

The electoral consequences of welfare state retrenchment: Blame avoidance or credit claiming in the era of permanent austerity?

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Abstract. This article challenges the dominant assumptions in the literature that cutting social policy incurs voter wrath and that political parties can efficiently internalise electoral fallout with blame avoidance strategies. Drawing on the diverse literature on the role of partisanship in the period of permanent austerity, several partisan hypotheses on the relationship between social policy change and electoral outcomes are posited. The results indicate that religious and liberal parties gain votes, and thereby are able to ‘claim credit’, for retrenching social policy. None of the other coefficients for the effect of social policy cuts reach significance, raising the question of whether parties excel at blame avoidance or the public fails to place blame in the first place.

[F]rontal assaults on the welfare state carry tremendous electoral risks. The contemporary politics of the welfare state is one of blame avoidance. Governments confronting the electoral imperatives of modern democracy will undertake retrenchment only when they discover ways to minimize the political costs involved. But as I emphasize, such techniques are hard to come by. (Pierson 1996: 177–178)

The current period of ‘permanent austerity’ (Pierson 1998) necessitates cut-backs in social policy, and a large literature traces the conditions under which retrenchment of the welfare state will occur (see Starke 2006; Korpi 2003). The question of *why* political actors retrench, however, is still underdeveloped in the literature (Vis & Van Kersbergen 2007). More often than not, the act of retrenching is discussed as inherently unpopular. In fact, an entire research agenda which assumes that retrenchment will incur voter wrath and explores how retrenching governments can avoid losing votes has developed out of the blame avoidance hypothesis. At the same time, some political parties have been shown to cut social entitlements more often than others (Allan & Scruggs 2004; Korpi & Palme 2003) – a finding that suggests that parties face different incentives to retrench. This inconsistency between the assumption that retrenchment is unpopular and evidence for partisan effects in retrenchment

activity motivates our analysis. We theorise that governments, and particular parties within the governing coalition, might not only lose but also win votes for retrenching. As such, our analysis challenges both the notion that retrenchment is an unpopular policy choice for all party families as well as the presumed efficiency of blame avoidance policies.

By testing the electoral fates of retrenching governments, we gain leverage on whether blame avoidance strategies fail and whether some parties, rather than avoiding blame, indeed gain votes and are thereby able to 'claim credit' for retrenching social policy. The results offer a negative response to the first question. Blame avoidance strategies, if employed, are largely successful.¹ A more novel finding, however, is that religious and liberal parties systematically win votes for retrenchment. These findings suggest that retrenchment is a popular policy choice for some voters and motivates a research agenda that examines more carefully the voter base of political parties since the mid-1970s as well as the particular explanatory logic for why some voters reward retrenchment.

To begin, we review the blame avoidance literature and then integrate this discussion into the debate on the partisan politics of retrenchment before developing partisan hypotheses for the electoral costs of retrenchment. Then we lay out the method, conduct the analysis and discuss the results. The final section concludes.

Blame avoidance and partisan politics in the era of permanent austerity

Blame avoidance and the new politics of the welfare state

A starting point for the literature on welfare state retrenchment is the observation that the Golden Age of welfare capitalism is over. Per capita growth rates in GDP, averaging roughly 4 per cent between 1950 and 1975 among advanced industrialised countries, slowed to around 2 per cent as of 1990. High unemployment drew heavily on government revenue due to higher demands for social security payments. The spending capacity of households was therefore weakened at the same time that governments reached a limit in their ability to finance social policy. A growing dependency ratio further undermined the fiscal underpinnings of the welfare state. Finally, since tax rates have already reached quite high levels, securing the sustainability of the welfare state hinged on reducing, if only on the margins, the generosity of existing social benefits.

In the face of these diverse pressures, Pierson (1994, 1998) has spearheaded the argument that welfare states will remain resilient to widespread retrench-

ment. Together with institutional ‘stickiness’, the unpopularity of retrenchment among voters should stall cutbacks in social policy. As Pierson elaborates, the recipients of traditional social policies (e.g., pensions or sick pay) come to view these benefits as well-earned rights. Further aggravating the problem, the costs of retrenchment are concentrated on a well organised ‘welfare state constituency’, whereas the benefits from retrenchment are diffuse, spread among a typically unorganised population, and distant, in the sense that rewards are only realised in the future. As a result, the politics of welfare state retrenchment in the current period is distinct from the politics of expansion in the Golden Age because it involves taking away (and not allotting new benefits) from precisely those who have the power to inflict punishment. For scholars within the ‘new politics’ perspective, the breadth and strength of the welfare state constituency makes retrenchment an electorally costly endeavour. Indeed, the assumption that retrenchment is costly constitutes a cornerstone of this perspective.

The presumed unpopularity of cutting back the welfare state provoked a discussion about how politicians could cope with the electoral costs of retrenchment. In some cases, governments may decide to avoid cuts entirely until the economic and/or political climate deteriorates sufficiently (Vis & Van Kersbergen 2007). Governments that take on retrenchment, however, can employ a number of ‘blame avoidance’ strategies to avoid being punished at the polls. There are three existing classifications of blame avoidance strategies (Hering 2008: 177) (see Table 1). Pal and Weaver (2003) develop a typology of eleven techniques, categorised by whether they refer to the reform process, the way policy makers communicate their reform, or the payoffs of reforms for different welfare clienteles. Vis and Van Kersbergen (2007) relate these strategies to the different types of welfare reform including recommodification (increasing work incentives), cost containment (reducing expenditure) and recalibration (reforming policy to address new social needs) (Pierson 2001).

