Quality of Government, Political Power and the Welfare State

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Abstract:

Why have different industrialized capitalist market economies developed such varying systems for social protection and social insurance? The hitherto most successful theory for explaining this is the Power Resource Theory (PRT), according to which the generosity of the welfare state is a function of working class mobilization. In this paper we argue however that there is an undertheorized link in the micro-foundations for PRT, namely why wage earners trying to handle the type of social risks and inequalities that are endemic for a market economy would turn to the state for the solution Our complementary approach, the Quality of Government (QoG) Theory, stresses the importance of trustworthy, reliable, impartial and reasonably uncorrupted government institutions as a precondition for citizens' willingness to support policies for social insurance and redistribution. Drawing on time-series cross-sectional data on 18 OECD countries in 1984-2000, we find (a) that QoG positively affects the size and generosity of the welfare state, and (b) that the effect of working class mobilization on welfare state generosity is increasing in the level of QoG.

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Introduction

This article starts from a simple, yet important question: Namely, why have different industrialized capitalist market economies developed so very different systems for social protection and social insurance? This question has generated a huge amount of research over the last three decades and one reason for this is that the societies we have in mind share a number of basic structural, social, political and institutional features. This, one could argue, should have produced similarity and convergence in their levels of social protection and equality enhancing policies and not the huge and persisting, and in some cases increasing, differences that exist (Alber 2006; Goodin et al. 1999; Huber and Stephens 2001; Iversen 2005; Kenworthy and Pontusson 2005; Korpi and Palme 1998; Lindbom 2001; Pontusson 2005; Rothstein 1998; Scruggs and Allan 2006). For example, given that they are all culturally to be seen as western liberal market oriented democracies, the variation in their systems of social protection can hardly be explained by reference to basic historically inherited cultural traits that would result in generally held beliefs about what is just and fair, or what sort of risks should be handled by individual responsibility rather than by collective/public systems. As Larsen and others have shown, there is in fact very little that speaks for the notion that the variation between, for example, on the one hand the encompassing and universal character of the Scandinavian welfare states and on the other hand the residual and targeted system for social protection that exists in the United States can be explained by reference to variation in popular beliefs about social justice or wage inequalities (Larsen 2006; Larsen 2008).

A different approach to the values/beliefs explanation would be to refer to the level and spread of religious beliefs in the population. However, if the extent and coverage of the welfare state would be connected to Christian values where humans are obliged to support the poor and the needy, then why are the most secular countries also the ones with the most extensive programs for economic support and why are they having the lowest percentage of children living in poverty (Norris and Inglehart 2004; Smeeding 2004)? One of the worlds richest and, among developed nations, most religious society, the United States, also has the highest percentage of children living in poverty and the highest percentage of newborns that do not reach their first birthday among the OECD countries. Simply put, why are the least religious countries in the developed world the most generous to the least fortunate and most vulnerable of their members (Zuckerman 2008)?

A more utility-based line of thought could start from neo-classical economic theory which should predict that given that these are all societies where the logic of the market dominates the economy, economic agents (workers, employers, unions, firms, associations, bureaucracies, etc.) should have acted on the basis of similar utility functions and perceptions about risks and their demand for protection from these risks and the following interactions should then have resulted in similar systems for social protection. Alternatively, the less efficient social insurance systems should by the logic of increased global economic competition have been weeded out by the more efficient ones. However, what we see is that the differences, both in terms of institutional configurations and coverage, are huge and stable (Alber 2006; Pontusson 2005; Swank 2002).

One of the most successful approaches for explaining variation in the size and coverage of welfare states is the so-called Power Resource Theory (henceforth PRT), according to which this is largely a function of working class political mobilization (Huber and Stephens 2001; Korpi 1988).[1] However, when PRT scholars reflect upon the importance of institutions for explaining variations in welfare states, they do not touch upon issues such as problems of legitimacy or quality of government. Instead, institutions are just seen as arenas for political conflicts generated by forces of social class or as useful political tools for the parties involved

[1] The PRT has of course been challenged by other approaches as well, such as theories focusing on the importance of employers and cross-class alliances Mares, Isabela. 2003. *The politics of social risk : business and welfare state development*, *Cambridge studies in comparative politics*. Cambridge: Cambridge university press, Swenson, Peter. 2002. *Capitalists against markets: The making of labor markets and welfare states in the United States and Sweden*. New York: Oxford University Press., on variation in systems of skill formation Estevez-Abe, Margarita, Torben Iversen, and David Soskice. 2001. Social protection and the formation of skills: A reinterpretation of the welfare state. In *Varieties of capitalism: The institutional foundations of comparative advantage*, edited by P. A. Hall and D. Soskice. Oxford: Oxford University Press., on the importance of autonomous state bureaucracies Weir, Margaret, and Theda Skocpol. 1985. State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States. In *Bringing the State Back In*, edited by P. B. Evans, D. Rueschemeyer and T. Skocpol. Cambridge: Cambridge University Press., and on the importance of electoral systems Iversen, Torben, and David Soskice. 2006. Electoral institutions and the politics of coalitions: Why some democracies redistribute more than others. *American Political Science Review* 100 (2):165-181.. In our evaluation of the debate, the latter three should be seen as complements and additions to the PRT Iversen, Torben, and John D. Stephens. 2008. Partisan politics, the welfare state, and three worlds of human capital formation. *Comparative Political Studies* 41 (4-5):600-637. or, as in the first case, has been successfully refuted Korpi, Walter. 2006. Power resources and employer-centered approaches in explanations of welfare states and varieties of capitalism - Protagonists, consenters, and antagonists. *World Politics* 58 (2):167-+, Paster, Thomas. 2009. *Choosing Lesser Evils: The Role of Business in the Development of the German Welfare State from the 1880s to the 1990s (Diss.)*. San Domenica Di Fiesole (Florence): European University Institute, Department of Political and Social Science..

in this struggle. In other words, in the PRT, institutional factors do not have an independent explanatory power (Korpi 2001).

Our argument is precisely the opposite. In each country, the historically inherited government institutions, have an important impact on the choice of both individual wage earners and their representatives whether or not to give the state the responsibility for extracting resources for and implementing policies for social insurance and welfare state redistribution. More precisely, this causal effect springs from the generally established perceptions and the following ideological and political discourses of the quality of the government institutions (Schmidt 2002; Schmidt 2009). We want to underline that the argument we will present is not a rebuttal of the power resource theory, however, but a complement to it. We agree that working class mobilization is a key to understanding welfare state expansion, but we clarify the hitherto neglected underlying condition for when this process is likely to take place: an environment of high quality of government.

The argument will unfold in four steps. We first present the background, key virtues and our critique of the Power Resource Theory. We then present our own theoretical understanding of the problem – called the Quality of Government Theory – and state its observable implications. A section on data and research design is followed by a large-n test based on time-series cross-sectional data on 18 OECD countries in 1984-2000. We find (a) that QoG positively affects the size and generosity of the welfare state, and (b) that the effect of working class mobilization on welfare state generosity is increasing in the level of QoG. We end by discussing our conclusions.

