

# Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State<sup>1</sup>

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The literature on the determinants of welfare state effort displays many inconsistencies and contradictions. This article takes important steps toward resolving these issues with the use of pooled cross-sectional and time-series analyses. The findings are that various independent variables affect different measures of welfare state effort in different and theoretically meaningful ways. Of special importance are the contrasting effects of Christian democracy and social democracy on transfer payments, social benefits expenditure, and total government revenue. There is also a strong effect of constitutional structure on welfare state effort, a finding that provides the first solid support for the state-centered perspective in a quantitative analysis.

## INTRODUCTION

The quantitative literature on the welfare state is at an impasse concerning the causes of its growth and development. Studies of increasing technical sophistication continue to display contradictory results regarding the

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relative importance of economic, demographic, and political variables. In this article we diagnose the sources of the impasse and offer some critical steps toward its resolution. It is largely due to differing operationalizations of dependent and independent variables, which, in turn, result from an insufficiently elaborated theoretical framework.

First, most studies rely on single indicators of welfare state effort, usually single-expenditure measures, rather than attempting to operationalize different aspects of welfare states through the use of multiple indicators. The use of single indicators implies that all countries can be ranked on a single scale of welfare state effort and that the same factor or set of factors—be it industrialization, demographic structure, political competition, or strength of organized labor and left parties or that of Catholic parties—determine a country's position on this scale. This practice precludes consideration of the possibility that there might be different aspects of welfare state effort, both among countries with high effort and those with low effort, and that these different aspects might have different causes.

The possibility of multiple paths and patterns of welfare state development was identified in an early generation of welfare state research (Stephens 1979, pp. 99–101, 107, 123 ff.) and elaborated in the following generations. Of central importance for this elaboration has been the project centered at the Swedish Institute for Social Research, which collected data on the development of social citizenship rights in 18 OECD countries (Korpi 1989; Esping-Andersen 1990; Palme 1990; Kangas 1991). These researchers have demonstrated that the quality of citizens' rights provided by welfare states with similar levels of expenditure varies greatly, as does the relationship between state and market allocation of welfare state benefits. Moreover, the variations in citizens' rights, mixtures of state and market in the provision of welfare state benefits and distributional outcomes are systematic and related to different historical and political determinants. Esping-Andersen (1990) put forth the notion of "three worlds of welfare capitalism"—social democratic, liberal, and conservative Catholic. Van Kersbergen (1991) has greatly extended and developed the analysis of the conservative Catholic "world," arguing that Christian democratic parties have their own distinctive welfare state project that may require high expenditure but has a different structure

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and different distributional consequences from those of the project promoted by social democratic parties.

Second, a major problem in existing quantitative studies has been deficient conceptualization and operationalization of an independent variable that plays a central role in much comparative historical research: state structure (e.g., see Skocpol and Amenta 1986; Weir, Orloff, and Skocpol 1988). Conceptually, the state has been treated as a collection of bureaucrats with more or less autonomy and more or less initiative or as an administrative structure with greater or lesser capacity. Alternatively, state effects have been conceptualized as policy legacies, that is, as precedents that have shaped the later forms and expansion of welfare state programs. To date, with a few exceptions, there has been a poor fit between these concepts and the measures used to operationalize them.

Recent comparative historical work (e.g., Immergut 1992) has proposed a more theoretically fruitful way to treat the state, and this conceptualization is also amenable to operationalization. The state is essentially a set of institutions that process pressures from economic interests and organized groups and produce binding decisions or policies. The nature of these institutions, or—in more colloquial terms—the “rules of the game,” clearly shapes the potential for economic interests and organized groups to influence policy. Constitutions, in turn, lay down the nature of these institutions. Thus, it is possible to use constitutional provisions to operationalize aspects of state structure that are relevant to welfare state formation. Of particular interest is the degree to which relatively small groups or special interests can block legislation, or conversely, the degree to which narrow parliamentary majorities can push through legislation.

In this article, we first review the main contending views in the literature and identify the weaknesses in some of the major studies. We then outline our hypotheses, focusing particularly on why various independent variables should have different effects on different operationalizations of “welfare state effort” and on the effects of constitutional structure. We proceed to a pooled cross-sectional time-series analysis using different indicators of welfare state development and a new indicator of constitutional structure to test these hypotheses. The results of these analyses are then confirmed in a brief analysis of a wider set of dependent variables in a cross-sectional data set. Our analysis supports the arguments of Stephens (1979), Esping-Andersen (1990), and Van Kersbergen (1991) and shows that while both social democracy and Christian democracy promote high levels of expenditure, the social-democratic welfare state is less market conforming and more redistributive than the Christian-democratic welfare state. Also, we demonstrate that constitutional struc-

ture has very robust effects on welfare state effort, the first time this has been done in a broad, quantitative study. Our findings are consistent with the results of comparative historical research and help to elucidate some of the apparent contradictions in previous studies.

#### THE STATE OF THE DEBATE

In contrast to many other areas of macrosocial research,<sup>2</sup> quantitative and comparative historical research on the development of the welfare state share a common set of theoretical concerns. Though various explanations for the expansion of and variations among welfare states have been offered, three dominate the literature.<sup>3</sup> According to the "logic of industrialism" explanation, both the growth of the welfare state and cross-national differences in "welfare state effort" are by-products of economic development and its demographic and social organizational consequences (Wilensky 1975). The "power resources" or "political class struggle" argument contends that the level of working-class mobilization and the strength of left parties are the primary determinants of the size and distributive impact of the welfare state (Korpi 1983; Stephens 1979). According to "state-centered" explanations, the structure of the state and the policy-making activities of bureaucrats (who are seen as relatively autonomous from the pressures of social forces) are the primary sources of international differences in welfare policy and are also responsible for the expansion of the welfare state through time (Heclo 1974; Weir et al. 1988).

Despite the fact that all three explanations have existed for at least a decade and have stimulated much empirical research, there is still a surprising level of inconsistency, not only between the findings of quantitative and comparative historical studies, but even among the findings of various quantitative studies. The quantitative studies have become increasingly sophisticated methodologically, but they still arrive at apparently contradictory conclusions. This is true even for studies that focus only on advanced industrial societies (the OECD countries) in the post-World War II period and use expenditure measures to gauge welfare state effort. Wilensky's early study (1976) found that the age composition of the population and corporatist-technocratic linkages, but not political factors, account for differences in welfare state effort. This contrasts

<sup>2</sup> For example, research on democracy; see Rueschemeyer, Stephens, and Stephens (1992, chap. 2).

<sup>3</sup> For recent reviews of this literature see Quadagno (1987) and Skocpol and Amenta (1986). Pescosolido (1989) provides a review of the literature and an extensive annotated bibliography.

with the findings of Cameron (1978) and Stephens (1979) showing that left-party strength had a very important impact. Wilensky (1981) countered with the finding that Catholic party, not left party, governance explained cross-national difference in social expenditure. Subsequent studies failed to resolve the controversy centering around the relative importance of politics (see Castles 1982; De Viney 1983; Hicks and Swank 1984; Swank 1988).<sup>4</sup>

A technical innovation, the pooling of cross-sectional and time-series data, promised to resolve the controversy as it reduced the intercorrelation among the independent variables and greatly increased the degrees of freedom, thus enabling researchers to analyze simultaneously the effect of many more independent variables. This promise was not fulfilled as studies analyzing pooled data continued to contradict each other (cf. Pampel and Williamson [1988, 1989] and Pampel and Stryker [1988] with Hicks and Swank [1992] and Hicks [1991]). Adding studies that use nonexpenditure-based measures of welfare state effort (Myles 1984; Palme 1990; Korpi 1989; Esping-Andersen 1990; Kangas 1991) serves only to increase the range of controversy.

We identify three flaws in previous studies, which if corrected will go a long way toward resolving the controversy. The first is the choice of the dependent variable. The few efforts to date that compared different measures of the dependent variable all demonstrated that apparently contradictory results of earlier studies were, in fact, produced by the different measures used (Castles 1982; Young 1986; O'Connor and Brym 1988; Palme 1990; Esping-Andersen 1990; Kangas 1991; Van Kersbergen 1991). Moreover, some of these studies offered theoretical explanations for the observed differences.<sup>5</sup> Simply put, researchers with an interest in the welfare state as part of a broader pattern of state interventionism as well as those with an interest in the distributive effects of welfare state policy have employed measures that tap these dimensions of welfare state effort, and such measures are more strongly correlated with measures of class power resources than more narrow expenditure measures of welfare state effort. Thus, the first step toward resolution of the debate is a careful theoretical discussion of why various independent variables should have contrasting effects on different dependent variables.

A second reason for continued disagreement is the high degree of intercorrelation among the major explanatory variables. Relatively small differences in the choice of time periods, measures for both dependent and independent variables, and pooled time-series versus simple cross-sectional designs produce relatively large differences in results. Two steps

<sup>4</sup> See Uusitalo (1984) for an early review of such studies.