Concentrating more explicitly on the consequences of retrenchment for social policy recipients, Pierson (1994) offers three blame avoidance strategies: obfuscation (lowering the visibility of reforms), division (restricting negative consequences of reforms to certain segments of the voting population) and compensation (side payments to losers of reforms). A study of 13 reforms in Swedish transfer programmes in the 1990s provides evidence that obfuscating reforms were pursued more often than others (Lindbom 2007). Though empirical studies of ‘division’ do not exist, the Lindbom study theorises that division strategies will work best in policy areas that already separate clients (e.g., differentiated pension schemes) and where voters are egotropic, since sociotropic voters would blame retrenching governments even if the cuts did not affect them directly. Finally, references to ‘compensation’ as a strategy for

Table 1. Typologies of blame avoidance

Source	First type	Second type	Third type
Pal & Weaver (2003)	Procedures Insulation Passing the Buck Agenda Limitation	Perceptions Obfuscation Finding a Scapegoat Circling the Wagons Redefining the Issue	Payoffs Dispersion Compensation Exemption Concentration
Pierson (1994)	Obfuscation Decrementalism Indirect Incidence Burden Shifting Automaticity Lagged Cutbacks	Division Targeting Policies	Compensation Exempting Constituencies Offering other Benefits
Hood (2002)	Presentation Excuses Justification	Policy Selecting Policies	Agency Delegation

Source: Hering (2008).

pushing through painful reforms arise throughout the literature where side payments are discussed as way to alleviate the harsh consequences of retrenchment.

Hood (2002) creates a final typology. In his view, actors can alter their reasoning concerning reform, the particular policies that make up the reform or the institution responsible for implementing the reform. The last strategy invokes the role of delegation and, by doing so, Hood illuminates the relevance of blame avoidance strategies for the implementation stage. Taken together, these three classifications represent ways in which retrenching governments can protect themselves against voter backlash.

The blame avoidance literature provides a rich array of concepts with which to analyse the retrenchment process. Nevertheless, the imperative to use blame avoidance strategies as well as the success of these strategies is largely taken for granted. We find this state of affairs unsatisfactory. In this worldview, preferences over retrenchment are only allowed to exist in degrees of discontent. No matter how skewed public opinion is in favour of the welfare state, we know from surveys that a sizeable group of respondents wish to reduce government spending for social programmes (Boeri et al. 2001). Others are simply agnostic to such changes. We therefore find it reasonable to consider instances where voters will not blame parties for cutting back on social policy. Moreover, if redistributive issues continue to shape electoral competition, as we believe they do, then parties should rely to differing extents on welfare state supporters and face different pressures to enact blame avoidance strategies as a result.

Furthermore, blame avoidance strategies are often discussed as if they had a neutralising effect: retrenchment incurs wrath; blame avoidance strategies pre-empt or dissolve these negative feelings. We challenge this understanding in two ways. First, we believe that blame avoidance may not be efficient in all cases and hence parties might lose votes after retrenching the welfare state. For instance, it might not be realistic to assume that all governments have full control over the political agenda and can successfully enact blame avoidance strategies. Alternatively, economic constraints might be so heavy that blame avoidance strategies are not an option due to the sheer amount of retrenchment. Another line of reasoning highlights the fact that blame avoidance strategies are themselves costly. Pierson (1994) was rather critical, for instance, of compensation strategies since such actions may defeat the original aim of retrenchment attempts – namely to lower the cost of social policy.

Second, blame avoidance strategies may be so successful at addressing voter discontent that retrenching parties win over new voters. Although Pierson has a point that compensation strategies contradict the cost-saving aspect of retrenchment, such strategies may be desirable when they contribute to the realisation of the government's policy agenda and appeal to their voters. One can make precisely this argument with regard to 'flexicurity' reforms. Certain social policies, such as long-term unemployment insurance, have been shown to depress employment levels, whereas others, such as active labour market policies, are related to higher levels of employment (Bradley & Stephens 2007). 'Flexicurity' reforms typically include a policy mix that combines retrenchment of employment-impeding policies with an expansion of employment-friendly policies. Beyond addressing the economic costs of low employment, such reforms may gain the support of marginalised workers by improving their chances of finding stable jobs. Moreover, employment-friendly policies are more abundant in countries with strong social democratic parties and less abundant in countries with strong Christian democratic parties (Huo et al. 2008), which suggests that the enactment of compensation strategies follows a political logic.

In short, although the blame avoidance literature contributes much to the understanding of retrenchment, the assumptions underlying this literature are too strong. There are theoretical and empirical reasons to expect that some voters will tolerate or support retrenchment, and preferences over retrenchment should map onto partisanship, thereby making some parties rely on blame avoidance strategies more than others. Moreover, blame avoidance strategies are themselves not immune to pressures such as distributive competition and implementation costs. These strategies should therefore hold independent effects for electoral outcomes.

Our critique of the blame avoidance literature suggests a more complex relationship between cuts in social policy and electoral outcomes than currently exists. Given that some voters may support or tolerate retrenchment, it becomes relevant to ask how these individuals vote and whether political parties have access to this information. Since blame avoidance strategies are also likely to have their own dynamics, it is necessary to consider how parties balance the expected costs of retrenchment with both the expected benefits of blame avoidance strategies as well as the likelihood that such strategies fail.

