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Globalization, labour power and partisan politics revisited

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This paper explores temporal variation in partisan effects on social spending growth in OECD countries over the period 1971–2002. We argue that partisan effects are jointly conditioned by globalization and the mobilizational capacity of organized labour. We present three main empirical findings. First, we show that partisan effects increased from the mid-1970s to the late 1980s and then disappeared in the 1990s. Second, we show that partisan effects rose with globalization in the 1970s and early 1980s, a period characterized by rising labour strength in many OECD countries, but this is not true for the post-1990 period, characterized by declining labour strength. Third, we show that globalization was associated with declining partisan effects in countries that experienced union decline in the 1980s and 1990s, but it was associated with rising partisan effects in countries in which unions remained strong.

Keywords: political economy, welfare state, globalization, trade unions
JEL classification: I38 government policy, provision and effects of welfare programs

The idea that parties of the Left and the Right cater to the distributive interests of their core constituencies and therefore pursue different macroeconomic and social policies has inspired a great deal of research in comparative political economy. As Keech (1995, p. 66) noted some time ago, the literature on partisanship and macroeconomic policy in the USA typically assumes that 'party differences regarding goals have remained fixed or constant'. This assumption characterizes much of the comparative literature as well, but a number of scholars, notably Pierson (1996, 2001a) and Huber and Stephens (2001a, b), have argued that government partisanship became less salient to social policy in the course of the 1980s and the 1990s. Against the decline-of-partisanship thesis, Korpi and Palme (2003) and Allan and Scruggs (2004) demonstrate that government partisanship

remained an important determinant of the benefits provided by social insurance schemes in the 1980s and 1990s. We seek to contribute to this debate about inter-temporal variation in the effects of government partisanship in the realm of social policy and, in so doing, to advance the broader agenda suggested by Keech, i.e. to explore the conditions that affect the goals pursued by parties.

The question of changes in the salience of government partisanship must not be conflated with the question of shifts in the centre of political gravity. For our purposes, the critical question is not whether Left-leaning governments are less prone to engage in welfare-state expansion today than they were 20 or 30 years ago, but rather whether the policies of Left-leaning and Right-leaning governments have converged or diverged. There is lots of evidence to suggest that the centre of political gravity moved to the Right in most OECD countries in the 1980s and 1990s. To the extent that Right parties moved farther in a rightward direction than Left parties, however, we would observe an increase in partisan differences as well as a rightward shift of all parties.

Building on Rodrik (1997) and Garrett (1998), we argue that partisan conflict over the public provision of social welfare is jointly conditioned by globalization and the strength of organized labour. In Rodrik's well-known formulation, globalization constrains the ability of governments to expand public spending, but also generates demand for more social protection, especially among unskilled workers. Following Garrett, we hypothesize that Left parties have a particularly strong incentive to respond to the demand for more social protection because unskilled and skilled workers are part of their core constituency and that strong unions render Left parties more prone to respond to globalization by increasing social protection.

In most OECD countries, unionization increased or held steady at high levels from the late 1960s through the early 1980s, but fell sharply from the early 1980s through the 1990s. The implication of our theory is that we should observe greater partisan conflict over social spending as globalization accelerated in the 1970s and 1980s. As union decline set in, however, the incentives for Left-leaning governments to resist the pressures associated with globalization should have diminished.

Pooling data for 16 OECD countries, we estimate a series of error-correction models of total public spending on social programmes (measured in per cent of GDP).[1] We begin by estimating the same model with data from 1971–1980, 1981–1990 and 1991–2002 and then re-estimate the model for consecutive 10-year periods (deleting the earliest year and adding a more recent year to

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[1]In using an error-correction model, we follow, among others, Franzese (2002), Iversen and Cusack (2000) and Busemeyer (2009). The countries included in our analysis are the usual suspects: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, the UK and the USA.

each new 'window'). To anticipate, our results indicate that partisan effects on social spending growth increased across the OECD countries from the mid-1970s through the 1980s, but declined sharply in the course of the 1990s. This pattern not only challenges Korpi and Palme's (2003) emphasis on the resilience of partisan effects, but also calls into question core elements of the account of the decline of partisanship provided by Pierson (1996, 2001*a*).

Our claim is that rising globalization in the context of labour mobilization explains the rise of partisan effects from the mid-1970s onwards and that continued globalization in the context of labour decline explains the fall of partisan effects in the 1990s. To bolster this argument, we introduce an interaction between partisanship and globalization and estimate this model with different subsets of our data. First, we estimate the model with data from 1970–1985 and 1990–2002. Second, we estimate the model with data from 1980–2002 for two sets of countries: those in which unionization declined and those in which it held steady or increased. The first exercise shows that partisan effects rose with globalization in the 1970s and early 1980s, but not in the 1990s. More decisively, the second exercise shows that globalization was associated with declining partisan effects in countries that experienced union decline in the 1980s and 1990s, but it was associated with rising partisan effects in countries in which unions remained strong.

It is hardly necessary to point out that the growth of aggregate social spending is, to a large extent, determined by parameters that governments do not directly control. Moreover, much of the existing welfare-state literature stresses that partisan conflict over social policy pertains primarily to attributes of the welfare state that are not captured by aggregate spending figures (Esping-Andersen, 1990; Korpi and Palme, 2003; Allan and Scruggs, 2004). We would expect partisan effects to be more pronounced if our analysis were restricted to discretionary spending or to forms of social spending that are particularly redistributive. We use aggregate social spending as our dependent variable primarily because this allows us to cover a relatively long period of time (disaggregated social spending data are available only from the OECD for the post-1980 period); we also believe that Busemeyer (2009) is correct in emphasizing that globalization is a diffuse process with pervasive effects. Aggregate spending data arguably provide the 'bird's eye perspective' necessary to detect the effects of globalization (Busemeyer, 2009, p. 460). In any case, we are first and foremost interested in how and why partisan effects have changed over time and not particularly concerned with the question of how the impact of government partisanship compares with that of other determinants of social spending.[2]

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[2]As we discuss in the following, the evidence for partisan effects is weaker when we use Scruggs' index of welfare-state generosity as an alternative dependent variable. Note also that the type of analysis that we engage in here (most obviously the moving-windows component) presupposes annual observations of the dependent variable and thus precludes using direct measures of redistribution

This article is organized into four sections. In the next section, we engage in a critical review of existing literature and develop the argument about the partisan effects being jointly conditioned by globalization and labour strength. We then explain the setup of our empirical analysis, discuss methodological issues and introduce the variables included in our models. In the third section, we present and discuss the empirical results. We conclude by noting some of the limitations of our analysis and identifying directions for further research.

1.   Theoretical framework

1.1   Government partisanship and social protection

In the comparative welfare-state literature, the idea that government partisanship matters is closely associated with the 'power resources approach' developed by Korpi (1983, 2006) and adopted, with modifications, by many other scholars, most notably Stephens (1979), Esping-Andersen (1990) and Huber and Stephens (2001a). As formulated by Korpi, the power resources approach treats trade unions and Left parties as representatives of working-class interests in the 'democratic class struggle'. The public provision of social welfare caters to the interests of workers, defined broadly as wage-earners with limited economic resources, by insuring their income stream against the vicissitudes of the market, reducing their dependence on their employers if not their dependence on employment in general and redistributing income and consumption opportunities. In this theoretical tradition, employers and other social groups that do not primarily depend on income from dependent employment are expected to resist the expansion of public welfare systems, especially public welfare systems based on the principle of social citizenship, and the extent to which governments provide for social protection and redistribution hinges on the ability of unions and Left parties to mobilize workers politically.

