3 Coalitions, policies, and distribution: Esping-Andersen's *Three Worlds of Welfare Capitalism*

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The publication of Gøsta Esping-Andersen's foundational work *Three Worlds of Welfare Capitalism* in 1990 marked a decisive moment in the study of cross-national social policy, creating a research legacy enduring over time, across disciplines, and across methodological approaches.[1] What explains this profound influence? This chapter argues that *Three Worlds* was so deeply successful in generating a productive research agenda precisely because of the way that Esping-Andersen grounds his understanding of the welfare state in comparative-historical analysis.

The core argument in *Three Worlds* is that advanced capitalist democracies vary not only in how much they spend on social welfare but also in how they spend on it. Understanding welfare capitalism requires examining how packages of institutions, both in the state and the market, interact to produce particular types of distributive outcomes. It is crucial to emphasize that this insight, which is now widely internalized in the contemporary political economy debate, was extremely novel at the time, challenging previous work presenting welfare development in more or less linear terms. Both the core typology of *Three Worlds* and Esping-Andersen's broader analytic shift in emphasis toward understanding welfare institutions as the product of particular historical struggles opened the space for a vastly productive research agenda.

First, Esping-Andersen's aim is to understand one of the central large-scale shifts in twentieth-century politics: the rise and operation of welfare institutions. To do so, he argues that we cannot hive off a single institution (e.g., gross social spending, labor market policy) from other institutions. Nor can we understand the way institutions operate in an abstract or temporally

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[1] As of the time of writing, the Google scholar citation count for *Three Worlds* was 21,784.

independent way. Rather, *Three Worlds* argues that the structure of the labor market and the state work in tandem, in configurations, to shape broader power relationships and outcomes.

Second, Esping-Andersen, like many both before and after him, conceptualizes the politics of the welfare state as a product of the tension between the inequality produced by capitalism and the equality of parliamentary democracy. Yet, the resolution of this tension is neither uniform nor linear but a product of particular political struggles. To understand how democratic processes modify markets, he argues, we need to look at how coalitions of actors come together at particular historical moments to construct social policy – not just generic structural determinants. In advancing this claim, Esping-Andersen drew on multiple methods. Indeed, his evidence for variation among welfare states rests as much on a quantitative analysis of policy structures as a direct use of the tools of comparative-historical analysis. This chapter argues, however, that his deep engagement with specific aims of European social democratic movements in key cases provided the conceptual core for his categorization of regimes and understanding of welfare institutions as well as the mechanisms that produced them (see Esping-Andersen 1985; Esping-Andersen and Korpi 1984).

Third, Esping-Andersen argues that, once established, the institutions of the state and market have a crucial structuring power for future political and distributive outcomes. Attention not only to how the politics of welfare states develop in a particular time and place but also to how they then shape politics in systematic ways as they develop over time is crucial to understanding the state itself.

Collectively, these arguments offered a conceptualization of advanced democratic capitalism that moved away from linear and functionalist interpretations of the state, emphasizing instead the structuring power of historically shaped configurations of institutions. This shift rested on both Esping-Andersen's engagement with comparative-historical cases and, fundamentally, his understanding of welfare institutions, and the political dynamics behind their development, as macroconfigurations emerging at particular historical moments with a temporal structure. In so doing, *Three Worlds* offered even its critics new tools for understanding the welfare state.

A first line of research directly engaged the specific claims in *Three Worlds*, interrogating in particular Esping-Andersen's categorization of regimes and their origins. Even as much of this work challenged the precise way that Esping-Andersen defined institutional (and market) variation, it largely reaffirmed the idea that institutions cluster in particular ways with distinct effects.

A second line of research turned to investigating the structuring power of these clusters for contemporary welfare politics. Here, work drawing on *Three Worlds* shows that varying welfare regimes fundamentally shaped both the way advanced welfare states experienced structural economic and demographic shifts and the power of varying political constellations – and the state itself – in addressing these new issues.

A third line of scholarship more fundamentally challenged the underlying claims of *Three Worlds*, moving toward more deductive and less historical arguments about welfare state origins or deemphasizing the role of macroregimes as structuring politics more generally. However, I show that even these critical perspectives often return to aspects of Esping-Andersen's insights when looking to explain distributive politics.

What does this deep legacy tell us? This chapter argues that, although much work casts doubt on components of Esping-Andersen's arguments, attempts to move to either linear or purely deductive understandings of the welfare state, while generating key insights, have rarely eclipsed his core claims: broad macroconfigurations of institutions shape markets and politics in key ways, and these institutions are the product of particular historical moments and distributive struggles. These claims provided a framework for dialogue among researchers from quantitative and qualitative traditions that has been enormously productive in developing knowledge about the welfare state. Both the ongoing relevance of Esping-Andersen's work and his approach to the state suggest that methodological engagement with country cases, attention to the development of institutions over time, and broad comparisons of clusters of institutions remain crucial tools for understanding contemporary political economies.

The following sections examine these arguments in turn, reviewing debates in the field leading up to the publication of *Three Worlds*, the core analytical shifts it made, and responses engaging with the regime typology, the structuring power of institution, and its ontological core. In each case, I show that aspects of Esping-Andersen's work remained deeply influential, an influence drawn from both the power of his original conceptualization of the state and his broader understanding of the political process.

Understanding the welfare state

One of the core questions bedeviling scholars of the welfare state from the nineteenth century to today is how to understand the welfare state as at the intersection of democracy and capitalism (Iversen 2010). Scholars coming

from very different analytical traditions asked both how the inequality produced by capitalism could survive the political equality of democracy and how capitalism could survive the demands of democracy. The welfare state was initially an answer to this conundrum, but one that raised new questions.

T. H. Marshall (1964), in his influential theorization of the social rights of citizenship, presents the development of "social rights" as a necessary step following from the earlier expansion of economic and political rights. Modern welfare states are part of the linear, even teleological, logic of development in capitalist democracies, unfolding automatically in response to the earlier expansion of market and democratic rights. So-called logic of industrialism theorists developed this line of thinking. This work argued that capitalist development simultaneously unmoored workers from traditional economic networks and created economic surpluses that allowed states to develop bureaucratic capacity.[2] The development of advanced capitalism, then, created both functional pressures for the welfare state and the resources to expand it, promoting converging developments.

Marxist scholarship, although coming from a highly distinct analytic perspective, also saw the welfare state as an undifferentiated product of capitalism, working to mute class conflict in relatively constant ways. For Claus Offe (1982, 7), the welfare state was the "major peace formula" in advanced capitalist systems. Here, the state served to limit economic or political insurrection rather than transform the capitalist system. While conceptualizing the welfare state as particularly important in the postwar period, this work, too, saw it largely in terms of its functional role in sustaining the market economy.