The Power Resource Theory – Appraisal and Critique

The Power Resource Theory grew out of an effort by a group of scholars who during the late 1970s tried to find a "middle way" between on the one hand the then popular Marxist-Leninist view that the welfare state should be understood as merely a functional requisite for the reproduction of the capitalist exploitation and on the other hand the idea that welfare states follow from a similar functionalist logic of modernization and industrialization. As a reaction against these functionalist explanations, the PRT puts forward two important issues. First, the

PRT scholars were the first to point out the variation in things like coverage, extension and generosity among existing welfare states and that this variation needed to be explained. Second, they introduced the importance of political mobilization based on social class as an explanation for this variation (Korpi 1974; Korpi 1983). Variation in welfare states reflects, according to this theory, “class-related distributive conflicts and partisan politics” (Korpi 2006, p. 168). The more political resources the working class is able to muster, such as a strong and united union movement that gave electoral support to Labour or Social Democratic parties, the more extensive, comprehensive, universal and generous the welfare state would become (Esping-Andersen 1990). The reason for this is according to the theory that the splits in the employment situation, that is a reflection of the class divisions, “generate interactions between class, life-course risks and resources, so that categories with higher life-course risks tend to have lower individual resources to cope with risks”. The argument is that such diversity of social risks would generate “a potential for class related collective action” (ibid). As stated in the introduction, we believe that this theory has been more successful than its contenders to explain the outcome that we are interested in (Allan and Scruggs 2004; Huber and Stephens 2001; Korpi and Palme 2003).

The analytical problem in the Power Resource Approach that we would like to point out is that, while we agree that social class positions give rise to different social risks and that reasonably rational wage workers (and their representatives) would opt for some kind of protection from these risks, we still need an explanation for why they would turn to the state for such protection. There are, not only in theory, many other possibilities. First, unions or national union movements could have taken care of many of these risks and created large insurance organizations which also could have worked as “selective incentives” when recruiting and keeping members. Secondly, strong unions could have forced employers (or employers’ organizations) to take on either the whole or a part of the costs. A third possibility could have been that various “friendly societies”, or similar voluntary non-profit organizations, would have handled the demand for social protection. Another possibility could of course have been to rely on extended family networks. Our point is that in order for wage-earners and their representatives to turn to the state for solving their demand for protection against social risks, they have to have a high degree of confidence in “their” state. We can easily see that from a Nordic or maybe North European perspective, this has rarely turned out to be an issue since there is much that speaks for that, compared to other European states even before the emergence of democracy, the Nordic states were historically less corrupt, less clientelistic, less prone to use violence against their citizens and more open to popular influence than most Continental and South European States (Rothstein 2007).

However, as will be shown below, in other countries the state turned out to be much more problematic for the union and labour movement. For example, at the beginning of the 20th century, the union movement in the United States encountered courts that systematically produced decisions that the unions thought of as hostile to their interests and this in turn changed the unions' political strategy (Forbarth 1989; Hattam 1993). In France in 1905, a conservative government wanted to involve the unions in the administration of an unemployment insurance system, but remembering the bloody defeat of the Paris Commune in 1871, the radical unions refused to collaborate with the French state (Alber 1984). On a more general level, while high levels of distrust in government authorities are rare in the Nordic countries, the opposite is true for much of the rest of the world, not least in developing and "transition" countries. This is probably due to high levels of corruption, clientelism and patronage and the effect of this distrust severely hampers the possibility for governments to a) collect taxes and b) deliver services to its population (Adésínà 2007; Brautigam, Fjeldstad, and Moore 2008; Holmberg, Rothstein, and Nasiritousi 2009; Kornai, Rothstein, and Rose-Ackerman 2004; Riesco and Draibe 2007; Rothstein and Uslaner 2005; Sorj and Martuccelli 2008). A close observer to the situation in Latin America has described this situation as follows:

> I don't think there is any more vital issue in Latin America right now…. It's a vicious cycle that is very hard to break. People don't want to pay taxes because their government doesn't deliver services, but government institutions aren't going to perform any better until they have resources, which they obtain when people pay their taxes (Rother 1999)

It should be noted that in the very early forms of "workers' insurance" systems that were established in, for instance, Germany and Sweden, the question of the trustworthiness and legitimacy of the institutions that were to implement the policies was central. In both countries, the solution was to give trade unions representation in, and sometimes direct control over, the various insurance funds that was to handle the implementation of the system (Rothstein 1991; Steinmetz 1991). Moreover, in some cases, the unions could use this control as a form of "selective incentive" to increase their membership and thereby their organizational strength (Scruggs 2002; Western 2001).

The conclusion we draw from this is that the causal logic in the Power Resource Theory is too "monochrome" in its ontological foundations (Hall 2003). The idea of a linear causal logic between the degree to which wage-earners are politically mobilized and the size of the welfare state omits the existence of what has been called "feed-back mechanisms" (Soss and Schram 2007). By this we mean that it pays too little attention to the ramifying conditions under which the working class (or, more precisely, its political representatives) is likely to succeed in mobilizing support for social protection and/or redistribution *by the state*.

What Happens When the State is Brought In?

In her well-known book *Protecting Soldiers and Mothers*, Theda Skocpol (1992) shows that the welfare sector in the U.S. was quite large during the late 19th century. A central part of this was the pension system for war veterans who participated in the Civil War and their dependent family members, a program that during the decades after the end of the war became a huge operation both in terms of finances and the number of people that were supported. The problem, however, was that the system for deciding eligibility was complicated and entailed a large portion of administrative discretion. It is not difficult to imagine that what kind of health issues that should count as resulting from combat or military service in general. However, to determine what is due to the general bodily fragilities that comes with aging is a delicate and complicated problem to solve in each and every case. The result, as Skocpol writes, was that "the statutes quickly became so bewildering complex that there was much room for interpretation of cases" (Skocpol 1992, p. 121). What happened was that the war veteran pension administration became a source for political patronage:

> Because the very successes of Civil War pensions were so closely tied to the workings of patronage democracy, these successes set the stage for negative feedbacks that profoundly affected the future direction of U.S. social provisions. During the Progressive Era, the precedent of Civil War pensions was constantly invoked by many American elites as a reason for opposing or delaying any move toward more general old-age pensions.... Moreover, the party-based "corruption" that many U.S. reformers associated with the implementation of Civil War pensions prompted them to argue that the United States could not

> administer any new social spending programs efficiently or honestly (Skocpol 1992, p. 59)

The point Skocpol makes is that the reason for why the United States of today has a comparatively small, targeted and not very redistributive welfare state cannot be explained only by the lack of a Social Democratic type of labour movement or with references to normative ideals about the population being devoted to a "rugged individualism". On the contrary, the U.S. welfare state was comparatively well developed at the beginning of the 20th century. But it was thereafter politically delegitimized due to what was generally perceived of as its low quality of government.

In this paper we argue that Skocpol's argument can be generalized. Many of the North European countries that during the first half of the 20th century started to develop encompassing welfare states had successfully increased their quality of government during the preceding century. Bavaria, Prussia, Britain, Denmark and Sweden, for example, carried out large scale changes in their government institutions that did away with systemic corruption and pervasive patronage during the 19th century and introduced impartial (meritocratic) systems for recruiting civil servants and handling the implementation of public policies (Frisk Jensen 2008; Harling 1996; Rothstein 2007; Rubinstein 1987; Weis 2005). These countries, when starting to build their welfare states, could thus start from a comparatively very advantageous position regarding how their citizens perceived the trustworthiness, competence and reliability of the government authorities that would be given the sensitive and intricate task to implement the policies (Rothstein and Uslaner 2005). It is also the case that when Swedish social reformers during the 1940s decided to move away from targeted social policies to universal ones, one reason they gave was that they wanted to avoid the type of discretionary implementation described by Skocpol and that they realized would de-legitimize the implementation of their welfare state policies (Rothstein 1998). Detailed survey analyses have established that there is a positive feedback mechanism between having contacts with universal social programs and support for the welfare state also at the micro level, while contacts with institutions that wield a lot of discretion works the other way around (Kumlin 2004, p. 201; cf. Kumlin and Rothstein 2005).