<sup>5</sup> The results of these studies are discussed in the next section of this article.

can be taken to remedy this problem. First, one should attempt to test the hypotheses, when possible, on the pooled data with the largest number of time points in order to reduce the intercorrelation of the independent variables (i.e., assuming it is reasonable to assume uniformity over time in how the causes operate). This alone will not solve the problem. As we show below, even in the largest data sets with 31 time points for 17 countries, multicollinearity is a problem. Multicollinearity remains because the expansion in the number of cases is artificial—the additional observations are not independent. After all, countries differ very little from one year to the next. This problem is not addressed adequately in previous studies. For instance, only a few of these studies report the correlation matrix of the independent variables, and none of them examines the tolerance levels of independent variables in multiple-regression analyses. Thus, a second step in this regard is to pay close attention to tolerance levels and other measures of multicollinearity and to delete offending independent variables based on statistical, substantive, and theoretical criteria.

A final reason for continued disagreement among these studies is the varying operationalization of independent variables. For some variables, the various operationalizations differ only slightly, and the measures are all plausible indicators (e.g., cf. Korpi's [1989], Stephens's [1979], and Wilensky's [1981] measures of left government), but for others, measures have been used that bear little relationship to the concepts articulated in the theoretical literature and in comparative historical research. The various measures of state structure used in some studies are the most obvious example of this problem. Our solution here is to strive for close correspondence between the proposed measure and the theoretical concept. A single, carefully constructed measure is far preferable to a composite index of convenient but inappropriate indicators.

## HYPOTHESES

*The distribution of political power.*—On the basis of previous work (e.g., Stephens 1979; Castles 1982; Schmidt 1982; Korpi 1983; Esping-Andersen 1990) and our comparative historical analysis of the formation of major welfare state programs, we hypothesize first of all that the distribution of political power matters. The composition of the party system and the relative strength of parties with different constituencies and worldviews profoundly shape the nature of state intervention and of the resulting social and economic policies. The strong effect of social democracy was a central finding in the early wave of quantitative studies of the welfare state (Stephens 1979; Castles 1982; Schmidt 1982; Korpi 1983), and some of these studies also found an effect of Catholicism on

welfare state expenditure (Stephens 1979; Wilensky 1981). In more recent studies the effects of Christian democracy have received particular attention (Esping-Andersen 1990; Van Kersbergen 1991).

Strength of left parties, particularly of social democratic parties allied with strong trade union movements, has been shown to have a positive effect on welfare state expenditures, mainly for goods and services (Castles 1982), and to have greater redistributive consequences than Catholic sponsorship of welfare state expenditure (Stephens 1979). These findings are consistent with the known tendency of the social-democratic welfare state to bypass the market precisely in order to counteract inequalities stemming from position in the labor market. It bypasses the market by extending rights to free or subsidized goods and services and to transfer payments to people qua citizens. Accordingly, if measures of the quality of social rights are used rather than measures of expenditures, the effects of union and left-party strength are even stronger (Myles 1984; Korpi 1989; Palme 1990; Esping-Andersen 1990; Kangas 1991). Expanding the supply of subsidized goods and services outside the market requires an expansion of the work force in the public sector and thus of general public sector expenditure. Furthermore, social democratic parties and labor movements seek to shape the labor market itself to maintain full employment, which may lead to a further expansion of public expenditure. Growing public expenditure, in turn, calls for increases in taxation, if persistent budget deficits are to be avoided.

Christian democracy, or center-left coalitions, also have been shown to have a positive effect on welfare state expenditure, but primarily for transfer payments and with less redistributive impact (Wilensky 1981; Castles 1982; Stephens 1979; Esping-Andersen 1990; Van Kersbergen 1991). Under these political constellations, transfer payments are typically market conforming and thus reproduce inequalities stemming from position in the labor market, rather than reducing them. This pattern is anchored in a worldview that prioritizes the family, the subsidiarity principle,<sup>6</sup> private property, and the market, a view typical of Catholic social doctrine (van Kersbergen 1991, pp. 100–113). Although this worldview and the policies consistent with it are primarily promoted by Catholic parties, Van Kersbergen (1991) shows that the Protestant-Catholic coalition in the Netherlands and the Christian Democratic party in Germany, which includes both Catholics and Protestants, produced similar welfare state patterns. In contrast to social democracy, Christian-

<sup>6</sup> The subsidiarity principle holds that the state should not perform any functions that a lower-level entity, such as the family or the local community, can perform. This principle was emphasized in the papal encyclicals *Rerum Novarum* and *Quadragesimo Anno*; see, e.g., Van Kersbergen (1991, p. 110).

democratic parties seek to ameliorate the suffering resulting from inequities of the marketplace and to help the privileged maintain their position in the face of adversity or old age, rather than to replace or shape the market itself. Accordingly, public-sector expansion is less central, and expansion of transfer payments more central, to this political project than to the social-democratic project. Finally, this implies a lesser willingness to expand taxation. Italy, where Christian democracy has been dominant in the post-World War II period, is an extreme case of hiding the costs of social security and incurring large budget deficits (Ferrera 1984, pp. 274-75).

Our hypotheses, then, specifically state that incumbency of left-wing parties is associated with (1) overall expansion of the public economy, (2) the decommodifying effect of welfare state provisions (i.e., their quality with regard to an individual's ability to maintain his or her standard of living when not participating in the labor market), and (3) redistributive effects, as indicated by the post-tax, post-transfer income distribution and the redistributive effect of direct taxes and transfers. In contrast, incumbency of left-wing parties should be (1) less associated with social benefits expenditure and (2) less associated than that, even, with transfer payments. Incumbency of Christian-democratic parties should be associated with these factors in a different pattern. It should be associated (1) primarily with direct transfer payments, (2) somewhat less with overall social benefits expenditure, (3) even less with overall expansion of the public economy and taxation, and not associated with either (4) quality of social rights to allow maintenance of one's living standard outside the labor market or (5) redistributive effects of taxes and transfers.

In much of the literature, strength of social democracy is used as an indicator of the mobilization of working-class power (e.g., Korpi 1983). An alternate indicator is strength of the labor movement, conceptualized as the density, political unity, and centralization of union organization. Accordingly, we expect measures of labor-movement strength to show similar effects to those of left-party incumbency across the dependent variables. Some authors have also argued that working-class power mobilization results in a corporatist pattern of interest representation, in which the state and strong peak associations of labor and capital engage in tripartite negotiations (e.g., Stephens 1979; Korpi 1983). An alternative view holds that corporatism is a result of openness of the economy (Katzenstein 1985). Without entering into the debate about the social origins of corporatism, we simply note that past studies have shown that corporatism is highly correlated with strength of social-democratic parties and labor movements (Hicks and Swank 1992). Accordingly, we expect measures of corporatism also to show similar effects across our dependent variables.



*State structures.*—Clearly, the distribution of political power is only one among many factors that influence the formation of welfare states, albeit a crucial one. Our second major hypothesis is that certain aspects of constitutional structure impede social reform. In comparative historical studies of the welfare state, the role of the state has occupied a prominent role for quite some time. This line of thinking was inspired by Skocpol's (1979) work on revolution, which focused on the structure of the state *per se*. The welfare state literature in the "statist" tradition, by contrast, has covered at least six very distinct phenomena.

The first two, the policy-making activities of bureaucrats and the effects of past policy, were emphasized in Heclo's (1974) comparative study of Britain and Sweden. These features have proved impossible to operationalize in quantitative studies. Indeed, it is difficult to see how one could construct anything but post hoc "predictions" to explain why bureaucrats in one country might promote certain policies more than bureaucrats in another, and whether bureaucrats and other political actors will respond to policy legacies in a progressive or a conservative direction.<sup>7</sup> Early studies frequently measured the policy legacies argument by some variant of the social insurance program experience (SIPE) index, which cumulates the number of years a country has had of each of five social security programs. The index was originally proposed as a measure of welfare state effort (Cutright 1965) and arguably is itself a product of previous social and political forces, demographic pressures, and state structures. Thus, we drop this measure from the analysis and offer an alternative in the next section.

A third focus is on political parties; yet, parties are not part of state structure proper, but rather a product of the interaction between state structure and underlying social cleavages (Lipset 1963). Fourth, it is frequently argued that state autonomy encourages welfare state development. In their study of the determinants of interstate differences in relief expenditure during the Depression in the United States, Amenta and Carruthers (1988) offered a plausible measure of state autonomy. A simple dichotomy measured the presence or absence of rule-making authority of the state labor commissioner in safety laws. We were unable to replicate this in the cross-national data, but it represents a promising innovation to which we will return in the conclusion.

Two related features of state structure proper that appear in this litera-

<sup>7</sup> In some of this literature, there is an assumption that bureaucrats will be progressive. Our comparative historical research questions this. For example, in perhaps the most intensive social policy struggle in postwar Sweden, that over the supplementary pension plan in the 1950s, state bureaucratic agencies came out as overwhelmingly opposed to the Social Democrats' reform (Classon 1986, p. 72; Heclo 1974, p. 237).

ture are the bureaucratic capacity of the state and the degree of state centralization. Weir et al. (1988) contend that the lack of bureaucratic capacity was an important impediment to the development of social policy in the United States in the late 19th and early 20th centuries. However, by the post-World War II period, the period covered by most quantitative studies, all of the advanced capitalist states had the capacity to institute health and pension insurance and educational systems, the three programs that account for most welfare state spending.

