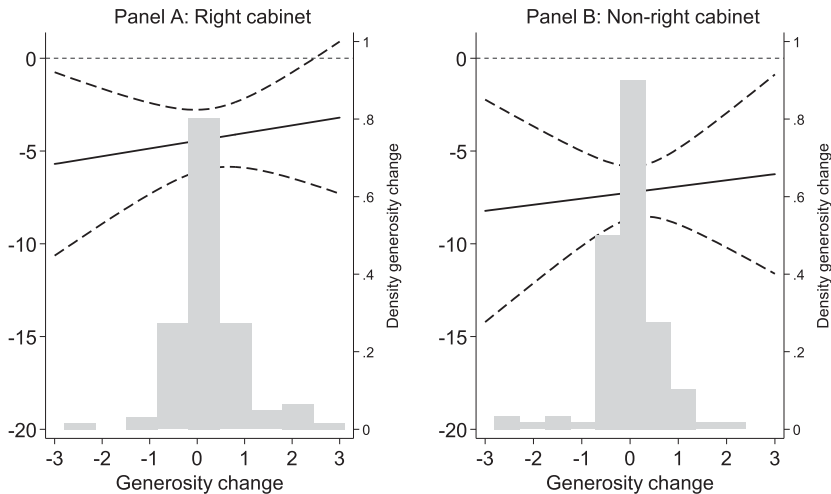


Figure 3. Long-term electoral consequences of generosity changes dependent on partisanship. Note: The solid line represents the predicted vote change as a function of the welfare generosity change (based on Model 3, Table 4). Dashed lines represent the 90% confidence interval.

does not condition the (negative) long-term electoral effect of cutbacks. This becomes obvious when we compare panel 4A (economic crisis) with panel 4B (economic boom): Regardless of the economic record, the same significant

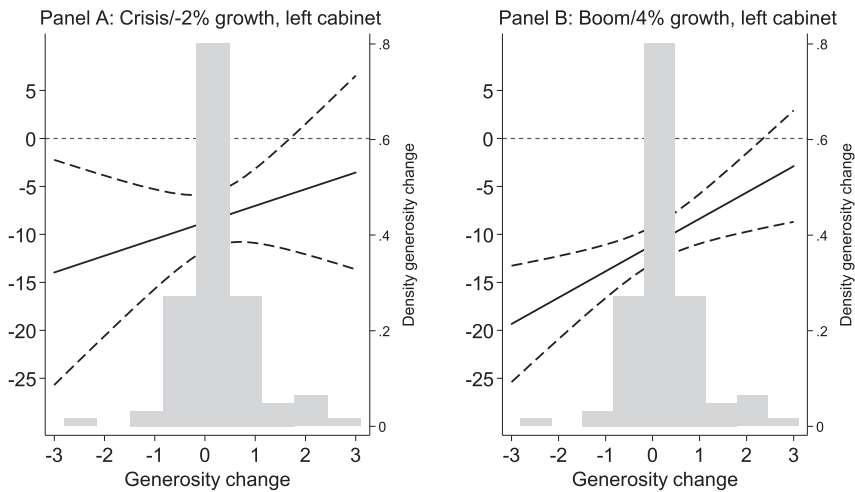


Figure 4. Long-term electoral consequences of generosity changes X partisanship X GDP growth. Note: The solid line represents the predicted vote change as a function of the welfare generosity change (based on Model 4, Table 4). Dashed lines represent the 90% confidence interval. The crisis and boom scenarios serve an illustrative purpose, the interaction in model 4 uses a continuous measure of GDP growth.

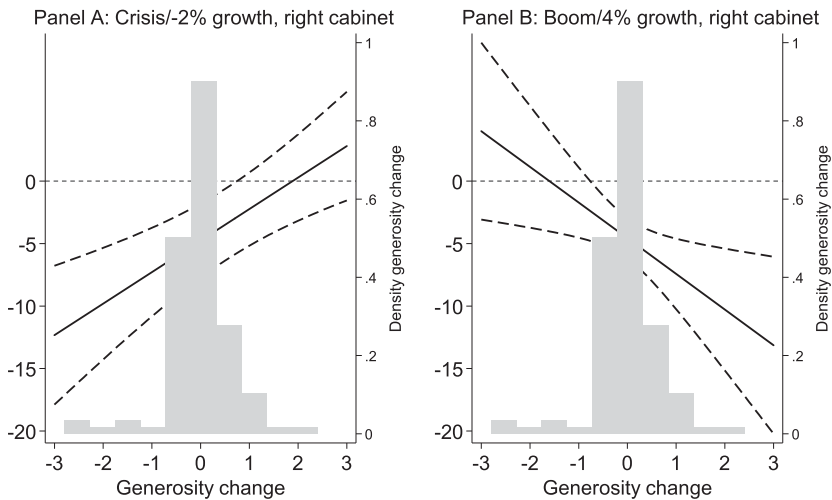


Figure 5. Long-term electoral consequences of generosity changes X partisanship X GDP growth. Note: The solid line represents the predicted vote change as a function of the welfare generosity change (based on Model 5, Table 4). Dashed lines represent the 90% confidence interval. The crisis and boom scenarios serve an illustrative purpose, the interaction in model 5 uses a continuous measure of GDP growth.