The proposition that government by Left parties will produce significantly different policy outcomes than government by Centre–Right or Right parties is by no means self-evident. Several important theoretical traditions downplay the significance of who governs. While Marxists typically emphasize the structural constraints that the logic of capitalist accumulation imposes on Left parties in government, others stress the importance of interest groups, bureaucratic politics and the policy biases of particular institutional arrangements. The power resources approach also stands in stark opposition to the median-voter framework associated by Downs (1957). From the Downsian perspective, parties are more or less exclusively concerned with winning elections, and elections are

based on the Luxembourg Income Study. See Bradley *et al.* (2003) and Iversen and Soskice (2006) for studies of partisan effects on redistribution.

won by capturing the support of voters at the centre of the political spectrum. Public policy is not determined by the preferences of the core constituencies of the party in power, but rather by the preferences of the median voter.

As Strom (1990) and Garrett (1998, pp. 28–31) both argue, partisan and median-voter theories need not be mutually exclusive. It is surely reasonable to suppose that most political parties are both office-seeking and policy-seeking, i.e. they want to win elections and also want to serve the interests of their core constituencies. In Garrett's (1998) formulation, we should expect governing parties of different political persuasions to pursue distinctive distributive policies so long as the pursuit of such policies does not threaten their prospects of re-election.

Several modifications of power resource theory since its initial formulation in the 1970s deserve to be briefly noted. To begin with, the traditional partisanship argument, based on juxtaposing Left parties representing labour to any and all other parties to their Right on the political spectrum, has been modified by recognizing that Christian Democratic parties have a long tradition of support for public provision of social welfare. Second, proponents of the partisanship thesis have sought to unpack social spending and to explore the effects of partisanship on dimensions of cross-national variation other than sheer size of the welfare state. Third, proponents of the partisanship thesis have incorporated the idea of a 'hegemony effect': strong Left parties that are successful in enacting social reforms will force Centre–Right parties to embrace more leftist social policies in order to compete electorally (cf. Korpi, 1983).

To capture the long-term effects of partisanship, Huber and Stephens (2001a) use cumulative cabinet shares held by Left parties and Christian Democratic parties in their analysis of levels of government spending over the period 1960–1985. Huber and Stephens find that government participation by Left parties had a substantial positive effect and that government participation by Christian Democratic parties had an even larger effect on overall government spending in this period. While Christian Democratic participation in government is more strongly associated with spending on social security transfers, the share of cabinet seats held by Left parties emerges as a much better predictor of civilian government consumption and especially the size of the public sector (cf. Iversen and Cusack, 2000).

1.2   The decline-of-partisanship thesis

According to Pierson (1996, p. 150), 'the power resources approach has had considerable success in accounting for cross-national variations in social provision during the three decades following World War II', but it cannot explain more recent developments. 'Cutbacks in social programs', Pierson argues, 'have been far more moderate than the sharp drop in labour strength in many countries

might lead one to expect'. Moreover, 'there appears to be little correlation between declines in left power resources and the magnitude of retrenchment' (Pierson, 1996, p. 150). In a similar vein, Huber and Stephens (2001b, p. 221) speak of a 'sharp narrowing of political differences' with respect to social policy in the 1980s.

As to why the salience of partisanship has declined, Pierson advances two basic arguments that are echoed by Huber and Stephens (2001b). On the one hand, the OECD-wide deceleration of economic growth has given rise to a condition of 'permanent austerity', which constrains the ability of Left parties to engage in further expansion of the welfare state. On the other hand, broad-based popular support for existing social programmes ensures that parties committed to radical downsizing of the welfare state will not be electorally successful. As part of the latter argument, Pierson points out that the post-war expansion of the welfare state itself transformed the electoral landscape by creating large, new constituencies with a material stake in the public provision of benefits. At least some of these welfare-state clienteles—public-sector employees and pensioners—are well organized and they all have an intense interest in the social programmes from which they derive benefits, as distinct from the diffuse interests of the average taxpayer. In Pierson's words (2001a, p. 413), 'the welfare state's electoral base is not only enormous, but primed to punish politicians for unpopular initiatives'.

Probing the logic behind Pierson's arguments, it is important to distinguish between a diminution of partisan differences and shifts in the centre of political gravity. Pierson's argument about the growing size and political influence of welfare-state clienteles postulates that Right parties strategically adopt more pro-welfare policy positions in order to attract (or avoid alienating) these groups. The question immediately arises why Left parties do not respond in the same manner to an increase in the electoral importance of welfare-state clienteles. Why should the existence of large electoral constituencies with a strong preference for public welfare provision produce a diminution of partisan differences, as distinct from a leftward shift of the entire political spectrum? To the extent that the growth of welfare-state clienteles affects parties of Left and the Right differently, it seems at least as plausible to suppose that this development has been a source of partisan differentiation. Most obviously, unionized public-sector employees emerged as a core constituency of Left parties in many OECD countries in the course of the 1970s and 1980s.

In a similar vein, it strikes us as more plausible to suppose that parties of the Left and the Right diverge with regard to taxation and social spending during periods of slow economic growth than to suppose that they diverge during periods of rapid growth (Castles, 1982). Even some of Pierson's own formulations suggest that 'hard times', especially fiscal crises, provide cover for Right parties to pursue unpopular spending cuts that serve the interests of

their core constituencies. In sum, the variables invoked by Pierson and by Huber and Stephens to explain the decline-of-partisanship thesis are theoretically ambiguous. These variables could plausibly be sources of partisan convergence, but they could also be sources of partisan divergence. Alternatively, they might affect the centre of political gravity, but not the distance between parties.[3]

1.3   Globalization and labour strength

Arguably, competitiveness and macroeconomic constraints associated with globalization reduce the room for policy differences between governments of different partisan colours. A clear implication of Katzenstein's (1985) interpretation of the experience of small European states is that their exposure to world markets has been a source of political consensus, favouring compensatory domestic policies. In a rather different vein, there are good reasons to suppose that intensified competition, integration of financial markets and cross-border capital mobility since the 1970s have constrained the pursuit of expansionary macroeconomic policies by Left-leaning governments. For our purposes, the question becomes whether the new neo-liberal consensus with respect to macroeconomic policy in the 1990s (institutionalized as EMU in Europe) translated into partisan convergence with respect to social spending growth.

Garrett's (1998) influential analysis is often associated with the proposition that the constraints that globalization imposes on the growth of the welfare state have been offset by the fact that globalization increases economic insecurity and thereby generates increased societal demand for compensatory social policies (cf. Rodrik, 1997). This rendition of Garrett's argumentation is not entirely accurate. For starters, it deserves to be noted that most of Garrett's regression results show a *negative* association between his globalization variables and various measures of government spending (though the association is seldom statistically significant).[4] Garrett's argument is not that globalization promotes public

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[3]While Pierson provides very little systematic evidence in support of his claim that the salience of government partisanship has declined, Huber and Stephens (2001a, pp. 212–219) regress average annual change in various welfare-related spending measures on average Left cabinet shares in 1960–1972, 1973–1979, 1980–1990 and 1991–1995. This exercise produces large positive coefficients for 1960–1972, sizeable but insignificant coefficients for 1973–1979 and small, entirely insignificant coefficients for 1980–1990 and 1991–1995. With only 18 observations, however, Huber and Stephens' ability to control for the effects of variables other than government partisanship is severely restricted. Given that government spending is expressed in per cent of GDP, the absence of any controls for GDP growth is particularly troublesome.

[4]Garrett (2001) finds a positive association between trade openness and spending with a sample of over 100 countries, but a negative effect of changes in trade openness on spending, and emphasizes the need to look at changes rather than levels to identify the impact of trade openness.

spending across the board, but rather that globalization generates partisan conflict over public spending or, in other words, that partisan effects increase with globalization. The key to this argument is the proposition that the insecurity generated by globalization primarily affects unskilled, low-income workers. For organizational and ideological reasons, Left parties are particularly responsive to the demands of these voters. In short, globalization promotes partisan conflict because it affects core constituencies of Left and Right parties differently.