Whereas both Marxist and modernization approaches occasionally used cross-time quantitative or historical methods, this analysis largely served to provide illustrative examples of the unfolding logic of capitalism rather than to interrogate its comparative-historical development. However, Jill Quadagno (1987), writing about the state of the art in welfare state research in the 1980s, argues that the economic crises across industrial economies in the 1970s constituted a turning point not only in the politics of many advanced welfare states but also in their academic problematization. As states looked to trim entitlements in the face of slowing growth, scholars, too, could no longer take for granted the steady march toward welfare state expansion, raising new questions about its origins and character.

[2] This description is stylized; these approaches often admitted more scope for varying historical processes (e.g., Wilensky 1974).

Against this background, two lines of scholarship problematizing linear, structural accounts of welfare development emerged. A first line of work, coming from the "power resources" school, drew on Marxist understandings of conflictual market relations as a defining feature of capitalist systems. However, for these scholars, welfare states did not just arise from the ether of capitalist development; rather, they were the product of "politics against markets" (Esping-Andersen 1985) emerging from political struggles in which the left actors won (Korpi 1983; Stephens 1979). Another line of theorizing, developing particularly in the US context, argued that political institutions and early policy development were crucial to structuring the translation of electoral demands into policies. For instance, Orloff and Skocpol (1984) look at the ways in which the timing of democratization shaped the capacity of the UK and US federal governments, opening, or foreclosing, different political coalitions.

This work suggested that linear or functionalist interpretations of the welfare state missed the conflictual, and at times contextually shaped, nature of its development. In so doing, both power-resource and institutionalist work invoked historical analysis differently from how previous approaches, or historians themselves – who had largely neglected the study of the welfare state – did (Baldwin 1992). This work, however, also raised new questions. If, as power-resource theorists claimed, social policy was fundamentally a product of the political strength of left actors, why did large welfare states also emerge from the actions of the Right (e.g., in Bismarckian Germany)? If politics was institutional, what explained the origins of these institutions? The political struggles within them? These questions called for an explicit theorization of how welfare institutions operated within the broader political economy and democratic process.

Three Worlds of Welfare Capitalism

Three Worlds emerged against this background. The core argument of the book is that welfare states vary not only in how much they spend but in how they spend and that the nature of cross-class coalitions between unions and left parties, and other social groups, explains this variation. The result is three distinct "worlds" of welfare capitalism, which offer different social rights to workers and shape the nature of labor market and social stratification more generally.

To begin, Esping-Andersen conceptualizes welfare variation in simultaneously theoretical and historical terms. He argues that welfare policy and politics are fundamentally multidimensional; although social spending is important, we cannot understand either the nature or origins of welfare states by looking simply at spending levels. To distinguish this dimensionality, Esping-Andersen develops the concepts of decommodification and stratification. The intellectual roots of decommodification are theoretical, lying in both Marx and Polanyi (1944), who look at the ways that market economies, in commodifying labor, force workers into relationships of dependence that curtail their power. However, it is the historical struggles for social rights that "diminish citizens' status as 'commodities'" (3), thus decommodifying them, that lie at the heart of the development of contemporary welfare states and labor markets. Decommodification "occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (22) and thus uphold "their living standards independent of pure market forces" (3). Welfare states and markets are coconstitutive, state-provided social rights change power relationships in labor markets, and power relationships in labor markets, in turn, shape how states can act.

This claim not only is deeply normative – welfare states are potential tools for the emancipation of workers – but also provides a political and sociological foundation for Esping-Andersen's famous distinction among welfare regimes. The Liberal world, which includes the Anglo-Saxon countries, provides meager benefits, producing little decommodification and encouraging citizens' reliance on the market. By contrast, the Social Democratic countries of Scandinavia produce ample decommodification, providing generous benefits extending across classes and crowding out market provision and empowering workers in the broader labor market. The Conservative welfare states of Continental Europe (and Japan), despite high spending, look to preserve the status of privileged groups and thus are less decommodifying. This typology distills many varying institutional features of the welfare state (e.g., unemployment, pension, sickness benefits) into clusters that have a conceptual core based on how they offer social rights to citizens.

These differences in the structure of the state shape not only the distribution of resources in society but also, crucially, the distribution of power. For Esping-Andersen, stratification across classes is neither an inevitable by-product of markets – whether viewed positively or negatively – nor an individual failing but is constructed over time through the political process and its institutionalization in welfare regimes. The Liberal world entrenches market-based stratification along income or class lines. The Conservative

world stratifies along traditional status lines, maintaining differences among groups. Finally, Social Democratic welfare states bridge social divisions, promoting a more equal distribution of power and resources in society. Once established, the logic of stratification becomes embedded in the state and market, perpetuating itself over time. The early battles establishing welfare regimes in Continental Europe had lasting effects, as did those fought through the 1930s to the 1950s in Social Democracies, not only for the particular institutions established but also for the power of unions and employers, among other groups, in the political process. Welfare institutions, then, bridge the past to the present, providing (or foreclosing) crucial political resources for actors.

Collectively, these claims profoundly challenged earlier work on welfare state development, offering both a nonlinear conceptualization of the state and market and, more broadly, a nonfunctionalist and historical understanding of political and economic institutions. Both of these moves were possible – and indeed so influential – because of the way Esping-Andersen draws on comparative-historical analysis. In their introductory chapter, Thelen and Mahoney (this volume) argue that the defining features of comparative-historical analysis involve investigations of macroscopic and configural phenomena that draw on contextualized case research of unfolding political or social processes. *Three Worlds* is, in many ways, emblematic of this approach. Esping-Andersen's subject is the development of advanced welfare states, one of the defining political creations of democratic countries in the twentieth century. In examining variation among welfare states, he develops a theoretical edifice that rests on an understanding of welfare regimes as historically shaped products of distributive struggles among representatives of labor, their allies, and other economic elites, which, in turn, have their own temporal structure on future political dynamics.

First, although Esping-Andersen was not the first scholar to suggest variation in welfare states;[3] his typology of the "three worlds" eclipsed more undifferentiated accounts of the state and remains (as I argue below) a remarkably productive framework for analyzing welfare institutions. In developing this typology, he made a key analytic shift from earlier work: explicitly theorizing how social spending could achieve different distributive goals based on its structure. In *Three Worlds,* Esping-Andersen's discussion of policy variation mixes historical analysis of cases with a large amount of cross-national

[3] His typology draws on earlier work by Richard Titmuss (1974), who made similar distinctions.

quantitative data linking entitlement structures to distributive outcomes.[4] Indeed, *Three Worlds* draws less explicitly on comparative-historical methods than other contemporaneous work (e.g., Baldwin 1990), and Scruggs and Allan (2008) argue that part of the enduring success of the *Three Worlds* typology lies in how "evidence of regimes was (apparently) confirmed with social data" (642). Yet, these data, and Esping-Andersen's broader break with linear and undifferentiated perspectives on the welfare state through the concepts of decommodification and stratification, were possible precisely because his research puzzle and approach drew on a long-standing engagement with the actual demands of labor and social democratic movements.