Although Skocpol's analysis was impressive, it dealt with just one (albeit important) case. It is noteworthy that, to our knowledge, in none but one of the literally hundreds of comparative statistical analyses that have been produced during the last three decades in the welfare state research industry have we found any attempts to test the hypothesis originally launched by Skocpol.[2] Interestingly enough, the problem of low quality of government is not mentioned even in recent works that argue for the need for welfare state research to move beyond the advanced industrial countries and focus more on the developing world (Carnes and Mares 2007).

The Quality of Government Theory about the Welfare State

Making a living in a market economy is a situation that for most people carries a lot of well-known risks, such as unemployment or having to pay for costly medical treatments. When facing risks, a rational response for most individuals is to try to find ways to get insurance or other forms of support. Our starting point is to try to understand the micro-logic of the support for various social policy programs: how individual citizens and/or their political representatives may analyse and reason about how to handle the risks they (or the group they represent) are facing.

It should be noted that welfare states are complicated systems and therefore not easy to theorize "in toto". They usually have different systems for increasing equality, for redressing severe types of poverty and for handling social risks either for specific groups or for the whole, or very broad, segments of their populations. Thus, they are for redistribution as well as for insurance against risks (Iversen 2005, p. 21). However, as shown by for example Åberg (1989) and Korpi and Palme (1998), systems that are meant to be mostly redistributive may be less so than systems that are intended to be mostly about social insurance. As Moene and Wallerstein (2003) have argued, social insurance systems "generally provide insurance against a common risk on terms that are more favourable for low-income individuals than for high-income individuals" (p. 487). Moreover, if generally available services such as basic education, day-care, elderly care and health care are included, the redistributive effects of welfare state policies increase dramatically (Zuberi 2006). The reason is that even if taxation is proportional to income (and not progressive), costs for services are on average nominal and

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[2] The exception is Mares (2005), but she concentrates her theoretical argument on the importance of economic volatility.

the net effect of proportional taxation and nominal benefits is massive redistribution (Åberg 1989). The effect of this is that whether or not the welfare state is understood as provision of social protection, social services or social insurances, the overall tendency is that "more encompassing" generally implies increased redistribution. The same underlying micro-foundations thus apply whether preferences for welfare state generosity are based on demand for insurance or redistribution, although we will mostly argue in terms of the former.

Our starting point in micro-foundations does not imply that our theory rests on agents having "unrealistic" levels of competence concerning the ability to process and compute information. A welfare state is a complicated machinery and for most citizens it is very difficult to calculate the likelihood (or risk) that they will be winners or losers over their lifetime in this system. Inspired by Peyton Young's work in evolutionary game theory, we believe that one cannot build models assuming that agents are "hyper-rational", or have close to perfect information. As he states it, the requirement put on agents in standard rationalistic models "is a rather extravagant and implausible model of human behaviour". Instead, we should realize that agents "base their decisions on fragmentary information, they have incomplete models of the process they are engaged in, and they may not be especially forward looking" (Young 1998, p. 5f). The implication is that the politically manufactured images ("collective memories", "discourses") of what type of agent "the state" is will be important when agents make decisions about whether to direct their demand for social protection towards the state (Schmidt 2009).

This does not imply that we should think of the agents as irrational and more or less helpless victims of political manipulation of various forms of "false consciousness". On the contrary, even though they are not fully informed and have to base their decisions on far from perfect information, agents in our model "adjust their behaviour based on what they think other agents are going to do, and these expectations are generated endogenously by information about what other agents have done in the past" (Young 1998, p. 6). Thus, since the welfare state is a mega-size collective action problem and since it involves strong normative standpoints regarding things like justice, desert, obligations and fairness, the individuals' utility functions are not only based on calculations about individual utility (what's in it for me?), but also at least as much on expectations about how the other agents are going to play (who are the others?).

Based on this reasoning, citizens (and political representatives) have to handle three dilemmas when deciding if they are going to support a social policy, for example unemployment insurance or public health care system. The first concerns the normative side of the question – namely whether such policies are to be considered as a "good thing"? Secondly, and more important for our theory, for most citizens/wage earners, the enactment of welfare state policies implies that they will have to part with a substantial portion of their money through taxation or other forms of contributions. This they are only likely to accept under the condition that they believe that the system for taxation is run in a fair, uncorrupted, transparent non-discriminatory, impartial and competent manner (Scholz 1998).

Moreover, it is reasonable to believe that the perceived quality of the institutions that are responsible for the implementation of the various programs play a role in this calculus. All systems of insurance have to be based on trust and, as is well known, trust is a delicate thing. In anonymous large-n systems like these, at least two complicated "trust games" are involved. Citizens have to trust that when they come into a situation where they need and are entitled to support, the system will actually deliver what it has set out to deliver. In some cases, we must think of this as a quite problematic "leap of faith". Not only is the demand here substantial in the sense that it concerns the quality of outcome, but it is in all likelihood also procedural. People do not only want to get just the "technical side" of, say, health care delivered to them according to professional standards. They also want to be respected, listened to and have rights to appeal when they believe that they have not been treated according to established standards of professionalism and fairness. In other words, the perceived level of procedural fairness is probably as important as the level of substantial fairness (Tyler 1998). Using very detailed survey data from Sweden, one of the most encompassing welfare states in the world, Staffan Kumlin has shown that citizens' direct experience from interactions with various social policy programs have a clear influence on their political opinions and, moreover, that such experiences are more important than citizens' personal economic experiences when they form opinions about supporting or not supporting welfare state policies (Kumlin 2004, p. 199f). Based on a large survey from four Latin American countries, Mitchell Seligson concludes that the perceived level of corruption have strong negative effect on beliefs about the legitimacy of the government controlling for partisan identification (Seligson 2002). Using World Value Survey data from 72 countries, Bruce Gilley states that a set of variables measuring the quality of government (a composite of the rule of law, control of corruption and government effectiveness) “has a large, even overarching, importance in global citizen evaluation of the legitimacy of states” (Gilley 2006, p. 57).

