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# Working-Class Strength by Institutional Design? Unionization, Partisan Politics, and Unemployment Insurance Systems, 1870 to 2010

## Magnus Bergli Rasmussen[1] and Jonas Pontusson[2]

**Abstract**
Many studies have found that countries with union-administered unemployment insurance have higher rates of unionization than countries with state-administered unemployment insurance. With data going further back in history, this article demonstrates that the introduction of so-called "Ghent systems" had no effect on unionization rates. We argue that the Ghent effect identified by the existing literature came about as a result of increasing state subsidization and benefit generosity in the 1950s and 1960s. Exploring the partisan politics of unemployment insurance, we show that progressive Liberals ("Social Liberals") favored Ghent designs while Social Democrats favored state-administered unemployment insurance before the Second World War. We also present some evidence suggesting that Left governments, inheriting Ghent systems that were not of their choosing, promoted state subsidization in the postwar era and thus helped generate the Ghent effect identified by the existing literature.

[1]Institute for Social Research, Oslo, Norway
[2]University de Genève, Switzerland

**Corresponding Authors:**
Magnus Bergli Rasmussen, Institut for Samfunnsforskning, Munthes gate 31, Oslo 0260, Norway
Email: m.b.rasmussen@samfunnsforskning.no

Jonas Pontusson, University de Genève, 40 blvd du Pont d'Arve, Genève 1211, Switzerland.
Email: Jonas.pontusson@unige.ch

This article engages in a historical-comparative analysis of the political origins and consequences of unemployment insurance systems. Its basic motivation is the following. In most long-standing democracies, organized workers are more likely to vote and more likely to support Left parties than unorganized workers (e.g., Arndt & Rennwald, 2016; Flavin & Radcliff, 2011). Moreover, many comparative welfare-state scholars agree that working-class organization has been an important factor in the development of redistributive social policy, partly through its effects on the partisan composition of government (e.g., Huber & Stephens, 2001). The obvious question arises: Why is it that some working classes are (or have been) better organized than others? Comparative studies of unionization show that countries with unemployment insurance funds administered by unions—so-called Ghent systems of unemployment insurance—tend to be more unionized than countries with state-administered systems. It is a commonplace that Ghent systems create selective incentives for workers to join unions. Existing literature thus suggests that the question of working-class organization might usefully be reformulated as a question about the design of unemployment insurance: Why is it that some countries ended up with Ghent systems of unemployment insurance while others ended up with state-administered systems?

Could it be that Left parties introduced (or helped introduce) Ghent systems as a means to improve their own political prospects? According to Rothstein (1990, 1992), long-term strategic thinking played an important role in the decision of the Swedish Social Democrats to introduce a Ghent system of unemployment insurance in 1934. In Rothstein's (1990) words, the Swedish case illustrates how "state capacity and policy might be deliberately constructed by political agents . . . as a means of promoting the mobilization of workers" (p. 320).

We argue that the conventional wisdom about the relationship between Ghent and unionization needs to be qualified. Implementing a difference-in-difference design with data for 20 to 21 countries over the period 1870 to 1970, we find some evidence that the adoption of Ghent systems of unemployment insurance followed increases in union density and no evidence whatsoever that the introduction of Ghent systems accelerated unionization. Until the 1950s, Ghent systems relied primarily on contributions by the insured and provided meager benefits. As a result, they failed to incentivize workers to join unions. With data for 1930 to 2010, we show that the Ghent

effect identified by the existing literature pertains only to Ghent systems that are financed by employer contributions or general tax revenues.

Turning to the partisan politics of unemployment insurance design, Sweden is the only case of Ghent being introduced by a Left government (out of 11 Ghent introductions between 1900 and 1935). Left governments more commonly opted for state-administered unemployment insurance and in several instances (Norway, Spain, and the Netherlands) initiated the replacement of Ghent systems by state-administered systems in the 1930s and 1940s. While Rothstein is interested in establishing the potential for long-term strategic behavior by Left parties rather than predicting what Left parties do under normal circumstances, we seek to articulate a positive theory of partisan preferences for unemployment insurance design. We argue that the primary concern of Left parties in the first half of the 20th century was to provide unemployment insurance coverage to their working-class electoral base. In most countries, unionization was too low for Ghent to be a viable alternative to state-administered insurance for the Left.

We argue further that the Ghent story captures a social-liberal moment in the development of the welfare state that has largely been ignored by the power resources tradition of comparative welfare-state scholarship. Liberal parties—and, to a lesser extent, Christian Democratic parties as well—responded to early union organizing and the associated socialist threat by proposing Ghent-style unemployment insurance. In so doing, they sought to appeal to newly enfranchised workers and to cultivate ties with craft unions. Ghent was an attractive option for progressive Liberals because the scheme was voluntary and, as envisaged at the time, did not entail any significant redistribution of income in favor of workers.

The Swedish case is exceptional not only on account of the weakness of liberalism, but also, and above all, on account of the high-level unionization that had been achieved before the Social Democrats came to power in 1932. Our account stands Rothstein on his head in that unionization explains why it was rational for the Swedish Social Democrats to embrace the Ghent design of unemployment insurance in the 1930s.

Left parties in Belgium, Denmark, and Finland did not introduce Ghent systems, but they were important actors in postwar reforms that rendered these Ghent systems more union friendly, as were the Swedish Social Democrats. In due course, we will present evidence indicating that Left government is associated with less reliance on contributions by the insured to finance Ghent systems. Setting the Swedish case aside, the Ghent effect identified by comparative studies of unionization might thus be seen as the product of a two-step historical sequence in which (a) Liberal parties introduced Ghent systems between 1900 and 1930 and (b) Left parties reformed Ghent

systems in the 1950s and 1960s. It is tempting to think of the Ghent effect as an unintended consequence of institutional choices made by Liberals, but what we propose here is not a story of "endogenous institutional change." Postwar changes in the financing of Ghent systems—the second step in the historical sequence—resulted from shifts in the distribution of political power that were not, at least not in any obvious way, a consequence of the presence of Ghent systems.

The rest of the article is organized as follows. We begin by reviewing existing literature and setting out our core arguments, addressing the effect of unemployment insurance on unionization in the section "Ghent and Unionization" and the partisan politics of designing unemployment insurance in the section "The Partisan Politics of Ghent." We introduce our coding of unemployment insurance systems as "Ghent" and "non-Ghent" and briefly describe the financing of unemployment insurance in the section "Unemployment Insurance Systems: Descriptive Data." In presenting our statistical results, we again separate the question of the Ghent effect on unionization (in the section "Empirical Results: The Ghent Effect") from the question of partisan effects on the institutional design and financing (in the section "Empirical Results: Partisan Effects"). In the section "Conclusion," we conclude by articulating how our arguments relate to historical institutionalism.

## Ghent and Unionization

Ghent systems of unemployment insurance originate in voluntary insurance schemes established by craft unions in the late 19th century. For obvious reasons, private insurance against unemployment was never really a viable option and union schemes commonly became insolvent in the face of mass unemployment. In 1901, the city of Ghent intervened to subsidize union unemployment funds. A number of other municipal and provincial governments followed suit in the early 1900s. France became the first country to subsidize union-administered unemployment funds at the national level in 1905.[1] While some Ghent systems created by national governments over the following three decades retained the principle of voluntary insurance, others required workers to insure themselves with a union-administered fund. As emphasized by Rothstein (1992) and other scholars, what all of these systems have in common boils down to this: Unions set the conditions of eligibility for unemployment benefits and participate directly in the process whereby it is decided whether or not unemployed workers satisfy these conditions.

It is not hard to see that such a system incentivizes individuals to join unions. Even if it is possible to belong to a union-administered unemployment fund without joining a union, many workers are not aware of this

option and those who are aware of it will likely look upon union member-
ship as a means to secure access to full unemployment benefits.[2] More posi-
tively, as noted by Western (1997, p. 56), a key feature of Ghent systems is
that they encourage workers to remain union members when they become
unemployed and allow unions to take credit for the unemployment benefits
being provided.

By our count, there are at least 20 comparative studies that invoke the
Ghent design of unemployment insurance to explain rates of unionization.[3]
Relying entirely on postwar data (in many cases, post-1960 data), these stud-
ies effectively compare unionization rates in countries that do and do not
have Ghent systems and fail to address the question of whether or not the
introduction of Ghent systems affects the rate of unionization. Based on the
existing literature, we cannot rule out that countries with strong unions
adopted Ghent systems, whereas countries with weak unions ended up with
state-administered unemployment insurance.