Garrett introduces an additional layer of complexity by arguing that the extent to which Left governments respond to globalization-induced demand for social protection is contingent on labour-market institutions. This step in Garrett's argumentation rests on two premises: (a) re-election is the dominant motivation of incumbent governments and (b) re-election depends on macroeconomic performance. For Garrett, the question of whether organized labour is sufficiently encompassing and coordinated to accommodate compensatory social spending by exercising wage restraint thus becomes critical. Put differently, globalization and union organization jointly condition partisan conflict over social spending and we should only expect Left governments to respond to globalization-induced demand for social protection when unions are strong. Figure 1 illustrates the expectations about partisan effects on social spending growth that emerge from this theoretical framework.

Two issues require some further discussion. To begin with, the association between globalization and economic insecurity has been the subject of some controversy in the comparative political economy literature. Stressing that global markets are not necessarily more volatile than domestic markets and that openness may serve to diversify rather than concentrate risk, Iversen and Cusack (2000, pp. 317–324) show that more open economies did not, on average, experience

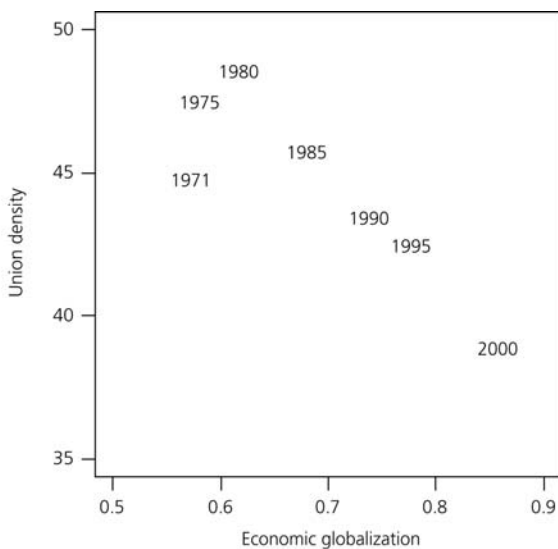| | | Globalization | | |
		Low	Medium	High
	High	+	++	+++
Labour strength	Medium	0/+	+	++
	Low	0/+	0/+	+

Figure 1 Hypothesized partisan effects under different combinations of labour strength and globalization.

more volatility of output, employment and wages in the period 1970–1993 (cf. also Alesina and Glaeser, 2004, pp. 68–71). By focusing on aggregate volatility, however, Iversen and Cusack ignore the crucial point that the insecurity generated by globalization pertains to employment and wages of particular segments of the labour force. Following Scheve and Slaughter (2004, 2006), we also believe that foreign direct investment (i.e. the movement of productive assets across national borders) occupies a more prominent place in the globalization-insecurity nexus than either Garrett or Iversen and Cusack recognize.

The second issue concerns the importance that Garrett assigns to wage restraint as the mechanism whereby labour strength alters the incentives for Left governments to pursue partisan objectives. The ability of unions to determine nominal or real-wage growth under the economic conditions of the 1980s and 1990s, characterized by mass unemployment and intensified international competition, may well be questioned. In addition, Garrett's argument seems to assume that social spending will translate into inflation unless unions respond by exercising wage restraint. If governments choose to fund social spending growth by higher rates of taxation, it is by no means obvious why this should be so. However, the argument about wage restraint is not a necessary feature of the thesis that globalization and labour strength jointly condition partisan politics. Alternatively, we might simply suppose that unions represent workers who have become less secure as a result of globalization and that strong unions render Left parties more responsive to the policy preferences of these workers. While Garrett assumes that labour strength makes the supply of social protection more economically viable, this alternative view posits that labour strength renders the demand for social protection more politically effective. Globalization and union organization still jointly condition partisan effects in the manner illustrated by Figure 1.

Our empirical analysis uses a composite measure of globalization taken from Dreher (2006) and treats union density as a proxy for the marketplace power and political influence of organized labour. For the 16 countries included in our analysis, Figure 2 summarizes the evolution of these two variables over the period 1971–2002. With respect to the steady rise of globalization, this graph is entirely consistent with the story that Garrett (1998) conveys. However, the decline of unionization pictured here stands in sharp contrast to Garrett's emphasis on the stability of labour-market institutions. Generalizing across OECD countries, the 1970s marked the culmination of the post-war growth of unions. Most countries experienced a reversal of the upward trajectory of unionization some time between 1975 and 1985 and a steady decline of union density in the 15–20 years following this reversal.[5]

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[5]As we shall see, Belgium and the Nordic countries bucked the general trend. The reasons for the decline of union density lie beyond the scope of this paper. As shown by Lange and Scruggs

Note: The economic globalization index ranges from 0 to 1, where 1 denotes a full-scale globalization.
Source: Supplementary Appendix A.

Figure 2 Trends in economic globalization and union density.

While the fiscal constraints associated with globalization are likely to have a more direct impact, the process whereby globalization affects economic insecurity and thereby generates pressure on Left parties to promote more social spending is bound to be a slow-moving one. The consequences of changes in unionization for this process will surely take several years to play themselves out as well. Allowing for some lag in partisan policy responses to globalization and union decline, the argument developed here suggests that we should observe rising partisan effects on social spending growth in the 1970s through at least the first half of the 1980s and should observe falling partisan effects from the late 1980s onwards.

2.   Analytical set-up

2.1   *The dependent variable*

The dependent variable of our empirical analysis is annual change in total social spending, expressed in per cent of GDP. For the period since 1980, our data on social spending come from the OECD's new Social Expenditures Database; for the

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(2002), globalization does not appear to be a major cause of this development, at least not in any direct and straightforward sense.
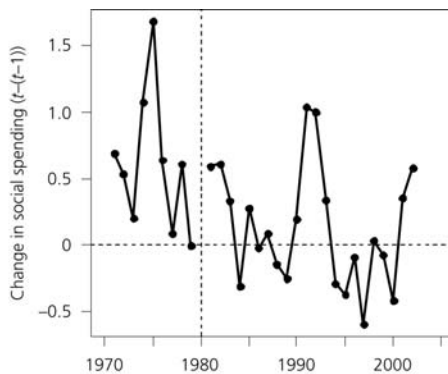
Note: Mean annual change in social spending in per cent of GDP across 16 OECD countries. The observations including the year 1980 are omitted from the graph due to series breaks in the data.
Source: Supplementary Appendix A.

Figure 3 Average annual change in social spending in per cent of GDP, 1971–2002.

period prior to 1980, we rely on the data set constructed by Swank from earlier OECD publications (presented in Swank, 2002). As defined by these sources, 'social spending' includes spending on social assistance, health care, care for the elderly and disabled, child care, family allowances, housing subsidies, parental leave insurance, unemployment insurance, sick pay insurance and public pensions.[6]

Figure 3 shows the evolution of annual changes of social spending in per cent of GDP averaged across the 16 countries included in our analysis. On account of series breaks for several countries, we excluded 1980 in generating this figure. The sharp spikes we observe in 1974–1975, 1991–1992 and 2001–2002 are not particularly mysterious as they correspond to international recessions during which GDP, the denominator of our spending measure, contracted in many countries. Figure 3 clearly illustrates the importance of controlling for changes in GDP in modelling the effects of partisanship and other variables on changes of social spending in per cent of GDP. In addition, it is noteworthy that social spending growth in non-recession years appears to have decelerated, on average, over the 30 years covered by our analysis.