As a first cut at addressing these concerns, our analysis tests the null hypothesis, derived from the blame avoidance literature, of an insignificant relationship between social policy cuts and changes in electoral outcomes. Going beyond this first hypothesis, we propose that political parties face different electoral costs for cutting social policy. To develop partisan hypotheses for the electoral costs of retrenchment, we draw from the literature on the partisan politics of retrenchment.

Partisan politics in the era of permanent austerity

Existing accounts of the role of partisanship in the realisation of the retrenchment agenda span the range of theoretical possibility. Whereas some claim that partisanship has ceased to play a role, à la the ‘new politics’ perspective, others counter that partisanship matters in much the same way that it did in the period of expansion, and still another strand of the literature claims that partisanship matters, although in a new way. Inconsistency in the existing theoretical accounts of the role of partisanship can be traced to different assumptions about which voters make up the constituencies of political parties as well as how voters judge retrenching governments. We first review the four main perspectives in the literature, including ‘new politics’, ‘old politics’, ‘market-liberalism’ and ‘Nixon goes to China’, before using them to build partisan hypotheses for the electoral costs of retrenchment.

Those within the ‘new politics’ perspective tend to view the welfare state constituency as encompassing broad segments of the population (Flora 1989) so that all parties rely to some degree on these voters. Retrenchment is generally assessed as an unpopular policy choice for all political parties, at least to some degree. To be sure, scholars working within this perspective recognise that some governments want to retrench and succeed at doing so. As a case in point, Pierson and Smith (1993: 500) note that conservatives ‘favor the rollback of the welfare state in order to decrease the size and scope of government’. They add however that, even for conservative parties, ‘cutbacks in social policy were generally unpopular’ (Pierson & Smith 1993: 509). Therefore, the central implication of a large welfare state constituency is that no party will dare place

retrenchment squarely on its agenda and that retrenchment will only occur when blame avoidance strategies are on hand to limit electoral fallout. Providing empirical support for this thesis are studies based on expenditure data that reveal reduced partisan differences (Huber & Stephens 2001; Kittel & Obinger 2003). A central claim of the ‘new politics’ literature is therefore that partisanship ceases to matter in the period of retrenchment.

Not long after the ‘new politics’ perspective declared the end of partisanship, contrary views arose that the ‘old politics’ were alive and well. This view gained momentum particularly after social entitlement data, which allow one to differentiate between the actual generosity of social benefits and the number of individuals taking up these policies, became available. These data revealed that parties of the right retrenched more often than parties of the left (Allan & Scruggs 2004; Korpi & Palme, 2003). This finding clearly challenges the assumption that class politics have lost relevance and lends support to theories of welfare state expansion that illuminate the influence of left parties and unions (Stephens 1979; Korpi 1983) as well as religious parties (Van Kersbergen 1995; Huber et al. 1993) in fueling welfare state expansion. In defence of traditional theories of partisanship, Korpi and Palme (2003: 428) elaborate on why the current period is not particularly new:

[N]egativity bias and blame avoidance were of relevance also in the expansion phase. This reflects the fact that reforms had to be paid for by tax increases. Instead of a head-on confrontation for or against social policy reform, in most Western countries the partisan political debate came instead to focus on the ‘tradeoff’ between levels of taxation and social reform.

Applying theories of expansion to the period of retrenchment implies a continuation in the electoral bases of the major political parties. Secular and right-leaning parties will draw support from constituencies that favour lower taxes, whereas left and religious parties rely on a voting base that supports existing social benefits. We label this view the ‘old politics’ of the welfare state since it challenges the ‘new politics’ perspective and relies on traditional theories of welfare state expansion.

Despite rather strong support for this theory, the assumption of stable constituencies is called into question by research that shows considerable change in party systems since 1970 (Pennings & Lane 1998; Mair 1997). In particular, assuming that traditional social policies continue to attract the same voter base today as they did fifty years ago implies frozen political cleavages and unwavering party allegiance. To the contrary, in most countries, new parties have entered the scene, the values and preferences that define society

have changed and new dimensions of political competition have emerged. Of particular relevance is Kitschelt's (1994) theory that a shift has taken place in the nature of party competition, from a traditional left-right dimension to a two-dimensional space defined by left-libertarianism and right-authoritarianism. A number of voters are seen to have moved into the left-libertarian quadrant of the policy space, which has increased the electoral success of left-libertarian and market-liberal parties.

Moreover, Kitschelt argues that market-liberal parties should find it easier to retrench. Although he concedes that welfare state popularity makes unhindered retrenchment untenable, he nevertheless argues that these parties have a particular capacity to enact cuts: '[U]p to a certain point of reform commitment, market-liberals may still keep the opposition at bay because of its lack of credibility and/or its inability to form an alliance that could displace the market-liberal party' (Kitschelt 2001: 276). Although he was more concerned with the role of party competition rather than electoral competition, this insight suggests that the voter base of liberal parties provides them with an opportunity to cut social policy that would be unthinkable for other parties.

A final strand of the literature diverges strongly from the aforementioned theories. Although never explicitly stated, the studies above see voters as selecting the party whose policies make them better off in economic terms. Ross (2000) spearheads the 'Nixon goes to China' perspective that sees voters as choosing parties based on the role that parties historically played in developing social policy. Parties are thereby evaluated according to their legacy in protecting the worst-off in society: parties that helped establish the welfare state hold strong legitimacy for correcting social injustice, whereas 'anti-welfare' parties do not. The former parties will therefore find it easier to retrench than the latter. In a similar vein, Levy (1999) explains how governments, particularly those on the left, are able to turn 'vice into virtue' in retrenching reforms.