Esping-Andersen's earlier work, both in conjunction with Walter Korpi (Esping-Andersen and Korpi 1984) and in his 1985 book *Politics Against Markets*, problematizes the historical trajectory of Northern and Continental European social democratic movements. This examination of the actual political battles at the heart of these nascent welfare institutions provides the grounding for decommodification as a defining concept of variation. He famously states in *Three Worlds* (1990): "it is difficult to imagine that anyone struggled for spending per se" (21). The political actors who created welfare regimes did not think about social and labor market policy in atomized or unrelated terms. Instead, they struggled broadly to redefine – or maintain – particular social and economic power structures. Engaging with the historic goals of labor movements, and their conservative counterparts, for altered power relations – that is, for decommodification and the subsequent stratification among groups – allowed Esping-Andersen to both draw connections among configurations of policy and identify the broad distributive differences across regimes. His break with undifferentiated views of social spending, then, was grounded in a theorization of variation based on the historic experiences of European political movements. This conceptual base allowed him to develop a typology that resonated deeply with the actual practices of welfare states.

Second, *Three Worlds* fundamentally broke with the underpinning assumptions of more functional readings of the development of welfare institutions. If welfare regimes rest on qualitative differences – not just more or less spending – then explaining their development requires a nonlinear theorization of variation. To explain this nonlinearity, Esping-Andersen points to the logic of political coalitions. He rejects the idea that welfare states are an

[4] Esping-Andersen draws on data collected as part of the Social Citizenship Indicators Project that quantified aspects of program entitlement, generosity, and conditionality.

automatic by-product of either capitalist needs or economically determined democratic demands, breaking with Marxist and "logic of industrialism" theses. However, welfare states are also not an undifferentiated product of strong labor movements. Rather, he argues, the welfare state follows from the ways in which labor and social democratic movements join (or fail to join) with other social actors. Put differently, it rests on the historic alignment of societal groups.

This claim constituted Esping-Andersen's second key analytic shift from earlier work. The inequality produced by capitalism and the political equality of citizens in a democracy do not create a single set of pressures or resulting outcomes. Instead, to understand the resolution of these generic tensions, Esping-Andersen argues that we need to examine the power of organized groups (most importantly, labor) and the actual historic coalitions they strike. He states, "Whether, and under what conditions, the class divisions and social inequalities produced by capitalism can be undone by parliamentary democracy" (11) is the central question in the study of the welfare state. Social cleavage structures do not automatically produce a given politics (neither do the demands of electoral democracy necessarily foreclose certain possibilities); rather, decommodification emerges from particular class struggles. He writes that there is "no compelling reason to believe that workers will automatically and naturally forge a socialist class identity; nor is it plausible that their mobilization will look especially Swedish" (29). Instead, extensive decommodification occurs in Scandinavia because representatives of the working class formed coalitions first with the agricultural classes and later with the middle classes. Understanding the origins of welfare regimes, then, requires attention to the historic processes of coalition formation: "the comparative and historical method that today underpins almost all good political economy is one that reveals variation and permeability" (12). Engagement with cases provides a way of understanding the mechanisms of welfare state formation, precisely because these processes always emerge in particular contexts.

Finally, Esping-Andersen's third analytic shift, which follows from the previous two, lies in his understanding of institutions themselves. For Esping-Andersen, institutions are political creations that fundamentally shape the distribution of power in society. They do not primarily serve to enhance market efficiency (or inhibit it), and one cannot understand their effects in the abstract, drawing on the particular functional roles they play. Rather, to understand the contemporary state (and market) we need to understand the way early political battles shaped its structure and authority in particular ways that last over time. These claims developed the insights of the

institutionalist research agenda, presenting institutions as both a product of particular political coalitions and a structural force in reproducing particular patterns of political life over time.

Three Worlds, then, offers both a methodological and ontological shift from previous research. Not only did it provide a framework for thinking about welfare regime variation that was grounded in real political battles but it also argued that understanding welfare states requires both engaging in case-based comparisons – to map broad macrolevel configurations of relationships between states and markets – and historical analysis – to trace the battles that produce them. In arguing that the logic of capitalism and democracy do not automatically produce a single logic of redistribution or social welfare but instead that coalitions of actors construct state and market institutions to redistribute power, Esping-Andersen opened up an array of new avenues for comparative political research on the origins of the state, the effects of the state of social stratification, and the structuring power of institutions themselves.

Reconceptualizing the origins and character of the welfare state?

In drawing on, and distilling, actual historical demands to define regime variation, Esping-Andersen broke with teleological or functional understandings of democratic capitalism. A first wave of responses to *Three Worlds* directly engaged with Esping-Andersen's understanding of variation and its political origins. Some of Esping-Andersen's claims weathered this critical examination better than others. Ultimately, however, I argue that his basic categorization of welfare regimes has remained quite durable (and, as the next section shows, analytically useful) and that his understanding of institutions as variable, historically shaped forces proved extremely fruitful, with even his critics building on his intellectual break with more linear perspectives on the state.

The most influential strand of *Three Worlds* lies in Esping-Andersen's theorization of the nature and origins of regime variation. Much of the initial scholarship responding to *Three Worlds* directed itself against the concept of decommodification as a conceptual foundation for regime variation. As argued above, decommodification plays a key normative role in Esping-Andersen's work – providing, to some extent, a vindication of social democracy as a political force within capitalism. Yet the concept as he defines and measures it does not always crisply distinguish the institutional configuration in the welfare regimes. Moreover, as Esping-Andersen acknowledges, the

most decommodifying welfare regimes, those in Scandinavia, depend on the near full participation of citizens in the labor force to sustain high benefit levels (see Huo, Nelson, and Stephens 2008 on this point).