positive slope as in panel 2a applies (in line with H3). The picture for the right parties is very different. Based on the significant interaction term in model 5 and in contrast to our tentative conclusion that right partisanship is unrelated

to the long-term consequences of retrenchment, [Figure 5](#) shows that (former) right cabinets can actually get credit for retrenchment when they leave a favourable economic situation (Panel 5B) – as witnessed by a steep negative slope of generosity change. It is only when right parties leave the economy in a state of crisis that they are faced with similar enduring electoral costs as left parties (see Panel 5A). This is in line with H4. Contrary to left cabinets, right cabinets can compensate (or even benefit from) welfare cutbacks if they manage to leave behind a sound economy.

These results hold if we account for continued government participation after t_1 , short-term losses, initial levels of support, level of support for parties before they enter office, and different ways to measure and control for welfare state change. We discuss various robustness tests and the role of social investment in the supplementary online material.

Modernize *and* agonize: retrenchment as a losing game

The article brings together the two most uncontroversial macro-determinants for the electoral performance of governments: economic climate and unpopular (social) reforms. Yet it offers a new, much more long-term, perspective to disentangle the cross-pressure(s) faced by governments, particularly those dominated by left parties. Despite all the talk about ‘politics in time’ and the ‘politics of when’ in political science (Jacobs, [2011](#); Pierson, [2004](#)), this intertemporal dimension has been lacking thus far in research on the electoral malaise of the Left and the debate about whether (unpopular) cutbacks are punished electorally. The primary challenge for left parties that want to gain office is often dissociating themselves from a tax-and-spend image (Ross, [2000](#)) and signalling economic responsibility to appeal to the centre while not alienating their traditional (pro-welfare) base. Once the Left is in charge and implements unpopular cutbacks, however, this delicate balancing act turns into a losing game; at least in the long run.

Based on analyses of the so far untested long-term electoral effects of retrenchment, we found that a key part of the tragedy of social democratic responsibility is that left attempts to signal and practice economic responsibility are doomed to fail electorally. Even if welfare retrenchment leads to economic recovery, principled welfare state supporters who previously backed the Left remain disenchanted, and the damage to the traditional brand as welfare state protector is thus permanent. Notwithstanding that future research should explore the scope conditions under which retrenchment is *not* a long-term losing game for the Left, for now – rather than Modernize *or* die (as Tony Blair once put it) or Modernize *and* die (see Schwander & Manow, [2017](#)) – the long-term effects of cuts implemented by the Left might best be summarized as Modernize *and* die slowly.

However, as emphasized in the introduction, we do not claim that unpopular welfare reforms and their asymmetric long-term electoral fallout are the only structural challenges that left parties face. Nor do we want to simply replace the *credible protector* or *Nixon goes to China* narrative with an equally far-reaching and sweeping *permanent-damage* narrative. There are four reasons for this caution. First, contingent factors and strategies in other policy domains outside the focus of this paper affect the vote shares. Second, with an interaction of the form ‘policy x partisanship x economic legacy’ and 196 cabinets – we could not differentiate between different left parties (most of the government parties are social democrats, though) with a further moderator or *if*-clause. To differentiate this further may be an interesting avenue for future (mixed methods) studies. Third, and most importantly, while this macro-paper is the first large-N study of the long-term consequences of welfare reforms on vote shares, future research should assess potential partisan differences in the definition of *what* constitutes economic success (for parties and voters alike) and how this success matters. The standard measure of economic growth that most politicians and researchers (including us) use do not consider changes in inequality, real wage levels, or the security and quality of jobs. It may be that a focus – in research and policy-making alike – on more inclusive growth strategies yields less asymmetric long-term opportunities for compensation and credit claiming. Finally, and related, although some – especially in old left core constituencies – will always prefer social insurance over social investment policies, it remains to be seen if comprehensive social investment policies could provide a way out of the *losing game* that the Left seems to be trapped in; at least in the politics of the welfare state. Yet, as we argue in the online appendix, the long time horizon and the inherently difficult responsibility-attribution problems associated with social investment policies do not bode well in that regard.