As mentioned above, reconciling these theories with each other runs into obstacles because they often make conflicting assumptions about the social policy preferences of parties' constituencies as well as about the criteria by which retrenching governments are judged. The 'new politics' perspective sees the welfare state constituency as encompassing broad segments of the voting population, whereas the remaining theories do not go this far. The 'old politics' suggests that parties of the secular centre and the right rely on constituencies that support retrenchment in order to secure lower taxes and the 'Nixon goes to China' perspective builds implicitly off of this theory. For others, new dynamics of political competition have given way to the rise of market-liberal parties whose constituency is relatively tolerant of retrenchment. Finally, whereas all of the theories assume self-interested voters, the 'Nixon goes to

Table 2. Partisan hypotheses for the electoral costs of retrenchment

NEW POLITICS

According to the new politics hypothesis, parties will neither lose nor gain votes for retrenching social policy because they will enact blame avoidance strategies to counteract any electoral fallout.

OLD POLITICS

According to the old politics hypothesis, left and religious parties will lose votes for retrenchment if their blame avoidance strategies fail, and liberal and conservative parties will gain votes.

MARKET LIBERALISM

Market-liberal parties will exhibit a unique capacity to retrench without electoral losses, whereas other parties will lose votes if their blame avoidance strategies fail.

NIXON GOES TO CHINA

Left and religious parties will win votes for retrenchment, whereas liberal and conservative parties will lose votes if their blame avoidance strategies fail.

China's perspective sees voters evaluating retrenching governments in light of their historic commitment to social justice.

These inconsistencies aside, we can use these perspectives to develop partisan hypotheses for the electoral costs of retrenchment (Table 2). The literature reviewed above focuses largely on the question of which parties take on the retrenchment agenda. In doing so, each theory invoked a story about the role of voters. We draw on these accounts about how voters perceive retrenchment to hypothesise about how parties will do at the polls if they cut back the welfare state. Since the literature goes beyond a left-right distinction, we use the concept of 'party families' in order to fully address the different perspectives. We now briefly review the hypotheses derived from the welfare state literature on partisanship in the current period.

Partisan hypotheses for the electoral costs of retrenchment

The 'new politics' perspective predicts that all parties face voter resistance to retrenchment. Since retrenchment is unpopular, parties will pursue retrenchment only if they can avoid losing votes for doing so. The 'new politics' hypothesis therefore predicts that no party will lose votes for retrenchment; at the same time, since retrenchment is inherently unpopular, no party will win votes either.

The last three hypotheses² raise the point that partisan politics may not be as immobilised as the 'new politics' would have one believe. Drawing on traditional bases of electoral support, the 'old politics' perspective suggests

that left and religious parties will face voter backlash for retrenching social policy, whereas conservative and liberal parties, due to the preferences of their voters for lower taxes and less government, will find support for retrenchment among their constituency. With these priors, we might predict that only conservative and liberal parties will retrench. However, assuming for a moment that parties cannot completely control the decision to retrench, left and religious parties may sometimes choose to retrench. This assumption is verified by the data. We consequently argue that retrenchment is unpopular for left and religious parties and leave it an open question whether their blame avoidance strategies are successful. Therefore, we hypothesise that left and religious parties that retrench will either lose votes or face no significant electoral costs for retrenchment, whereas conservative and liberal parties that retrench are expected to gain.

Although the ‘market liberal’ perspective shares the view that partisan differences matter, the understanding of how partisanship matters follows a different logic. Changes in the voting base of advanced welfare states produce a new left-libertarian constituency that is relatively supportive of retrenchment. The group of parties considered as market-liberal overlaps considerably with the liberal party family, and we therefore hypothesise that liberal parties will gain from retrenchment because they are adept at attracting this new political constituency and do not rely on support from other types of voters. Other parties will lose votes for retrenchment if their blame avoidance strategies fail because they rely on voters who will defend the welfare state.

Finally, the ‘Nixon goes to China’ hypothesis views the capacity of parties to retrench as a result of their historical commitment to social justice. Therefore, this hypothesis theorises that retrenchment by left and religious parties will be rewarded by voters for protecting the long-term sustainability of the welfare state, whereas conservative and liberal parties are hypothesised to incur voter wrath for undermining social justice. These latter parties will therefore lose votes if their blame avoidance strategies fail.

Our data constrain us in two ways. First, a reliance on electoral data is limiting since the hypotheses ultimately rest on voter motivations. As such, assessing exactly which theory holds more weight is not always possible since some theories imply the same directional hypotheses. For example, both the ‘old politics’ and ‘market-liberal’ perspectives see liberal parties as holding incentives to retrench. Without more data on the constituencies of different parties and the motivations for voters to support retrenching governments we cannot fully test the theoretical perspectives mentioned above. Nevertheless, by developing hypotheses based on these perspectives, our analysis is able to falsify some of the hypotheses that we set forth. Moreover, where more than one theory is upheld, our findings contribute to the field by illuminating

avenues for future research. A second limitation is the lack of a measure for blame avoidance strategies. Without such a measure, we are unable to distinguish between voters' preferences over retrenchment and the success with which governments mitigate voter discontent. Both these points will be discussed in the conclusion.