Early critics jumped on these conceptual concerns, moving to redefine state variation along alternative lines. This work accepted Esping-Andersen's basic break with linear perspectives on the state but emphasized different originative goals – and thus effects – of welfare institutions. For instance, Francis Castles and Deborah Mitchell (1991), writing hot on the heels of *Three Worlds*, suggest the focus on decommodification as a rights-conferring process, rather than on actual redistributive outcomes, is misleading. They move to reconceptualize the state in terms of its redistributive potential. This move breaks Australia and New Zealand out from the other "liberal" welfare states but otherwise confirms the original clusters, but on new grounds. Other work focused on entitlement rules or fiscal redistribution rather than on broad state-market power relations, suggesting yet other ways of understanding the dimensionality of welfare regimes and their historical origins (for a careful review, see Arts and Gelissen 2002). These taxonomical questions spilled into research on particular policy domains, with scholars of health and other services both highlighting within-regime heterogeneity in service provision and questioning the conceptual applicability of the logic of decommodification to services (e.g., Alber 1995; Jensen 2008). Collectively, this work largely confirmed the basic premise of welfare state variation and – despite some recategorization of particular cases – broad qualitative distinctions among Scandinavian, Continental European, and Anglo welfare states. What it challenged, however, was the grounding of these distinctions in analyses of power structures, moving instead toward distinctions drawn primarily on the basis of institutional design.

Feminist scholarship, by contrast, focused directly on analyses of power structures as a way to critique the concept of decommodification. Scholars of gender had long pointed to the critical role that social policies play in structuring gender relations and roles (e.g., Gordon 1990). This work initially seized on these insights to offer a critical perspective on *Three Worlds*. Influentially, Ann Orloff (1993) argues that Esping-Andersen's master concept of decommodification is blind to the historic lack of commodification among women. As such, in theorizing welfare regimes through the lens of decommodification, he fails to elucidate the ways in which policy can affect women by shaping their access to employment and thus their relative independence from men. This critique was a profound one because it challenged the placement of welfare regimes at the intersection of capitalism and

democracy, bringing in analyses of power inequalities that are not primarily rooted in market relationships but within families and among families, the market, and the state.

Despite Orloff's critical stance toward Esping-Andersen's work, she builds on aspects of his intellectual project. Orloff (1993) argues that the potential of policy "through the political struggles of citizens and others, to counter domination" (305) is at the heart of the feminist research project. In this regard, Esping-Andersen's analytic perspective, as problematic as it is, provides a bridge linking feminist scholarship to differential regime trajectories and thus the emancipatory potential of politics itself. Indeed, even if decommodification as a concept is gender-blind, the clustering of the *Three Worlds* maps onto quite different gendered outcomes, a finding that prompted an explosion of work linking welfare regimes to women's role in the labor force (Gornick and Meyers 2003), the well-being of lone parents (Lewis 1997), and the power of women more generally (Esping-Andersen 1999; Korpi 2000). This feminist critique, then, confirmed the value of Esping-Andersen's original regime categorization while pushing forward his insights about how configurations of institutions structure power to new nonmarket domains.

In moving away from a focus on decommodification as the defining feature of welfare states and pointing to a broader range of distributive outcomes embedded in welfare institutions, this critical response to Esping-Andersen also ushered in a less labor-focused set of explanations for regime variation. Once again, this work takes Esping-Andersen's break with linear and functionalist understanding of political institutions as a starting point but theorizes a broader range of actors and coalitions at the heart of social policy development.

For instance, a number of scholars have argued that the "religious roots" of welfare states are as important as the class origins of states. Kees van Kersbergen (1995) shows the distinctive ways in which Christian social thinking responded to the tensions created by capitalist development, emphasizing the role of subsidiary organizations (e.g., the family and Church). Philip Manow (2004) develops this analysis, examining the influence of Lutheran and Calvinist Protestant religious actors in distinguishing the trajectories of difficult-to-classify welfare states such as the Netherlands. Other work problematized the relationship between electoral democracy and capitalism more generally (e.g., Lynch 2006). Ferrera (1996), for example, argues that Esping-Andersen's exclusion of the Southern European countries from *Three Worlds* does not just constitute an empirical blind spot but misses how clientelistic party competition (not the power resources of the Left) in these

institutionally weak states led to a combination of universal services with highly dualistic income maintenance benefits. Both of these approaches show how the historic interests of nonmarket actors also shaped the distributive functions of the state.

This debate had several important consequences. First, while Esping-Andersen's critics challenged large parts of his conceptual apparatus, his break with linear perspectives and undifferentiated perspectives on the welfare state was nonetheless at the core of their work. If welfare states were not just about "more or less spending" but also about qualitative variation in the structure of spending and entitlement, then the question of what constitutes the core of this qualitative variation becomes important. Those focusing on religious actors, clientalistic parties, and power dynamics in the family, among other facets of political life, debated how to conceptualize the character of policy and its origins. Although some scholars were critical of the "taxonomic slippery slope" around regime categorization (Baldwin 1992), collectively, this work brought a wide range of scholars together into a dialogue, leading to a richer understanding of advanced welfare states.

Second, however, in challenging the logic of decommodification, this work tended toward a more institutional and (with the exception of work on gender) a less sociological definition of the state and less class-based interpretations of its origins. I discuss this point more in the conclusion, but it is worth highlighting here that this move contributed to new avenues of research on the structuring power of institutions while also muting other debates about class power.

Finally, despite hundreds of articles rethinking regime variation and challenging the concept of decommodification, much of this scholarship largely highlighted similar packages of institutions and categorization of cases as those in *Three World*s. This latter point is important, not because it suggests that Esping-Andersen was unequivocally right about all aspects of regime variation but, rather, because his typology nonetheless did capture key components of welfare state variation. As discussed below, the deep resonance of the typology provided a framework for those looking to understand the structuring power of institutions in the face of new pressures.

Regimes as a framework for understanding change

For Esping-Andersen, welfare regimes are the product of past political battles and crucially structure future political battles. One cannot understand

changes in the welfare state without theorizing the way its existing structure provides key actors – and the state itself – differing capacities and power.

However, even as Esping-Andersen argued that welfare regimes structure both welfare politics and institutional change, others raised questions about their relevance. Just as Quadagno (1987) argues that changes in the global economy in the 1970s ushered in new research questioning Marxist and Liberal linear understandings of welfare development in the 1980s, economic and political developments from the 1990s also raised questions about ongoing diversity among welfare politics and welfare states more generally. As traditional social cleavages and organized labor seemingly waned while the power of business and financial interests grew, and new movements on the Right and Left emerged, many pointed to a growing chasm between the politics of welfare state origins and the configuration of interests battling over economic and social policy. Moreover, in the face of rising income inequalities, cutbacks in pension and unemployment programs, the marketization of public services, a move toward "recommodifying" activation, and some expansion in benefits for families, scholars further asked whether the regime distinctions that defined postwar welfare states remained relevant in structuring political life.