Notes

1. We assume this perception is correct with regard to protection against labour market risks. In online appendix 5, we find a negative effect of unemployment insurance generosity on GDP growth using different lag operators for GDP change as our dependent variable, but no lagged negative effect of welfare generosity in general.
2. We use total generosity change to control for changes across programs because it is a transparent, simple, and accepted measure. If we exclude unemployment insurance change from total generosity change (see online appendix 6a and 6b), our results become *more* pronounced in terms of significance and explained variance (most likely due to a further reduction in the relatively modest degree of multicollinearity).

Acknowledgments

I would like to thank the three reviewers and the following colleagues for particularly helpful comments: Carsten Jensen, Bruno Palier, Jonas Kraft, Kees van Kersbergen, Henrik Seeberg, Florence So, Roman Senninger, Jonathan Klüser, Christoph Arndt, Albana Shehaj, and Christoffer Green-Pedersen. I am also grateful for detailed feedback from Ingo Rohlfing, Sven-Oliver Proksch, and many more at the Cologne Center for Comparative Politics. Niels C. Roesdahl provided invaluable research assistance.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Notes on contributors

Alexander Horn is John F. Kennedy Memorial Fellow at the Center for European Studies at Harvard, and Head of the research group *Varieties of Egalitarianism* at the University of Konstanz.

Statistical replication materials and data

Supporting data and materials for this article can be accessed at Harvard Data-verse: <https://doi.org/10.7910/DVN/YHWCTK>.

References

- Armington, K., & Giger, N. (2008). 'Conditional punishment: A comparative analysis of the electoral consequences of welfare state retrenchment in OECD nations, 1980–2003'. *West European Politics*, 31(3), 558–580. <https://doi.org/10.1080/01402380801939834>
- Armington, K., Knöpfel, L., Weisstanner, D., Engler, S., Potolidis, P., & Gerber, M. (2014). *Comparative Political Dataset 1960–2012*. http://www.ipw.unibe.ch/content/team/klaus_armington/comparative_political_data_sets/index_ger.html
- Arndt, C. (2013). *The electoral consequences of third way welfare state reforms: Social democracy's transformation and its political costs*. Amsterdam University Press.
- Beck, N., & Katz, J. N. (1995). What to do (and not do) with time-series cross-section data. *American Political Science Review*, 89(3), 634–647. <https://doi.org/10.2307/2082979>
- Brambor, T., Clark, W. R., & Golder, M. (2006). Understanding interaction models: Improving empirical analyses. *Political Analysis*, 14(1), 63–82. doi:10.1093/pan/mpi0. https://EconPapers.repec.org/RePEc:cup:polals:v:14:y:2006:i:01:p:63-82_00
- Döring, H., & Manow, P. (2014). Parliaments and governments database (ParlGov): information on parties, elections and cabinets in modern democracies. <http://www.parlgov.org>.
- Giger, N., & Nelson, M. (2011). The electoral consequences of welfare state retrenchment: Blame avoidance or credit claiming in the era of permanent austerity? *European Journal of Political Research*, 50(1), 1–23. <https://doi.org/10.1111/j.1475-6765.2010.01922.x>

- Giger, N., & Nelson, M. (2013). The welfare state or the economy? Preferences, constituencies, and strategies for retrenchment. *European Sociological Review*, 29(5), 1083–1094. <https://doi.org/10.1093/esr/jcs082>
- Gingrich, J. (2017). A new progressive coalition? The European left in a time of change. *The Political Quarterly*, 88(1), 39–51. <https://doi.org/10.1111/1467-923X.12332>
- Gingrich, J., & Häusermann, S. (2015). The decline of the working-class vote, the reconfiguration of the welfare support coalition and consequences for the welfare state. *Journal of European Social Policy*, 25(1), 50–75. <https://doi.org/10.1177/0958928714556970>
- Hainmueller, J., Mummolo, J., & Xu, Y. (2019). How much should we trust estimates from multiplicative interaction models? Simple tools to improve empirical practice. *Political Analysis*, 27(2), 163–192. <https://doi.org/10.1017/pan.2018.46>
- Häusermann, S., Picot, G., & Geering, D. (2013). Review article: Rethinking party politics and the welfare state – Recent advances in the literature. *British Journal of Political Science*, 43(1), 221–240. <https://doi.org/10.1017/S0007123412000336>
- Hibbs, D. A. (1977). Political parties and macroeconomic policy. *American Political Science Review*, 71(4), 1467–1487. https://EconPapers.repec.org/RePEc:cup:apsrev:v:71:y:1977:i:04:p:1467-1487_26. <https://doi.org/10.1017/S0003055400269712>
- Horn, A. (2017). *Government ideology, economic pressure and risk privatization: How economic worldviews shape social policy choices in times of crisis*. Amsterdam University Press.
- Horn, A., & Jensen, C. (2017). When and why politicians do not keep their welfare promises. *European Journal of Political Research*, 56(2), 381–400. <https://doi.org/10.1111/1475-6765.12173>
- Jacobs, A. (2011). *Governing for the long term: Democracy and the politics of investment*. Cambridge University Press.
- Karretth, J., Polk, J. T., & Allen, C. S. (2013). 'Catchall or catch and release? The electoral consequences of social democratic parties' march to the middle in Western Europe'. *Comparative Political Studies*, 46(7), 791–822. <https://doi.org/10.1177/0010414012463885>
- Kitschelt, H. (1994). *The transformation of European social democracy*. Cambridge University Press.
- Kitschelt, H. (1999). European social democracy between political economy and electoral competition. In H. Kitschelt, P. Lange, G. Marks, & J. D. Stephens (Eds.), *Continuity and change in contemporary capitalism* (pp. 317–345). Cambridge University Press.
- Kitschelt, H. (2001). Partisan competition and welfare state retrenchment: When do politicians choose unpopular policies? In P. Pierson (Ed.), *The new politics of the welfare state* (pp. 265–302). Oxford University Press.
- Korpi, W. (1983). *The democratic class struggle*. Routledge.
- Korpi, W., & Palme, J. (2003). 'New politics and class politics in the context of austerity and globalization: Welfare state regress in 18 countries, 1975–95'. *American Political Science Review*, 97(3), 425–446. <https://doi.org/10.1017/S0003055403000789>
- Kraft, J. (2017). Social democratic austerity: The conditional role of agenda dynamics and issue ownership. *Journal of European Public Policy*, 24(10), 1430–1449. <https://doi.org/10.1080/13501763.2016.1231708>
- Larsen, C. A., & Andersen, J. G. (2009). How new economic ideas changed the Danish welfare state: The case of neoliberal ideas and highly organized social democratic interests. *Governance*, 22(2), 239–261. <https://doi.org/10.1111/j.1468-0491.2009.01434.x>