Despite these limitations, we believe that this study makes an important contribution to the field. In particular, our analysis contributes to the existing understanding of welfare state change in the current period by positing two innovative hypotheses: first, we test the idea that blame avoidance strategies might fail; second, we test whether, contrary to the dominant belief in the literature, some parties may gain votes for welfare state retrenchment. This last point also provokes a discussion of another missing element in the current literature – namely partisan-specific hypotheses for the electoral costs of retrenchment.

Setting the stage: The economic voting literature

Since our analysis shares a similar logic to many studies on economic voting, we briefly review relevant works from this literature. There is a long tradition of studies that analyse the relationship between government popularity and macro-economic performance. The initial studies in the early 1970s (see Frey & Schneider 1979; Kramer 1971) suggested that voters strongly respond to the economic situation. This work basically connected changes in the aggregate vote share of the government with macro-economic indicators such as growth rates or inflation levels. The theory underlying these studies is the reward–punishment hypothesis (Key 1966), which states that the electorate holds the government responsible for past actions by voting for the incumbents when they approve the past performance and throwing them out when they are not pleased with their record in the last term. The reward–punishment argument also underlies this study. We postulate that voters act retrospectively and base their vote on past changes in the welfare state. The assumption of a retrospective voter has been justified theoretically (Downs 1957; Fiorina 1981) and demonstrated empirically (Lewis-Beck 1988; Kiewit 1983).

During more recent decades, the economic voting literature increasingly has addressed the issue of partisanship. According to the clientele hypothesis by Rattinger (1991) or Swank (1993), left parties gain from high unemployment no matter whether they are in government or not, whereas right parties always gain from high inflation. Powell and Whitten (1993) argue along the same line, but draw the opposite conclusion. In their salient goal hypothesis, they claim that left governments are held responsible to a higher degree on unemployment while right incumbents suffer more from high inflation.

Carlsen (2000) finds more support for the clientele thesis for right parties; the results for left parties are mixed. In this tradition, we assume that voters respond to changes in the economy and the welfare state. Moreover, we posit that the electoral consequences of welfare state retrenchment are party-specific and that voters set different standards when judging the past performance of the incumbents.

The structure of the party system should also hold consequences for the electoral fate of incumbent governments. First, the degree of party fractionalisation influences the capacity of the governing coalition to disperse responsibility for reforms. If more parties participate in elections, more parties will likely participate in the governing coalition, which makes it more difficult for voters to identify which party is responsible for policy change. Further, more ‘fragmented party systems – identified by a large effective number of parties – should make it more difficult for voters to identify a clear alternative to the incumbent government’ (Anderson 2000: 155). Accordingly, we integrate a control for the effective number of parties as measured by the Laakso/Taagepera Index.

Data, methods and analysis

The hypotheses are tested with data from a sample of 18 advanced industrialised countries. Since the argument applies to mature welfare states, we include the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States. The dataset covers the time period 1970–2002. The following model is used to test the partisan effects of blame avoidance,

$$V_{\text{change}} = B_0 + B_1L + B_2C + B_3R + B_4(C*R) + B_5U + B_6G + B_7E + \varepsilon, \quad (1)$$

where L is the lagged vote share, C is the change in social policy, R is a dummy variable for retrenchment in social policy, U is unemployment, G is growth rate and E is the effective number of parties. The key expression in this equation is $B_4(C*R)$, which captures the extent of welfare state retrenchment.

The data on the dependent variable come from the Comparative Political Data Set (CPDS I, Armingeon et al. 2008). The dependent variable measures the change in vote share of the last party or coalition that was in government. This can be expressed as, $V_{p,t} - V_{p,t-1}$, where the first term refers to the vote share, V , of p , the party or parties in government at $t-1$, at electoral period t , minus the vote share of the same party in the last election, election period $t-1$.

We begin by looking at the effect of retrenchment on the composite change in vote share for the coalition of parties that was in government before an election. Then, we break down the composite score into party families to test our partisan hypotheses (see Table 2). We identify four party families: left, religious, conservatives and liberals. The categorisation follows Armingeon et al. (2008). Previous vote share of the incumbent party/parties is included to control for a possible swing that the government experienced in the previous election. This is also common practice in the economic voting literature (e.g., Powell & Whitten 1993).

The key independent variables are derived from Lyle Scruggs's Welfare State Entitlements Dataset (Scruggs 2004). This dataset includes net replacement rates for unemployment insurance, sickness insurance, minimum pension and standard pension. To measure the effect of total welfare state change, we construct an additive index of the four different policy areas. The idea is that voters might react to the overall picture of welfare state change and do not differentiate between the single schemes. While we do not expect large differences between the effects for sickness and unemployment replacement rates, we still analyse them separately to allow for possible unobserved variation between the schemes. We concentrate on these two schemes because changes are implemented without a time lag (Allan & Scruggs 2004).

The database includes replacement rates for a single person and for a family. From these variables, averaged yearly change measures are calculated, and these values are then averaged over the incumbent term.³ Such a measure has the advantage of capturing differences in the length of the incumbent government, which means that we do not have to control for this explicitly in the models. The number of cases for retrenchment, broken down by the degree of retrenchment, is shown in Table 3, which shows a considerable number of instances where governments cut back the welfare state. This becomes manifest in the high number of total retrenchment cases (73), as well as in the relative numbers. Furthermore, it also becomes apparent that not all parties cut equally often and we find considerable variation between party families.