In addition, many welfare state programs, both the ones that are intended to be redistributive and the ones that are more social insurance oriented, have to establish processes against overuse and outright abuse. For example, even people in favour of generous unemployment insurance are likely to demand that people who can work, and for whom there are suitable jobs, also work. Neither the level of tolerance for “free-riding” nor the willingness to stand as the “sucker” are generally very high. This is the third dilemma facing citizens in need of social protection. The issue whether the welfare state system will lead to an undermining of personal responsibility is thus important and such discourses can lead to a loss of legitimacy for the general idea of social protection by the state (Schmidt 2002; Townsend 1958). In other words, in order to be legitimate, the welfare state system should be able to distinguish between what should be personal risks for which agents have to take private responsibility, and risks for which they have the right to claim benefits (Paz-Fuchs 2008). Those in favour of a generous system for work accident insurance or the right to early retirement for people hit by chronic illness may have legitimate reason to fear that such systems can be abused. Our point is that even people who are true believers in social solidarity and have a Social Democratic vision of society are likely to withdraw their support for an encompassing welfare state if these three requirements are not met. Put differently, their support is “contingent” upon how they view the quality of the public institutions that are to implement the programs (Levi 1998). The quote below from John Rawls’ “A Theory of Justice” explains this moral logic well:

> For although men know that they share a common sense of justice and that each wants to adhere to existing arrangements, they may nevertheless lack full confidence in one another. They may suspect that some are not doing their part, and so they may be tempted not to do theirs. The general awareness of these temptations may eventually cause the scheme to break down. The suspicion that others are not honoring their duties and obligations is increased by the fact that, in absence of the authoritative interpretation and enforcement of the rules, it is particularly easy to find excuses for breaking them. (Rawls 1971. p.240).

In sum, we can think of this as citizens facing three interrelated dilemmas when they decide if they should support a policy for social insurance or redistribution: the question of the policy's *substantial justice*, its *procedural justice* and the amount of *"free-riding"* that can be expected (Rothstein 2001). For example, an agent may agree that it is right to have universal health care, but still take a political stand against it because she believes the government is incapable of implementing such a program in accordance with her demands for procedural justice. One can think of the success antagonists against universal health care insurance in the U.S. have had in branding this policy "socialized medicine". We would like to underline that these issues are likely to play a role not only, as is obvious, in programs that are modelled as social insurance systems but also in programs for redistribution. This is evident from the long-standing discussion, especially in the U.S., about how to distinguish between the "deserving" and the "undeserving" poor (Katz 1989; Skocpol 1987). The welfare state contract, whether "new" or "old" is for the individual citizen both a contract with all other citizens (will they pay their taxes and refrain from abusing the system?) and with the government authorities (when the day to collect the insurance or service comes, will they deliver and, if so, in an acceptable way?). This can be thought of as the "moral economy" of the welfare state (Svallfors 2006; Svallfors 2007)

We will leave the first normative question about a policy´s substantial justice out of the discussion and concentrate on the second and the third. Both these problems concern how the agents' perceive the competence, honesty and trustworthiness of their government institutions that are to implement the policies in question. In a recent publication, we have conceptualized *quality of government* as founded on one basic norm, namely impartiality in the exercise of public power in the same vein as Robert Dahl has conceptualized democracy as based on "political equality" for the access to public power (Rothstein and Teorell 2008). This discussion is connected to the more recent focus in development studies and institutional economics on the importance of "good governance" (Acemoglu and Robinson 2008).

Our central hypothesis is that without a reasonably high level of Quality of Government (henceforth QoG), political mobilization for welfare state policies in the way that PRT has outlined are not likely to get a broad appeal. We would again like to underline that we do not think of these approaches as mutually exclusive, but rather as complementing one another. In other words, both political mobilization according to PRT and a high level of QoG are necessary, but on their own they are not sufficient for creating an encompassing, universal and thereby more redistributive welfare state. This has two implications for our initial question about how to explain the existing variation in systems of social policy. The first has to do with the origins of the welfare state system. If our theory is correct, we should expect countries with low QoG, that is, countries that have high levels of corruption in their government systems and/or that are characterized by clientelism and patronage, not to develop encompassing welfare states. Secondly, we should expect high QoG to work as a ramifying condition for the success of PRT. More precisely, the effect of working class mobilization on welfare state expansion should be increasing in the level of QoG. We will now take these two expectations to the data.

Data and Research Design

In order to test our hypothesis on a broader scope of observations than the historical U.S. case, we need measures of two things: the size of the welfare state and the quality of government. Starting with the former, the lion's share of the large-*n* literature on determinants of the welfare state has relied on social spending data (see, e.g., Huber and Stephens 2001; Swank 2002). Including government spending on both cash benefits and social service provisions, this is arguably a reasonable proxy for welfare state effort. Since the causal mechanism underlying our theory in part is based on the notion that ordinary citizens and/or their representatives refrain from entrusting the state with the kind of huge sums of money that an encompassing welfare state requires, this proxy actually suits our purposes well. As a first measure of welfare state development, we will therefore use total public social expenditure as a percentage of GDP from the OECD Social Expenditure Database (OECD 2007) on an annual basis from, taking missing data in the independent variables into account, 18 countries between 1984 and 2000.[3]

True, there are well-known drawbacks involved in using social spending data. Some of these are more technical and hence more easily handled. For example, without proper controls for business cycles and the size of the target population, figures on social spending might tap into other phenomena than welfare state effort (see, e.g., Korpi and Palme 2003; Scruggs 2007). The more fundamental problem with the spending data however concerns their risk of being

[3] If not otherwise indicated, all data used in this paper is taken from the QoG Social Policy Dataset (Samanni et. al 2008).

"epiphenomenal to the theoretical substance of welfare states" (Esping-Andersen 1990, p. 19). When an ordinary citizen ponders the social risks involved in being laid off from work, for example, he or she is likely to demand some form of unemployment protection scheme, not simply "increased social spending on the unemployed". Similarly, when political parties and representatives propose new legislation to increase social protection for sickness leave, they frame their proposals in those words, and not in terms of the budgetary increases these reforms require. In Esping-Anderson's (1990, p. 21) famous words, whereas social spending definitely taps into increased welfare efforts, "it is difficult to imagine that anyone struggled for spending *per se*".

For this reason, we will complement the social spending indicator with the hitherto most broad-ranging measure of welfare state based on actual social policy reforms rather than on their implied costs.[4] This measure is Lyle Scrugg's (2006) "benefit generosity index" that draws on detailed information on replacement rates, eligibility criteria and the size of the population that is insured against unemployment and sickness, and that participate in public pension schemes. The index theoretically varies from 0 to 64 and covers 18 countries annually from 1984 to 2000 (taking into account missing data in other variables). Since this index captures more directly the kinds of social policy reforms that are more likely to be implemented in systems with high QoG, we think of it as a more realistic proxy for the outcome our theory purports to explain. One potential drawback with the benefit generosity measure deserves mentioning, however, namely that it excludes the social service production part of the welfare state.