2.2 The core explanatory variables

The key variables in our theoretical framework are government partisanship, globalization and labour strength. For our main results, we rely on Cusack's 'cabinet

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[6]To minimize discrepancies between the two data sets, our measure of total social spending for 1980–2002 excludes spending on active labour market programmes. See Appendix A for variable definitions and data sources and Appendix B for descriptive statistics.

centre of gravity' (CABCOG) index as our measure of government partisanship. (In due course, we will briefly discuss the results we obtain with different measures of government partisanship.) The CABCOG index is constructed by assigning a score to each party based on its location on the Left–Right continuum. CABCOG is then computed by summing the scores of the parties represented in the cabinet, weighted by their share of cabinet portfolios. In Cusack's most recent version, the index potentially ranges between −100 (all cabinet seats held by parties of the extreme Left) and 100 (all cabinet seats held by parties of the extreme Right). To facilitate interpretation, we have inverted the index, so that higher values signify more leftist government, and standardized it to vary between 0 and 1.

The classification of parties underlying the CABCOG measure is time-invariant. This is potentially problematic to the extent that parties have repositioned themselves on the Left–Right continuum over the time period covered by our analysis. The alternative approach of relying on election manifestos to classify parties (Gabel and Huber, 2000; Kim and Fording, 2002) does not strike us as an entirely satisfactory solution to this problem. Using a manifesto-based classification, the question becomes whether government by parties that promise to expand the welfare state tends to be associated with more rapid growth of welfare spending. In our view, it is equally legitimate, and perhaps more interesting, to ask whether parties that have traditionally been conceived as parties of the Left and the Right still have different preferences for welfare spending.

To reiterate, we are interested in how the effects of government partisanship have changed over time. According to the proponents of the decline-of-partisanship thesis, we should observe a more or less continuous decline of partisan effects from the mid-1970s (or perhaps the late 1970s) onwards. In contrast, the standard rendition of power resource theory (Korpi and Palme, 2003) predicts persistent partisan effects. Our own approach treats the effects of partisanship as jointly conditioned by globalization and unionization, leading us to expect partisan effects to rise in the 1970s and 1980s and then to fall in the 1990s.

Our measure of globalization is a composite index of economic integration developed by Dreher (2006).[7] Ranging between 0 and 1, this index combines measures of trade and investment flows with measures of legal (regulatory) barriers to trade and capital mobility. With foreign direct investment and portfolio investment flows measured separately, Dreher uses principal components analysis to assign weights to the eight subcomponents of his index. While we are certainly open to the idea that different forms of globalization may have different political consequences, Dreher's index captures our understanding of globalization as a

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[7]Note that Dreher's (2006) indices of political and social globalization are not part of our analysis.

multifaceted phenomenon with contradictory implications for partisan politics. In our theoretical framework, globalization generates demand for social protection among core constituencies of Left parties as well as constraints on the ability of these parties to pursue expansionary policies, and the power of organized labour alters how Left parties negotiate these contradictory pressures.

Union density constitutes but one dimension of 'labour strength', yet it is surely a very important dimension. Available measures of the centralization of authority within unions or coordination across unions tend to be quite crude and time-invariant. Combining such measures with union density in a composite index of labour strength (e.g. Garrett, 1998, pp. 11–15) inevitably downplays temporal variation in labour strength. Because our analysis focuses on changing dynamics of partisan politics and social spending rather than cross-national variation in levels of spending, we prefer to use union density alone as a proxy for labour strength. Also, union density is particularly relevant for our purposes given that our core argument emphasizes the ability of unions to represent the interests of less skilled workers vis-à-vis Left parties rather than their ability to exercise wage restraint. As with globalization, we do not have strong expectations regarding the direct effects of union density. Once again, our core argument is that strong unions amplify the incentives for Left parties to respond to globalization by boosting social spending growth.

2.3   Control variables

As noted earlier, it is essential to control for economic growth given that our dependent variable is social spending measured in per cent of GDP. If social spending remains constant, GDP growth automatically translates into a decline in social spending by this measure. Arguably, GDP growth also facilitates the expansionary policies by loosening budgetary constraints, but the negative 'denominator effect' is likely to swamp any positive effects of GDP. Related to the effects of economic growth, our model also controls for public debt measured in per cent of GDP. For obvious reasons, we expect levels of public debt to be negatively associated with growth of social spending.

Spending on the elderly accounts for a very large proportion of total social spending in all the OECD countries, and many welfare states also target children. Holding GDP and welfare-state generosity constant, an increase in these targeted groups' share of the total population will automatically translate into higher social spending in per cent of GDP. We include the dependency ratio, defined as the share of the population below the age of 15 and above the age of 64, in our analysis primarily to control for the transitory effects of changes in this variable and do not have strong expectations regarding the long-term association

between levels of dependency and growth of social spending. The unemployed constitute another obvious, and easily measurable, target group of social spending. As with children and the elderly, changes in the size of this group (measured relative to the total labour force) affect social spending in a more or less automatic fashion. On the other hand, Huber and Stephens (2001a) argue persuasively that persistently high levels of unemployment tend to generate fiscal and political conditions conducive to welfare-state retrenchment. Following Huber and Stephens, we expect the unemployment rate to have a negative coefficient when we control for the (positive) transitory effects of increases in the unemployment rate.

Finally, we control for de-industrialization, which Iversen and Cusack (2000) treat as the primary source of economic insecurity in OECD countries in the last quarter of the twentieth century. Following Iversen and Cusack, we measure de-industrialization as the percentage of the population not employed in industry or agriculture and expect this variable to be positively associated with growth of social spending.

Our models do not include institutional variables such as neo-corporatism, constitutional veto points and electoral rules. With levels of social spending as the dependent variable, Huber and Stephens (2001a) and Swank (2002) report significant effects of these variables. As our own analysis focuses on the dynamics of social spending growth rather than cross-national variation in spending levels, the inclusion of time-variant institutional variables seems inappropriate. In any case, the models we estimate include country dummies, which should control for the effects of such variables and eliminate any omitted variable bias arising from their absence.

2.4   Statistical model specifications

To examine the relationship between government partisanship and social spending, we estimate a series of error-correction models. In such models, the dependent variable is expressed as the first difference in the variable of interest, and change in the values of each of the independent variables appears on the right-hand side of the regression equation along with the 'level values' of these variables. This setup is motivated by the idea that when one of the independent variables changes, the dependent variable will adjust in such a fashion that some underlying equilibrium relationship between the dependent variable and the independent variable in question will be maintained (see Beck, 1992; De Boef and Keele, 2008).[8] Put differently, error-correction models allow us to distinguish

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[8]Methodologists also advocate error-correction models as a solution to potential unit root problems (Beck, 1992; Franzese, 2002). The Levin–Lin–Chu test for unit roots (an augmented Dickey–Fuller test for pooled data) yields no evidence of non-stationary in our dependent variable (transformed

between transitory adjustment effects and enduring effects of changes in the independent variables. For reasons of space, our discussion of the empirical results focuses entirely on enduring effects.

Our baseline model takes the following form:

$$\Delta y_{it} = \alpha_i + \phi y_{it-1} + \sum \beta_j X_{it-1} + \sum \gamma_j \Delta X_{it} + \varepsilon_{it},$$

where Δy_{it} is the change in social spending, expressed in per cent of GDP, from the previous year in country i in year t. X is a vector of the independent variables introduced earlier. The subscript j refers to the particular independent variable, α_i refers to country-specific intercepts and ϵ is the disturbance term, which we assume is distributed around a mean of zero with variance σ_i^2. The γ coefficient captures short-term, transitory effects of a one-unit increase in one of the 'change' variables (ΔX_{it}), while the long-run, enduring effects of a one-unit increase in one of the 'level' independent variables (X_{it-1}) are estimated by dividing the coefficient for the particular level variable β_j by the error-correction rate, i.e. by the coefficient for the lagged 'level'-dependent variable ($\beta/-\emptyset$).