The three other control variables – unemployment, economic growth and party fractionalisation – also come from CPDS I (Armingeon et al. 2008). The first two control variables capture now well-established factors that influence incumbent electoral success, with the argument being that the electorate blames incumbent parties if the state of the economy is bad (see the vast literature on economic voting, e.g., Anderson 2000; Lewis-Beck 1988; Nannestad & Paldam 1994). Following Powell and Whitten (1993), economic growth is measured as a change variable and unemployment rate is measured as an average level. Both variables are averaged over the electoral cycle. Party

Table 3. Descriptives for retrenchment observations

Cases with total cuts of:	All parties		Left parties		Religious parties		Conservative parties		Liberal parties	
	Absolute number	Percentage	Absolute number	Percentage	Absolute number	Percentage	Absolute number	Percentage	Absolute number	Percentage
more than 5 per cent	11	15.1	8	19.5	1	5.3	2	8.3	5	17.9
more than 4 per cent	19	26.0	12	29.3	4	21.1	5	20.8	6	21.4
more than 3 per cent	26	35.6	15	36.6	7	36.8	9	37.5	9	32.1
more than 2 per cent	36	49.3	18	43.9	8	42.1	14	58.3	12	42.9
more than 1 per cent	52	71.2	25	61.0	13	68.4	20	83.3	22	78.6
Total number of retrenchment cases	73	100	41	100	19	100	24	100	28	100

Note: Please note that a coalition government can be counted under several party family headings. Therefore, the total number of cases does not correspond to the sum of the party family Ns. In the tables presented in this article, major cuts are defined as more than 1 per cent. Source: This table is based on the data on welfare replacement rates by Scruggs (2004).

fractionalisation is measured by the effective number of parties with the index proposed by Laakso and Taagepera.

The models are estimated using linear regression because the dependent variable is a metric variable measuring the difference in incumbent vote share. The analysis includes robust cluster errors to control for possible within group heterogeneity. Furthermore, the models are checked for multicollinearity and the residuals have been inspected. We define ‘retrenchment’ as a cut of more than 1 per cent for the aggregate measure and as a negative change for the single social security schemes. Accordingly, dummies for retrenchment of social policy are made at an $a = -1$ per cent threshold for changes in total social policy and a $a = 0$ cut point for unemployment and sickness insurance retrenchments, following the work of Armingeon and Giger (2008). Furthermore, with these cut off points we ensure that only major cuts, and not random fluctuations in the data, are taken into account. These cut off points are robust and valid as they capture a sufficient number of observations for instances both of expansion and of retrenchment (see also Table 3).

In line with the general ‘new politics’ literature we postulate that the effect of welfare state change is different for expansion and retrenchment, and hence we allow the effect to vary. The slopes for expansion and retrenchment are allowed to differ with the inclusion of the dummy interaction term mentioned above (the intervening variable being the cut off point). For the interpretation of regression models with interactive variables, we need to remember that the effect of one variable is conditional upon the level of another and it is not possible to infer whether negative changes in the replacement rates have a substantial effect on the incumbent vote share from the normal regression table (Brambor et al. 2006). To provide a complete assessment, the marginal effect of welfare state change for retrenchment cases is shown separately at the end of the tables (conditional effect).

Analysis and discussion

The results are presented in Tables 4 and 5. The former table reports the findings for overall social policy retrenchment, and demonstrates that religious and liberal parties systematically gained votes after they retrenched the welfare state, as demonstrated by the coefficients in bold. For all other parties we find no significant relation between their retrenchment activities and the parties’ corresponding electoral outcomes. In Table 5 we display the findings for the individual social security schemes (unemployment and sick pay). Here, we find that liberal parties significantly gain from retrenching the welfare state in the case of unemployment replacement rates, but not for cuts in sick pay. All

Table 4. Electoral costs for retrenching governments and parties within the government coalition

Independent variables	1	2	3	4	5
Parties in government coalition	All	Left	Religious	Conservative	Liberal
Lagged government vote share	-0.096* (0.054)				
Lagged left vote share		-0.126 (0.073)			
Lagged religious vote share			-0.163 (0.092)		
Lagged conservative vote share				-0.276*** (0.065)	
Lagged liberal vote share					-0.059 (0.045)
Total change in replacement rates	0.078 (0.086)	0.176 (0.117)	-0.054 (0.084)	0.147 (0.151)	-0.037 (0.134)
Dummy for total replacement changes (<-1)	2.445 (1.497)	1.621 (2.001)	4.714* (2.460)	0.906 (1.732)	1.319 (1.417)
Extent of total replacement changes (<-1)	0.214 (0.275)	0.040 (0.260)	1.501 (0.854)	-0.331 (0.279)	0.326* (0.159)
Conditional effect (when retrenchment dummy = 1)	0.292 (0.257)	0.216 (0.259)	1.447* (0.788)	-0.184 (0.197)	0.289** (0.127)
Average unemployment rate	-0.372** (0.175)	-0.104 (0.196)	0.138 (0.250)	-0.233 (0.309)	-0.132 (0.174)
Average growth rate	0.273 (0.365)	0.084 (0.308)	-0.077 (0.520)	0.644 (0.454)	0.291 (0.524)
Effective number of parties	0.104 (0.304)	-0.411 (0.440)	-0.647* (0.348)	-0.508 (0.500)	0.627 (0.393)
Constant	1.681 (2.702)	3.573 (4.718)	6.038 (3.986)	7.278* (3.469)	-2.674 (2.309)
Number of observations	147	76	40	47	57
R ²	0.09	0.13	0.23	0.31	0.17

Notes: Please note that a coalition government can be counted under several party family headings. Therefore, the total number of cases does not correspond to the sum of the party family Ns. * p < 0.10; ** p < 0.05; *** p < 0.01.