Secondly, we of course need a measure of QoG. Although cross-national indicators of QoG or "good governance" have proliferated in recent years, only one of these gauges the quality of government institutions over a longer period of time: the International Country Risk Guide's indicators (www.prsgroup.org). We need over-time (apart from cross-national) variation in QoG since the implication of our theory is that cumulative experience of the state, not one-shot encounters, should be what matters (see more on this below). Three of the ICRG indicators are of particular interest to us and they are based on expert perceptions of risks to international business and financial institutions stemming from (a) corruption (e.g., special

[4] The only other possible alternative cross-sectional time-series data source would be SOFI's *Social Citizenship Indicators Programme*. Their data does however not include an overall index of welfare state generosity and they only cover 5-year intervals up until 1995. For these reasons, we prefer Scruggs's data.

payments, bribes, excessive patronage, and nepotism), (b) law and order (e.g., weak and partial legal systems, low popular observance of the law), and (c) bureaucracy quality (lack of autonomous and competent bureaucrats). The ICRG indicators have a distinguished history in the field of cross-national measurement of QoG going back to at least Knack and Keefer (1995). We use the average of these three indicators, restricted to range from 0 (low) to 1 (high quality), and cover the same 18 countries from 1984 to 2000 as our key independent variable in the subsequent analyses.[5]

Ideally, we would of course have wanted to employ data on the quality of government that goes further back in history, to the build-up stage of the modern welfare state. However, unfortunately the time period our data covers is from the era of retrenchment from around the mid-1980s and onwards, when most social security provisions in the western world would have been scaled back. This poses a problem for the testing of our theory, since we believe the causal mechanism underlying our hypothesis relates to the political logic of welfare state *expansion*, not necessarily the logic of retrenchment. Our solution to this problem is to rely on levels, rather than changes, in the dependent variables. These levels may be viewed as a long-run tally of all previous changes (positive or negative) in welfare state effort and should predominantly capture the extent of welfare state expansion rather than retrenchment.[6]

This means that we fairly closely follow the methodological setup of Huber and Stephens (2001, chap. 3), which hitherto provides the most encompassing quantitative support for PRT as an explanation for welfare state expansion. This has the additional advantage of highlighting the more exact contribution from the quality of government factor. We also closely follow Huber and Stephen's (2001) measurement strategy for the partisan variables, based on their own data (Huber et al. 2004): Left and Christian democratic cabinets, respectively, are the cumulative share of left/Christian Democratic party governments (or fraction of parliamentary seats for all coalition member parties in coalition governments) since 1946.[7] The rationale for using the cumulative, rather than the annual, shares is again our

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[5] We have also experimented with each of the three indicators individually, but with no substantial change in results.

[6] The use of levels however comes at a serious cost, since it introduces substantial amounts of autocorrelation biasing our variance estimates. We correct for this with the Prais-Winsten transformation based on the assumption of an AR(1) error structure common to all countries. Beck and Katz's (1995) heteroskedastic panel corrected standard errors take potential variation in the error structure across countries into account. Finally, it should be noted that all independent variables (except year dummies) are lagged one year.

[7] The cumulative cabinet variables are not included in the QoG Social Policy Dataset (Samanni et al 2008) and we have thus taken them directly from Huber et. al. (2004).

focus on long-term development. We do not expect for example a left-party cabinet to be able to substantially alter the welfare state effort in their country from one year to the next. But the longer time period that left parties have been in government in a country, the more expanded a welfare state we should expect to find. Following the same logic, we compute the cumulative scores of the quality of government variable as well (in this case the cumulative mean rather than the cumulative sum). The quality of government factor each year thus reflects the entire history of quality of government for that particular country since the first year of measurement (that is, 1984). We believe this measurement strategy resonates well with the cognitive mechanisms on which our theory is based, since citizens or their representatives are likely to judge the trustworthiness of their state institutions not as a single-shot evaluation at each time point but rather as a running tally of previous experiences.[8]

Finally, we include a set of control variables in our analyses. Globalization is measured with two variables: openness to trade (Heston, Summers, and Aten 2002) and an index of the liberalization of the regulation of capital and current transactions (Huber et al. 2004; originally from Quinn 1997). To control for business cycles, we include measures of unemployment and budget deficits as a percentage of GDP (Armingeon et al. 2008; IMF 2008).[9] Huber and Stephens (2001) have shown that female labor force participation has a significant effect on the expansion of the welfare state and we therefore include a measure of the percentage of women in the labor force (OECD 2006). Constitutional veto points can be theorized to hinder welfare state expansion. To control for this, we have used an additive index based on federalism, presidentialism, bicameralism, and frequent use of referenda (Huber et al. 2004; Huber and Stephens 2001, 55f). Finally, we control for the percentage of the population above 65 years of age, GDP per capita and inflation (Heston, Summers, and Aten 2002; OECD 2007; WorldBank 2007).

Again, most of these variables can only be expected to influence the level of the welfare state effort in the long run, and they will therefore be measured cumulatively. We closely follow Huber and Stephens (2001) and measure the following variables as the cumulative mean from the first year of observation: liberalization of capital and current transactions, female labor force participation, constitutional veto points, population above 65 and inflation. A few

[8] Since the use of levels in the dependent variable and cumulative scores for the independent variables may introduce a spurious correlation of time trends, all results are controlled for year-fixed effects (or year dummies).
[9] The IMF data on budget deficits is not included in the QoG Social Policy Dataset (Samanni et. al. 2008) and has been taken directly from IMF (2008).

of the variables can be argued to influence the extent of the welfare state in the shorter run: A higher rate of unemployment means more recipients which raises social spending without making the system more generous.[10] The same applies to openness to trade which has been said to increase workers sense of risk of being displaced (Huber and Stephens 2001, p. 63; Mares 2005). GDP is not only the resource base for expanding the welfare state in the first place, but also the denominator in the spending measurement, and this is why short-term changes can be expected to influence our dependent variable. Finally, we expect that budget deficits tend to force governments to make cuts in the welfare state in the short run and the budget deficit variable is therefore not measured cumulatively. Basic descriptive information on all variables is available in the Appendix.

Results

To provide an illustration of the patterns we observe, we start by presenting two graphs to give a more visual feel for the data. Figure 1 displays the positive relation *at the country level* between QoG and the level of welfare state effort, measured as the benefit generosity index. Both the QoG and the welfare state measures are here computed as the mean value of all observations 1984-2002 for each country. As our theory would predict, we observe the encompassing Scandinavian welfare state to the upper right, that is, among countries with both high levels of QoG and benefit generosity. On the other side of the spectrum, however, are countries with lower QoG and smaller welfare states, such as Italy and Japan, and they are located to the lower left.

***** FIGURE 1 ABOUT HERE *****

Figure 2 illustrates how QoG works as a ramifying condition for the effect of cabinet partisanship on welfare state generosity. The graph presents data for all the available *country year* observations 1984-2002 in the 18 OECD countries for which we have data. In the figure we have divided the observations into two equally sized groups based on their value on the

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[10] One could argue that unemployment only is likely to affect the level of social spending and not so much the actual social policy reforms as measured by Scrugg's benefit generosity index. Unemployment is e.g. not included as a control variable in Allan and Scruggs (2004). However, we have chosen to include unemployment as a control variable irrespective of the dependent variable used, to keep all our models as similar as possible.

QoG variable (the cumulative mean): the high-QoG observations in black, the low-QoG in grey. The two regression lines track the relationship between left cabinets and the benefit generosity index for these two groups, respectively. As we can see, both regression lines are positive; in the group of observations with low QoG as well as in the group with high QoG the relation between left cabinets and the benefit generosity index is positive. However, the dark grey regression line, representing the group with high QoG, is steeper than the light grey regression line. This means that the effect of left cabinets on the benefit generosity index is bigger in the group with high QoG than in the one with low QoG. Thus, the effect of left cabinets on the level of welfare state effort is dependent on the level of QoG.

***** FIGURE 2 ABOUT HERE *****

We now turn to the more systematic evidence underpinning these descriptive relationships. In table 1 we display four empirical models that together show how QoG is part of the explanation of the generosity of the welfare state. The models again include all 18 OECD countries 1984-2000. In model (1) and model (2) we use social spending as our dependent variable. Model (1), where QoG is *not* included, confirms that our data is in line with PRT. That is, as predicted, both the left cabinet and the Christian democratic cabinet variables are positively related to social spending.