- Merkel, W. (1993). *Ende der Sozialdemokratie? Macht-ressourcen und Regierungspolitik im westeuropäischen Vergleich*. Campus.
- Petrocik, J. (1996). Issue ownership in presidential elections, with a 1980 case study. *American Journal of Political Science*, 40(3), 825–850. <https://doi.org/10.2307/2111797>
- Pierson, P. (1996). The new politics of the welfare state. *World Politics*, 48(2), 143–179. <https://doi.org/10.1353/wp.1996.0004>
- Pierson, P. (2004). *Politics in time*. Princeton University Press.
- Plümper, T., & Troeger, V. E. (2007). Efficient estimation of time-invariant and rarely changing variables in finite sample panel analyses with unit fixed effects. *Political Analysis*, 15(2), 124–139. <https://doi.org/10.1093/pan/mpm002>
- Ross, F. (2000). “Beyond left and right”: the new partisan politics of welfare. *Governance: An International Journal of Policy and Administration*, 13(2), 155–183. <https://doi.org/10.1111/0952-1895.00127>
- Scally, D. (2016, May 13). Identity crisis: The SPD, Germany’s oldest party traditionally fighting for social justice, is in a bind. *Berlin Policy Journal*.
- Schumacher, G., Vis, B., & van Kersbergen, K. (2013). ‘Political parties’ welfare image, electoral punishment and welfare state retrenchment. *Comparative European Politics*, 11(1), 1–21. <https://doi.org/10.1057/cep.2012.5>
- Schwander, H., & Manow, P. (2017). ‘Modernize and die’? German social democracy and the electoral consequences of the agenda 2010’. *Socio-Economic Review*, 15(1), 117–134. <https://doi.org/10.1093/ser/mww011>
- Scruggs, L., Jahn, D., & Kuitto, K. (2014a). *Comparative welfare entitlements dataset 2. Version 2014–03*. University of Connecticut & University of Greifswald. <http://cwed2.org>
- Scruggs, L., Jahn, D., & Kuitto, K. (2014b). *Comparative welfare entitlements dataset 2 Codebook. Version 2014–03*. University of Connecticut & University of Greifswald. <http://cwed2.org>
- Seeberg, H. (2016). How stable is political parties’ issue ownership? A cross-time, cross-national analysis. *Political Studies*, 65(2), 475–492. <https://doi.org/10.1177>
- Starke, P. (2008). *Radical welfare state retrenchment: A comparative analysis*. Palgrave Macmillan.
- Van Kersbergen, K. (1995). *Social capitalism : A study of Christian democracy and of the welfare state*. Routledge.
- Vis, B. (2009). ‘Governments and unpopular social policy reform: Biting the bullet or steering clear? *European Journal of Political Research*, 48(1), 31–57. <https://doi.org/10.1111/j.1475-6765.2008.00783.x>
- Wiesendahl, E. (2011). *Volksparteien: Aufstieg, Krise, Zukunft*. Verlag Barbara Budrich.

Appendix

Appendix 1. Histograms of core variables