Sources: Data on welfare replacement rates comes from Scruggs (2004), the source of all other variables is Armingeon et al. (2008).

Table 5. Electoral costs for retrenching governments and parties within the government coalition by social policy

Independent variables	Unemployment insurance							Sickness insurance											
	6	7	8	9	10	11	12	13	14	15	6	7	8	9	10	11	12	13	14
Parties in government coalition	All	Left	Religious	Conservative	Liberal	All	Left	Religious	Conservative	Liberal	All	Left	Religious	Conservative	Liberal				
Lagged government vote share	-0.083 (0.056)					-0.078 (0.058)													
Lagged left vote share		-0.154** (0.069)																	
Lagged religious vote share			-0.146* (0.077)																
Lagged conservative vote share				-0.277*** (0.071)															
Lagged liberal vote share					-0.061 (0.045)														
Change in unemployment replacement rates	0.079 (0.152)	0.210 (0.168)	-0.059 (0.152)	0.029 (0.217)	-0.052 (0.268)														
Dummy for unemployment retrenchment (<0)	0.299 (1.094)	-0.207 (1.309)	1.413 (1.674)	-1.456 (1.980)	0.348 (1.065)														
Extent of unemployment retrenchment (<0)	0.172 (0.465)	0.203 (0.401)	0.940 (1.076)	-0.781* (0.388)	0.614 (0.435)														
Averaged change in sickness replacement rates						-0.072 (0.261)	0.097 (0.242)	-0.283 (0.272)	-0.267 (0.383)	-0.802 (0.459)									
Dummy for sickness retrenchment (<0)						-1.122 (1.086)	-0.212 (1.360)	1.619 (1.893)	-4.577** (1.790)	-2.160 (1.547)									
Extent of sickness retrenchment (<0)						-0.101 (0.424)	-0.079 (0.575)	1.292 (1.719)	-0.541 (0.541)	0.981* (0.536)									
Conditional effect (when retrenchment dummy = 1)	0.251 (0.489)	0.413 (0.397)	0.880 (1.061)	-0.752 (0.444)	0.560* (0.283)	-0.173 (0.345)	0.018 (0.567)	1.008 (1.65)	-0.807 (0.469)	0.178 (0.268)									
Average unemployment rate	-0.390** (0.150)	-0.179 (0.155)	-0.072 (0.163)	-0.204 (0.281)	-0.135 (0.184)	-0.397** (0.161)	-0.205 (0.176)	-0.059 (0.167)	-0.141 (0.232)	-0.067 (0.137)									
Average growth rate	0.396 (0.337)	0.303 (0.282)	-0.029 (0.621)	0.817 (0.308)	0.351 (0.499)	0.415 (0.325)	0.271 (0.324)	0.075 (0.604)	0.865** (0.334)	0.397 (0.479)									
Effective number of parties	0.163 (0.263)	-0.411 (0.404)	-0.486 (0.275)	-0.597 (0.548)	0.628* (0.339)	0.227 (0.305)	-0.404 (0.439)	-0.628 (0.198)	-0.720 (0.422)	0.881 (0.502)									
Constant	1.263 (2.626)	5.282 (4.499)	5.470 (3.920)	8.481* (4.133)	-2.513 (2.266)	1.361 (2.781)	5.559 (4.183)	5.372 (4.111)	12.784*** (4.232)	-2.720 (2.073)									
Number of observations	149	77	41	47	59	151	78	41	49	60									
R ²	0.08	0.13	0.16	0.32	0.17	0.08	0.10	0.17	0.40	0.21									

Notes: A coalition government can be counted under several party family headings. Therefore, the total number of cases does not correspond to the sum of the party family Ns. * p < 0.10; ** p < 0.05; *** p < 0.01. Sources: Data on welfare replacement rates comes from Scruggs (2004), the source of all other variables is Armington et al. (2008).

other parties show no significant coefficients for the influence of retrenchment or expansion. These results are consistent with those from Table 4: only liberal parties seem to gain more from cuts in unemployment insurance than in sick pay. The fact that health care belongs to the group of social security schemes targeting security rather than equality (Pettersen 1995; Roller 1995) might explain this finding, especially for the liberal constituency.

With regard to the remaining independent variables, the controls perform as expected (if they reach significance at all): high previous vote shares tend to be associated with lower vote shares in the current election; high unemployment rates hurt the incumbents while high growth rates make them gain votes. The sign on the party fractionalisation coefficient is inconsistent, but the results for this variable remain insignificant for the overwhelming majority of the models.

Several sensitivity analyses have been performed to test the robustness of the findings. If we restrict the sample to the period after the ‘sea change’ defined by Allan and Scruggs (2004), the results stay the same.⁴ Bootstrapping the results did not lead to different conclusions from those presented in the tables.

A number of insights can be drawn from these results. First, some parties, contrary to the expectations of the ‘new politics’ hypothesis, appear to gain votes from retrenching social policy. The results support the ‘Nixon goes to China’ hypothesis for religious parties and both the ‘old politics’ and ‘market-liberal’ hypotheses for liberal parties. However, concluding that the results lend support to these theories begs the question of why some parties do not behave according to the theoretical expectations. Specifically, why does the ‘Nixon goes to China’ hypothesis hold for religious parties, but not for left parties? And why does the ‘old politics’ hypothesis hold for liberal parties, but not for conservative parties?