We are left, then, with the degree of state centralization, and it is this aspect of state structure that quantitative analysts have attempted to measure. Unfortunately, most of these measures appear to have been dictated by data availability, and the fit between available measures and the concepts proposed in the comparative historical and theoretical literatures has not been very good. Studies with pooled data using a single or a series of single indicators of centralization yielded few significant results (Pampel and Williamson 1988, 1989; Korpi 1989). Recent attempts to develop more reliable measures of state centralization have resorted to factor analysis of multiple indicators of centralization (Pampel and Stryker 1988; Hicks and Swank 1992). Unfortunately, the validity of the resulting measures appears suspect as the indicators include plausible measures of centralization such as revenue centralization and absence of federalism, along with dubious measures such as variants of the SIPE index or government employee share of total employment. Moreover, these two studies yield contradictory results.

We suggest that it is more fruitful to move in a different direction. First, the proposed measure should attempt to operationalize the concept developed in the theoretical and comparative historical literature in the most straightforward fashion possible. Second, to avoid confounding the measure with the dependent variable or other independent variables, the measure should operationalize relatively invariant features of the state. We base our measure on two recent comparative historical studies (Immergut 1992; Maioni 1992),<sup>8</sup> which provide interesting systematic analyses of the effects of constitutional structure on social policy formation (also see Weir et al. [1988, pp. 16 ff.] for reference to some of these factors).

In a comparative study of health insurance in Switzerland, France, and Sweden, Immergut argues that political institutions decisively shaped the ability of different groups to activate power resources and influence the making of health-insurance policies. She emphasizes the importance of centralization and insulation of executive power from parliamentary and

<sup>8</sup> At the time of writing Maioni (1992) was available only in manuscript form; thus, citations refer to the pages of the manuscript.

electoral pressures as a precondition for the implementation of reforms that significantly modify the status quo (1992, p. 64). Where power is dispersed in representative institutions, relatively small interest groups are able to block reform legislation, a situation that greatly favors maintenance of the status quo and allows, at most, incremental reforms. The perception of such opportunities for veto, in turn, induces interest groups to be more intransigent in the pursuit of their demands (1992, p. 65). The Swedish system, with an executive assured of parliamentary support delivered by disciplined parties, represents one polar case in her analysis; the Swiss system, with a collegial multiparty executive, changing parliamentary majorities, and, above all, the institution of the popular referendum, represents the other.<sup>9</sup>

Maioni (1992), in her study of health-insurance politics in the United States and Canada shows that the lobbying power of the medical association was weaker in Canada because of the existence of parliamentary government. She argues that parliamentary government encourages party discipline, which means that entire parties need to be influenced (pp. 339–43). In contrast, in the American presidential system parties have remained weak political organizations and individual members of Congress can be lobbied because they depend primarily on their own fund-raising capacities and have few incentives to put party directives above the interests of their wealthy supporters. One can extend this argument by observing that among countries with parliamentary government, party discipline is likely to be stronger in those with proportional representation than in those with single-member districts. The single-member-district system further puts some distance between party directorates and individual elected members because the latter's constituency support is an important factor in their election. The polar opposite to the American case would be an electoral system based on proportional representation and party determination of individuals' position on the list. Such a system, as in Sweden or Norway, provides maximum incentives for party discipline and thus minimizes the opportunities for special-interest lobbying.

These two studies provide several strong leads for the development of a more general conceptualization of a key attribute of states: constitutional structures favorable or inimical to reform. It is our hypothesis that those features of constitutions that make it difficult to reach and implement

<sup>9</sup> Besides providing for compulsory referendums on certain legislation, the Swiss constitution also provides the option for any interested parties to collect signatures and force a popular vote on other legislation. Most of these referendums have resulted in defeat of the proposed legislation. For the function of referendums and their conservative impact, see Neidhart (1970).

decisions on the basis of narrow majorities—and that, conversely, let minority interests obstruct legislation—will impede far-reaching reforms in social policy, especially reforms that might benefit the underprivileged majority. Thus, we hypothesize that aspects of constitutional structure that disperse political power and offer multiple points of influence on the making and implementation of policy are inimical to welfare state expansion and will be negatively associated with our various measures of welfare state effort. These aspects include federalism, presidential government, strong bicameralism, single-member-district electoral systems, and provisions for referenda.<sup>10</sup>

*Policy legacies.*—A further factor in welfare state formation that is generally treated as an aspect of state influence is the legacy of previously instituted policies. These legacies work in several ways: they promote growing expenditures, they provide organizational models and institutional set-ups for new programs, and, among those groups privileged by existing programs, they create resistance against egalitarian reform. As Alber (1982, p. 52) argues, once established, welfare state programs matured and required growing expenditures independent of new legislative actions. As the insured risks spread, more people fulfilled the legal requirements to receive benefits, and rising wages called for higher benefits to maintain relative levels of protection.

A number of authors have argued that the efforts of absolutist regimes to co-opt the growing working class along Bismarckian lines affected later welfare state development (Flora and Alber 1981; Esping-Andersen 1990). Such welfare state policies introduced by absolutist regimes were corporatist and segmented; that is, they treated different occupational groups differently and thus reproduced inequalities created by the labor market. State employees in middle and higher ranks were treated best; white-collar workers were treated better than blue-collar workers and, among the blue-collar workers, the most strategically located and the best organized, such as miners and metalworkers, were treated preferentially. Once such differential schemes were established, it became exceedingly

<sup>10</sup> One of the reviewers objected to our inclusion of proportional representation (PR) in the scale measuring minority veto power on the grounds that PR facilitates minority party representation. This misses the point of our index as we attempt to identify points of entry in the political system for influential minority groups to block legislation favored by narrow electoral (or public opinion) majorities. Proportional representation is generally accompanied by high party control over nominations and thus by stronger coherence of disciplined parties. In PR systems with party control over closed lists, revolts of backbenchers, such as those in the British system where there are single-member districts, are extremely rare. Thus, special interest organizations, such as associations of medical professionals, insurance companies, or beneficiaries of special welfare state programs have to lobby entire parties rather than individual politicians, which is a much more difficult task.

difficult to unify them and equalize benefits. Rather, later welfare state expansion tended to build on existing programs. Two cases in point are the German and the French experiences after World War II, when plans to establish a unified and comprehensive social insurance system failed due to the resistance of groups privileged under the old system (Hockerts 1980; Galant 1955). Accordingly, policy legacies of absolutist regimes should be associated with higher expenditure but lower levels of redistribution. We include a measure of these important legacies in our analysis. The specific operationalization we use is discussed below.

*Logic of industrialism and related causes.*—Although the theoretical debate has often been phrased in terms of “politics *versus* logic of industrialism,” accepting the importance of constitutional structures and the distribution of political power does not require rejection of the proposition that economic and social variables also have an impact on welfare state formation. It is theoretically plausible that rising affluence of a society facilitates an expansion of welfare state expenditures. However, the empirical research contains apparently contradictory findings. Most cross-sectional studies of affluent countries do not show any effect of GDP per capita on welfare state expenditure, while cross-sectional studies of a broader group of countries, and studies that pool cross-sectional and time-series data on affluent countries, do. This difference is almost certainly due to the restricted range of variation in cross-sectional studies of affluent countries. We expect results in line with previous analyses of pooled data. With regard to demographic variables, once pension and health care programs have been instituted, it is obvious that a higher percentage of elderly people in the population should cause increased expenditures.

The level of unemployment also influences public expenditures in several ways, depending on the programs in place. Higher unemployment causes higher expenditures for unemployment compensation; where early pension programs for unemployed people exist, it causes an increase in pension expenditures, and where governments pursue active labor market policies, it raises the costs of such policies. Thus, we also expect unemployment to be related to our expenditure measures. Because inflation triggers cost-of-living adjustments of benefits in many of the countries under study, we expect inflation to be positively related to expenditure. Military expenditure is hypothesized to have a positive relation to the size of the total public sector, but to be negatively related to transfer payments and social benefit expenditure due to a “guns for butter” trade-off (Russett 1970; Wilensky 1975, pp. 74–80).

In addition to the variables for which we have formulated clear hypotheses, we have also included in our analysis a number of variables from other studies, in order to be able to control for the effects of these

variables and to comment on the findings presented in these studies. The additional variables include economic openness, voter turnout, and strike activity. We discuss their operationalization in the section that follows.

## THE DATA

In our data collection, we attempted to (1) assemble a pooled data set with the maximum possible data points, (2) replicate the operationalization of the independent and dependent variables used in the principal quantitative studies over the past two decades, and (3) add our own versions of the variables that we considered to have been poorly operationalized in previous studies.