***** TABLE 1 ABOUT HERE *****

Turning to model (2), our main hypothesis is confirmed. QoG has a positive and significant effect on the level of welfare state effort measured as spending. Since the QoG variable has a theoretical variation of between 0 and 1, it is easy to interpret the coefficient: the model predicts that a country with the best possible level of QoG will spend 21 percentage units more of its GDP on the welfare state compared to a country with the lowest possible level of QoG. This can be compared to the mean level of social spending of the observations in the model which, incidentally, is 21 percent of GDP.

In addition, model (2) shows that both left and Christian democratic cabinets still have a positive effect on the level of social spending when QoG has been included in the model. The effect of left cabinets, however, is almost halved, while the effect of the Christian democratic cabinet becomes somewhat bigger. The implication of this is that previous tests of PRT, where QoG has not been controlled for, have overestimated the effect that left cabinets exert on welfare state expansion and underestimated the effect of Christian democratic cabinets. The probable reason for this is that left parties have held power for longer spells in high-QoG countries like, for example, the Scandinavian countries as compared to their lower-QoG counterparts in southern Europe.

Turning to model (3) and model (4) of table 1 we instead use the benefit generosity index from Scruggs (2006) as our dependent variable. The results from model (1) and (2) are repeated. Without QoG in the model, left and Christian democratic governments have a significant and positive effect on the generosity of the welfare state (model 3). The effect of left cabinets is however reduced by one third when QoG is introduced in the model and the effect of Christian democratic cabinets increases by two thirds (model 4). In model (4) our main hypothesis is, again, confirmed in that QoG is positively related to the dependent variable. Since the benefit generosity index is pretty complex in its construction, it is harder to make a substantial interpretation of the magnitude of this effect. We may however compare the effect of QoG with the mean value and the empirical variation of our dependent variable. In the observations used in model (4), the minimum value of the benefit generosity index is 17, the maximum value is 45 and the mean value is 28. A country with the highest possible level of QoG will, according to the model, have a benefit generosity index that is 35 units higher than a country with the lowest possible level of QoG.

In sum, model (1) - (4) confirm our main hypothesis. QoG has a significant and positive effect on the level of welfare state effort, regardless of whether our dependent variable is operationalized through spending on the welfare state or through the benefit generosity index. However, the effect of the cabinet partisanship still holds when QoG is included in the model. The Power Resource Theory is therefore complemented rather than refuted.

We now turn to the more systematic test of our second and supplementary hypothesis that the size of the effect of cabinet partisanship is conditional on the level of QoG. Table 2 presents this result with regression estimates, still for the 18 OECD countries 1984-2000 and using the same control variables as in Table 1. The two interaction variables are simply the QoG variable multiplied with the left and Christian democratic cabinet variables respectively. The coefficients for these interaction terms should be interpreted as the effect QoG exerts on the effect of either type of cabinet. In other words, if this second hypothesis proves correct, then we should expect a positive and significant interaction term.

***** TABLE 2 ABOUT HERE *****

It turns out that this hypothesis is in part confirmed. There is a positive and significant interaction effect when the welfare state level is measured with the benefit generosity index (model 6), but not when it is measured as spending on the welfare state (model 5). In other words, the positive relationship between left and Christian cabinets and spending on the welfare state does not vary with the level of QoG. However, the effect of left cabinets on benefit generosity increases with higher QoG. This means our hypothesis is at least confirmed in the model with the most realistic proxy for welfare state effort.[11]

There is one more indication that the first hypothesis, on the general effect of QoG on welfare state expansion, is the more robust of the two: It holds even when all cross-country variation has been partialled out through the use of country-fixed effects (a rather hard test considering that our variables are pretty stable over time). In this case the QoG variable holds up as an explanation of the level of welfare state effort, regardless of what operationalization is used for the dependent variable. Our hypothesis on the interaction effect does however not stand this robustness test.

Discussion

One way to evaluate the strength of a social science theory is to ask how well it “travels”. The more cases it can explain, the stronger it stands. In this case, the Power Resource Theory has been shown to be fairly good in explaining the extent and institutionalization of social policies

[11] One might suspect that the reason for this is that the contingent effect of left cabinets only holds for social insurance but not for social service provision (since the benefit generosity index does not capture the latter). A more fine-grained analysis however reveals that this is not the case. Our second hypothesis is neither confirmed when spending on service or cash transfers are used as dependent variable.

in 18 western OECD countries which of course is important. However, it should be reminded that this is about ten percent of the total number of countries in the world comprising less than fifteen percent of the world's population. According to all cross-country empirical indicators that measures Quality of Government, the 18 western OECD countries that have been the focus of the PRT have comparatively high levels of QoG (cf. Samanni et al. 2008). While our results show that the QoG theory serves as a necessary complement to the PRT for the above mentioned developed countries, it seems reasonable to argue that the importance of QoG for establishing an encompassing welfare state would increase the more we move to countries in other regions of the world, such as, for example, Latin America or Sub-Saharan Africa. Given the rampant corruption and clientelism in countries like, for example, Brazil, it is unlikely that we will see the enactment of a North European type of welfare state, even if they have would have leftist governments for an extended period (Sorj and Martuccelli 2008; Weyland 1996). As Rudra states it, politicians in these countries are inclined to use the welfare systems for patronage politics "by appointing teachers, health and social workers in exchange for political support" (Rudra 2004. p. 699). The same can be said of several countries in Sub-Saharan Africa (Adésínà 2007; Samson 2002). Thus, the further away from the 18 developed countries our two theories travel, our presumption is that the Quality of Government Theory will become more important than the Power Resource Theory for explaining variations in social protection through the state.

We would like to end with an illustration of how we believe the micro-level causal logic operates in the QoG theory. In her recent (and fascinating) book about the former head of the Anti-Corruption Agency in Kenya, Joseph Githongo, the British journalist Michaela Wrong tells the story about how Githongo, after having revealed the existence of massive and systemic corruption among the highest ranking politicians in the Cabinet and not receiving any support from the President for going further with his allegations, decided that he had to flee the country. Based on interviews with Githongo and other sources, Wrong describes how, in Kenya, ethnic loyalties trumps all other political allegiances giving rise to widespread corruption, clientelism and distrust of the state as anything but a source for graft.

However, Wrong, who has long experience from reporting from Kenya, does not solely attribute these malfunctions to a specific African or Kenyan political culture. Instead, she goes to her own background as a child growing up in London with an Italian mother and an English father. In the book, she recalls how her parents thought of moral duties, generosity, personal obligations and compassion in totally different ways. Her Italian mother grew up in a country that had turned the state into a fascist apparatus and, moreover, had formed a political alliance with Nazi Germany leading to war and occupation. After the war she experienced "a seemingly endless series of short-lived, sleaze-ridden administrations". This experience resulted in an "utterly cynical" view of the state and its officials. Her mother, according to Wrong, would "happily have lied and cheated in any encounter with the state had she believed she could get away with it". However, Wrong continues to describe her mother as utterly devoted to helping others in need and spending lots of time and energy to support also distant relatives and friends in an extended social network. "Hers was a world of one-on-one interactions in which obligations, duties, morality itself took strictly personal forms and were no less onerous for it." However, her obligations and duties ended where her network ended, "beyond lay utter darkness". Her mother's approach, writes Wrong, "would have made perfect sense to any Kenyan".