With respect to the first question, consideration of the specific target groups and type of retrenchment may provide some insight. Retrenchment may not have hurt the electorate of religious parties that much, but rather more underprivileged groups of the population from which left parties draw their support. With regard to the second question, a closer look at specific cases suggests that the ‘market-liberal’ hypothesis may be more valid. For instance, the Belgian VLD under Guy Verhofstadt won votes in the 2003 election with a particularly strong appeal to market-liberal voters. In this way, the ‘market-liberal’ hypothesis may hold more weight than the ‘old politics’ hypothesis, which may explain why conservative parties do not gain votes.

The analysis of the electoral consequences of retrenchment also offers new insight into the blame avoidance literature. An important finding of our analysis is that no party systematically loses votes for retrenching social policy. This

result would seem to confirm the ‘new politics’ hypothesis that retrenchment is related closely to attempts by the government to distance themselves from dissenters of the reform. However, the subsequent finding that some parties gain votes for retrenchment problematises the broadly held assumption that retrenchment is inherently unpopular. As such, we can only conclude that if voters are not supportive of welfare state retrenchment, parties are, in general, very good at placating reform dissenters. At the same time, we have to keep in mind that drastic cuts of social policy happened rather seldom. The history of mature welfare states is still one of resilience more than of heavy retrenchment attempts. Especially drastic cuts are not frequently observed: only in about 15 per cent of all retrenchment incidents do we observe a cut of more than 5 per cent (see also Table 3).

Conclusion

The central argument of this article has been that the electoral consequences of retrenchment differ according to party family and that some parties, rather than avoiding blame, are able to claim credit for cutting social policy. In particular, liberal and religious parties can win votes from retrenching the welfare state. We explained these findings by developing theories from the extant literature. The testing of these hypotheses was limited by our reliance on electoral data: our data allow us to discern whether retrenching parties win or lose votes, but not to get at which voters are supporting or punishing retrenchment and the motivations for their behaviour. Nevertheless, our findings make a large contribution to the question of why some political parties cut social policy by demonstrating that there are indeed electoral gains at stake.

Our analysis has carved out many new paths for future research. By illuminating distinctions between party families that historically shared relatively similar tendencies towards social policy creation, our analysis recommends the party family variable for assessing the effect of partisanship on retrenchment. Furthermore, since some parties gain votes for retrenching the welfare state, it remains a pressing theoretical question whether retrenchment plays a role in restructuring electoral competition so that some parties retrench in order to appeal to new constituencies.

To understand why some parties win votes for cutting back the welfare state more research is needed that examines the preferences of voters over retrenchment, on the one hand, and how they identify with particular parties, on the other. In generating hypotheses, we assumed rather stark distinctions between the policy agendas of political parties, the allegiance of voters to certain parties and the willingness of voters to punish or reward parties for

retrenching. The results suggest that these assumptions do not all hold, which motivates further research.

Moreover, future research should look more carefully at *why* voters reward retrenchment. Do some voters actually prefer less social policy? Or are voters responding to the implicit tax relief from retrenchment? Or indeed are voters simply rewarding governments for being efficient by passing policy reforms or having a good communication strategy? Recent research shows that retrenchment might not be as unpopular as presumed by the politics of retrenchment literature (Giger forthcoming). Furthermore, the theoretical possibility that fully informed voters do not blame incumbent governments for cutting social policy cannot be disregarded. For instance, even welfare state supporters may not care or may not punish (à la ‘Nixon in China’). Also, if other preferences override social policy attitudes when deciding for whom to vote, the punishment effect might be diminished. While research shows that media attention increases the chance of losing votes after social policy cuts (Armingeon & Giger 2008), it cannot be assumed that all types of governments or parties are susceptible to slanderous media campaigns. Rather, it may be that media campaigns are only used against governments or parties that stand to lose something from heightened public awareness of the reform.

Finally, while our analysis suggests that some parties do not need to enact blame avoidance strategies, we cannot disregard the possibility that such strategies are widely used and influenced our findings. Most of the results are, after all, insignificant. Understanding the role of blame avoidance calls for additional research into the conditions under which voters will indeed want to punish retrenching governments. With such information, one could draw from the rich literature on blame avoidance to examine when governments should, and in fact do, use these strategies.

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Notes

1. We add ‘if employed’ to recognise that our analysis cannot control for blame avoidance strategies. This means that we cannot measure the ‘true’ relationship between retrench-

ment and voter backlash prior to the enactment of strategies by the government to counteract the unpopularity of their actions. Empirically, this means that insignificant results can indicate either that voters wanted to punish retrenchment but were somehow deterred from doing so, or that they never had any intention of punishing retrenchment in the first place.

2. Since blame avoidance strategies remain an omitted variable in our analysis, we must consider the presence or absence of such policies in hypothesising the electoral fate of retrenching parties. For parties that are hypothesised to face voter wrath for retrenchment, we suggest that these parties will 'lose votes if blame avoidance strategies fail'. Of course, blame avoidance strategies could also be so successful that parties win votes. However, we do not think that such situations occur often, nor can we test this possibility with our data.
3. If the government composition changed within one electoral cycle, only changes in the replacement rates within the term of the incumbent government (i.e., the government facing re-election) are taken into account. For further information on the exact coding, please consult Armingeon & Giger (2008).
4. To restrict the sample makes sense insofar as the theory of 'new politics' predicts that the electoral consequences of retrenchment became more severe in the period of permanent austerity.

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