Cognizant of the limitations of his statistical analysis, Western (1997)
invokes the comparison of Sweden and Norway as a "quasi experiment" that
demonstrates the positive effect of having a Ghent system for the rate of
unionization (p. 58). While Sweden introduced a Ghent system in 1934,
Norway replaced its Ghent system by state-administered compulsory unem-
ployment insurance over the period 1938 to 1946. According to Western,
union density in the two countries rose in parallel from 1921 to 1938 while
union density grew more rapidly in Sweden than in Norway over the 1940s.
Drawing on different sources and covering a longer stretch of time, the data
on unionization presented in Figure 1 convey a different picture. To begin
with, Swedish union density grew steadily from 1910 to 1960 and there is no
indication that the introduction of Ghent accelerated the process of unioniza-
tion. In Norway, union density increased following the introduction of a
Ghent system in 1907, dropped in the early 1920s, and began to climb again
from the late 1920s onward. Again, there is no indication that the dismantle-
ment of Ghent adversely affected unionization. Most importantly for our pur-
poses, Figure 1 shows that a significant gap in unionization between Sweden
and Norway opened up between 1920 and 1934, when Norway had a Ghent
system and Sweden did not have any unemployment insurance at all.[4]

It deserves to be noted that many Swedish unions boycotted the Ghent
systems until 1941, when a further reform increased the level of subsidization
(Rothstein 1990, 1992). In the existing literature, the negative or ambivalent
stance toward Ghent adopted by many unions in the interwar period emerges
as a puzzle (e.g., Alber, 1981; Mares, 2003). This puzzle fades away once we
recognize that Ghent legislation not only offered carrots to unions, in the
form of subsidies, but also sticks, in the form of state regulation. In return for
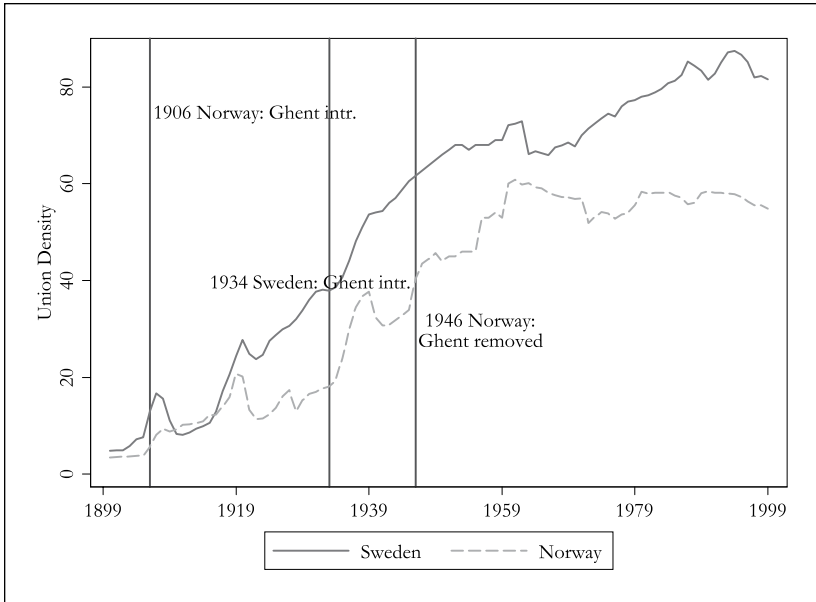
**Figure 1.** Union density in Norway and Sweden, 1899 to 1999.
*Source.* Rasmussen (2016).
The vertical lines indicate the introduction and removal of Ghent systems.

state subsidies, unions typically had to give up the use of unemployment insurance to support strikers. They also had to insure workers who were not union members and to submit to budgetary and legal control by state administrators. In light of such stipulations, state subsidies had to be relatively high to entice unions to join Ghent systems.

We do not wish to challenge the idea that Ghent systems entail selective incentives for workers to join unions. Our point is rather that the extent of such incentives depends on the costs and benefits of the insurance being provided. We hypothesize that the selective incentives entailed by Ghent systems are inversely related to the extent to which workers themselves bear the costs of insurance. For short, we will refer to the inverse of self-financing as "subsidization." As we shall see, Ghent systems relied more heavily on self-financing than state-administered systems in the interwar period. While some Ghent systems were replaced by state-administered systems in the 1930s and 1940s, others became more heavily subsidized, that is, more reliant of payroll taxes imposed on employers and/or general tax revenues, from the 1940s onward. The existing literature on the Ghent effect might thus be said to

suffer from selection bias, conceiving the effect of a particular kind of Ghent system—"heavily subsidized Ghent"—as the effect of any and all Ghent systems.[5]

## The Partisan Politics of Ghent

Turning to the partisan-political origins of national legislation introducing Ghent-style unemployment insurance, the Swedish story can be summarized as follows.[6] Prior to the 1930s, the Conservatives and Agrarians were the dominant political parties in Sweden. For different reasons, both parties were strongly opposed to unemployment insurance and repeatedly voted down legislative initiatives by Liberal and Social Democratic Members of Parliament (MPs) in this domain. Having prepared legislation to introduce a Ghent system, the Liberal government of 1911 to 1914 fell, over defense policy and royal prerogatives, before the legislation was tabled. A Conservative government instead introduced a system of public relief works in 1918. This system became deeply resented by the labor movement in the course of 1920s, not only because it offered very low pay but also, and above all, because public relief workers were assigned to work at workplaces with ongoing industrial disputes. Not surprisingly, the introduction of unemployment insurance became a key priority of the union movement and the Social Democrats in the 1920s. While unions affiliated with *Landsorganisationen* (LO) increasingly favored mandatory insurance, the Social Democrats adopted a very pragmatic view of the institutional design of unemployment insurance.

The Agrarian Party famously entered into a coalition government with the Social Democrats in 1933, but the coalition agreement left the question of unemployment assistance aside. Drafted by Gustav Möller, the Social Democratic minister of social affairs, the 1934 legislation that introduced Ghent-style unemployment insurance, and simultaneously abolished the commission in charge of relief work, was passed with the support of Liberals rather than Agrarians. Möller made extensive concessions to the Liberals, leaving union-administered insurance schemes seriously underfunded, and many unions responded by not applying for state subsidies. Further legislation in 1941, under a national unity government, increased subsidies and otherwise rendered the Ghent system more attractive to the unions.

Relative to the standard accounts of the Swedish story, Rothstein's (1990) main innovation is to present documentary evidence showing that Möller explicitly argued to union leaders that they should support the 1934 legislation and join the new system because it would serve, over the long run, to boost unionization. The important thing, according to Möller, was to

establish the Ghent principle: less desirable features of the reform would be improved upon as political conditions became more favorable to the labor movement. As noted at the outset, Rothstein's is a decidedly voluntarist-rationalist account in the sense that Rothstein is interested in establishing the potential for long-term strategic behavior by Left parties rather than predicting what Left parties do under normal circumstances. That said, it is difficult to see, within the parameters of Rothstein's discussion, why any political party other than a union-based Left party would promote or support Ghent-style unemployment insurance.

The Norwegian case again provides for an interesting comparison with the Swedish case, generating alternative hypotheses concerning the partisan politics of Ghent adoption.[7] In Norway, it was a coalition government dominated by the Liberals (Venstre) that introduced state subsidies for union-administered unemployment funds in 1906. This legislation was a response to repeated demands by the main trade union confederation, expressed through sympathetic Liberal MPs, but many unions were disappointed with the specific provisions of the 1906 legislation. The unions objected to the fact that unorganized workers could participate in the new scheme and found the level of subsidies inadequate to cover bad risks among the unionized. Therefore, the main union confederation boycotted the new scheme for two years, a boycott that was only half-heartedly abandoned when government augmented subsidies somewhat in 1908.

Like the Swedish Social Democrats, the Norwegian Social Democrats became the dominant government party in the mid-1930s. In contrast to their Swedish counterparts, however, the Norwegian Social Democrats opted to use their newfound power to introduce compulsory state-administered unemployment insurance. Interestingly, the 1932 election program of the Norwegian Labor Party explicitly argued that the coverage of union-administered unemployment funds was too low for the Ghent system to provide adequate solution to the problem of mass unemployment (Det Norske Arbeiderparti, 1932, pp. 23-24).[8]

The Norwegian Ghent story exemplifies a broader phenomenon of liberal social policy initiatives in response to unionization and suffrage extension at the beginning of the 20th century (see Hicks, Misra, & Ng, 1995; Rasmussen, 2016). As emphasized by Luebbert (1991) and Boix (2011), Social-Liberal parties such as the Liberals in the United Kingdom, the Radicals in France, and Venstre in Norway, competed with rising left parties for working-class votes, including the votes of organized workers, at this point in time. The Liberals were at a distinct disadvantage in this competition for they needed to appeal to workers in ways that did not undermine their support among small farmers and urban middle classes, and this meant that redistribution had to

keep to a minimum. Not surprisingly, Social-Liberals targeted skilled workers, with relatively high wages and less exposure to unemployment risk, and were particularly responsive to the demands of craft unions.

With craft unions being more able to sustain voluntary unemployment insurance schemes than industrial unions, subsidization of unemployment funds suited the electoral needs of Social-Liberal parties very well. The Ghent option also tallied well with their ideological disposition. With insurance being voluntary, at least legally speaking, the Ghent option exemplified the self-help and civil-society solutions favored by Liberals at the turn of the century. In addition, Ghent systems required very little state apparatus as most of the administrative work was carried out by the unions.

The nature of the union movement arguably played a key role in determining the attitudes of Liberals toward unions and, by extension, toward union-administered unemployment funds. When and where unions adopted the principle of industrial unionism, seeking to organize all workers by industry and engaging in militant tactics to put pressure on the state as well as employers, Liberals assumed or quickly realized that successfully appealing to organized workers would require more redistribution (greater subsidies) than what their middle-class supporters would countenance. In the Norwegian case, Venstre responded to the LO confederation's embrace of industrial unionism and syndicalism by abandoning its support for the Ghent system and proposing, in the late 1920s, to replace it with a state-administered scheme (Bjørnson & Haavet, 1994, p. 96).

One way to approach the puzzle generated by comparing Sweden and Norway is to ask which of these two cases is more representative. Has it been more common for Liberals or for Social Democrats to introduce Ghent systems of unemployment insurance? This framing of the problem is not altogether satisfactory, however, for we ought to aspire to an explanation that not only accounts for general patterns in the data, but also for cases that do not fit the general pattern. From this point of view, Rothstein's (1992) discussion leaves something to be desired. According to Rothstein (1992), the Norwegian Liberals were mistaken in introducing Ghent and the Norwegian Social Democrats were equally mistaken in shutting it down. But Rothstein provides no clues as to why these strategic mistakes were made.