Do welfare regimes continue to structure politics in the way Esping-Andersen suggested? Do they structure the patterns of adjustment to new pressures? Do we even need to understand the historic development of institutions to understand contemporary political economies? In this section I argue that both work adopting aspects of the regime approach and – as I show in the next section – work that ostensibly rejects it demonstrate a deep structuring legacy of welfare regimes on both patterns of change and social and economic outcomes. However, scholarship examining the institutional mechanisms for reproduction hypothesized in *Three Worlds* has yielded more ambiguous evidence. In looking to theorize the way institutions reproduce themselves that extends beyond Esping-Andersen's emphasis on mass attitudes and class power, research on welfare reform has largely developed – not rejected – the claim that attention to the historical structure of institutions, and embedded power dynamics, matters for the contemporary politics of welfare reform. These claims are important because they suggest that changing structural economic forces do not obviate attention to the historical development of institutions; rather, this approach remains crucial to understanding how countries experience new structural economic pressures and the capacities and interests of actors to respond to them.

Table 3.1 Variation in outcomes across welfare regimes

	Welfare generosity		Public social spending as % of GDP		Post-tax/transfers Gini coefficient		Union density	
	1980s	2000s	1980s	2000s	1980s	2000s	1980s	2000s
Australia	21.1	21.2	11.51	17.04	–	0.32	48.5	21.3
Canada	25.9	25.9	16.11	17.21	0.29	0.32	34.71	29.99
Ireland	25.8	34.5	18.42	16.71	–	0.31	55.45	34.5
Japan	24.3	25.3	11.07	18.46	0.30	0.33	28.93	19.36
New Zealand	22.2	21.6	18.14	18.81	0.27	0.33	58.6	21.41
UK	28.9	27.8	18.37	20.45	0.31	0.34	47.59	28.23
United States	21	21.3	13.39	16.24	0.34	0.37	22.1	12.14
Average	**24.2**	**25.4**	**15.29**	**17.85**	**0.30**	**0.33**	**42.79**	**25.49**
Austria	31.8	34	23.05	27.16	–	0.26	52.13	32.8
Belgium	39.3	41.1	25.29	26.56	–	0.27	52.28	51.83
France	37.2	37.8	23.86	29.82	–	0.29	14.39	7.82
Germany	35.8	33	22.53	26.71	0.25	0.28	34.23	21.73
Italy	25.7	29.3	20.35	24.74	0.28	0.32	43.72	33.9
Switzerland	36.3	36.9	14.53	19.10	–	0.30	–	–
Average	**34.4**	**35.4**	**21.60**	**25.68**	**0.27**	**0.29**	**39.35**	**29.62**
Denmark	39.1	34.8	24.37	27.54	0.22	0.24	77.88	71.19
Finland	32.8	34.1	21.19	25.68	0.21	0.25	69.9	71.83
The Netherlands	37.8	38.1	25.37	21.01	0.28	0.29	28.84	21.04
Norway	41.1	42.8	19.38	22.06	0.22	0.26	57.51	54.4
Sweden	45.6	38.4	28.64	28.80	0.20	0.25	81.05	74.59
Average	**39.3**	**37.6**	**23.79**	**25.02**	**0.23**	**0.26**	**63.04**	**58.61**

Sources: Welfare generosity, union density, and spending are decade averages from, respectively: Scruggs *et al.* (2013), Visser *et al.* (2011), and Organisation for Economic Co-operation (2013a). The data on the Gini coefficient are from Organisation for Economic Co-operation (2013b) and represent mid-decade estimates.

Many looking at reforms to advanced welfare states and economic outcomes note ongoing divergence among countries (e.g., Pontusson 2005). Table 3.1 broadly displays this dynamic, showing evidence – albeit not unambiguous evidence – of ongoing variation among regimes on several illustrative indicators of welfare state effort. On average, the Social Democratic regimes

continue to spend more and have more generous social programs, stronger unions, and lower inequality, while Liberal regimes tend to spend less publicly and have less generous programs, lower rates of unionization, and more inequality. Continental regimes remain in the middle of these two poles. To be sure, within each group there is much variation (Ahlquist and Breunig 2012); nonetheless, differences across countries remain important.

What explains these ongoing differences in countries in the face of the structural pressures outlined above? In *Three Worlds*, Esping-Andersen postulated that, once established, state-market institutions themselves conditioned their own differential trajectory via two key political mechanisms: they shaped the structure of electoral support for the state, and they shaped the structural power of the Left (organized labor and Social Democratic parties).

In *Three Worlds*, Esping-Andersen's electoral arguments are important but speculative. He argues that the broad encompassing structure of Social Democratic welfare regimes should breed public support for the state and defuse class conflict, thus perpetuating their generous structures, while Liberal welfare states generate lower levels of support and more extensive conflict across groups. However, as researchers turned to examine these claims, they uncovered a more complex pattern of mass attitudes. Stefan Svallfors's (1997) influential study of public opinion in eight nations looks to assess whether differences in public support for the state and differences in the overall salience of class/income in shaping preferences vary across regimes. He finds evidence of the former, but not the latter – a finding itself that spurred a slew of research investigating whether welfare regimes structure typical attitudes, the distribution of attitudes, the salience of class and income, and the use of different moral criteria and, again, produced mixed findings (for a review, see Svallfors 2010). Moreover, other work on the welfare state offered a highly plausible alternative reading, arguing that variation in preferences causes variation in policy structures, not vice versa (Brooks and Manza 2007). Nor did clear evidence emerge for Esping-Andersen's newer hypothesized attitudinal divides in response to postindustrial pressures, for instance, between public and private sector workers in Scandinavia, between insiders and outsiders in Continental Europe, or across classes in the Liberal world (Svallfors 2010). This work raised questions about the nature of political constellations around the state and the sources – if any – of regime reproduction.

For Esping-Andersen, however, regime reproduction did not just work through an electoral mechanism. He emphasizes the crucial institutionalized power of groups, particularly Social Democratic parties and organized labor. Work looking specifically at this dynamic yielded more evidence of direct

political feedbacks. Korpi and Palme's (2003) study of retrenchment, for instance, argues that the "power resources" of unions and left parties continue to matter in an era of austerity. They argue that the rise of mass unemployment across advanced welfare states creates pressure for cuts, but in contrast to more "classless" interpretations of the politics of retrenchment (see below), existing institutions shape the constellation of class interests and power in resisting cuts.

However, this work too raised questions. If regimes structure change primarily through their influence on left power, why do countries with a weakening left not more radically alter the state? Why do those with a strong left reform at all? In responding to these questions, Paul Pierson's theorization of welfare state retrenchment (1996, 2001) and the logic of path dependence more generally (2004) emerged as powerful alternative theorizations of institutional reproduction.