We focus our attention on dependent variables that purport to measure overall welfare state effort.<sup>11</sup> We have selected three measures (see table 1). First, we use the most commonly employed expenditure measure, the ILO measure of social security benefits (SSBEN), which includes transfer payments and many but not all in-kind welfare benefits (e.g., medical care but not housing or education). Second, we use a somewhat narrower measure, the OECD's measure of transfer payments (SSTRAN). Third, at the other end of the spectrum, we use total revenue (GREVGDP) of all levels of government, a measure of the size of the total public sector.<sup>12</sup> All measures are expressed as a percentage of GDP. Seventeen of the 19 advanced industrial countries that have been democracies since World War II are included in the analysis. New Zealand and Luxembourg are excluded because of missing data for some of the variables. The dates chosen for each dependent variable were governed by data availability and consistency of reporting. We also list in table 1 the independent variables that appear in the analyses presented here. Our data base includes a very large number of independent variables, virtually all causal variables—or close variants—found in previous studies to be related to welfare state effort.<sup>13</sup>

Of special importance to this study are two party political variables: left-party government share (LEFTCAB) and government share of all

<sup>11</sup> We have already conducted a similar preliminary analysis of pensions. At a later stage in the project, we will add analyses of health care and labor market policies. These analyses will include a coding of legislation at five-year intervals as well as an analysis of data on expenditure.

<sup>12</sup> We choose total revenue rather than total expenditure because the available time series are longer for total revenue, and the two series parallel each other closely.

<sup>13</sup> For example, leftist government composition is measured by Cameron (1978, 1984) by the percentage of cabinet portfolios held by leftist parties. His measure, though not identical, is clearly very close to ours, and thus we did not include it in our data set.

TABLE 1

## VARIABLES

Mnemonic	Description
SSTRAN .....	Social security transfers as a percentage of GDP (OECD)
SSBEN .....	Total social security benefits expenditure as a percentage of GDP (ILO)
GREVGDP ....	Current receipts of government as a percentage of GDP (OECD)
MIL .....	Military expenditure as a percentage of GDP
CORP .....	Lehmbruch's (1984) classification of countries according to degree of corporatism
LEFTCAB .....	Left government share, scored "1" for each year when the left is in government alone, scored as a fraction of the left's seats in parliament of all governing parties' seats for coalition governments, cumulative score 1946 to date
CDEMCAB ...	Religious parties' government share (same coding procedure as for LEFTCAB)
UNEMP .....	Percentage of total labor force unemployed
UNION .....	Union membership as a percentage of total wage and salary earners
VTURN .....	Voter turnout
GDPPC .....	Gross domestic product per capita in U.S. dollars
OPEN .....	(Imports + Exports)/GDP
OLD .....	Percentage of the population more than 65 years old
CPI .....	Inflation, percentage increase in the consumer price index
CONSTRCT ..	Constitutional structure (see text)
AUTHLEG ....	Political regime in the late 19th century (see text)
STRIKES .....	Working days lost per 1,000 workers
DECOMMOD	Decommodification score (Esping-Andersen 1990)
SOCIALSM ...	Socialist regime attributes of welfare states (Esping-Andersen 1990)
GINI .....	Gini of disposable income, after tax and transfers, based on Luxembourg Income Study data (Mitchell 1991)
REDIS .....	Measure of redistribution effected by direct taxes and transfers, based on Luxembourg Income Study data (Mitchell 1991)

Christian-democratic (primarily Catholic) parties (CDEMCAB). The full party data contained in our data set includes percentage of votes and percentage of parliamentary seats of parties categorized according to seven different political tendencies. We adopted Castles and Mair's (1984) left-center-right classification with some modifications and additions and then subdivided the center and right parties into three categories: secular, Catholic, and other Christian (Protestant and mixed). We examined all of these variables in the analysis; the two listed in table 1 proved to be the most powerful predictors of welfare state effort. We expected cabinet share variables to be more powerful predictors of welfare state effort than the percentage of votes or seats, because cabinet share measures direct influence on policy. From the previous theoretical

literature and empirical studies and our own comparative historical studies, a case could be made that either Christian democracy or the centrist party is the more important variable in determining welfare state effort. We experimented with various combinations of center, right, and Christian-democratic parties and subgroupings of them (e.g., centrist Christian democracy, rightist secular). Our empirical analyses revealed that the findings for Christian democracy (right and center, Catholic and Protestant) were strongest and most robust; thus we report these results.

We measured "corporatism" with Lehbruch's (1984, pp. 65–66) categorization of countries into four different degrees of corporatism (CORP). For the purposes of this analysis, the categories "pluralism" and "concertation without labor" were collapsed because, although they differ in their modes of interest representation, they are both noncorporatist. Lehbruch's description of the remaining categories indicates that the degree of corporatism is basically a function of the degree of integration of organized labor into the policy-making process. We consider Lehbruch's measure superior to the available alternatives. Corporatism refers to a pattern of policy-making in which highly centralized interest groups, primarily labor and capital, meet with the state to strike bargains over broad social and economic policy, including state expenditure, taxation, and wage policy. Of the available measures only Lehbruch's scale and Katzenstein's dichotomous categorization attempt to measure the policy-making process directly. Other indicators measure the preconditions for corporatism, either bargaining centralization (Stephens 1979) or union centralization (Headey 1970; Wallerstein 1989a). We prefer Lehbruch's measure to Katzenstein's because our comparative historical research indicates that Katzenstein misclassifies Switzerland (as corporatist) and Finland (as noncorporatist).<sup>14</sup>

We use the percentage of wage and salary workers organized into unions as a measure of union strength (UNION, from Ebbinghaus and Visser 1992).<sup>15</sup> Working-class militancy as expressed by strike rates is frequently used as an operationalization of the theoretical tradition represented by Piven and Cloward (1972), which argues that direct protest action is the most effective political tool for the lower classes. Our measure uses ILO data on working days lost per 1,000 workers (STRIKES).

<sup>14</sup> The corporatism measure used (like all available alternatives) is inaccurate in that it does not vary through time, though in reality corporatism and its prerequisites do. The current research project of Lange, Wallerstein, and Golden (1991) promises to produce much more accurate measures, but these will not be available for several years.

<sup>15</sup> An alternative and equally plausible measure multiplies density by union centralization. However, this procedure greatly increases collinearity of the union and corporatism measures.



We operationalize openness of the economy as imports plus exports as a percentage of GDP, based on IMF data (OPEN).

On the basis of the work of Maioni (1992) and Immergut (1992) and our own comparative historical analysis, we developed a measure of the degree to which a constitution provides for entry points for minority interest groups to block social legislation (CONSTRUCT). This index assesses constitutional provisions that obstruct rule by narrow majorities (or conversely give minorities the opportunity to veto legislation), and we scored countries using the information and classifications presented by Lijphart (1984). The five items that form the index are (1) strength of federalism ("high," "medium," or "low"); (2) existence of presidentialism (yes or no); (3) electoral system with single member districts versus proportional representation ("single member districts," "modified proportional representation," or "proportional representation"); (4) strength of bicameralism ("high," "medium," or "low"); (5) importance of referenda ("high or low"). The index is additive (see table 2).<sup>16</sup>

Hicks and Swank (1992) and Esping-Andersen (1990) employ a measure of absolutism coded according to Rokkan (1970, chap. 3). The countries were classified in three categories: strong absolutism, weak absolutism, and no absolutism. We felt uncomfortable with this measure because Rokkan's typology refers to the 1700s, well before the working class became a major concern of political elites. We developed an alternate measure of late 19th-century political regimes (AUTHLEG) based on work on democracy (Rueschemeyer et al. 1992, chap. 4). The countries are divided into three categories: full democracies, parliamentary governments without full working-class suffrage, and "neoabsolutist" governments in which the principle of cabinet responsibility to the parliamentary majority had not yet been established.

The two main variables from the logic of industrialism argument, level of development and demographic structure of the population, are operationalized as in other studies as GDP per capita (GDPPC) and percentage of the population more than 65 years old (OLD), both based on OECD data. Inflation is measured by the percentage change in the consumer price index (CPI), based on IMF data. Unemployment (UNEM) is measured by the percentage of the total labor force that is unemployed, on the basis of UN statistics.

Pampel and Williamson (1989) resurrect a line of thought rooted in studies of U.S. politics that argues that party competition and voter turnout should be associated with higher levels of public spending to aid

<sup>16</sup> Our simple additive approach to the measurement of constitutional structure weights the items with three categories greater than the items with two categories. Equal weighting of items does not alter the pattern of results we report.