By contrast, the explanatory framework proposed here provides insights into the Swedish case. From our perspective, the Swedish case is distinguished from other Ghent adopters by the weakness of progressive liberalism in the process of democratization. In marked contrast to the experience of neighboring countries, the Swedish Liberals held government power only once and only briefly, 1911 to 1914, prior to being displaced by the Social Democrats as the main party of the Left. Related to the weakness of

liberalism, the Swedish union movement was from the beginning closely linked to the Social Democratic party and embraced industrial unionism earlier and more quickly than other union movements in Northwestern Europe (Ebbinghaus & Visser, 2000, pp. 608-614). Most decisively, the preceding discussion suggests that rapid unionization in the course of the 1910s and 1920s made the Ghent system a more viable option for the Swedish Social Democrats than for other Left parties in the 1930s, allowing them to design unemployment insurance in a way that would have long-term political consequences while providing unemployment insurance coverage to a majority of workers in the near future.[9]

As indicated at the outset, our quantitative analysis speaks not only to the partisan-political origins of Ghent systems, but also the partisan politics of financing unemployment insurance. Even if Left parties did not initiate the adoption of Ghent systems, they may have played an important role in generating the Ghent effect on unionization by promoting subsidization and more generous unemployment benefits in the postwar era. We can distinguish two versions of this argument. In one version, inspired by power resources theory (Korpi, 2006; Korpi & Palme, 2003), Left parties have promoted subsidization in Ghent and non-Ghent systems alike, but their distinctive preference for subsidized unemployment insurance has only translated into higher unionization in Ghent systems. In the second version, implying the kind of strategic behavior that Rothstein invokes to explain why the Swedish Social Democrats chose the Ghent option in the first place, the unionization effect under Ghent has led Left parties to push harder for subsidization in countries with Ghent systems, at the expense of other spending priorities (or tax reductions).

## Unemployment Insurance Systems: Descriptive Data

As indicated above, our argumentation pertains to two features of unemployment insurance: the administrative role of unions and the extent to which the costs of unemployment insurance are subsidized by employers and the state. In the quantitative analyses that follow, the administrative role of unions is captured by a dummy variable called "Ghent." Table 1 identifies the country-years in our data set for which the Ghent dummy takes the value of 1 based on either a narrow or a broad definition.[10]

Three hierarchical criteria were used to generate the sorting of country-years presented in Table 1: (a) whether or not national legislation provides for unemployment insurance, (b) whether or not unions that are independent

**Table 1.** Institutional Design of Unemployment Insurance in 21 Countries 1900-2010.

| | Type 1: Compulsory state with minor or no union involvement | Type 2: Voluntary insurance with union administration (narrow Ghent definition) | Type 3: Compulsory state insurance with union involvement | Broad Ghent definition (Type 2 + Type 3) |
|---|---|---|---|---|
| | Australia 1944-<br>Austria 1920-<br>Canada 1940-<br>France 1950-<br>Germany 1923-<br>Ireland 1911-<br>Italy 1919-<br>Japan 1947-<br>Netherlands 1952-<br>New Zealand 1938-<br>Norway 1946-<br>Spain 1936-<br>Portugal 1975-<br>Switzerland 1976-<br>United Kingdom 1920-<br>United States 1935- | Belgium 1920-1944<br>Czechoslovakia 1921-1939<br>Denmark 1907-<br>Finland 1917-1960<br>France 1905-1950<br>Netherlands 1916-1945<br>Norway 1906-1938<br>Spain 1919-1936<br>Sweden 1934-1974<br>Switzerland 1924-1951 | Belgium 1945-<br>Finland 1960-<br>Netherlands 1949-1951<br>Norway 1938-1946<br>Sweden 1974-<br>Switzerland 1951-1976<br>United Kingdom 1911-1920 | Belgium 1920-<br>Czechoslovakia 1921-1939<br>Denmark 1907-<br>Finland 1917-<br>France 1905-1950<br>Netherlands 1916-1951<br>Norway 1906-1946<br>Sweden 1934-<br>Switzerland 1924-1976<br>United Kingdom 1911-1920 |
| Mean density (with standard deviations) | 28.72 (17.38) | 38.11 (22.93) | 51.74 (20.69) | 43.55 (23.10) |

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from the state play an important role in the administration of unemployment insurance, and (c) whether unemployment insurance systems in which independent unions play an important administrative role are voluntary or compulsory. Taken together, the latter two criteria yield a threefold typology of institutional designs for unemployment insurance: (1) compulsory insurance administered by state, with little or no involvement by unions; (2) subsidized voluntary insurance administered entirely by unions; and (3) compulsory state insurance with a significant administrative role played by unions.

The distinction between systems with "little or no union involvement" and systems with "significant union involvement" is, of course, somewhat arbitrary. In particular, it should be noted that we code bipartite and tripartite systems, such as the Dutch system established in 1952, as systems with minor union involvement. It is important to keep in mind that the administrative role that the Ghent variable is meant to capture is one that makes it plausible for workers to suppose that whether or not they are union members affects their access to unemployment benefits. Our coding of the Netherlands as "non-Ghent" from 1952 onward is entirely consistent with existing literature as, indeed, is our coding of current unemployment insurance systems in all other countries included in Table 1. Relative to existing literature, our main contribution in this regard is to identify when different institutional designs were introduced and discontinued.

It also deserves to be noted that all but one of the hybrid cases that make up our third type originated in voluntary Ghent systems (the exception being the British system of 1911-1920). In voluntary systems, such as the Norwegian system of 1906, workers had to join union-administered funds to be insured against unemployment and these funds had to apply for state subsidies. In most cases, the law stipulated that the funds had to allow nonunionized workers to join to receive state subsidies but, again, these systems created a strong implicit linkage between unemployment insurance and union membership.

We can loosely distinguish three variants of the hybrid system. Since 1944, the Belgian system is essentially a mandatory, state-financed insurance scheme administered by unions. Norway, between 1938 and 1946, and Sweden, since 1974, exemplify a second variant, characterized by the coexistence of state-subsidized voluntary insurance managed by unions and some form of compulsory state insurance. The third variant, exemplified by the United Kingdom between 1911 and 1920, is a state-administered compulsory insurance system with the option for unions either to apply to administer the state program in specific sectors or to opt out and form their own funds with state subsidies (Crouch, 1999).

The typology presented in Table 1 provides the basis for a narrow and a broad definition of "Ghent." With Ghent being defined by strictly voluntary

**Table 2.** The Percentage of Insurance Outlays Financed by Contributions of the Insured, 1930-1970.

|  | 1930 | 1939 | 1950 | 1970 |
|---|---|---|---|---|
| Ghent systems |  |  |  |  |
| Belgium | 66.6 | 60.0 | 13.0 | 33.0 |
| Denmark | 64.9 | 57.6 | 37.2 | 18.6 |
| Finland | 83.1 | 72.4 | 79.8 | 11.6 |
| France | 70.5 | 66.7 | — | — |
| Netherlands | 48.1 | 43.0 | — | — |
| Norway | 67.7 | n.a. | — | — |
| Sweden | — | 66.0 | 70.0 | 24.0 |
| Switzerland | 24.9 | 48.0 | 72.0 | 92.7 |
| Ghent average without Switzerland | 66.8 | 61.0 | 50.0 | 21.8 |
| State-administered systems |  |  |  |  |
| Australia | — | — | 0.0 | 0.0 |
| Austria | 33.0 | — | 50.0 | 50.0 |
| Canada | — | — | 38.9 | 38.2 |
| France | — | — | 0.0 | 14.1 |
| Germany | 29.6 | n.a. | 24.8 | 46.8 |
| Ireland | 34.5 | 36.7 | 37.9 | 32.0 |
| Italy | 50.0 | 50.0 | 8.2 | 0.0 |
| Netherlands | — | — | 0.0 | 37.1 |
| New Zealand | — | 0.0 | 0.0 | 0.0 |
| Norway | — | — | 39.8 | 33.1 |
| United Kingdom | 18.0 | 10.6 | 40.6 | 40.6 |
| United States | — | 0.0 | 0.0 | 0.0 |
| Non-Ghent average | 33.0 | 19.5 | 20.0 | 24.3 |

*Source.* Social Citizenship Indicator Program, http://www.spin.su.se/datasets/scip. See Korpi and Palme (2007) for further details.

insurance as well as union administration, the narrow definition coincides with the second of the three types of unemployment insurance systems in Table 1. With the administrative role of unions alone as the defining characteristic of Ghent systems, the broad definition encompasses the second and third types. The regression results presented below are based on the broad definition of Ghent, but we obtain very similar results if we instead use the narrow definition.