Pierson's critical insight is that growing economic and demographic pressures on advanced welfare states do not automatically translate into political demands for welfare cuts; indeed, the outcome is quite the opposite. As welfare states develop, Pierson argues, they create both high direct costs to change and mobilize both interest groups and electoral constituencies looking to preserve them. Understanding the puzzle of retrenchment (or lack thereof) requires historical analysis, but its goal is not to map precisely how broad macroconfigurations of class (or other) interests become institutionalized and self-perpetuating through labor market and political structures but to attend to the ways in which policy creates its own institutional costs (or opportunities) for change and empowers protective interests that may obviate these foundational political struggles. Pierson's work shifts the analytic focus for regime reproduction via left power to the ways in which *all* policies create a distinct political logic through institutional maturation.

Pierson's claims proved to be highly influential in a number of regards, initiating a boom of research looking to conceptualize the nature of change in advanced welfare states (e.g., Green-Pedersen 2004) and examining the relative roles of traditional democratic representatives – namely, unions and parties – and "new" actors in shaping welfare state reform (e.g., Huber and Stephens 2001; Korpi and Palme 2003). However, as influential as this work was (and is), for both Pierson (2001) and scholars drawing on him, the line between "old" and "new" politics quickly blurred.

To explain the dynamics outlined in Table 3.1 – which shows ongoing national and regime trajectories of change – the joint contribution of Pierson and Esping-Andersen proved fruitful. Much work shows that packages

of institutions do vary in their logic of reproduction, with regimes following distinct paths (as Esping-Andersen would suggest), but that this reproduction does not occur only through left power but also from "new" political mechanisms (as Pierson would suggest). This work shows how the structure of the state considerably shapes both how countries experience new pressures and the power and capacity of a range of actors in the reform process to address them.

For instance, Iversen and Wren's (1998) classic argument about the "trilemma of the service economy" looks at the puzzle of political responses to new trade-offs in postindustrial economies. Iversen and Wren argue that the rise of the service economy forces a general slowdown in productivity, making it difficult for policymakers to simultaneously maintain high levels of employment, wage equality, and fiscal discipline. Policymakers of different political stripes (which coincide with the three worlds), however, essentially make different trade-offs in the face of these pressures: Social Democrats internalize the costs of adjustment through large budgets to preserve wage equality and employment; Christian Democrats seek to maintain equality and fiscal discipline while allowing growing unemployment; and Liberal politicians allow growing wage inequality while keeping fiscal discipline. The existing institutional structure shapes the way pressures generated by a rising service sector are experienced and conditions the interests and capacities of political actors – here, political parties – in responding to them.

The study of welfare reform in Continental Europe developed these insights. Through the 1990s and early 2000s, the unemployment (and employment) rates of many Continental countries lagged behind other industrial nations, and yet the political response to this unemployment was seemingly anemic. In looking to explain this ostensibly inefficient stasis, Esping-Andersen's understanding of regime variation proved influential. Esping-Andersen (1999) diagnosed the conjunction of "welfare without work" in Continental Europe as a product of its welfare regime, namely, the way its status-preserving benefits raised labor costs and perpetuated chronically low rates of labor force participation. Others developed these claims. David Rueda (2007), for instance, argues that the economic structure in these countries stratifies labor market insiders (with protected jobs) and outsiders (lacking strong protections) in the economy while empowering insiders in the political system. The result is political continuity even in the face of inefficiency.

As scholarship shifted from explaining stasis in Continental Europe to understanding the dynamics of change, particularly changes such as greater labor market activation, pension cutbacks, and expanding family benefits,

which appeared to push against the traditional regime structure, this work continued to emphasize the crucial structuring power of the broad welfare regime (e.g., Palier 2010). Silja Häusermann's (2010) analysis of pension reform in Continental Europe, for instance, shows that such reform often combined cutbacks in pensions for traditional workers with an expansion of benefits for "outsiders" (particularly women). Despite this seeming break with the "conservative" welfare logic, Häusermann argues that the existing regime structure created a particular coalition space that shaped the opportunities of political actors (not just labor) to cooperate and shape these multilayered shifts.

Whereas through the 1990s and early 2000s the design of the Continental welfare states seemed to promote the "vices" of high unemployment and low activity rates (Levy 1999), Social Democratic welfare states seemed to offer a powerful vindication of democratic "virtue" in an increasingly globalized economic system. Scholars of Scandinavian welfare states examined how the existing regime structure allowed these countries to eschew the alleged trade-off between unemployment and inequality (Pontusson 2005). Once again, this work highlighted the way packages of Social Democratic institutions shaped the way these countries experienced new pressures. For instance, Iversen and Stephens (2008) argue that institutions promoting general skill acquisition as a means of enhancing labor market equality allowed Social Democratic countries to transition to high-wage, high-employment service economies. At the same time, these regimes empowered both "old" and "new" political actors (including unions and organized labor) that mobilized to defend the state's redistributive capacity (Korpi and Palme 2003).

Collectively, this work provides strong evidence that welfare regimes continue to have a structuring power. This structuring power does not operate precisely through the mechanisms that Esping-Andersen suggested, but it is nonetheless institutional. We see that regimes have shaped the way problems emerge and the political actors' responses. Attention to the way broad configurations of institutions shape reform paths is thus crucial to understanding change.

Politics against markets?

As argued above, Esping-Andersen presents welfare regimes as macroconfigurations of institutions created by coalitions of particular actors, which then

institutionalize particular power structures that shape subsequent politics. The preceding two sections of this chapter argue that these claims were powerful in illuminating how welfare institutions work, their origins, and their structuring power on subsequent politics, yet many continued to interrogate the structural relationship between the democratic process more generally, moving away from this approach.

In this final section, I look at two approaches that took up Esping-Andersen's theoretical interest in between distributive institutions, democracy and capitalism, but did so in ways that fundamentally challenged Esping-Andersen's core ontological claims: either rethinking institutions in more functional and less conflictual terms or rethinking economic conflict in less institutional and more structural terms. In this section, I argue that both perspectives, as they have looked to explain variation in actual social policies and economic outcomes, return to aspects (although not the entirety) of Esping-Andersen's insights: emphasizing nonlinear and configural outcomes and the role of historically shaped institutions in shaping these outcomes. These shifts do not suggest Esping-Andersen was unequivocally correct in how he understood contemporary welfare politics, but, rather, they highlight the importance of attention to historical processes, the structuring power of institutions, and the configural nature of the state in understanding contemporary distributional outcomes.