TABLE 2

## CODING OF CONSTITUTIONAL STRUCTURE

Country	Federalism	Parliamentary/ Presidential Government	Proportional		Bicameralism	Referendum	Total
			Representation/ Single-Member	Districts			
Australia .....	1	0	1	1	2	0	4
Austria .....	1	0	0	0	0	0	1
Belgium .....	0	0	0	0	1	0	1
Canada .....	2	0	2	2	0	0	4
Denmark .....	0	0	0	0	0	0	0
Finland .....	0	1	0	0	0	0	1
France IV .....	0	0	0	0	0	0	0
France V .....	0	1	1	1	0	0	2
Germany .....	2	0	0	0	2	0	4
Ireland .....	0	0	0	0	0	0	0
Italy .....	0	0	0	0	1	0	1
Japan .....	0	0	1	1	1	0	2
Netherlands .....	0	0	0	1	1	0	1
Norway .....	0	0	0	0	0	0	0
Sweden 1969 .....	0	0	0	0	1	0	1
Sweden 1970 .....	0	0	0	0	0	0	0
Switzerland .....	2	1	0	0	2	1	6
United Kingdom .....	0	0	2	2	0	0	2
United States .....	2	1	2	2	2	0	7

NOTE.—Federalism: 0 = no, 1 = weak, 2 = strong; Parliamentary/presidential government: 0 = parliamentary, 1 = president or collegial executive; Proportional representation/single-member districts: 0 = proportional representation, 1 = modified proportional representation, 2 = single-member, simple plurality systems; Bicameralism: 0 = no second chamber or second chamber with very weak powers, 1 = weak bicameralism, 2 = strong bicameralism; Referendum: 0 = none or infrequent, 1 = frequent.

the underprivileged (e.g., see Key 1949; Sharkansky and Hofferbert 1969). The importance of voter turnout can be argued on theoretical grounds, as lower participation rates indicate that lower socioeconomic strata, which are most in need of welfare state transfers and services, are underrepresented among the politically active. Thus, we include their measure in our study. The impact of party competition is more questionable theoretically because the degree of competition depends on the different ideological positions of the various parties and the formation of political blocs. We examined Pampel and Williamson's measure of party competition and found it inadequate to capture the differences in party competition among countries. Moreover, we did include it in some regressions and found little or no impact (see Huber, Ragin, and Stephens 1991). Therefore, we do not examine its effects in this study.<sup>17</sup>

We hypothesize that measures of working-class power should be more strongly related to measures of social rights extended by welfare state programs and to redistribution effected by such programs than to welfare state expenditures per se. According to our hypotheses, Christian democracy could exhibit the reverse pattern. Measures of redistribution and social rights are available only in cross-sectional data, and in the case of the measures of income inequality and redistribution, strictly comparable measures were available only for 10 of the 17 countries in our study. Given the small number of observations for these measures, we limit ourselves to an examination of correlation coefficients. We include two of Esping-Andersen's (1990) measures for the social rights extended by welfare state legislation, the indices of decommmodification and socialist regime attributes. The decommmodification index (DECOMM) combines features of three welfare state programs: pensions, sickness benefits, and unemployment benefits. The features are earnings replacement ratios of minimum and standard benefits, contribution requirements, extent of relevant population covered, and length of time for which benefits are available. The index of socialist regime attributes (SOCIALSM) combines measures of universalism and average benefit equality. To investigate post-tax, post-transfer inequality and redistribution, we use measures drawn from Mitchell's (1991) analyses of the Luxembourg Income Study (LIS) data.

#### ANALYTIC STRATEGY

*Multicollinearity.*—Given the problem of multicollinearity in this data set, we begin with an examination of the correlations among the indepen-

<sup>17</sup> Comiskey (1991) presents more plausible party competition scores, but only for 13 of the 17 countries analyzed here.

dent variables, presented in table 3. A key concern of the political class-struggle theory is a cluster of variables: openness (OPEN), union strength (UNION), left-party rule (LEFTCAB), and corporatism (CORP), which Czada (1988) has shown to be related in a systematic fashion. The theoretical and comparative historical literatures argue that these are causally connected to each other. Economic openness has been hypothesized to be related to union density (Stephens 1979) and corporatism (Katzenstein 1985). High union density is favorable for incumbency of left-wing parties and vice versa (Kjellberg 1983; Stephens 1979; Wallerstein 1989*b*). Economic openness, strong union organization, and left government have been argued to be preconditions for corporatism (Katzenstein 1985; Stephens 1979; Wallerstein 1989*a*; Western 1991).

Examination of tolerance levels reveals serious multicollinearity when all variables are included in the equation. Union strength (UNION) exhibits the lowest tolerance level, .109, indicating that 89% of the variation in this variable is explained by the other independent variables in the data set. Because of this multicollinearity, several variables exhibit inflated and unstable regression coefficients across different regressions when the years included or the variables included are different. The following procedure was followed in determining which variables to delete from the equation. Our aim was to produce minimum tolerance levels of .25 and thereby eliminate the inflation of regression coefficients and reduce the instability of the coefficients across equations for different time periods. Our bases for elimination rested on both statistical and substantive criteria. Statistical criteria were the level of tolerance of the variable and how its elimination from the analysis affected the tolerance levels of the remaining variables. In addition, we favored retention of variables for which there was strong comparative historical evidence that the variable in question (and not the alternative highly correlated variable) was directly related to the dependent variable.

The first decision was straightforward: union strength (UNION) was eliminated because it had the lowest tolerance level and because comparative historical evidence indicates that its effect on social welfare legislation operates largely through social democracy (LEFTCAB). The elimination of unionization (UNION) increased the tolerance levels of social democracy (LEFTCAB) and reduced the inflation of the coefficients of both social democracy and openness (OPEN). This still left us with unacceptable tolerance levels and instability of coefficients. Statistically, the next candidate for elimination was corporatism (CORP) because it had the lowest tolerance level of the remaining variables and its elimination substantially increased the tolerance levels of social democracy (LEFTCAB) and openness (OPEN) and reduced the instability of LEFTCAB coefficients across different time periods. Moreover, the corporatism mea-

TABLE 3  
CORRELATION MATRIX: INDEPENDENT VARIABLES

[illegible]

sure suffers from greater measurement error than the other two measures because the degree of corporatist bargaining varies through time within countries but the measure does not. From the point of view of the theoretical and comparative historical literatures, however, the elimination of corporatism was less desirable because most of the discussions of the effect of openness on public expenditure argue that openness operates through corporatist bargains (which compensate labor's wage restraint with an expanded social wage). Nevertheless, because elimination of OPEN left us with more serious multicollinearity than elimination of CORP, we chose the latter course of action. We simply caution the reader that our results should not be taken as demonstrating that corporatist bargaining is not causally related to the level of social expenditure. Part of the effects of openness and social democracy shown below may include the effects of corporatism.

*Estimation technique.*—We use generalized least squares (GLS) techniques to estimate the models that follow. Pooled cross-sectional time-series models suffer from two kinds of correlated error—country specific (the same country is observed at many time points) and time specific (all countries are observed over the same span of years). Correlated errors distort computation of standard errors in ordinary least squares (OLS) regression, which, in turn, voids the use of confidence intervals and tests of significance (Stimson 1985). Most of the studies in political science and sociology that use pooled data sets follow the lead of Stimson (1985) and estimate GLS models correcting for country-specific error, using either fixed effects or "error components" models. Stimson, in turn, follows the lead of the econometrics literature, where researchers pool time series from several countries primarily to overcome the problem of insufficient length of time series for individual countries. This literature is mostly interested in dynamic processes, or in changes over time, and it treats time series for several countries essentially as a substitute for a longer time series for a single country. Thus, in this literature stable differences between countries are primarily treated as error to be controlled, and fixed effects are estimated for countries (e.g., via country dummy variables).

However, in our analysis we are as interested in pooling cross sections as in pooling time series; in other words, we are interested both in differences among countries and in differences over time. Accordingly, we consider it a mistake to use only a single estimation strategy. We are interested in the stable differences among countries—and in adjusting for some of these differences with error components models; also we are interested in changes over time—and in adjusting for some of these *uniform* longitudinal changes with error components models (e.g., uniform

changes that resulted from the contraction of the global economy in the 1970s).

Consider, for example, the effects of constitutional structure, one of our main independent variables. During the post-World War II period, constitutional structure varied little over time in advanced industrial democracies, but differed very much among countries. Accordingly, we want to examine these country differences in the analysis. In the case of other variables, for example governance by social-democratic or Christian-democratic parties, we are interested both in the longitudinal effects of length of incumbency of these parties on welfare state effort and in enduring differences among countries dominated by one or the other party. Thus, we want to adjust alternately for country-specific and for time-specific error, using error components models, and for both types of error.

Our general strategy in the data analysis is to (1) estimate baseline OLS models, (2) estimate GLS models, adjusting for country-specific error, (3) estimate GLS models, adjusting for time-specific error, and (4) estimate GLS models, adjusting for both country-specific and time-specific error.<sup>18</sup> The consequences of different kinds of error adjustment can be seen across the four different estimation techniques, ranging from no adjustment to adjustment for both types of error. Generally, we have greatest confidence in independent variables that maintain consistent effects across the four estimation techniques. When an effect is not consistent, it is useful to assess the impact of estimation techniques that eliminate or magnify the effect.<sup>19</sup>

## RESULTS

Our hypotheses concern not only the effects of the independent variables on welfare state effort, but also the differential impact of the independent variables on the various measures of welfare effort. Thus, we will discuss

<sup>18</sup> While using different estimation strategies increases confidence in findings, pooled cross-sectional time-series models all assume that causal processes are uniform through time and across cases. Generally, the broader the scope of an analysis (including both time and space), the less plausible this assumption.