Table 2, in turn, provides descriptive data on the financing of unemployment insurance over the period 1930 to 1970. To reiterate, we posit that the critical variable here is the extent to which unemployment benefits

are subsidized by mandatory employer contributions and/or by general tax revenues. For our purposes, the important point to take away from Table 2 is that Ghent systems of unemployment insurance were self-financed to a much greater extent than state-administered systems in the 1930s and 1940s. In some Ghent countries and most non-Ghent countries, the burden of financing unemployment insurance shifted toward employers and the state from 1930 to 1950. More strikingly, the Nordic Ghent countries massively reduced the reliance on contributions by the insured from 1950 to 1970. Setting the exceptional Swiss case aside, Ghent systems were, on average, more subsidized than state-administered systems in 1970.[11]

## Empirical Results: The Ghent Effect

Turning to more systematic analyses of empirical data, let us begin by exploring the effects of introducing or dismantling Ghent systems of unemployment insurance on the rate of unionization. The consensus in the literature on the Ghent effect implies that the rate of unionization should increase in years following the introduction of Ghent and that it should decline in years following the replacement of Ghent by state-administered insurance. We test these expectations by estimating difference-in-difference models including leads and lags of the Ghent dummy. Specifically, we estimate ordinary least squares (OLS) models with indicator variables up to 5 years or 10 years before and after changes in the value of the dummy variable. This setup allows us not only to assess the effects of changes in the institutional design of unemployment insurance, but also to explore whether such changes might themselves have been a response to unionization.

According to Table 1, there is only one instance of change in the Ghent dummy since 1970 if "Ghent" is understood broadly, that is, defined so as to encompass the hybrid cases. As we are interested in the effects of changes in this dummy, the results presented in Table 3 are based on estimating our models with data for the period 1870 to 1970. For our measure of unionization, defined conventionally as the percentage of wage- and salary-earners who are union members, we rely on the data set constructed by Rasmussen (2016) from International Labour Organization (ILO) reports and secondary sources. We opt for this data set because it covers more countries and provides longer time series than other multicountry compilations of unionization data.[12]

Table 3 presents the results of estimating several difference-in-difference models. These models address potential autocorrelation and heteroscedasticity by clustering standard errors by country. The first two models follow the new convention of relying on fixed country and year effects to minimize omitted variable bias in estimating difference-in-difference models (e.g.,

**Table 3.** The Effects of Introducing or Removing Ghent Systems (Broad Definition) on Union Density, 1870-1970.

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Ghent$_{Ex.ante\ 10}$ | — | 0.91 | 1.14 | 1.17 |
| | — | (1.27) | (1.68) | (1.64) |
| Ghent$_{Ex.ante\ 5}$ | −0.44 | −0.66 | −0.86 | −0.83 |
| | (−0.50) | (−0.77) | (−1.03) | (−0.83) |
| Ghent$_{Ex.ante\ 4}$ | −0.19 | −0.11 | −0.50 | −0.78 |
| | (−0.21) | (−0.14) | (−0.61) | (−0.91) |
| Ghent$_{Ex.ante\ 3}$ | 1.36 | 1.58 | 2.54** | 3.27*** |
| | (1.53) | (1.90) | (3.26) | (3.92) |
| Ghent$_{Ex.ante\ 2}$ | 0.48 | 0.74 | 0.55 | 0.45 |
| | (0.58) | (0.94) | (0.71) | (0.55) |
| Ghent$_{Ex.ante\ 1}$ | 1.27 | 1.76* | 2.02** | 1.83* |
| | (1.53) | (2.25) | (2.61) | (2.33) |
| Ghent$_{Reform\ year}$ | 3.20*** | 2.33** | 1.69* | 2.01** |
| | (4.34) | (3.24) | (2.50) | (2.75) |
| Ghent$_{Ex\ post\ 1}$ | −2.01** | −1.83* | 0.66 | 0.70 |
| | (−2.79) | (−2.49) | (1.00) | (1.04) |
| Ghent$_{Ex\ post\ 2}$ | −0.33 | −0.18 | 0.0073 | 0.41 |
| | (−0.44) | (−0.24) | (0.01) | (0.59) |
| Ghent$_{Ex\ post\ 3}$ | −0.12 | −0.30 | −0.14 | −0.21 |
| | (−0.17) | (−0.39) | (−0.21) | (−0.29) |
| Ghent$_{Ex\ post\ 4}$ | −0.26 | 0.037 | 0.17 | 0.075 |
| | (−0.38) | (0.05) | (0.29) | (0.12) |
| Ghent$_{Ex\ post\ 5}$ | −0.23 | −0.12 | 0.11 | 0.38 |
| | (−0.32) | (−0.17) | (0.17) | (0.57) |
| Ghent$_{Ex\ post\ 10}$ | — | −2.15** | −1.98** | −2.17** |
| | — | (−2.95) | (−2.93) | (−2.94) |
| GDP (log) | — | — | 1.22 | −1.00 |
| | — | — | (0.62) | (−0.39) |
| Labor force | — | — | −0.00069 | −0.00088 |
| | — | — | (−1.75) | (−1.94) |
| Openness | — | — | 0.55 | 1.70* |
| | — | — | (1.18) | (2.31) |
| Industrial employment | — | — | — | −0.0059 |
| | — | — | — | (−0.61) |
| Gov. exp. and rev | — | — | — | 0.000053** |
| | — | — | — | (2.68) |
| Left executive | — | — | — | 0.13 |
| | — | — | — | (0.33) |

**Table 3. (continued)**

|                 | (1)       | (2)       | (3)       | (4)       |
| --------------- | --------- | --------- | --------- | --------- |
| Year effects    | Yes       | Yes       | Yes       | Yes       |
| Country trends  | Yes       | Yes       | Yes       | Yes       |
| Country effects | Yes       | Yes       | Yes       | Yes       |
| Observations    | 1,055     | 1,013     | 919       | 816       |
| Countries       | 21        | 21        | 20        | 20        |
| Time period     | 1870-1970 | 1870-1970 | 1880-1970 | 1880-1970 |

The $t$ statistics are in parentheses, calculated with panel-corrected standard errors clustered by country. The coefficient for "reform year" represents the correlation between Ghent and union density in the year when a Ghent system was introduced. "Ex ante" refers to the number of years prior to a reform (leads) while "ex post" refers to the number of years after the reform was introduced (lags).
*$p < .05$. **$p < .01$. ***$p < .001$.

Scheve & Stasavage, 2009). Now, there are good reasons to be skeptical of the idea that changes in the independent variable of theoretical interest—in our case, the introduction or removal of Ghent—resemble a randomly assigned treatment and, in particular, the assumption of any two units following parallel trends prior to one unit being exposed to the treatment. As a first cut, we address these issues by including country-specific time trends in Models 1 and 2 (which are distinguished from each other by the length of leads and lags being estimated).

In Models 3 and 4, we add a series of control variables identified by comparative studies of unionization (alongside country-specific trends as well as fixed country and year effects). As we are interested in estimating the effect of introducing or removing Ghent on unionization, the appropriate control variables to be included are variables that might affect the presence of Ghent as well as the rate of unionization and it is not altogether obvious that this holds for all of the six variables that we add. It should also be noted that data availability constrains our choice of control variables. Relative to the existing literature, the whole point of this exercise is to encompass the time period in which Ghent systems were introduced and, in some instances, removed.

Model 3 includes three control variables. First, we control for the size of labor force to take into account Wallerstein's (1989) argument that the benefits that unions and unionized workers derive from organizing a certain number of workers decline with the size of the labor force while the costs are the same. Second, we control for trade openness, measured as exports and imports in percent of GDP, to capture how changes in the integration of labor markets into the world economy might influence the incentives or abilities of workers to organize as well as the incentives for politicians to encourage or

discourage unionization (Cameron, 1978). Finally, we include (logged) GDP per capita as a control variable, to capture the potential effects of economic growth on industrial organization and government policies that might have promoted unionization.[13]

The fourth model introduces three additional control variables. From the literature on the postwar period, we know that public sector is associated with unionization (e.g., Scruggs & Lange, 2002). In the absence of government employment data prior the Second World War, we use government expenditure from Banks (2013) as a proxy for the size of the public sector. Expecting industrial employment to be associated with unionization (following Cameron, 1978), we also control for this variable with data from Banks (2013). Finally, Model 4 controls for the presence of Left government, taking account of the fact that Left government has been more common in countries with Ghent systems and might shape unionization through mechanisms other than the selective incentives associated with Ghent (Western, 1997).[14]

Comparing the results for the first two models, we find that the estimated effects over the 5 years before and after a change in the Ghent dummy are essentially the same whether or not the model includes 10-year leads and lags. In addition, Table 3 shows that the effects of the introduction and removal of Ghent systems identified by estimating these stripped-down models are robust to the inclusion of any and all of the aforementioned control variables. Based on Model 3 in Table 3, Figure 2 graphically illustrates our results.[15] The coefficients for the 3-year lead and the 1-year lead as well as the year in which a reform was adopted are statistically significant. We also obtain a positive coefficient for the 10-year lead. On the contrary, none of the coefficients of the lags for the first 5 years are statistically significant and the coefficient for the 10-year lag is significant with a negative sign. In short, we find some evidence that unionization may have triggered the introduction of Ghent systems and we find no evidence whatsoever that the introduction (removal) of Ghent systems had a positive (negative) long-term effect on unionization. Over the long haul, introducing Ghent may actually have had a negative effect on union density.[16]