As noted earlier, our social spending data series was constructed by splicing together two different data sets, with 1980 representing a series break for all our countries. In addition, there are 12 documented series breaks in the post-1980 spending data and we have strong reasons to believe that the pre-1980 data contain undocumented series breaks as well. It is well known that OLS may produce seriously incorrect results even if only a small fraction of the data is generated by a different process from the rest (Western, 1995; Mebane and Sekhon, 2004). Robust regression addresses this problem by downweighting observations that constitute influential outliers, but entails potential uncertainty in the estimation of standard errors. Instead, we present OLS estimates with dummy variables for 13 country-years that were identified as outliers by a number of diagnostic tests including robust weights.[9] To take into account panel heteroscedasticity, we report panel-corrected standard errors (Beck and Katz, 1995).

We control for country-specific fixed effects by including a full battery of country dummies in all our regression models. Unmodelled country-specific factors can be a significant source of bias in this type of analysis (Hsiao, 1986),

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t-statistic $= -9.813$; $P < 0.000$). It should also be noted that the Langrage multiplier test allows us to reject the null hypothesis of serially correlated errors (test results available upon request).

[9]The 13 outliers are Australia 1976, 1980; Belgium 1975, 1980; Finland 1993; Germany 1980; Ireland 1985; Italy 1980; the Netherlands 1977, 1990; Norway 1980, 2000; and Sweden 1974. Six of these outliers correspond to documented breaks in the social spending data series. Accounting for 2.5% of our total observations, all these observations and no other observations had studentized residuals greater than 3 and were weighted at less than 0.01 in robust regression.

and minimizing the potential for such bias by including country dummies has become a common practice in comparative political economy in recent years. As noted by Kiviet (1995), however, including unit-specific fixed effects with the lagged dependent variable on the right-hand side of the equation may yield an inconsistent estimator (see also Nickell, 1991). This problem is most likely to arise when the number of cross-sectional units (N) is large and time series (T) is very short. The shortest time series that we employ includes 10 years (i.e. $T = 10$ while $N = 16$), which renders the 'Kiviet problem' unlikely. Though we are convinced that fixed effects are the appropriate specification, we are also reassured by the fact that we observe similar effects of partisanship on social spending growth when we estimate our baseline model without country-specific fixed effects.[10]

3. Empirical results

3.1   The evolution of partisan effects

Determined by the availability of data for Dreher's globalization index, our data set covers the period 1971–2002. While the column 1 of Table 1 shows the results that we obtain when we estimate our baseline model with data for the entire period 1971–2002, the following three columns show the results that we obtain for 1971–1980, 1981–1990 and 1991–2002. (To make the table easier to read, we report neither our estimates of the transitory effects of changes in the independent variables nor our estimates of country-specific fixed effects.)

The coefficient for the lagged level of social spending is negative and statistically significant in all of the models reported in Table 1. This coefficient provides a ready check on the equilibrium properties of our model. Any coefficient between −1 and 0 implies that the effects of a change in any of the independent variables are progressively reduced over time, inducing social spending to converge to a long-term equilibrium rate. In model (3), for instance, the parameter estimates of the lagged level of social spending indicate that approximately 85% ($1−0.15 = 0.85$) of a change in 1 year persists into the next year, that another 85% persists into the following year, and so on.

Consistent with our expectations, GDP growth is strongly associated with less rapid growth of social spending not only for the 1971–2002 period as a whole,

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[10]This holds for our moving-windows results (Figure 4) and the estimates of conditional effects presented in Figure 6 as well as the main results presented in Table 1. The only finding that we fail to replicate without fixed effects is the effect of partisanship conditional on globalization for the period 1971–1985 (right-hand panel of Figure 5). All results without fixed effects are available upon request. The Hausman test allows us to reject the null hypothesis that the random-effects estimator is more consistent than the fixed-effects estimator ($\chi^2 = 55.16$, $P = 0.0000$).

Table 1 Determinants of social spending growth by decade, 1971–2002

	(1) 1971–2002	(2) 1971–1980	(3) 1981–1990	(4) 1991–2002
Left government	0.04 (0.23)	−0.27 (0.59)	1.11*** (0.38)	0.13 (0.30)
Globalization	0.65 (0.64)	−4.95*** (1.92)	−2.12 (1.68)	−4.27*** (1.51)
Union density	−0.014** (0.006)	0.01 (0.02)	0.03 (0.02)	−0.07*** (0.03)
GDP/capita growth	−0.17*** (0.02)	−0.16*** (0.05)	−0.10*** (0.03)	−0.29*** (0.05)
Public debt	−0.01*** (0.002)	−0.04*** (0.01)	−0.01* (0.005)	−0.0001 (0.005)
Dependency ratio	0.04 (0.03)	0.17*** (0.07)	−0.13 (0.11)	−0.03 (0.10)
Unemployment rate	−0.05*** (0.02)	−0.07 (0.08)	−0.05 (0.05)	−0.04 (0.04)
De-industrialization	0.004 (0.012)	0.04 (0.05)	0.09 (0.06)	0.007 (0.04)
Social spending ($t-1$)	−0.035** (0.017)	−0.12** (0.06)	−0.15** (0.07)	−0.15*** (0.05)
N	512	160	160	192
Number of countries	16	16	16	16
Adjusted R^2	0.69	0.84	0.70	0.73

Notes: Entries are OLS point estimates and panel-corrected standard errors. The model includes year-to-year changes of covariates as well as country-specific fixed effects, but these are not reported here. The model also includes 13 dummy variables for outliers.
*$P < 0.1$, **$P < 0.05$, ***$P < 0.01$, two-tailed test.

but also for each of the three subperiods. Again, this follows from GDP being the denominator of social spending. More substantively meaningful, the results in Table 1 confirm that high levels of public debt constrained the growth of social spending in the 1970s and 1980s and suggest that the constraints associated with high levels of public debt abated in the 1990s. As expected, the coefficient for unemployment is negative in all four models, but it is only statistically significant for the period 1971–2002 as a whole. Contrary to Iversen and Cusack (2000), we never obtain a statistically significant coefficient for de-industrialization, though the sign of the coefficient is consistently positive. For the dependency ratio, we observe an enduring positive effect in the 1970s and no effect whatsoever in the 1980s and 1990s.

For the entire period 1971–2002, the coefficient for globalization has a positive sign, but the coefficient is barely larger than the standard error. When we estimate our model with data for each decade separately, we find that globalization was strongly associated with less social spending growth in the 1970s as well as the 1990s. The coefficient for the 1980s is also negative, but fails to clear any conventional threshold of statistical significance. Contrary to the expectations of power resource theory, union density is actually associated with less social spending growth when we estimate the model with the complete data set. Yet the negative association between unionization and social spending growth appears to hold only for the period 1991–2002. While this period was evidently characterized by below-average social spending growth in highly unionized countries (in the first instance, the Nordic countries), we hesitate to infer that unionization caused these countries to diverge from the average.

For our purposes, the main point of Table 1 is that pooling data for our 16 countries over the period 1971–2002 miss important temporal variation in the effects of government partisanship. If we had only estimated our model with the complete data set, we would have concluded that the partisan makeup of government has absolutely no relevance for social spending. However, we obtain a partisan effect that is both statistically and substantively significant when we estimate the model with data for 1981–1990 only. To illustrate the substantive significance of this effect, consider that a change from a Conservative government to a Labour government in the UK corresponds to a change from 0.23 to 0.0.73 on Cusack's partisanship index. Taking into account the equilibrium adjustment mechanisms of social spending growth, our results indicate that a change in government partisanship of this magnitude was associated with an enduring 0.56 percentage point increase in social spending in the 1980s. In contrast, we do not observe any partisan effect in either the 1970s or the 1990s.