<sup>19</sup> The most frequently recommended alternative estimation strategy is to use fixed effects for countries and Parks-Kmenta correction for autocorrelation (see Stimson 1985). With fixed effects for countries it is impossible to examine the impact of variables that are constant, or nearly so, over time (e.g., constitutional structure). Thus, when we used this estimation technique, the effects of variables we consider important could not be assessed directly. Nevertheless, our findings using this alternative estimation strategy parallel those that we present.

the regression results by examining the effects of independent variables across the three dependent variables, comparing their effects in tables 4–6. Table 4 shows the results for social security transfers as a percentage of GDP (SSTRAN), table 5 shows the results for social security benefits as a percentage of GDP (SSBEN), and table 6 shows the results for total government revenue as a percentage of GDP (GREVGDP).

We begin with Christian democracy (CDEMCA). As hypothesized, Christian democracy has a very strong effect on transfer payments, a somewhat weaker but nonetheless powerful effect on the ILO social security benefits measure, and modest though inconsistently significant effects on total government revenue. Social democracy (LEFTCA) exhibits precisely the reverse pattern. In the regression analysis of government revenue, social democracy is the most important explanatory variable when adjusting for country-specific error or for both country-specific and time-specific error. If adjustments for time-specific error alone are used, it is the fourth most powerful explanatory factor. When adjusting for country-specific or for both country-specific and time-specific error, it also shows very strong effects on total social security benefits, and somewhat weaker effects on transfer payments. When adjusting for time-specific error, however, the effect of social democracy on benefits becomes insignificant, and on transfers it becomes weakly negative. These contrasting findings for Christian democracy and social democracy provide strong confirmation of our refinements of the political class-struggle argument.

The strength of social democratic parties (LEFTCA) varies in the opposite way from proportion of the population older than 65 years old (OLD) when adjusting for time-specific and country-specific error with two of our dependent variables. Adjusting for country-specific error reduces the effect of population older than 65 years on transfers and social benefits, whereas adjusting for time-specific error does the same for strength of social democracy. This pattern is in part a result of the fact that the zero-order correlation between the two variables is .71 (see table 3), one of the highest correlations in the data set.<sup>20</sup> Given the high correlation between these two variables, separating their effects is difficult in this data set. Moreover, we do not intend to dismiss the effect of either of these variables. We return to this issue in the conclusion.

<sup>20</sup> This is extremely surprising given that, unlike the variables in the "size complex," there is no obvious theoretical reason for the two variables to be so highly related. It is also disappointing as one would have hoped that increasing the *N* by pooling cross sections and time series would eliminate such high correlations between apparently unrelated variables, a problem that arises frequently in cross-sectional data on so few countries. Here we also see one key to why the previous quantitative analyses have so often resulted in such different conclusions: two central variables designed to operationalize very different theoretical traditions are very highly correlated.



TABLE 4

POOLED TIME-SERIES REGRESSION ANALYSIS OF SOCIAL SECURITY TRANSFERS AS A  
PERCENTAGE OF GDP (OECD), 1956-88

	OLS	ESTIMATION TECHNIQUE		GLS (Both Country and Time)
		GLS (Country)	GLS (Time)	
Military expenditures .....	.2261	-.3415	.3546	-.1673
MIL .....	2.9007	-3.1466	4.7068	-1.5392
Population over 65 years .....	.6495	.4144	.5570	.1130
OLD .....	8.3102	3.6728	7.5267	.9957
Unemployment rate .....	.2460	.3205	.2324	.3131
UNEMP .....	6.4673	9.6627	5.8287	9.1373
Consumer price index .....	.0853	.0589	-.0439	-.0172
CPI .....	3.1456	2.9307	-1.3220	-.7268
Voter turnout .....	.0171	-.0181	.0217	-.0122
VTURN .....	1.3256	-.9988	1.7810	-.6993
Strike rate .....	-2.5866	-.2595	-2.7976	-.4429
STRIKES .....	-6.3151	-.7972	-7.1132	-1.4196
Christian-Democratic .....	.2771	.2586	.2680	.2558
Cabinet CDEM CAB .....	14.3817	9.9181	14.7860	10.1650
Trade/GDP .....	.8071	2.9056	.6276	2.5024
OPEN .....	1.3306	3.2609	1.0830	2.8512
Authoritarian legacy .....	-.8665	-.6589	-.8480	-.5709
AUTHLEG .....	-4.9532	-1.3776	-5.1448	-1.1870
GDP per capita .....	.0002	.0001	.0003	.0002
GDPPC .....	8.5359	4.4390	8.4796	6.6512
State structure .....	-.6885	-.1925	-.8652	-.4259
CONSTRUCT .....	-7.9812	-1.0060	-10.3410	-2.2194
Left party .....	-.0485	.1303	-.0676	.1197
Cabinet LEFT CAB .....	-1.8751	4.4335	-2.7397	4.2966

NOTE.—Unstandardized regression coefficients are reported in the first line of each row; the second line reports associated *t*-statistics. The  $R^2$  for the OLS equation is .785.

Our measure of constitutional structure (CONSTRUCT) is highly significant and consistent in almost all of the equations, except, as expected, in those that adjust for country-specific error, where its effect is reduced. This pattern was expected because constitutional structures in our set of countries vary little over time. Our results for constitutional structure offer very strong evidence that state structures have an important effect on social spending.

Contrary to the results of cross-sectional studies of welfare effort in advanced countries, our analysis shows that gross domestic product per capita (GDPPC) has a significant and strong effect on all of the dependent variables. The increased variation in the independent variable is certainly

TABLE 5

POOLED TIME-SERIES REGRESSION ANALYSIS OF SOCIAL SECURITY BENEFITS AS A  
PERCENTAGE OF GDP (ILO), 1956-86

	OLS	ESTIMATION TECHNIQUE		GLS (Both Country and Time)
		GLS (Country)	GLS (Time)	
Military expenditures .....	.2062	-.3549	.2424	-.3132
MIL .....	2.3325	-2.6496	2.7347	-2.2907
Population over 65 years .....	.8623	.6536	.8411	.5801
OLD .....	9.7305	4.3038	9.5620	3.7858
Unemployment rate .....	.3487	.4469	.3459	.4401
UNEMP .....	7.4211	9.9979	7.1049	9.5332
Consumer price index .....	.1403	.1359	.1180	.1182
CPI .....	4.4216	5.2674	3.3669	4.1815
Voter turnout .....	.0599	.0494	.0622	.0532
VTURN .....	4.0306	2.1697	4.2143	2.3345
Strike rate .....	-.8659	.3533	-.9204	.3195
STRIKES .....	-1.8862	.8690	-2.0004	.7851
Christian-Democratic .....	.1709	.1743	.1662	.1724
Cabinet CDEM CAB .....	7.4370	5.0972	7.2970	5.0491
Trade/GDP .....	.8977	-.1083	.9889	-.0261
OPEN .....	1.2679	-.0949	1.4001	-.0228
Authoritarian legacy .....	.1756	-.3071	.2081	-.2708
AUTHLEG .....	.8736	-.5544	1.0441	-.4856
GDP per capita .....	.0004	.0002	.0004	.0003
GDPPC .....	9.2564	5.3956	9.3226	5.7838
State structure .....	-.6255	-.5013	-.6633	-.5433
CONSTRUCT .....	-6.1194	-2.2020	-6.5000	-2.3687
Left party .....	.0696	.2523	.0607	.2480
Cabinet LEFT CAB .....	2.2587	6.3418	1.9774	6.2639

NOTE.—Unstandardized regression coefficients are reported in the first line of each row; the second line reports associated *t*-statistics. The  $R^2$  for the OLS equation is .822.

responsible for this finding, and the results are strong and consistent. Adjusting for country-specific error reduces the effects of GDP per capita, suggesting that it is not primarily rising affluence over time that accounts for increased welfare state effort. Instead, it is the difference between more affluent and less affluent countries that makes it easier for the former to increase welfare state expenditures. A plausible interpretation is that the more affluent countries are those with higher labor productivity, whereas the less affluent countries are those with lower labor productivity and, consequently, greater pressure to compete in the international economy on the basis of lower wage costs. Accordingly, the latter are less able to afford generous welfare states.