As shown in the online appendix (Table A2), we obtain very similar results for the entire period 1870 to 2010 (including the Swiss removal of Ghent in 1976) and when we estimate these models with data restricted to countries that have had a Ghent system at some point in time. We also obtain similar results when we include all the country-years in the Social Policy Around the World (SPAW) data set for which we have observations of union density (adding some 30 countries to the sample). Using the narrow definition of Ghent (i.e., when we restrict the Ghent dummy to country-years with Ghent systems based on strictly voluntary insurance), we find only significant lead effects.
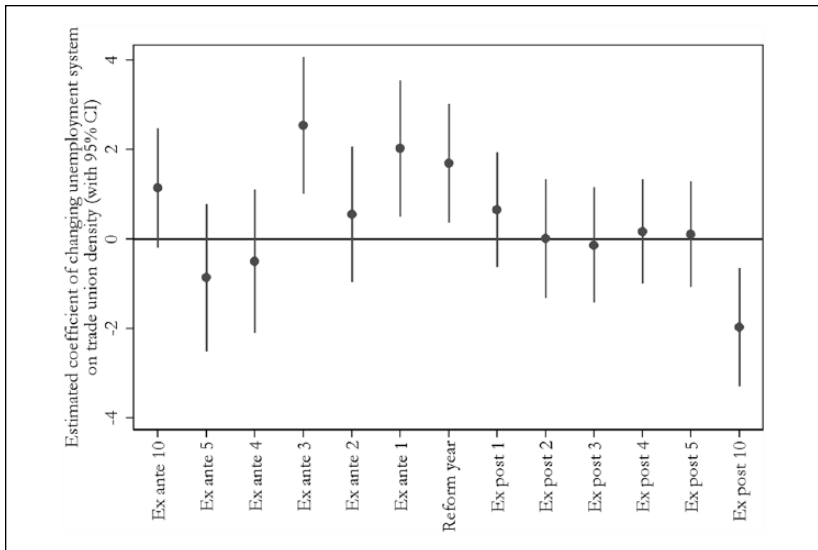
**Figure 2.** Estimated coefficient of introducing or removing Ghent unemployment insurance on trade union density, with 95% CIs.
The graphs are based on Model 3 in Table 2. The coefficient for "reform year" represents the correlation between Ghent and union density in the year when a Ghent system was introduced. "Ex ante" refers to the number of years prior to a reform (leads) while "ex post" refers the number of years after the reform was introduced (lags). CI = confidence interval.

Again, the most obvious reason why we do not observe a Ghent effect is that Ghent systems were not very generous in their infancy. High individual contributions and low benefits rendered the incentives to join union-administered unemployment funds weak and, by extension, the introduction of Ghent systems did not significantly alter the incentives to join unions. As early Ghent systems were unable to pool bad and good risks, they probably underperformed state-administered compulsory systems in protecting workers against unemployment in the interwar period. This might explain the negative 10-year Ghent effect that we observe: Quite plausibly, workers in Ghent countries experienced bigger income losses as a result of unemployment than workers in non-Ghent countries in the interwar period and were therefore more prone to drop out of unions (stop paying membership dues) when they became unemployed. As governments shifted the burden of financing Ghent systems onto employers and taxpayers from the 1940s onward, they arguably mitigated this problem, enabling unions to retain members even in periods of high unemployment.

**Table 4.** Ghent and Subsidization of Unemployment Insurance as Determinants of Union Density, 1930-2005.

|  | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| State subsidies | 11.5* | −11.5* | −21.2*** | −15.1** | −17.2** | −30.5*** |
|  | (2.38) | (−1.98) | (−3.54) | (−2.68) | (−3.08) | (−4.18) |
| Ghent | 17.1*** | −66.8*** | −80.2*** | −54.8*** | −56.8*** | −69.3*** |
|  | (6.66) | (−4.58) | (−6.08) | (−4.30) | (−4.59) | (−4.46) |
| Ghent × State subsidy | — | 52.1*** | 55.9*** | 41.9*** | 42.0*** | 45.5*** |
|  | — | (5.74) | (6.74) | (5.27) | (5.52) | (5.03) |
| Country dummies | No | No | Yes | Yes | Yes | Yes |
| Year dummies | No | No | No | Yes | Yes | Yes |
| Minor controls | No | No | No | No | Yes | Yes |
| Extensive controls | No | No | No | No | No | Yes |
| Observations | 251 | 251 | 251 | 251 | 251 | 168 |
| Countries | 18 | 18 | 18 | 18 | 18 | 17 |
| Time period | 1930-2005 | 1930-2005 | 1930-2005 | 1930-2005 | 1930-2005 | 1930-1980 |

The $t$ statistics are in parentheses. OLS estimates with panel-corrected standard errors. Minor controls equal controls from Model 3, Table 2. Extensive controls equal controls from Model 4, Table 2.
OLS = ordinary least squares.
*$p$ < .05. **$p$ < .01. ***$p$ < .001.

Table 4 reports the results of estimating a series of models in which subsidization of unemployment insurance features as a determinant of unionization over the period 1930 to 2005. The measure of subsidization used here is the inverse of individual contributions as a share of total unemployment insurance receipts (see Table 2).[17] Our hypothesis is that subsidization promotes unionization when unemployment insurance takes the Ghent form and not otherwise. Conversely, we expect Ghent to be positively associated with unionization only at high levels of state subsidization. Again, the results presented here are based on the broad definition of Ghent proposed above, but using the narrow definition we find similar results.

As shown in Table 4, interacting Ghent and state subsidization in a standard OLS model confirms our hypothesis in a very convincing manner. With and without fixed effects and the control variables mentioned above, we find negative direct effects of subsidization as well as having a Ghent system, but the interaction of these two variables is positive, statistically significant, and substantially meaningful. Based on Model 5 in Table 4 (with the same control variables as Model 3 in Table 3), Figure 3 illustrates how the subsidization effect is conditioned by the institutional design of unemployment insurance. In a state-administered system, increases in subsidization are negatively correlated with density, but in a Ghent system we find a strong positive effect of subsidies. Our estimate is that going from zero to full subsidization increases
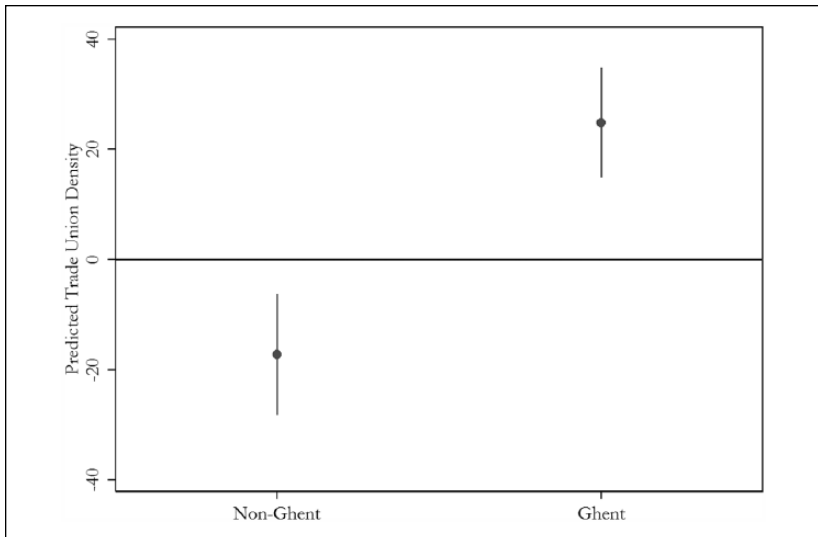
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**Figure 3.** The effect of moving from zero to maximum subsidization conditional on institutional design, with 95% CIs.
The figure is based on Model 5 in Table 3, with control variables set at their mean values.
CI = confidence interval.

density by 25 percentage points when unemployment insurance is organized on Ghent principles.

The strong interaction effect on union density holds up when Ghent and subsidization are lagged by 1 year (see Table A4 in the online appendix). Restricting the sample to countries with Ghent systems, we find that lags for state subsidies have a significant positive effect on union density, whereas leads do not, allaying concerns about reverse causality (Table A5). We also report the results of two "placebo tests" in the online appendix (Tables A6 and A7). One might well suppose that various social provisions favoring workers go together and that union density is positively correlated with *all* forms of subsidization. To test for this possibility, we replace unemployment insurance subsidies with sickness or workplace accident insurance subsidies. Rerunning models presented in Table 3 with either sickness or workplace accident insurance subsidies as the independent variable of interest, we do not find a significant effect of either subsidy in Ghent countries.

Going beyond the existing literature on the Ghent effect, the results presented above show that having a Ghent system of unemployment insurance

does not by itself boost unionization, but having a highly subsidized Ghent system insurance is indeed associated with higher rates of unionization.

## Empirical Results: Partisan Effects

Rothstein's (1992) account of the Swedish case suggests that the probability of observing Ghent adoptions increases when the Left is power. As noted above, Rothstein's account involves foresighted political entrepreneurship and does not imply that Left governments always adopt Ghent. But in Rothstein's theoretical model, Left parties are the only political actors with a long-term rational interest in the adoption of Ghent. By contrast, we argue that the interests of Left parties regarding Ghent were ambiguous and that Social-Liberals had electoral and ideological reasons to promote Ghent before the Second World War. We test these competing theories of the partisan-political origins of Ghent by estimating a series of logistic regression models with Ghent adoption as the dependent variable.

Our measures of government partisanship are based on the ideology of heads of government as coded by Brambor, Lindvall, and Stjernquist (2014). Focusing on the economic dimension of ideology, Brambor et al. code heads of government as Left, Center, Right, or Other. The "centrist" category encompasses "various centrist ideologies, especially social liberalism—a generally market-oriented ideology combined with a social reform agenda" (Brambor et al., 2014, p. 3). With some exceptions, Brambor et al. code Christian Democratic heads of government as "conservative."[18] Including dummies for Left and Centrist or, in our preferred terminology, Social-Liberal heads of government in the same model means that we identify the effects of these party families relative to Conservatives, assumed to be unequivocally negative to the introduction of any form of unemployment insurance.