One of the most substantial challenges to *Three Worlds* comes from the Varieties of Capitalism (VoC) approach (Hall and Soskice 2001). Like *Three Worlds*, VoC looks to theorize variation in advanced political economies in macroconfigural terms. However, in contrast to Esping-Andersen's political reading of institutions, VoC draws on institutional theorizing from Oliver Williamson (1985) and Douglass North (1990), who understand institutions in terms of the functional role they play in overcoming various coordination problems among firms. For VoC scholars, institutions, including welfare institutions, serve primarily to solve collective action problems faced by labor *and* employers in the labor market. This emphasis on producer coordination leads VoC work to isolate two (rather than three) types of economies based on the degree of coordination: Liberal Market and Coordinated Market economies. More important, in seeing state institutions in terms of the function they play in shaping firm coordination, work along these lines substantially challenges Esping-Andersen's historical and distributional understanding of the welfare state. Both Isabela Mares (2003) and Peter Swenson (2002), for instance, argue that social policy, in reshaping social risk, serves the needs of firms and thus emerged largely as a response to employers' needs.

As this research agenda developed, however, it raised new questions about the "elective affinity" between the types of productive institutions at the heart of VoC and the redistributive institutions associated with welfare states. In looking to further unpack these connections, VoC research reengaged with two key aspects of Esping-Andersen's work: emphasizing the constitutive role of historically structured distributive conflict and breaking out countries into three groups with similarities to the *Three Worlds*.

Work by Torben Iversen and David Soskice returns to the fundamental question of the relationship among capitalism, democracy, and welfare (the title of Iversen's 2005 book). Iversen (2005) argues that traditional "politics against markets" approaches cannot explain the fundamental compatibility of the welfare state and capitalism. However, the institutional configurations of VoC also require an electoral articulation, as its redistributive aspects lie firmly in the realm of democratic politics. In a series of articles, Iversen and Soskice (2001) first theorize voter preferences for redistribution as function of their skill sets (which follow, in part, from the type of economy they inhabit), turn to the way electoral institutions aggregate these preferences into stable national political coalitions for redistribution (Iversen and Soskice 2006), and, finally, seek to endogenize these institutions in the historical imperatives of varying forms of capitalism (Iversen and Soskice 2009). This analysis casts itself in contrast to labor-centered interpretations of the state, emphasizing structural economic (rather than political) forces. Yet, in developing a historically structured framework for understanding varying distributive outcomes, Iversen and Soskice adopt in modified form some aspects of the *Three Worlds* categorization of cases and approach.[5] Understanding today's distributive outcomes requires a historical (albeit structural) articulation.

Work by Kathleen Thelen takes the VoC research in a different direction. Thelen looks to explain diverging outcomes in terms of equality and employment within similar VoC. Thelen (2014) argues that the link between "coordinated" and "egalitarian" capitalism is not automatic; while cross-class coordination has proven tremendously stable over time, the institutions producing (relative) wage equality have not. To understand why, she examines how some institutions promote broad encompassing coalitions that preserve equality in the face of liberalization while others promote narrower coalitions that preserve coordination and allow its egalitarian effects to wither. Although

[5] Martin and Swank's (2012) recent work on the origins of employer coordination further disaggregates the coordinated market economy (CME) model to distinguish between the Scandinavian "macrocorporatist" system and "sectoral" coordination in Germany, as well as the liberal market economies (LMEs).

Thelen's (2014) work emphasizes the role of cross-class coordination among institutionally shaped producer groups in influencing these diverging trajectories, her work breaks out the VoC into three trajectories of adjustment that closely match *Three Worlds* and more generally breaks with functionalist interpretations of economic institutions emphasizing varied historical development (see also Chapter 7, this volume). Thelen's – and to some extent Iversen and Soskice's – work shows that as VoC scholars turned to understanding distributive conflict, they also turned to a more historically variable and political (rather than functional) understanding of institutions.

By contrast, a wave of recent work starting with one core puzzle of distributive conflict – how we should understand both the overall trend toward growing levels of inequality across advanced political economies and variations across economies in the extent of this trend – initially turned toward deductive and formal, rather than historical, reasoning. While the questions raised by growing inequality are ostensibly comparative and temporal, they are made more puzzling because current trends seem to contradict the core claims in key deductive models of the demand for redistribution, particularly that developed by Meltzer and Richard (1981), which suggests that citizens should react to rising inequality by demanding more redistribution.

In order to understand why voters do not seem to demand redistribution when we might expect them to (i.e., when inequality is higher), much recent scholarship has turned to the microlevel, looking to understand how other aspects of individuals' material interests drive demand for social policy. Initially, much of this "microlevel" theorizing did not explicitly examine the role of institutions or temporally bounded processes in shaping conflict. For instance, Rehm, Hacker, and Schleisinger (2012) argue that to understand attitudes toward the state, we need to look at the coincidence of demand for its redistributive and insurance roles. When risk exposure and income levels are cross-cutting (i.e., do not affect the same groups) citizens are more likely to support extensive redistribution than when risk exposure and income levels covary. The theoretical focus of this work is on the link between the economic structure and individual preferences for redistribution (see also Lupu and Pontusson 2011).

While recent microlevel theorizing tends toward a more structural (rather than macrohistorical) understanding of the relationship between inequality and democracy, these arguments are often more historical than they first appear and, indeed, come to familiar conclusions. This work often identifies similar patterns of outcomes as do regime-based studies – with the Scandinavian states redistributing more, the Continental countries less, and

the Anglo-Saxon countries becoming even more unequal. Ansell (2008), for instance, argues that higher education spending has different types of redistributive effects based on the level of existing enrollment, thus political parties prioritize it differently across time and space based on their policy context. The result is three patterns of change in higher education, which closely parallel the *Three Worlds*, even though the analysis is not cast in these terms. To explain these configurations in a non-regime-like way, however, this work draws on interactive arguments. The distribution of employment risk, for instance, matters differently conditional on the distribution of income, growing inequality produces different demands conditional on its structure, parties mobilize differently conditional on the logic of the electoral system and rising inequality, and so on. These conditional arguments bring back elements of earlier regime-oriented work even if eschewing this terminology.

The result is a return to engagement in the way institutions structure individual-level demands. First, in moving from preferences to politically salient demands, this work tends to emphasize the structuring role of electoral and other political institutions. Anderson and Beramendi (2012), for instance, argue that rising inequality affects the mobilization of low-income voters differently across electoral systems, shaping turnout levels, with downstream consequences for addressing inequality that vary substantially across types of countries. Second, there has been growing attention to micropreferences themselves as partly endogenous to past economic and welfare institutions, moving back in the causal chain of the production of preferences (e.g., the earlier discussion of Iversen and Soskice 2001, 2006; Lupu and Pontusson 2011).

The preceding discussion is not intended to argue that Esping-Andersen's work presaged the insights advanced by either VoC or recent microlevel theorizing of the demand for redistribution. Nonetheless, the ongoing relevance of the threefold typology, and the more general approach to comparative-historical analysis that it builds on, is telling. Attempts to abstract institutions from conflictual political dynamics, or to abstract conflictual political dynamics from institutions, have both turned back, in part, to more historically grounded understandings of institutions as they look to address a broader range of distributive outcomes. Indeed, far from eclipsing comparative-historical analysis, its methods – and broader ontological commitments to understanding temporally constructed macroconfigurations of institutions – remain foundational to understanding current questions of income distribution, welfare change, and the link between the state and the economy.