TABLE 6

POOLED TIME-SERIES REGRESSION ANALYSIS OF GOVERNMENT REVENUE AS A  
PERCENTAGE OF GDP (OECD), 1960-88

	OLS	ESTIMATION TECHNIQUE		GLS (Both Country and Time)
		GLS (Country)	GLS (Time)	
Military expenditures .....	1.0172	.1182	1.2166	.5581
MIL .....	6.4405	.4927	7.9179	2.3447
Population over 65 years .....	.6493	.9773	.5142	.4863
OLD .....	4.3958	4.7655	3.6500	2.3355
Unemployment rate .....	.2875	.4460	.2949	.4478
UNEMP .....	4.2233	7.6389	3.9775	7.3831
Consumer price index .....	.1060	.1176	-.0474	.0532
CPI .....	2.1660	3.4182	-.7528	1.2661
Voter turnout .....	.0639	.0663	.0726	.0769
VTURN .....	2.6934	1.9575	3.2028	2.3371
Strike rate .....	-1.1959	.8391	-1.7442	.1618
STRIKES .....	-1.6294	1.4817	-2.4475	.2958
Christian-Democratic .....	.0723	.1122	.0594	.0890
Cabinet CDEMCAB .....	2.0975	2.1545	1.8159	1.7556
Trade/GDP .....	4.4907	2.2555	4.3364	1.5675
OPEN .....	3.9881	1.3311	3.9808	.9205
Authoritarian legacy .....	-.1456	-1.5256	-.0697	-1.2988
AUTHLEG .....	-.4449	-1.5014	-.2241	-1.2400
GDP per capita .....	.0004	.0002	.0006	.0004
GDPPC .....	8.2617	4.3301	8.3662	6.4699
State structure .....	-.9808	-1.1165	-1.2396	-1.6185
CONSTRUCT .....	-5.9808	-2.5861	-7.6929	-3.6629
Left party .....	.3557	.4501	.3235	.4120
Cabinet LEFTCAB .....	7.5595	8.3158	7.1140	7.9970

NOTE.—Unstandardized regression coefficients are reported in the first line of each row; the second line reports associated *t*-statistics. The  $R^2$  for the OLS equation is .793.

As hypothesized, unemployment (UNEMP) also increases spending. Not only does unemployment affect unemployment compensation, it affects other welfare spending, such as early pensions, labor market policy outlays, and so on. It is not surprising, therefore, that unemployment shows strong effects on all three dependent variables.

The CPI has modest but significant effects when adjustments are made for country-specific error. This suggests that the effect of CPI is felt mostly within individual countries over time. Voter turnout (VTURN) and openness (OPEN) have very modest but often inconsistent effects on the dependent variables. Worker militancy (STRIKES) was inconsistent in its effects, incorrectly signed, or not significant.

Our measure of the Bismarckian effect, AUTHLEG, has small, often not significant, and inconsistent effects on the dependent variables. An alternative operationalization, a dichotomy classifying countries' late 19th-century political regimes as "constitutionalist-dualist monarchies" or parliamentary regimes, following Flora and Alber (1981), performed no better. The legacies of this period may have an effect on the structure of social programs, as Esping-Andersen contends, but, by the post-World War II period, they do not appear to affect spending levels.

Finally, table 7 displays correlations, using cross-sectional data for 1980, of the most important independent variables with our three dependent variables (SSTRAN, SSBEN, and GREVGDP), two of Esping-Andersen's social rights measures, decommodification (DECOMMODO), and socialism (SOCIALSM), a measure of post-tax-post-transfer income distribution (GINI), and a measure of the effect of direct taxes and transfer payments on income distribution (REDIS; see Mitchell 1991). The pattern of correlations among the dependent variables and Christian democracy (CDEMCAB) and social democracy (LEFTCAB) is the same we found for the expenditure data in the regression analyses using the pooled data, thus further supporting our hypotheses. Social democracy (LEFTCAB) and unionization (UNION) increase in correlational strength as we move from the narrower expenditure measures, transfers (SSTRAN) and benefit expenditures (SSBEN), to the broader one (government revenue [GREVGDP]) and on to the measures of social rights, decommodification (DECOMMODO) and socialism (SOCIALSM), income distribution (GINI), and income redistributed via taxes and transfers (REDIS). Christian democracy (CDEMCAB) shows precisely the opposite pattern.

## DISCUSSION

Our results confirm key contentions from all three of the principal explanations of welfare state expansion and variation. Moreover, these results are largely consistent with the comparative historical research conducted as part of our wider project. Power-resources theory is generally supported by our findings on the impact of politics and the distribution of political power among parties with different ideological positions and worldviews, particularly about the various measures of welfare state effort. Both social-democratic and Christian-democratic incumbency are important predictors of welfare state effort, and, as predicted, their effects vary across the dependent variables. Social democracy was associated strongly with overall size of the public sector, less so with social security benefits, and even less so with straight transfer payments. In fact, in the GLS model with the most extensive adjustments, for both

TABLE 7  
CROSS-SECTIONAL CORRELATION OF VARIOUS MEASURES OF WELFARE STATE EFFORT WITH SELECTED INDEPENDENT VARIABLES

	SSTRAN	SSBEN	GREVGDP	DECOMMOD	SOCIALISM	REDIS	GINI
OLD .....	.501*	.662**	.675**	.633**	.360	.599	-.588
GDPPC .....	.297	.301	.453	.510*	.575*	.212	-.179
CDEMCAB ...	.585*	.286	.096	.134	-.264	.038	.171
LEFTCAB ....	.289	.566*	.764**	.748**	.774**	.742*	-.850**
UNION .....	.097	.468	.502*	.598*	.671**	.736*	-.901**
CONSTRUCT ..	-.397	-.624**	-.603**	-.652**	-.433	-.811**	.730*
UNEMP .....	-.031	-.054	-.228	-.439	-.314	-.342	.378

\*  $P < .05$ .

\*\*  $P < .01$ .

country-specific and time-specific errors, social democracy was the most important explanatory variable for government revenue. The same was true if we only used adjustments for country-specific errors. This finding suggests that social-democratic incumbency over extended periods of time opens up the possibility for major intervention in economy and society via an expansion of the public sector.

Christian democracy showed the opposite pattern. This difference reflects the more limited conception of the appropriate role of the welfare state vis-à-vis the market held by Christian-democratic parties, which entails a greater reliance on transfer payments, a deemphasis of the provision of subsidized goods and services, and weak active labor market policies. The commitment of social democracy to the correction of inequalities created by the market finds its reflection in an expanded public sector; the commitment of Christian democracy to a protection of the position in the labor market acquired by individuals and families from such adversities as sickness and old age is reflected in large transfer payments.

The cross-sectional correlations between incumbency of the two different types of parties and various measures of quality of the welfare state and of its redistributive impact provide further support for this interpretation. Left incumbency (which in practice means social-democratic incumbency because Communist parties participated in government only briefly in the immediate post-World War II period) shows significant correlations with measures of income distribution and redistribution, with decommodification, and with socialist regime attributes; none of the parallel correlations with Christian-democratic incumbency is significant. The measure of decommodification combines the generosity of minimum and standard benefits with the conditions for receiving these benefits; thus, these correlations suggest that the social-democratic welfare state aims at protecting the largest possible portion of the population with generous benefits for low- and medium-income groups. The typical Christian-democratic welfare state, by contrast, is segmented, and it tends to reproduce social inequalities, not reduce them. Different occupational groups have different insurance schemes, with different contribution requirements and different benefits.

The comparative historical research conducted as a part of our larger research project shows that these statistical associations indeed reflect causal patterns. The examples of Germany and Italy provide excellent illustrations. In both countries, left parties enjoyed a period of strength immediately after World War II and put demands for unified national social insurance schemes squarely on the agenda. However, as the right and the center regained strength and the Christian-democratic parties captured governmental power alone or in coalition with other center-right

parties, they sided with groups that had been privileged under the old, segmented welfare state schemes and opposed the proposed reforms. Instead, the old schemes were revived and expanded, inequalities were solidified, and private providers of services such as health care were favored over public providers (see, e.g., Hockerts 1980; Ferrera 1984, 1986).

Whereas the effect of Christian democracy clearly supports the "politics matters" perspective, its relationship to the power-resources school requires some further discussion. One might argue that Christian-democratic parties represent a cultural deviation from secular center and right parties, and that a left-center-right conceptualization is the only appropriate one for the power-resources approach because that conceptualization represents a direct translation of class interests into parties' constellations. However, this assumes that there is only one possible appropriate articulation of "objective" social-class interests. As has been argued elsewhere (Rueschemeyer et al. 1992, pp. 53–57), class interests are socially constructed. In the case of countries with strong Catholic churches, significant numbers of wage and salary earners were socialized to perceive their interests as served best by a multiclass party with an explicit Christian appeal and strong Catholic influence. Christian-democratic parties typically have strong bases among farmers, the petite bourgeoisie, professionals, and even sections of the haute bourgeoisie, in addition to wage and salary earners, and they advocate class compromise and class harmony in their internal operation as well as in their approach to governing. If we consider the entire class coalition represented by particular Christian-democratic parties, it is arguable that the Christian-democratic welfare state with its emphasis on security rather than redistribution is as faithful an articulation of the class interests of these groups as any other combination of parties representing the same groups.

The results of the statistical analysis also provide strong support for our hypothesis regarding the impact of constitutional structures on welfare state expenditure and therefore for state-centered explanations of welfare state variation. Given the consistency of its effect in our analysis, which is based on data for 17 countries over a large number of years, constitutional structure should also show an effect in other data sets and prove to be more robust than previous measures of state structure. What we tap with our measure is the ability of minorities to block legislation or, conversely, the ability of relatively narrow political majorities to introduce significant innovations in welfare state policy against the resistance of powerful minorities in society.