Before turning to the regression models, it is instructive to consider what the raw data tell us about the institutional design preferences of Left parties. In our data set, there are altogether 34 episodes of government headed by Left parties between 1900 and 1949. In 10 cases, Left parties came to power in the absence of any unemployment insurance system: The Left introduced state-administered unemployment insurance in four of these cases (Austria, the United States, New Zealand, and Australia) and Ghent-style insurance in one case (Sweden). In nine cases, the Left came to power with state-administered insurance in place and, in all these cases, the institutional design remained unchanged. Finally, there are 15 cases in which the Left came to power with Ghent insurance in place: The new government replaced Ghent by state-administered insurance in three of these cases (Spain, Norway, and the

Netherlands). Overall, it would appear that Left parties tend to prefer state-administered unemployment insurance.

Our main regression models include GDP per capita (logged) to control for differences in development and wealth across countries and over time. In addition, and perhaps more importantly, we again include international trade in percent of GDP, conceived as a proxy for the level and structure of labor-market risks. Huberman (2012) argues persuasively that international trade is decisive in shaping the size of the pro-welfare coalition, as the income volatility introduced by international trade renders workers and (large) employers in trade-exposed sectors more supportive of risk redistribution through social insurance (see also Mares, 2003).

Many scholars have argued that proportional representation (PR) promotes the inclusion of labor-market partners in policy decision making and implementation (e.g., Martin & Swank, 2008). In light of this literature, it seems plausible to suppose that countries with PR are more likely to adopt Ghent. Using Schjolset's (2008) classification and data, we control for such an effect by including a dummy that takes the value 1 if a country has a PR system (and zero if it has a "semi-proportional" or "majoritarian-plural" system).

Our argument holds that Ghent served, at a certain point in time, as an instrument for progressive Liberals to mobilize electoral support among skilled workers and to bolster the organizational resources of craft unions. As noted earlier, an important feature of this argument is that the rise of industrial unions rendered the Ghent option less attractive to progressive Liberals. To explore this question, we include a time-variant dummy measure of union structure developed by Rasmussen (2016). This variable takes the value of 1 when the main union confederations in a country aim to organize or have already organized workers along industry instead of craft lines.

Table 5 presents the results that we obtain with our broad definition of Ghent and data for the period 1905 to 1970, with fixed country and year effects and standard errors clustered by country. Our basic model can only be estimated with cases that experienced some change (to or from Ghent) and so the analysis is restricted to eight countries.[19] In the first model, we include only partisanship measures. In Model 2, we control for GDP per capita, trade openness, and PR. In Model 3, we also control for industrial unionism and in Model 4, finally, we interact industrial unionism with the variable that captures the presence of a Social-Liberal head of government.

The results in Table 5 clearly support our argument about Ghent as a social-liberal initiative. In all the models, the effect of having a Left head of government is imprecisely estimated. By contrast, the positive social-liberal effect consistently clears standard thresholds of statistical significance. The

**Table 5.** Determinants of Introducing or Removing Ghent, 1905-1970.

|  | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Social-Liberal executive | 2.56* | 2.37* | 2.56* | 5.85** |
|  | (2.11) | (2.03) | (2.22) | (2.65) |
| Left executive | 1.54 | 1.24 | 1.38 | 1.11 |
|  | (1.55) | (1.60) | (1.76) | (1.09) |
| GDP (log) |  | −1.18 | 0.55 | −0.52 |
|  |  | (−0.18) | (0.09) | (−0.08) |
| Openness |  | −0.17 | −0.076 | −0.64 |
|  |  | (−0.30) | (−0.11) | (−0.69) |
| PR |  | −0.78 | −0.56 | −0.69 |
|  |  | (−0.52) | (−0.38) | (−0.56) |
| Industrial unionism |  |  | −2.18** | −1.30** |
|  |  |  | (−3.10) | (−2.58) |
| Social-Liberal × Industrial unionism |  |  |  | −5.58* |
|  |  |  |  | (−2.17) |
| Time effects | Yes | Yes | Yes | Yes |
| Country effects | Yes | Yes | Yes | Yes |
| Observations | 524 | 407 | 407 | 407 |
| Countries | 8 | 8 | 8 | 8 |

Logistic regression estimates, with $t$ statistics in parentheses. The $t$ values are calculated with standard errors clustered by country. Standardizing all models to have the same number of observations as Model 4 does not change the substantial results presented above (results available upon request). PR = proportional representation.
*$p$ < .05. **$p$ < .01. ***$p$ < .001.

size of predicted effect depends on the model specification, but taking Model 1 at face value, and setting Left government at its mean value, the formation of a Social-Liberal government increases the probability of adopting a Ghent system by 34 percentage points. Based on the second model, with two control variables, Figure 4 plots the differences in probabilities of having a Ghent system for each of the partisanship variables.

As for the control variables, we do not find any effect of GDP per capita, PR, nor any effect of trade openness. We find that industrial unionism reduces the probability of the introduction of a Ghent system of unemployment insurance and, more importantly, that union structure, or perhaps union militancy, conditions the effect of Social-Liberal government on the probability of Ghent adoption.[20] Based on Model 4, Figure 5 shows the effect of Social-Liberal government on the probabilities of Ghent adoption in the absence and
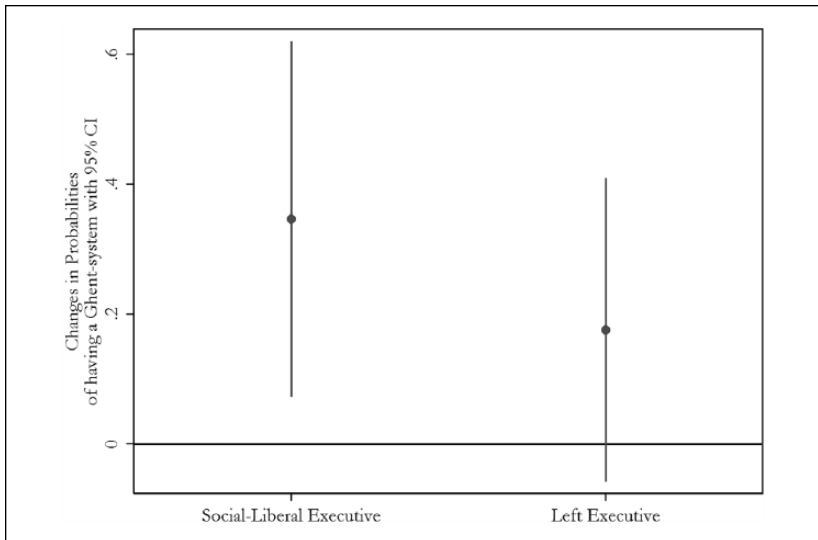
**Figure 4.** Partisan effects on probabilities of Ghent being introduced or removed, with 95% CIs.
The figure is based on Model 2 in Table 4, with control variables set at their mean values.
CI = confidence interval.

presence of industrial unionism. Simply put, we find that the social-liberal effect is only significant in the absence of industrial unionism.

We present the results of a number of robustness results in the online appendix (Tables A8-A10). To begin with, we exclude Norway and Sweden as these countries have above-average influence statistics and were used to generate our theory. We also estimate random effects models with and without fixed-year effects. The estimated effects of partisanship remain substantially the same with any and all of these modifications. We then explore the temporality of partisan effects by lagging the Left and Social-Liberal dummies up to 5 years in separate models. While we do find some indication of an immediate effect of Left government, the lags for Left government are all insignificant. By contrast, Social-Liberal government lagged by 3 to 5 years is positively associated with Ghent adoption.

Finally, we do not find any direct effects of either Left government or Social-Liberal government when we rerun the models in Table 4 with a Ghent dummy based on the narrow Ghent definition (i.e., voluntary insurance administered by unions). However, the positive effect of Social-Liberal government in the absence of industrial unionism remains statistically and
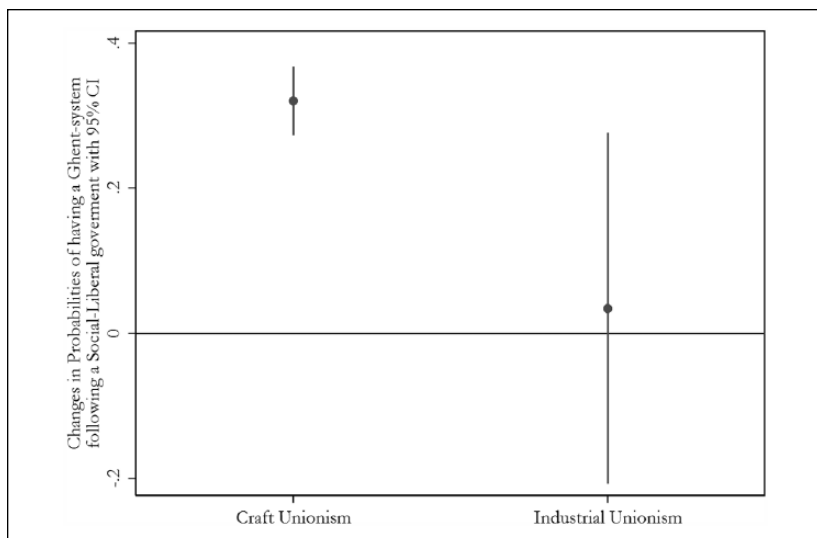
**Figure 5.** The effect of Social-Liberal government on the probability of Ghent being introduced or removed conditional on type of unionism, with 95% CIs.
The figure is based on Model 5 in Table 4, with control variables set at their mean values.
CI = confidence interval.

substantively significant. This suggests that their ideological disposition in favor of voluntarism does not suffice to explain why Liberals played such an important role in the establishment of Ghent systems. Their efforts to mobilize skilled workers in the electoral arena and to strengthen craft unions in their competition with industrial unionism would appear to be a critical part the Ghent story. (As noted above, the Norwegian Liberals changed their mind about Ghent when LO embraced industrial unionism in the 1920s.)