Wrong then describes her father as the typical middle-class law-abiding Englishman "for whom a set of impartial, lucid rules represented civilization at its most advanced". She describes how, when she was about eleven, with a certain pride mentioned to him that she usually managed to free-ride on the bus home from school. His reaction was stern disapproval telling her that "if everyone behaved that way, London Transport would grind to a halt". For Wrong's father, the choice stood between "civic ethos and anarchy". In contrast to his Italian wife, "he felt no obligation to provide for nieces and nephews" and had a relative applied for a job at the National Health Service administration in which he worked and were he made such appointments "he would have immediately excused himself". For her English father, "nothing could be more repugnant… than asking a friend to bend the rules as a personal favour" (Wrong 2009, p 54f).

The point Michaela Wrong (and we) wants to make is that the state's historical record (or in a game-theoretical terminology, the state's "history of play") creates a kind of collective memory within its population that can be expected to determine what Douglass North has labelled "mental models" which influences whether or not people are likely to trust the state to deliver what it has set out to deliver (North 1998). Given the historical record of the Italian and the British state, none of the "templates" described by Wrong can be thought of as irrational. However, while the "Italian" (or "Kenyan") template on its own can be thought of as rational, it is likely to produce a result that stands against the collective rationality.

Table 1. Regression Estimates for Quality of Government in 18 OECD Countries 1984-2000

	(1) Social Spending (% of GDP)	(2) Social Spending (% of GDP)	(3) Benefit Generosity Index	(4) Benefit Generosity Index
Quality of Government		21.3^{***}		35.6^{***}
		(4.24)		(5.19)
Left Cabinet	0.23^{***}	0.13^{**}	0.38^{***}	0.26^{***}
	(5.93)	(3.08)	(6.58)	(4.57)
Christian Democratic Cabinet	0.12^{***}	0.15^{***}	0.12^{*}	0.20^{***}
	(3.57)	(4.12)	(2.41)	(4.81)
Openness to Trade	-0.011	-0.022^{*}	0.069^{***}	0.054^{***}
	(-1.04)	(-2.11)	(4.31)	(3.71)
Liberalization of Capital and Current Transactions	1.16^{***}	0.93^{***}	1.04^{***}	0.77^{**}
	(5.55)	(4.14)	(3.61)	(2.87)
Constitutional Veto Points	-1.11^{***}	-0.92^{***}	-1.46^{***}	-1.54^{***}
	(-5.77)	(-4.74)	(-4.38)	(-5.17)
Budget Deficit / Surplus	-0.088^{*}	-0.12^{**}	-0.013	-0.054
	(-2.30)	(-2.86)	(-0.29)	(-0.97)
GDP per Capita	-0.24^{*}	-0.35^{***}	0.46^{**}	0.50^{***}
	(-2.42)	(-3.35)	(3.22)	(3.74)
Female Labor Force Participation	0.13^{*}	0.11	0.16^{**}	0.13^{**}
	(2.35)	(1.70)	(2.67)	(2.65)
Inflation	0.10	0.70^{***}	0.16	0.76^{**}
	(0.57)	(3.92)	(0.58)	(2.89)
Population above 65	0.30	0.72^{**}	-0.31	0.040
	(1.41)	(2.96)	(-1.04)	(0.14)
Unemployment	0.082	-0.011	0.00095	-0.046
	(1.28)	(-0.14)	(0.01)	(-0.54)
N	339	279	353	285
R^2	0.85	0.89	0.83	0.89

t statistics in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Comments: Prais-Winsten's regression with heteroskedastic panel corrected standard errors and AR1 autocorrelation structure. Year dummies are included in the model. Most independent variables are measured cumulatively (see text). All independent variables are lagged one year (except year dummies).

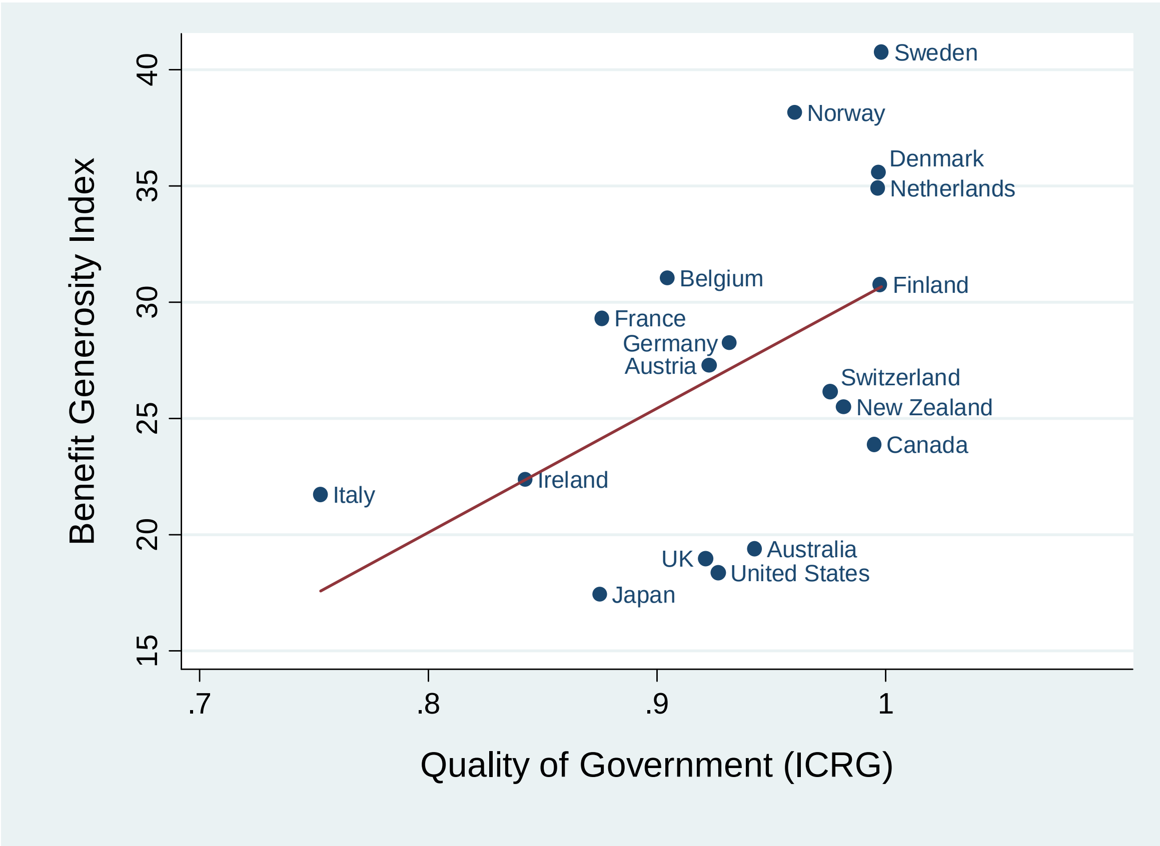
Table 2. Regression Estimates for Interaction Effect of Cabinet Partisanship and Quality of Government in 18 OECD Countries 1984-2000