Conclusion

This chapter has endeavored to show that Esping-Andersen's original insights have been so profoundly influential because they drew on historical comparisons to provide a deeply resonant conceptualization of politically constructed variation in state institutions. This conceptualization, while hardly beyond criticism, nonetheless continues to capture key features of contemporary social policy. Work on the origins and effects of welfare states builds on Esping-Andersen's basic claim that welfare state structures are variable and multifaceted and often continues to conceptualize welfare states in the ways Esping-Andersen described them. Moreover, while the three worlds have certainly changed, the broad packages of institutions at their core continue to deeply structure the politics of welfare state reform and distributive outcomes, more generally. Table 3.2 summarizes the main claims of the chapter and the research trajectories drawing on Esping-Andersen's work.

What it shows is that neither Esping-Andersen alone nor analysts using comparative-historical analysis exclusively uncovered the dynamics of the historical development of regimes or their structural role. As the discussion here shows, summarized under the research trajectories in Table 3.2, many of the advancements in the field have followed from very different methodological approaches. Nonetheless, what is crucial is that the insights Esping-Andersen developed, drawing on the core features of comparative-historical analysis, opened a research trajectory that promoted synergies across different types of analytic approaches, which ultimately was deeply productive in advancing welfare state research.

What the rise of Esping-Andersen's typology and its ongoing relevance nearly a quarter century later show is not that the configurations that Esping-Andersen theorized in 1990 seamlessly structure politics in 2015. Change has occurred in the state, its role in the economy, and the political coalitions behind it. Rather, what Esping-Andersen's success shows is that comparative-historical research is profoundly important for understanding large-scale political phenomena. Despite many efforts to understand redistribution, the labor market, and the institutions of the welfare state in abstract, deductive, or functional ways – both before and after Esping-Andersen – as these research agendas develop, they often return to an understanding of democratic politics and capitalism that is largely nonlinear, political, and historically created. The intellectual trajectory of Esping-Andersen's research, then, suggests the

Table 3.2 Comparative-historical analysis and *Three Worlds of Welfare Capitalism*

Core claims in *Three Worlds*	Links to CHA	Broader research legacy
There are varying welfare *regimes* that differ in the level and type of spending and links to labor market institutions.	Broad country-based configurations of institutions shape outcomes	Scholarship examining how packages of welfare and other institutions vary in terms of their redistributive capacity, gender relations, age structure, and other features Scholarship examining how packages of institutions shape adjustment patterns, trade-offs, and the capacities of political actors to respond to the new economic and social pressures of deindustrialization, state budgets, globalization, changing skill structures, rising female labor force participation, and family change
Welfare regimes are political creations that follow from political cross-class coalitions.	Engagement with the demands of labor movements and political parties in specific historical cases	Scholarship examining the historic role of nonclass actors, including religious groups, business, mobilized risk groups, women, and patronage-based political parties Scholarship examining the changing political coalitions around the state, in particular, labor market insiders
Welfare regimes are historic products and structure future politics by shaping electoral support and group power in the political process.	Temporal dimension	Scholarship interrogating whether welfare regimes do feed back into mass attitudes and group power Scholarship bridging work on "new" political forces and older class-based actors and parties; more recent scholarship examining how configurations of labor market and other institutions work together to shape change

importance of reengaging with its core ontological and methodological claims in order to address some of the most important questions of the day. I suggest three brief avenues.

First, new data increasingly link rising inequality in liberal countries (and elsewhere) to the dramatic increase in wages at the very top of the income spectrum. While the trends in executive compensation, the rise of the financial sector, and the returns to particular forms of human capital are the proximate causes of this growing inequality, as Hacker, Pierson, and Thelen (Chapter 7, this volume) show, such market changes are hardly prepolitical even if they are not legislated. Whether *Three Worlds* continues to provide intellectual traction in thinking about state-market relationships in this context requires analysis. Many of the downstream implications of deregulation, changes in

tax policy and so on, came to fruition only well after the publication of *Three Worlds*. Indeed, as Hacker and Pierson (2011) argue, choices made in the offices of regulators, tax collectors, and boardrooms may be as important (or more) in today's economy as those fought over replacement rates or health spending. Nonetheless, understanding both the causes and consequences of these changes requires articulating the broad links between regulatory, financial, and welfare institutions and the realm of political conflict around them, a task to which comparative-historical analysis is particularly well suited.

Second, much work in recent years has asked whether we are witnessing the "end of class politics," pointing to the reduced salience of class in voting, declining union strength, and new values-oriented voters who cross class lines. Yet, in many countries, social mobility remains low, and socioeconomic background continues to exert a major structuring force on everything from educational attainment to mortality rates. In some places, these issues have become politicized; in others they have not. As argued above, the recent behavioral literature focusing on how economic risk, wealth, and skills shape citizens' preferences, has contributed to our knowledge of the changing structural determinants of citizens' attitudes. However, class as a concept has always encompassed more than a link between economic structures and preferences, drawing on the way groups and other actors shape and politicize economic experiences. One of the core insights of comparative-historical analysis (not just work on the welfare state) is that class relations, coalitions, and power are historically contingent and shaped in multiple ways. I argued earlier that many initial reactions to Esping-Andersen often adopted his institutional framework to the exclusion of its sociological foundation. A return to some of the basic claims of this research tradition, examining how social networks, groups, and parties mobilize class actors and politicize questions of inequalities and social experiences remains important.

Finally, much recent work has looked to trace the link between wealth and power, raising fundamental questions about to whom politicians are responsive, the nature of political accountability for welfare reform, and the theorization of influence in contemporary political economies. Scholarship has split on the question of whether politicians are responsive to broad groups of citizens or primarily to organized – and wealthy – groups (see Pierson, Chapter 5, this volume). Esping-Andersen's work, and the work of those building on it, had a deeply normative claim – to understand how democratic politics offered a route to power for those who lacked it in the economy and, in so doing, a way of reshaping power in the economy itself. The questions of the conditions under which more marginalized groups (whether defined by income, risk,

race, migration status, or other features) or citizens more generally can exert influence and when are crucial, and ones that likely require looking at the institutions that promote differential influence and responsiveness.

In answering these questions, contemporary scholars may draw on, or eclipse, the theoretical claims in *Three Worlds*. However, these broad questions point to the ways in which understanding the dynamics of modern welfare states, and their broader role in shaping markets and politics, will very likely require an engagement with case comparison and history.

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