To summarize our analysis up to this point, we have shown that Left government does not explain the adoption of a Ghent design of unemployment insurance and that the Ghent design by itself does not boost union growth. We have also shown that subsidization of Ghent systems is associated with higher rates of unionization over the period 1930 to 2005. The obvious question becomes: Have Left parties promoted union growth by increasing subsidization of Ghent systems since the 1930s? As suggested above, union growth could be an unforeseen by-product of Ghent systems favored by Liberals being combined with welfare-state generosity favored by Social Democrats. However, it is also possible that Social Democrats who came to power in countries with Ghent systems favored subsidization for strategic reasons,

**Table 6.** Ghent and Left Government as Determinants of Subsidization of Unemployment Insurance.

|  | 1930-2005 | | | 1950-2005 | | |
|---|---|---|---|---|---|---|
|  | (1) | (2) | (3) | (4) | (5) | (6) |
| Left executive | −0.02 | −0.02 | −0.03 | −0.05 | −0.04 | −0.04 |
|  | (−0.65) | (−1.01) | (−1.21) | (−1.27) | (−1.78) | (−1.80) |
| Ghent | −0.2*** | −0.2*** | −0.2*** | −0.2*** | −0.1 | −0.1 |
|  | (−5.69) | (−3.33) | (−3.78) | (−3.43) | (−1.88) | (−1.67) |
| Left × Ghent | 0.1* | 0.1 | 0.1 | 0.2* | 0.2* | 0.2* |
|  | (1.98) | (1.55) | (1.51) | (2.32) | (2.37) | (2.31) |
| Country dummies | No | Yes | Yes | No | Yes | Yes |
| Year dummies | No | Yes | Yes | No | Yes | Yes |
| Controls | No | No | Yes | No | No | Yes |
| Observations | 249 | 249 | 249 | 195 | 195 | 195 |
| Countries | 18 | 18 | 18 | 18 | 18 | 18 |

The *t* statistics are in parentheses. OLS estimates with panel-corrected standard errors. The dependent variable is the proportion of insurance fund receipts derived from contributions by the individuals insured reversed so that higher values indicate a greater proportion of state subsidies. Controls are GDP per capita, trade openness, and PR. OLS = ordinary least squares; PR = proportional representation.
*$p < .05$. **$p < .01$. ***$p < .001$.

realizing that subsidization would promote unionization and working-class electoral support for the Left. By the logic of the former argument, we would expect Left government to be associated with higher levels of subsidization regardless of the institutional design of unemployment insurance. By contrast, the argument about strategic behavior implies that the effect of Left government should be noticeably stronger in the presence of Ghent.

In Table 6, we present the results of estimate models of subsidization that interact Left government with the Ghent dummy. We first estimate these models with data for the entire period 1930 to 2005, and then restrict the analysis to the period 1950 to 2005. The justification for this two-step procedure is that we know that the Ghent design was a subject of contestation on the Left in the 1930s and 1940s. By restricting the analysis to the period after 1950, we drop cases in which Left parties were seeking to replace Ghent by state-administered insurance. In other words, the interaction effect in the models with data for 1950 to 2005 should capture the effect of government by Left parties committed to the preservation of Ghent systems.
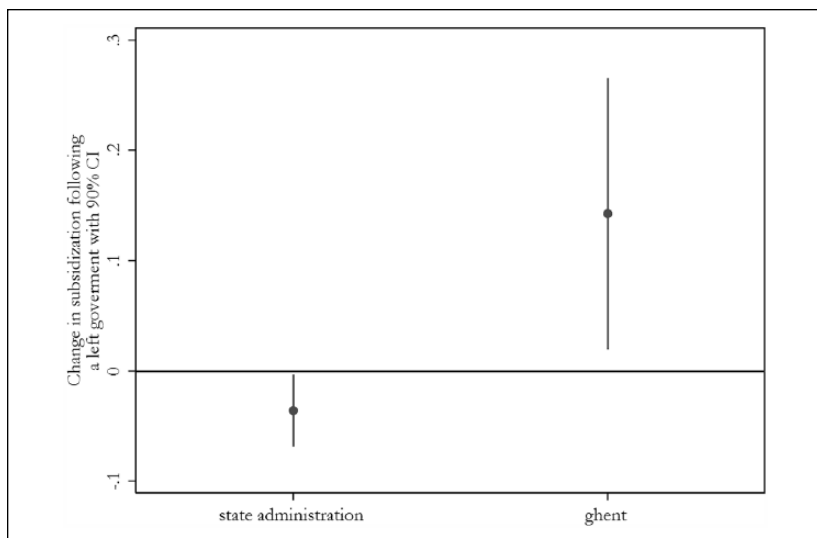
**Figure 6.** The effect of left government on subsidization conditional on institutional design, with 90% CIs.
The figure is based on Model 6 in Table 6. CI = confidence interval.

The results in Table 6 support the strategic behavior hypothesis. For the period 1950 to 2005 as well as the entire period 1930 to 2005, the coefficient for Left government has a negative sign, but this (direct) effect is imprecisely estimated. For the entire period 1930 to 2005, we obtain a positive effect of interacting Left government with the Ghent dummy, suggesting that Left governments were more prone to increase subsidization in Ghent countries. However, the introduction of fixed country and year effects renders the coefficient for the interaction term statistically insignificant by any conventional standards. When we restrict the analysis to the period 1950 to 2000, the coefficient for the interaction term doubles in size and remains significant at the 95% level when we add not only fixed country and year effects, but also GDP per capita, trade openness, and PR as control variables. Based on Model 6 in Table 6, Figure 6 plots the effects of Left government on subsidization conditional on the institutional design of unemployment. Taking the small sample into account, we report 90% rather than 95% confidence intervals in this figure. By this standard, we observe a significant negative effect of Left government under state-administered unemployment insurance and a significant positive effect of Left government under union-administered unemployment insurance.[21] A Left government in a Ghent country is predicted to increase

subsidization by 14 percentage points compared with center and right governments. The contrast between Ghent and non-Ghent countries is quite striking, suggesting that the kind of strategic thinking that Rothstein invokes to explain the embrace of Ghent by the Swedish Social Democrats in the 1930s might have informed decisions about the financing of Ghent systems in Sweden and other countries in the postwar era.

## Conclusion

Much of the quantitative literature on the Ghent effect reads history backwards and, as a result, suffers from selection bias. Relying primarily (often exclusively) on data since 1960, the literature finds that countries with Ghent systems of unemployment insurance have, on average, significantly higher union density than countries with state-administered unemployment insurance and infers that this effect derives from intrinsic features of Ghent systems. Against this background, it becomes reasonable to suppose that Left parties have been protagonists in the introduction of the Ghent design of unemployment insurance.[22]

With the notable exception of Switzerland, the Ghent systems that survived into the 1960s and beyond were heavily subsidized by general taxes or payroll taxes imposed on employers by the state and provided relatively generous benefits to the unemployed. Prior to 1950, however, the extent of subsidization of Ghent systems was invariably quite limited. Subsidies allowed craft unions to provide reasonably effective unemployment insurance to skilled workers, but did little for the unskilled and semiskilled workers who were the main targets of the organizing efforts of industrial unions and the main electoral base of Left parties.

The Ghent design of unemployment insurance suited progressive Liberal parties far better than it suited Labor and Social Democratic parties in the first half of the 20th century. Sweden is the only case in which Social Democrats can be said to have been protagonists in the introduction of a Ghent system. As documented by Rothstein (1990, 1992), at least some Swedish Social Democrats, most notably Möller, argued for the Ghent design on the grounds that it would strengthen the labor movement over the long run. It is important to recognize, however, that the Liberals were an important player, supporting the introduction of Ghent, in the Swedish case as well. As the support of at least one of the "bourgeois" parties was needed to introduce nationwide unemployment insurance, Ghent may have been the only option available to the Swedish Social Democrats in the early 1930s. More importantly, high unionization mitigated the trade-off between short-term electoral considerations and long-term strategic considerations for the Swedish Social

Democrats. The idea that Ghent might serve as a means to provide decent unemployment insurance to a majority of the working class was more plausible in Sweden than in most other countries.

In closing, let us briefly articulate some implications of our analysis for recent theorizing about institutional change in the historical-institutionalist tradition. In her book on the historical evolution of vocational training in Germany, Britain, the United States, and Japan and a series of more theoretical papers, Kathleen Thelen argues convincingly that the historical-institutionalist tradition has relied excessively on "punctuated equilibria" in thinking about, and seeking to explain, institutional change (Mahoney & Thelen, 2010; Streeck & Thelen, 2005; Thelen, 2004, 2009). According to Thelen, large-scale institutional change triggered by crises is a rare phenomenon and we ought to pay more attention to incremental changes in the way in which institutions operate. Thelen aptly summarizes her story of vocational training in Germany as a story of "institutional conversion." In her words (Thelen, 2009), "institutional created for one set up purposes and resting on the shoulders of one set actors" were "carried forward on the shoulders of another coalition altogether" (p. 477).