To analyse temporal variation in the effects of government partisanship (or any other independent variable) by decade is, of course, an entirely arbitrary convention. Other periodization schemes might be more readily justified on

10-year moving windows (FE)
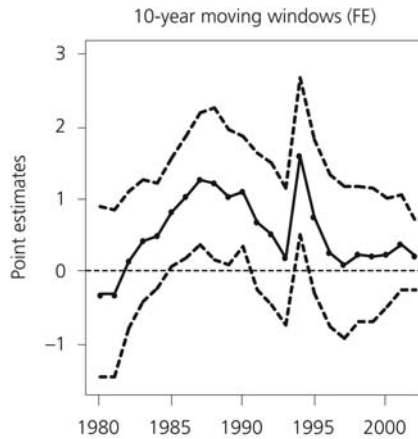
Note: Entries are point estimates and 95% confidence interval (*a* = 0.05, two-tailed). The horizontal axis refers to the last year of each window. For example, 2000 refers to the 1991–2000 window.

Figure 4 Moving-window analyses of the effects of Left government.

theoretical grounds, but the problem of arbitrary periodization can be avoided altogether by engaging in a moving-windows analysis. This means that we re-estimate the same model for consecutive 10-year periods, dropping the earliest year and adding the next year to each new window. On the basis of the same error-correction model as the results reported in Table 1, Figure 4 traces the evolution of our point estimates of the effect of government partisanship (with 95% confidence intervals) across 23 consecutive 10-year windows. To summarize, we do not observe any statistically significant effects of government partisanship in the first five windows (1971–1980 through 1975–1984), but the size of the coefficient increases steadily over these windows. For the subsequent six windows (1976–1985 through 1981–1990), we observe partisan effects that are statistically significant at the 95% confidence level. The partisan effect appears to decline as we drop observations from the late 1970s and add observations from the late 1980s. For windows 11–14 (1982–1991 through 1984–1993), the effect is no longer statistically significant at the 95% confidence level. For window 15 (1985–1994), we observe a sharp but temporary resurgence of partisan effects. For the last seven windows (1987–1996 through 1993–2002), there are no significant partisan effects and no apparent trend.

We observe the same pattern of rising partisan effects in the 1970s and the 1980s and falling partisan effects from the late 1980s onwards with alternative measures of government partisanship. The most common alternative in the existing literature is to estimate separate effects of the share of cabinet seats held by Left parties (Labour or Social Democratic parties) and the share of cabinet seats held by Christian Democratic parties (Huber and Stephens, 2001*a*;

Swank, 2002). Replicating the analysis presented in Table 1 with government partisanship measured in this fashion, we observe a significant association between Left party representation in government for 1981–1990, but not for 1972–1980 or 1991–2002. In our moving-windows analysis, the coefficient for Left cabinet share clears the 95% significance threshold in four windows (1979–1988, 1981–1990, 1982–1991 and 1985–1994).[11]

Estimating the same error-correction model, we also observe a similar pattern of temporal variation in partisan effects with Scruggs' index of welfare-state generosity as the dependent variable, but the effects of government partisanship are weaker.[12] For Cusack's CABCOG index and Left cabinet shares alike, the coefficient only clears the 95% significance threshold in one of 23 ten-year windows (1986–1995). Scruggs' index combines measures of coverage and net replacement rates in three major social insurance programmes (unemployment, sick pay and pensions) and, in contrast to our social spending data, does not take into account the public provision of social services. The finding that partisan effects on welfare-state generosity, as measured by Scruggs, are weaker than partisan effects on total social spending would appear to be consistent with two common claims in the existing literature: the policies of Left and Right parties tend to diverge with respect to direct public provision of services and tend to converge with respect to pension generosity.

Returning to the results presented in Table 1 and Figure 4, it is important to keep in mind that our estimates of the effects of CABCOG pertain to the behaviour of governments with more leftist representation relative to governments with less leftist representation. Looking at Figure 4, it is tempting to attribute the decline of enduring Left-government effects in the late 1990s to a rightward shift of Left parties, but this decline could also be due to a leftward shift of Centre–Right parties. Whether Left parties became less pro-welfare or Centre–Right parties became more pro-welfare is a question that our analysis cannot resolve.

Our results clearly contradict the claim that partisan conflict over social policy declined in the 1970s and 1980s. The proponents of the decline-of-partisanship thesis might invoke the decline of partisan effects in the late 1990s as support for their view, but this retort is unsatisfactory. After all, the argument advanced

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[11]Yet another approach is to estimate the effect of cabinet shares held by Right parties (e.g. Korpi and Palme, 2003; Allan and Scruggs, 2004). With this measure, we again find a significant partisan effect for 1981–1990, but not for 1971–1980 or 1991–2002. The data on cabinet shares used in these supplementary analyses come from Swank's Comparative Parties Dataset (http://www.marquette.edu/polisci/faculty_swank.shtml). Complete results are available upon request.

[12]Complete results are available upon request. See Scruggs (2008) for details on the construction of his generosity index and http://sp.uconn.edu/~scruggs/wp.htm for the data used in our analysis.

by Pierson (1996, 2001a, b) and Huber and Stephens (2001a) is not simply that the salience of government partisanship has declined: rather, their argument is that the salience of government partisanship has declined because of the growing importance of welfare-state clienteles and the onset of permanent austerity. Both of these 'causal mechanisms' should have been operating already in the 1980s.

The same objection applies to the proposition that globalization reduces the room for partisan differences with respect to social spending as well as macro-economic policy. Globalization might be invoked to explain the decline of partisan effects in the 1990s, but why did globalization not have this effect already in the 1970s and 1980s? One possible solution to this puzzle would be to argue that the effects of globalization are conditional on domestic political configurations and that many OECD countries passed some threshold of globalization in the late 1980s or early 1990s (cf. Jahn, 2006). However, this line of argument leaves the rise of partisan effects in the late 1970s and the 1980s unexplained. Similarly, the growing share of social spending received by labour-market outsiders who are not a core constituency of Left parties might plausibly be invoked to explain the decline of partisan effects in the 1990s (cf. Mares, 2006; Rueda, 2007), but the insider–outsider argument does not provide any ready explanation of the previous rise of partisan effects.

The challenge is to provide a coherent analytical framework for explaining both the rise and the decline of partisan effects. Herein lies the promise of the thesis that globalization and labour strength jointly condition the partisan politics of social spending. The temporal variation in partisan effects shown in Table 1 and Figure 4 is certainly consistent with the argument that Left parties will respond to the (skill-biased) insecurity generated by globalization by engaging in compensatory social spending when unions are strong, while the constraints imposed by globalization will generate partisan convergence when unions are weak. In the following section, we probe the causal mechanisms posited by this argument a bit further.

3.2 Conditional effects of government partisanship

Our core argument implies a three-way interaction between government partisanship, globalization and union density. In an error-correction setup, modelling this interaction would require us to estimate no less than eight interaction terms simultaneously. Not surprisingly, multicollinearity becomes a serious problem. Table 2 reports the results of two alternative analyses, which test the implications of our core argument in ways that are less demanding of the data. In both analyses, we estimate the effects of government partisanship conditional on

Table 2 Determinants of social spending growth, interaction models

	16 countries		1980–2002	
	1971–1985	**1990–2002**	**Stable-labour countries**	**Declining-labour countries**
Left government	−4.59** (2.21)	0.73 (2.51)	−6.31(4.12)	2.95** (1.45)
Globalization	−1.60 (2.11)	−1.13 (2.21)	−9.41*** (2.76)	2.40* (1.32)
Left government × globalization	8.42** (3.53)	−0.74 (3.41)	9.12* (5.40)	−3.89* (2.09)
Union density	−0.03 (0.02)	−0.06*** (0.02)	0.11** (0.05)	−0.03** (0.014)
GDP per capita growth	−0.16*** (0.04)	−0.28*** (0.04)	−0.35*** (0.05)	−0.16*** (0.03)
Public debt	−0.03*** (0.004)	−0.001 (0.005)	−0.02*** (0.006)	−0.004 (0.003)
Dependency ratio	0.17*** (0.04)	−0.06 (0.08)	−0.52*** (0.15)	−0.05 (0.04)
Unemployment rate	−0.0003 (0.04)	−0.03 (0.04)	−0.01 (0.04)	0.04 (0.03)
De-industrialization	0.02 (0.03)	−0.02 (0.04)	0.19*** (0.04)	0.01 (0.02)
Social spending ($t - 1$)	−0.08*** (0.03)	−0.12** (0.06)	−0.28*** (0.05)	−0.14*** (0.04)
N	240	208	115	253
Adjusted R^2	0.78	0.68	0.84	0.65