	(5) Social Spending (% of GDP)	(6) Benefit Generosity Index
QoG – Left Interaction	-0.56	1.92*
	(-0.95)	(2.48)
QoG – Christian Democrat Interaction	0.13	-0.014
	(0.47)	(-0.04)
Quality of Government	24.5**	18.9
	(2.87)	(1.67)
Left Cabinet	0.67	-1.57*
	(1.21)	(-2.16)
Christian Democratic Cabinet	0.046	0.18
	(0.19)	(0.58)
Openness to Trade	-0.024*	0.052***
	(-2.12)	(3.39)
Liberalization of Transactions	0.91***	0.85**
	(3.80)	(3.17)
Constitutional Veto Points	-0.94***	-1.53***
	(-4.62)	(-5.20)
Budget Deficit / Surplus	-0.12**	-0.050
	(-2.84)	(-0.90)
GDP per Capita	-0.32**	0.44**
	(-2.80)	(3.10)
Female Labor Force Particip.	0.13	0.075
	(1.75)	(1.39)
Inflation	0.82***	0.44
	(3.76)	(1.43)
Population above 65	0.69**	0.090
	(2.76)	(0.30)
Unemployment	-0.0064	-0.054
	(-0.08)	(-0.62)
N	279	285
R^2	0.89	0.89

t statistics in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Comments: Prais-Winsten's regression with heteroskedastic panel corrected standard errors and AR1 autocorrelation structure. Year dummies are included in the model (coefficients not reported). Most independent variables are measured cumulatively (see text).

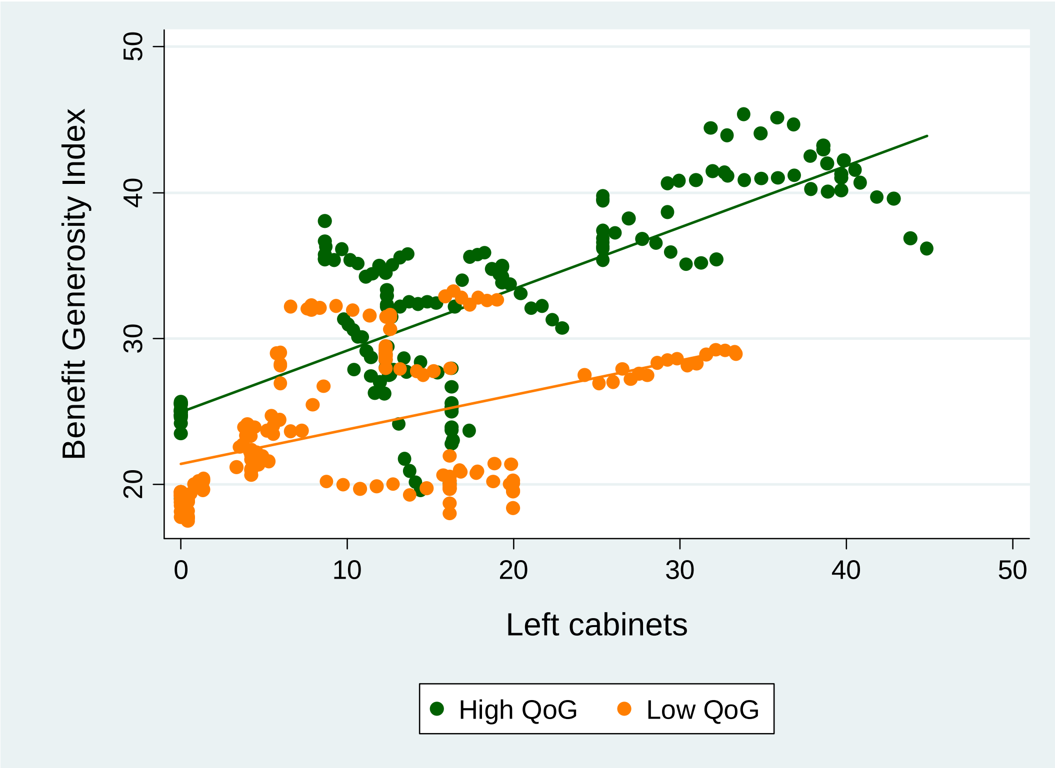
Figure 1. Benefit Generosity and Quality of Government in 18 OECD Countries 1984-2002



$R^2 = 0.25$, b = 53, P>|t| = 2.32. Sources: Scruggs (2006); ICRG

Comments: Both the QoG measure and the benefit generosity index are here computed as the mean value of all observations 1984-2002 for each country.

Figure 2. Illustration of the Interaction in 18 OECD Countries 1984-2002



Sources: Scruggs (2006); Huber et al (2004)

Comments: Each dot represents one country and year (e.g. Sweden 1984). The observations are split into two equally sized groups based on their level of QoG. The regression lines show that the effect of left cabinets on the benefit generosity index is bigger for the observations with high QoG than for the observations with low QoG.

Descriptives

Variable	Mean	Min value	Max value	Standard deviation		
				Overall std. dev.	Between std. dev	Within std. dev
Social Spending (% of GDP)	21	11	36	5.4	5.1	1.7
Benefit Generosity Index	28	17	45	7.2	7.0	1.7
Quality of Government	0.94	0.75	1	0.067	0.067	0.010
Left Cabinet	15	0	45	11	11	2.0
Christian Democratic Cabinet	8.5	0	40	12	13	1.0
Openness to Trade	63	14	186	32	30	12
Liberalization of Capital and Current Transactions	11	6.6	14	1.8	1.9	0.36
Constitutional Veto Points	1.5	0	6	1.8	1.8	0.034
Budget Deficit / Surplus	-2.4	-12	11	3.8	2.4	3.0
GDP per Capita	21	11	33	3.4	2.7	2.1
Female Labor Force Participation	53	35	70	9.1	9.0	1.8
Inflation	5.8	2.4	13	1.7	1.7	0.61
Population above 65	12	7.7	16	2.1	2.1	0.3
Unemployment	7.5	0.46	17	3.6	3.0	2.1

Note: The “Between std. dev.” is the standard deviation between countries, that is when the year variable is held constant. The “Within std. dev.” is the standard deviation over time, that is when the country variable is held constant.

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of welfare state generosity; within this concept political institutions do not have their own explanatory power. However, as Pierson noted, there is no evidence that the decline of left parties has had a significant effect on social spending (Pier-son 1996). This fact implies that power resource theory has lost its explanatory po-tential. Proponents of the alternative institutionalist approach state that what matters are "patterns of governance" (ibid.Â The quality of government and the generosity of the welfare state are positively related in European Union member-states. H2. The alignment of political forces has little explanatory power for the ge-nerosity of the welfare state in the European Union member-states. Appendix 1: government policy on Universal Credit, an introduction. This was a supporting detail page of the main policy document.Â The main differences between Universal Credit and the current welfare system are: Universal Credit will be available to people who are in work and on a low income, as well as to those who are out of work. most people will apply online and manage their claim through an online account. Most political systems are a mixture of these types.4 The United States comprises more a libertarian system, but increasingly is oriented in the totalitarian direction as the modern welfare state and the political elites, with their mixed present and future goals, intervene in the activities of all groups. England, in which loss of group autonomy and the reconstruction of society in some futurist's image has gone much further, reflects even more of a libertarian-totalitarian mixture. Then there is totalitarian-authoritarian Syria or Egypt, and libertarian-authoritarian Brazil or Lebanon.