The evolution of Ghent systems of unemployment insurance in Belgium, Denmark, and Finland might similarly be characterized as cases of "institutional conversion." Again, these systems were created by Liberals in an effort to shore up the position of craft unions and curtail the radicalization of newly enfranchised workers. Through subsidization, they gradually became more union-friendly, benefiting industrial as well as craft unions and, arguably, expanding the electoral base of Left parties. In our view, however, it is important to stress that this conversion did not occur through the internal workings of the Ghent system. Rather, institutional conversion was a result of legislative acts that changed the way in which the Ghent systems in question were financed and the level of benefits that they provided. The story here seems to be neither a story of punctuated equilibria nor a story of endogenous institutional change. In particular, we have found no evidence to suggest that the existence of Ghent systems somehow brought about the political conditions that enabled subsidization from the late 1940s onward. Put differently, it seems misleading to construe the Ghent effect on unionization as an unintended consequence of unemployment systems introduced by Liberals in the first two decades of the 20th century.

Equally important, our quantitative analyses encompass a set of cases in which institutional conversion did not occur. In these cases, we instead observe what Thelen refers to as "institutional replacement," that is, the replacement of Ghent systems by state-administered systems. This kind of institutional change occurred in Britain (1920), Spain (1936), Norway

(1938-1946), the Netherlands (1945-1952), France (1950), and, most recently, Switzerland (1976).

Setting the Swedish aside, Left parties were not protagonists in the introduction of Ghent systems, but they appear to have played a critical role in the subsequent evolution of many Ghent systems. The role of Left parties is difficult to capture through quantitative analysis for it varies across countries. On one hand, some Left parties—the Spanish Socialists, the Norwegian and Dutch Labor parties, and the Swiss Socialist Party—initiated legislation that shut down poorly funded Ghent systems, replacing them with mandatory, state-administered unemployment insurance. On the other hand, other Left parties—the Belgian Socialists as well as the Swedish, Danish, and Finnish Social Democrats—initiated (or at least supported) legislation that increased subsidies to union unemployment funds in the 1950s and 1960s.[23]

How might we explain the divergence between Left parties that opted to abandon Ghent and Left parties that opted to strengthen Ghent (turning it into a political asset)? The historical record suggests that timing matters: Setting Switzerland aside, Left parties have consistently chosen the second option in cases where Ghent systems survived into the 1950s. In so doing, they avoided conflicts with unions with a vested interest in the maintenance of their unemployment funds. More importantly, the preceding discussion and analyses suggest that the Ghent design became more attractive to Left parties, relative to state-administered unemployment insurance, as unionization progressed and unemployment declined in the postwar era. That said, it must also be noted that there is not a single instance of a Left party advocating, let alone implementing, the replacement of state-administered unemployment insurance by a Ghent system. The legacy of social liberalism remains critical for understanding cross-national differences in the institutional design of unemployment insurance.

## Authors' Note

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## Supplemental Material

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## Notes

1. In Belgium, the national government began to subsidize union-administered funds in 1907 to 1908. See Kiehel (1932) for a detailed account of the Belgian case; Alber (1981) and Viebrock (2004, Chapter 4) for comparative discussions of the origins of different unemployment insurance designs.
2. Clasen and Viebrock (2008) provide a detailed and very informative account of how the administration of unemployment insurance incentivizes workers to join unions in Denmark and Sweden.
3. For a sampling of this literature, see Ebbinghaus and Visser (1999), Høgedahl (2014), Schnabel (2013), Scruggs (2002), Van Rie, Marx, and Horemans (2011), and Western (1997).
4. Having nearly closed in the course of the 1940s and 1950s, the gap again opened up from 1960 onward. Arguably, it was not until the 1960s that state subsidies and concerns about unemployment reached levels that were sufficiently high to generate a Ghent effect in Sweden.
5. Space does not allow us to address recent reforms of Ghent systems of unemployment insurance in this article. Suffice it to note that the radical reduction in state subsidies enacted by Sweden's new "bourgeois" government in 2006 appears to have had a big impact, accelerating the decline of union density (see Høgedahl & Kongshøj, 2017; Kjellberg, 2011). Recent Swedish experience is consistent with our argument that the Ghent effect is susceptible to political manipulation.
6. The following summary draws primarily on Edebalk's (1975) detailed account of political struggles surrounding unemployment insurance in Sweden between 1892 and 1934. In English, see Heclo (1974, Chapter 3) as well as Rothstein (1990, 1992).
7. Here we draw primarily from the government's evaluation of the scheme (Statistics Norway, 1915) and debates at the *Landsorganisationen* (LO) congress of 1938 (Arbeidernes Faglige Landsorganisasjon, 1938; Bjørnson & Haavet, 1994).

8. As shown in Figure 1, Norwegian union density barely exceeded 15% in the early 1930s. In addition, low levels of state subsidies restricted union-administered unemployment funds to low risk sectors and very large unions, such as the Metal Workers Union. According to Bjørnson and Haavet (1994, p. 950), only 5.5% of 316,000 LO members were insured against unemployment in 1937.

9. According to Rothstein (1990),

   > when the insurance scheme was established in the mid-1930s, Sweden had a fairly but not uniquely high union density. It is thus not a uniquely strong working class that creates a Ghent system. Instead, the causal link goes the other way round. A medium-strong working class establishes such a system to enhance its future strength. (p. 335)

   According to our data (Rasmussen, 2016), Swedish unions organized roughly 40% of the workforce by the early 1930s, twice the average for industrialized countries. Only two countries—Czechoslovakia and fascist Italy—had higher unionization rates in the early 1930s.

10. Our coding of unemployment insurance systems is based on the Social Policy Around the World (SPAW) database, created by Rasmussen (see Rasmussen, 2016 for details). The SPAW database contains information for a total of 55 countries over the period 1870 to 2010, but the time series are considerable shorter for some countries. The 21 countries included in Table 1 are the 21 countries in the SPAW database that are currently Organisation for Economic Co-operation and Development (OECD) member states. This subset includes all SPAW country-years with a Ghent system of unemployment insurance. Note that Spain drops out of our data set for lack of reliable data on union density and that Czechoslovakia drops out of our data set when it ceases to be an independent country in 1939. Note also that our analyses include separate country dummies for imperial Germany, West Germany, and reunified Germany.

11. Though our coding of legislative texts identifies Switzerland as a hybrid case, including a compulsory insurance element, the Swiss system functioned as a strictly voluntary system in the postwar era (see Tabin & Togni, 2013). According to the Social Citizenship Indicator Program, only 2% of Swiss employees were insured against unemployed in 1970. Not surprisingly, the Swiss Socialist Party spearheaded the introduction of state-administered unemployment insurance in 1976.

12. For overlapping years, the correlation between Rasmussen's (2016) data and those of Scheve and Stasavage (2009) is .98. For the post-1960 period, Rasmussen (2016) relies on Visser's (2011) data for all countries except the United Kingdom.

13. Our measure of the size of the labor force is based on census data reported in Flora, Alber, and others (1983) and national statistical yearbooks, with missing observations between data points being interpolated. Our trade data are from Barbieri, Keshk, and Pollins (2008) and our GDP data are from Bolt and van Zanden (2014).

14. Our measure of government partisanship is a dummy variable that takes the value 1 when the head of the government executive is from a Labor, Social Democratic, or Socialist party (more on this below). Table A1 in the online appendix provides descriptive statistics for the main empirical models reported in this article.
15. We base this illustration on Model 3 because we believe that the control variables included in this model are more readily justified from a theoretical point of view. While Figure 2 construes our results as the effects of introducing Ghent unemployment insurance, it is important to keep in mind that our analysis pertains to the effects of abandoning Ghent in favor of state-administered unemployment insurance as well. A graph showing the effects of abandoning Ghent would be the mirror image of Figure 2.
16. Viebrock's qualitative-comparative analysis yields similar results regarding the historical association between Ghent and union density (Viebrock, 2004, Chapter 5).
17. Using short-term replacement rates from the Social Citizenship Indicator Program (SCIP) database as a measure of unemployment generosity produces results that are very similar to the ones reported below (see online appendix, Table A3).
18. As exceptions to this rule, the codebook mentions the German Zentrum party and smaller Christian Democratic parties in countries with large conservative parties.
19. The countries included are United Kingdom, the Netherlands, Belgium, France, Switzerland, Sweden, Norway, and Denmark. Finland drops out of this analysis as Ghent was introduced in 1917 and never removed. As we only have measures of government partisanship for Finland from 1917 onward, Finland ends up being perfectly predicted by the country dummy.
20. We do not find any significant effects of interacting Left government with either union density or union structure.
21. Replicating our analysis with interpolated annual measures of subsidization renders both effects significant at the 95% level. See Table A12 and Figure A1 in the online appendix.
22. Korpi (2006) usefully distinguishes between "protagonists," "antagonists," and "consenters" in the expansion of the welfare state.
23. The French case is difficult to summarize in this fashion on account of divisions within the labor movement and the Left. On transitions from Ghent to state-administered unemployment insurance, see also Viebrock (2004, Chapter 5).

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## Author Biographies

**Magnus Bergli Rasmussen** is senior researcher at the Institute for Social Research, Oslo. He is currently involved in research projects on the historical origins of distributive norms, and the effect of electoral rules on industrial conflict and collective bargaining using new historical Norwegian geo-coded data.

**Jonas Pontusson** is professor of comparative politics at the University of Geneva. His current research projects fall into two domains: (a) growth models and the politics of macroeconomic management in Western Europe; and (b) the impact of rising inequality on the policy preferences of different citizens and their political influence in liberal democracies.