Comparative historical evidence provides particularly impressive illustrations if we take extreme cases, Switzerland and the United States at one end and Sweden at the other. In Switzerland, successive waves of

legislative initiatives for improvements in welfare state programs were blocked either in preparliamentary negotiations by interested groups who threatened a referendum, or by the small upper house where cantons are equally represented regardless of size, or by referendums themselves. Since it is well known that referendums have a high chance of success in defeating proposed legislation, just the credible threat of forcing a referendum often enables interest groups to block major reform legislation in preparliamentary or parliamentary proceedings (see Neidhart 1970; Sommer 1978). In the United States, welfare state issues have been put on the agenda less frequently, but any observer of American politics can provide numerous examples of policies that failed passage because of opposition generated by lobbies in either house who represented narrow interests or by the president. A prominent example is the role of the American Medical Association in blocking proposed health-insurance reforms. In Sweden, by contrast, the comprehensive social democratic/trade union pension reform of 1958 was opposed by almost all interest groups and government agencies. Out of 89 bodies commenting on the government's proposal, only five (one of them LO, the trade union central organization itself) were favorable to the union proposal. Nevertheless, it was passed by the next parliament, by a majority of a single vote (Heclo 1974, p. 237), and it became one of the cornerstones of the expansion of the Swedish welfare state.

Logic-of-industrialism theory would appear to be supported by our findings on the effect of both the population of the aged and GDP per capita on social spending. The analysis of the pooled data makes it clear that having the aged as a large proportion of the population increases spending. What is at issue is how to interpret this result, a topic we address in the conclusion when comparing our results with those of others. As expected, GDP per capita has highly significant and strong effects on the dependent variables in our analysis. Our results confirm previous analyses of pooled data on advanced countries and of cross-sectional data on countries at very different levels of development. Contrary to our expectations, adjusting for country-specific error reduces the effect of GDP per capita in the GLS model, while adjusting for time-specific error does not. This can be interpreted as indicating that there are large and persistent differences between more affluent societies and less affluent ones with regard to their welfare state efforts, which are a product of their positions in the world economy, in addition to a somewhat more modest tendency for all the countries to increase welfare state effort with rising affluence. Thus, the results for GDP per capita may lend more support to a world-systems or international political economy explanation of welfare state variation than to a logic of industrialism explanation.



## CONCLUSION

The contrasting effects of social democracy and Christian democracy explain why previous studies came to contradictory conclusions. Wilensky (1981) used the ILO measure of social security benefits expenditure and concluded that Christian democracy rather than social democracy was the main political force promoting welfare state development, while Cameron (1978) and Stephens (1979) used total revenue and concluded that social democracy was more important for expanding the welfare state and the larger public economy. We have argued that there are good theoretical reasons for expecting this outcome and the results of our quantitative analysis show that this pattern can be extended to a wider range of dependent variables. Measures of the redistributive impact of welfare states and of their impact on the position of labor vis-à-vis market forces reflect the organizational strength of wage and salary earners and the strength of social-democratic parties.

Turning to the more recent studies using pooled data, all of which use the ILO measure as the dependent variable, our results demonstrate that Pampel and Williamson's (1988, 1989) and Pampel and Stryker's (1988) contention that political party incumbency has little effect on the social benefit expenditure is a product of the exclusion of Christian democracy from their analysis. The addition of Christian democracy not only shows the strong effect of that political tendency, but it also reveals a modest effect of social democracy that was suppressed by the absence of Christian democracy from their analysis. Though Hicks and Swank (1992) do not include Christian democracy in their regressions, they do include a wide range of governmental and political opposition constellations that may serve as a proxy for it. They produce results roughly comparable to ours for the ILO measure.

As far as the impact of the proportion of the population older than 65 on welfare state effort is concerned, one aspect of this effect is virtually indisputable: the presence of large population of aged will automatically result in high spending on pension and health-care programs, which, together, make up a large proportion of transfer payments and social security benefits expenditure. What is disputable is whether the aged act as an interest group that is autonomous from party politics and whether a large population of them will result in higher spending above and beyond this automatic effect, as Pampel and Williamson (1988, 1989) contend.<sup>21</sup> Our comparative historical analysis does not support the view

<sup>21</sup> The social rights literature would appear to promise to answer to this question because population aging does not automatically affect social rights. Unfortunately, the studies using this data are contradictory on this point (cf. Esping-Andersen 1990, p. 129; and Palme 1990, chap. 5).

that the aged frequently form interest organizations independent of party politics. The United States, due to its lack of disciplined parties and its system of age-based welfare entitlements (Myles and Quadagno 1991), is perhaps the only country where an independent lobby of the aged is important. Elsewhere political organizations of the aged, where they have any influence, are largely creations of political parties. On the other hand, our studies do indicate that parties recognize the elderly as an important voting block and fashion electoral appeals designed to attract the aged (e.g., for Sweden see Elmér [1960] and Feldt [1991]; for Germany see Hockerts [1980]). Yet, the question remains whether parties would offer more generous concessions to the elderly if the proportion of the population older than 65 were, say, 20% rather than 15%. The results of our statistical analysis of pension spending per aged person (Huber and Stephens 1993) suggest otherwise, as they show no effect of the size of the aged population on the dependent variable. It may be that the positive effect of the potential electoral power of the aged is neutralized by the fact that large pension programs provide opportunities for significant savings through relatively minor adjustments (e.g., delayed indexing). Or conversely, the financial cost of having a large aged population makes programs supporting this population a target for cuts at the same time that a large aged population constitutes a political force for resisting such cuts.

Though our findings for the effect of GDP per capita on welfare state effort might seem to support a simple logic-of-industrialism interpretation, rooted in a modernization framework, we think that they can be interpreted better in the framework of a rival theoretical tradition: world-system theory. As our GLS models suggested, it is less rising affluence over time that facilitates welfare state expansion than it is being among the richer countries. The world-system perspective argues that core countries are characterized by high wage/high price production, which implies that they have a stronger tax base to finance generous welfare states than (former) semi-peripheral countries with lower wage/lower price production.

We would like to end with some reflections on fruitful directions for further research. On the issue of the impact of state structure, our study indicates that the weak and inconsistent effects of measures of state structure in previous studies may be due to poor operationalization and deficient underlying conceptualization of the independent variable. Our measure of constitutional structure, which was developed in close dialogue with previous comparative historical research, did show strong and robust effects on the dependent variables. However, it taps only one of a number of relevant dimensions of state structure, and other measures might be constructed. One promising direction for future research would

be to follow the lead of Amenta and Carruthers (1988) in developing a cross-nationally valid measure of state autonomy. Ideally such a measure should tap aspects of the variations in bureaucratic autonomy provided by country constitutions or other relatively invariant legal structures. This would avoid the problematic causality that plagues a number of the current measures of state structure.

Recent work by Pampel and Stryker (1988) and Hicks and Swank (1992) breaks new ground in attempting to capture the dynamic and interactive effects of state structures, social organizations, political parties, and political institutions. Christian democracy and multiple measures of the dependent variable, including measures of social rights as they become available, need to be brought into this type of analysis. Our comparative historical research indicates that Christian-democratic parties are most likely to be pushed toward generous welfare state expenditures if they are in political competition with a strong left that can make a credible bid for participation in governmental (executive) power and if a strong labor movement is present.

In a similar fashion, the interaction effect of "corporatism" and various party constellations might be explored. For instance, it might be hypothesized that the greater ability of the Swedish and Norwegian left governments in the 1980s (as compared with those in Australia and New Zealand) to resist welfare state rollbacks was due to the existence of corporatist bargaining in the two Scandinavian countries. In quantitative studies of the welfare state to date, corporatism has been treated as an invariant feature of societies, parallel to state structure. It is not; it does vary through time, and, moreover, it is in part an outcome of several of the other independent variables generally included in analyses of this sort. Fortunately, as the results of Golden, Lange, and Wallerstein's (1993) project become available, researchers will be able to test more sophisticated interactive models that include temporally variant measures of corporatism.

Following Pampel and Stryker (1988), state structure may be treated as a context variable with different effects in the presence of different actors. For instance, we would hypothesize that the characteristics of state structure that we have identified as conducive to vetoes on welfare state programs by special interests are particularly constraining on leftist incumbents. The existence of such veto points makes it difficult to translate left incumbency into universalistic and generous programs. By contrast, these veto points might have little effect on the policies of rightist governments because the program of such a government is generally to preserve the status quo.

Finally, as we have repeatedly emphasized, quantitative analysis of the welfare state needs to be brought into closer dialogue with comparative

historical work (Ragin 1987). The development of the constitutional structure measure was only the most obvious example of how this work was improved by such a dialogue. In addition, we have repeatedly drawn on our comparative historical analysis to suggest new hypotheses for testing in the quantitative studies and for new interpretations of the quantitative results.

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