Notes: Entries are OLS point estimates and panel-corrected standard errors. The models include year-to-year changes of covariates as well as country-specific fixed effects, but these are not reported here. The models also include 13 dummy variables for outliers. Countries in which union strength has held steady are Belgium, Denmark, Finland, Norway and Sweden. Countries in which union strength has fallen are Australia, Austria, Canada, France, Germany, Ireland, Italy, Japan, the Netherlands, the UK and the USA.
*$P < 0.1$, **$P < 0.05$, ***$P < 0.01$, two-tailed test.

globalization in two different contexts, one characterized by labour strength and the other by labour weakness.[13]

The two contexts are temporal in the first analysis. Generalizing across the OECD countries, it seems reasonable to characterize the 1970s and early 1980s as a period of labour strength. On the other hand, the period since 1990 can surely be characterized as a period of labour weakness. The implication of our core argument is that partisan effects should rise with globalization in the earlier period and that partisan effects should fall with globalization in the latter period. The second and third columns in Table 2 report the results of estimating our baseline model with the addition of an interaction between partisanship and globalization for 1971–1985 and 1990–2002 separately. On the basis of these results, Figure 5 shows the effects of government partisanship conditional on globalization in each period. Consistent with our argument, the left-hand panel indicates that partisan effects increased with globalization in the period 1971–1985. In contrast, globalization does not appear to have had any effect on the partisan politics of social spending in the period 1990–2002.[14]

The results presented in Figure 5 do not necessarily prove our claim that the mobilizational capacity of unions conditions the implications of globalization for partisan politics. An alternative interpretation might be that the implications of globalization for partisan politics change with globalization itself, i.e. increasing globalization initially promotes partisanship, but this effect disappears as globalization continues.

The second analysis reported in Table 2 addresses this objection. Here we take advantage of the fact that a handful of countries bucked the general trend for unions to lose members and political influence in the 1980s and 1990s. As shown in Table 3, Belgium and the Nordic countries share this distinction. The fourth and fifth columns of Table 2 show the results that we obtain when we estimate our interaction model with data from 1980–2002 for these five countries as one group, characterized by labour stability, and for the rest of our countries as a second group, characterized by labour decline. Figure 6 in turn shows the coefficients for government partisanship conditional on globalization for each group of

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[13]Alternatively, one might estimate a multilevel hierarchical model to incorporate the idea that political-economic processes play out differently in different, enduring institutional contexts (e.g. Western, 1998). As Gelman and Hill (2007, pp. 246–247) demonstrate, multilevel hierarchical models reduce to classical regression to the extent that there is little between-cluster variation (here, only two clusters) and the modelling of interactions between independent variables can just as well be done with classical regression. The advantage of the approach adopted here is that the results are easier to interpret.

[14]This result also holds for 1985–2002 (results available upon request).
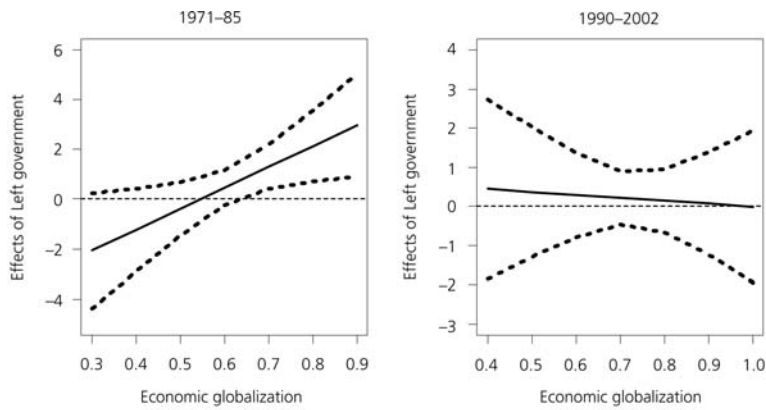
Note: Entries are conditional coefficients and 95% confidence interval from the estimation of the error-correction model. The mean union density level for the 1971–85 period is 47.3% (standard deviation 16.6), whereas that for the 1990-2002 period is 41.5% (standard deviation 21.6). The t-test result indicates that we can reject the null hypothesis that the mean union density level for the two period is equal (P-value = 0.0017). The mean score of economic globalization for the 1971–85 period is 0.59 (with minimum 0.3 and maximum 0.86), while that for the 1990–2002 period is 0.77 (minimum 0.44 and maximum 0.97).

Figure 5 Effects of Left government conditional on globalization, 1971–1985 versus 1990–2002.

Table 3 Union density by country, 1980–2002

Country	1980	2002	Per cent change
Finland	70.0	77.4	+10.6
Sweden	78.3	78.0	−0.4
Belgium	56.6	56.0	−1.1
Norway	54.1	53.0	−2.0
Denmark	78.6	74.0	−5.8
Canada	33.2	28.6	−13.9
Ireland	57.4	35.0	−22.4
Italy	44.4	34.0	−23.4
Austria	50.8	35.2	−30.7
Germany	33.6	23.2	−31.0
Netherlands	32.4	22.1	−31.8
Japan	30.3	20.3	−33.0
USA	20.2	12.6	−37.6
UK	52.2	30.4	−41.8
France	17.1	9.6	−43.9
Australia	46.4	22.9	−50.6

Source: Appendix A.

countries. The results conform closely to the predictions of our core argument. For the countries where labour's organizational strength held up, we find that partisan effects rose with globalization in the 1980s and 1990s. For countries
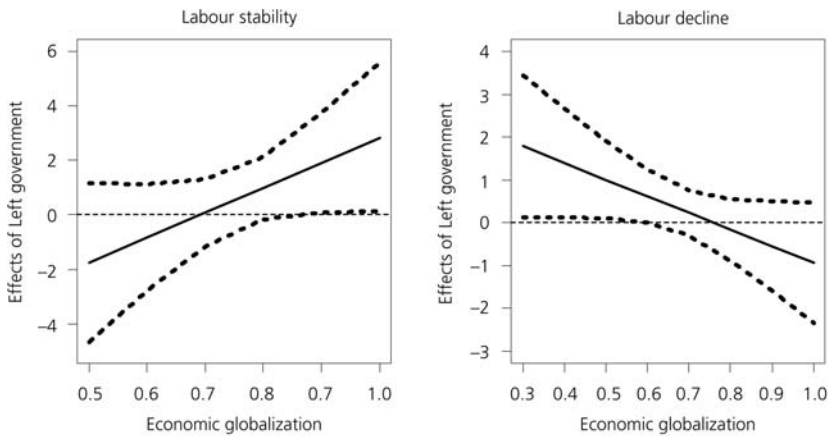
Note: Entries are conditional coefficients and 95% confidence interval from the estimation of error-correction model. Countries in which union strength has held steady are Belgium, Denmark, Finland, Norway and Sweden. Countries in which union strength has fallen are Australia, Austria, Canada, France, Germany, Ireland, Italy, Japan, the Netherlands, the UK, and the USA. Economic globalization for the countries in which union strength held steady ranges from 0.49 to 0.96 for the 1980–2002 period, while that for the countries in which union strength declined ranges from 0.32 to 0.97 for the same period. The graph was produced based on the results in Table 2.

Figure 6 Effects of Left government conditional on globalization 1980–2002, stable-labour versus declining-labour countries.

characterized by labour decline, on the other hand, we find that partisan effects fell with globalization.[15]

4. Conclusion

The timing of the decline of partisan effects that we have identified by means of moving-windows analysis does not conform to the expectations of those of who argue that slow growth and large welfare-state clienteles have brought about a decline of partisan effects. While the pressures of globalization might plausibly be invoked to explain the decline of partisan effects in the 1990s, this leaves the rise of partisan effects from the mid-1970s through the 1980s unexplained. The thesis that globalization generates pressures on Left parties to expand the welfare state when unions are strong and pressures in the opposite direction when unions are weak provides a coherent framework for explaining the rise as well as the decline of partisan effects. The finding that globalization was associated with rising partisan effects over the period 1971–1985, but not over the period 1990–2002, lends plausibility to this argument. More decisively, our

[15]The latter result still holds if we drop Canada, the union-decline country with the smallest union decline, from the analysis (results available upon request).

analysis indicates that globalization was associated with rising partisan effects in countries where the strength of organized labour held up in the 1980s and 1990s, but it was associated with falling partisan effects in countries that experienced extensive union decline.

An obvious limitation of our analysis is that while it allows for inter-temporal variation, it assumes that there is a common causal logic across all the OECD countries. We readily admit that pooled time-series cross-section analysis may hide significant variation in causal effects across individual countries or clusters of countries as well as variation in causal effects over time. The relevance of varieties of capitalism and different types of electoral systems for the politics of social spending deserves further exploration, but regression analysis requires us to assume some causal homogeneity either across countries or across time.

Another obvious limitation of our analysis is that it assumes that the effects of changes in government partisanship are monotonic. In other words, our analysis assumes that the effect of increasing the cabinet representation of Left parties from 0 to 30% is the same as the effect of increasing the cabinet representation of Left parties from 30 to 60% (or that the effect of increasing Left representation from 0 to 60% is twice as large as the effect of increasing Left representation from 0 to 30%). It seems most plausible to suppose that there are threshold effects involved here: at a minimum, that policy becomes 'disproportionately' more partisan when parties gain effective control of the government. By including any and all re-allocations of cabinet portfolios, our analysis probably underestimates the effects of switching from Right-dominated to Left-dominated government (or vice versa). As noted at the outset, it is also likely that we would find larger partisan effects if we could restrict our analysis to discretionary spending or, alternatively, if we focused on forms of social spending with a particularly strong redistributive profile. Further research is necessary to explore these important questions. Suffice it to say here that there is no obvious reason to suppose that taking threshold effects into account or distinguishing between discretionary and non-discretionary spending would alter our findings concerning the rise and decline of partisan effects on social spending growth. Our data do not indicate that big changes in government partisanship were more common during the period for which we observe significant partisan effects (roughly 1975–1990) and it does not seem plausible to suppose that the relative importance of discretionary spending increased in this period.

Focusing on changes in partisan effects, the preceding discussion has neglected another noteworthy feature of our moving-windows analysis: the absence of any significant partisan effects in the 1970s. Like the decline of partisan effects in the 1990s, this finding represents a challenge to power resource theory. As noted early on, however, many proponents of power resource theory have embraced the idea that the partisan differences are relatively small in countries where Left parties

have established a degree of political hegemony, forcing Centre–Right parties to adopt more pro-welfare policies in order to be electorally viable. Applied to the problem of inter-temporal variation, the logic of this argument implies that if our analysis could be extended back in time (using different data), we might observe previous waves of partisan conflict over public welfare provision and redistribution, with each wave being followed by a period of consensus—'social democratic' consensus in the 1960s and 'market-liberal' consensus in the late 1990s. Could some modified version of the theory developed in this paper explain earlier cycles of partisanship? This is another question that we wish to pursue in future research.

Finally, we wish to emphasize the need to pay more theoretical and empirical attention to the question of whose interests unions represent. Labour movements of similar strength, measured by union density, may have quite different constituencies, more or less exposed to the labour-market insecurities generated by globalization. For instance, we know that labour movements vary in terms of the relative importance of public-sector unions (cf. Garrett and Way, 1999). Such variation can be expected to affect not only union preferences for social spending, but also the impact of globalization on union preferences. New data collection is necessary before we can begin to incorporate these considerations into the analytical framework proposed earlier. Suffice it to note, for the time being, that the analysis of how preferences translate into public policy must be accompanied by more systematic analysis of preference formation.

Acknowledgements

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Appendix A: Variable definitions and data sources

Change in social spending: First difference of social spending in % of GDP (not including active labour market programs). 1971–1979 data provided electronically by Duane Swank; 1980–2000 data from Social Expenditure Dataset at www.oecd.org.

CABCOG: Cabinet center of gravity (see text). "Parties, Governments and Legislatures Dataset" at http://www.wz-berlin.de/mp/ism/people/misc/cusack/d_sets.en.htm#data.

Union density: Union members in percent of labour force. Lange–Golden–Wallerstein at www.shelley.polisci.ucla.edu/data, supplemented by data from: Ebbinghaus, B. and Visser, J. (2000) Trade Unions in Western Europe since 1945, CD-Rom, London, Macmillan, and OECD (2004) *OECD Employment Outlook 2004*, Paris, p. 145.

Growth rate of GDP per capita: OECD, Historical Statistics.

Public debt: Gross consolidated-central-government debt (including social security) from http://www-personal.umich.edu/~franzese, supplemented by data from IMF, Government Finance Statistics Yearbook.

Dependency ratio: The percentage of population below the age 15 and over 64. OECD, Historical Statistics.

Unemployment rate: OECD, Historical Statistics.

Economic globalization: Index constructed with principal component analysis comprising eight variables measuring economic globalization. The eight variables are measuring actual flows [trade, FDI, portfolio investment, income payments to foreign nationals (all in percent of GDP)] as well as restrictions [hidden import barriers, mean tariff rate, taxes on international trade (in percent of current revenue), capital account restrictions]. The data are from Dreher (2006), which is available at http://globalization.kof.ethz.ch/static/rawdata/globalization_2008_long.xls

Deindustrialization: 100 minus the sum of employment in agriculture and manufacturing industry as a percentage of the working-age population. Data provided electronically by Torben Iversen supplemented with data from OECD, Labour Force Statistics.

Appendix B: Descriptive statistics

Variable	Mean	S.D.	Min	Max
Social spending (%GDP)	19.86	5.30	5.72	33.3
Δ Social spending (%GDP)	0.21	1.03	−6.67	4.8
Left government (cabinet COG)	0.47	0.16	0.02	0.73
Δ Left government	−0.0001	0.10	−0.50	0.50
Globalization	0.67	0.15	0.30	0.97
Δ Globalization	0.01	0.02	−0.09	0.11
Union density	44.76	19.02	9.6	83.9
Δ Union density	−0.18	1.19	−5.2	4.9
GDP/capita growth	2.36	2.38	−8.11	10.2
Δ GDP/capita growth	−0.07	2.77	−9.2	10.1
Public debt	44.02	30.68	3.0	142.3
Δ Public debt	0.83	4.12	−26.7	17.8
Dependency ratio	34.33	2.40	29.8	42.3
Δ Dependency ratio	−0.10	0.27	−1.1	0.8
Unemployment rate	6.40	3.60	0.6	17.6
Δ Unemployment rate	0.11	0.99	−3.0	5.0
Deindustrialization	61.13	8.40	40.07	76.71
Δ Deindustrialization	0.68	0.65	−2.92	4.74

Note: *N*=512.