

Why and how time matters? The case for open-ended causality on comparative historical research

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Abstract

The article aims to analytically and empirically unfold the process of institutional change and the power imbalances among key actors for the development of the British, German and Swedish pension systems. It compares both at an aggregated (nominal) and disaggregated (within case) level, and in doing so, the article draws upon 'pattern matching' procedures that allows researchers to put theoretical derived assumptions into empirical test but also demonstrates that a diachronic approach is able to identify the role of neglected actors from welfare state theory, e.g. financiers. The article discusses the challenges that stem from shifting levels of aggregation; essentially what constitutes a case and how time is treated differently. The challenge that stems from the effort to render time as part of empirical research is essentially how can we identify commonalities across attempts for institutional change at different institutional contexts. The article offers two suggestions regarding how processes of institutional change can be part of a cross-case comparative analysis.

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Unfolding the pace and direction of institutional change

The article discusses the advancements of comparative historical methods and the strategies of causal assessment on small-N cases. The research aim of this article is to demonstrate how can historical analysis be utilised to explore institutional development and in particular, institutional change. The two key research questions that this article is addressing are how can we empirically identify the unfolding of institutional change in pension systems and how power asymmetries explain the development path of pension institutions.

Comparative historical analysis puts under examination stretches of time and attempts to identify similarities and differences that allow researchers to identify causal relationships. From a macro-perspective, historical sociologists explored the occurrence (or not) of macro-phenomena such as processes of democratisation¹ and revolutions². More recently attention has been drawn to meso-level analysis and in particular social and public policy programmes³. Within the latter group there is clear division between the work of Pierson and his emphasis on path continuity and 'positive feedback' processes that allow certain institutional arrangements to 'lock in' policy interests while in their work, Hacker and Thelen argue in favour of a more open-ended approach that allows the contestation of the institutional status quo as well as the exploration of possible mechanisms for understanding institutional change⁴.

Within this division of the new institutionalism approach, Pierson⁵ emphatically argues that in order to understand the process of institutional development, researchers should stretch their analysis in time and identify change as part of a causal chain that is stretched over time. Effectively what allows institutional change to occur is the eruption of 'critical junctures' that allow previously neglected causal chains to gain strength at moments of institutional uncertainty. By placing 'politics in time', researchers should treat institutional change not as a snapshot but as an slow-moving unfolding process. The shortcoming of this approach is that the mechanisms of institutional change are identified with the eruption of 'critical junctures' that are external to theoretical schema and appear *deus ex machine*. Although the identification of critical junctures enables researchers to avoid analytical complexity, this approach comes at the analytical cost of not being able to identify the struggle over the pace and direction of institutional change and whether actors themselves can trigger moments of contestation of the status quo.

While not dismissing the effects of exogenous pressure, the late historical institutionalism literature highlighted that change could also be provoked internally through actors' political contestation. Instead of highlighting actors and structures as independent from each other, Streeck and Thelen⁶ argue that actors' conduct is conditioned by the institutional framework but at they same time they seek ways to circumvent or subvert the institutional rules according to their interests. Therefore existing institutional settings can receive additional components ('layering'), be redirected to new purposes ('conversion'), fail to catch up with emerging needs ('drift') and breakdown gradually ('exhaustion'). This typology therefore proposes an agenda for advancing further the theorisation of institutional change and the pressures for liberalisation of welfare and labour institutions.

However, some important questions remain to be answered such as how can we empirically differentiate between the different mechanisms as well as why some actors are more successful than others in achieving change? For example are trade unions equally capable of triggering institutional change as employers? Or, as Beland⁷ asks ‘what factors explain the direction that these forms of institutional change take’? As I will try to demonstrate, it is only by incorporating an analysis of power that we can understand the direction and pace of institutional change.

Comparative historical methods and causal assessment

When the theory is not able to determine the pace of change and scholars do not share a dominant theoretical approach for institutional change, then the analysis of sequences and time becomes essential. The adoption of 'diachronical analysis'⁸ allows the development path of pension systems and the pace of change to be important features of the empirical analysis. Within the strands of diachronic analysis, historical institutionalism has implicitly and explicitly adopted techniques such as ‘process tracing’ and ‘systemic process analysis’⁹.

The ‘systemic process analysis’ follows several steps towards the identification of causal assessment¹⁰. First the researcher identifies a set of theories (e.g. power resources) that propose certain factors that determine future outcomes. From each theory, the researcher identifies the causal factors (e.g. strong unions and left-wing parties) and through the historical analysis identifies whether the causal theory is able to predict future outcomes (e.g. welfare state retrenchment, expansion). In a few words whether the theory still holds its explanatory power in time and contrasts it with other competing approaches (e.g. employer-centred approaches). The researcher aims to derive as many as possible observations from the cases and finally attempts to identify whether there are any patterns available in his observations and whether the theories that have been contrasted retain their explanatory power. One possible way of following these imperatives of social research is by applying the methods of agreement and difference to this research.

Instead of searching for the foundations of a superior theory that stands all the tests as Hall’s theoretical exercise suggests, I opt to use this analysis in order to discuss the available welfare state theories and attempt to identify causal patterns across the selected cases. As Skocpol has suggested “the investigator’s commitment is not to any existing theory or theories, but to the discovery of concrete causal configurations adequate to account for important historical patterns”¹¹. As suggested by Mahoney¹² the methods of agreement and difference can be applied in order to challenge the causal factors of dominant welfare approaches for the development of pension system through a dis-aggregation of the levels of analysis that controls not only for the causal factors (e.g. strong unions) identified by the theory (e.g. power resources) but controls also for all the actors that are identified to be operating within the particular context of the case (e.g. employers’ organisations, banks etc).

Through the application of diachronic analysis researchers are able to assess the pace and timing without prejudging the course or the direction of change. Actors conduct is taking place within a specific context and their action are not realised to bring always their intended consequences. The questions that are being asked are ‘what is possible’ and ‘what else was possible?’. This type of research contributes twofold to social

theory, one by following an inductive logic that aims to advance theoretical statements about the process of change and second to test deductively theoretical hypotheses concerning the process of change.

The challenges of diachronical cross-case comparative research

The crucial challenge for a researcher that undertakes diachronical cross-case comparative research strategy is how can one shift from a ‘dis-aggregated’ (e.g. pension reforms) into an aggregated (pension systems) level of analysis and maintain both the possible gains from within-case analysis and also account for the explanation of the varied paths that pension system followed in three countries. To give a picture of this challenge, I will provide the main differences and challenges that arise from such a research enterprise. The first difference is realised in the concept of time between diachronical and comparative analysis, since in the former time is realised as an empirical category (e.g. sequence) and in the latter as an analytical category (e.g. periodisation). The second main difference is that by shifting the level of aggregation there is automatically a shift of what constitutes a case. In the diachronical analysis ‘case’ represented attempts to shape pension institutions (regardless whether they were successful or not), while in the aggregated comparative analysis the case is not anymore pension reform but the pension system as a ‘whole’.

Table 1. Challenges for diachronical cross-case comparative research

	<i>Diachronical research</i>	<i>Cross-case comparative research</i>
<i>How is time treated?</i>	Empirically (time, timing and sequence)	Analytically (periods, eras)
<i>What constitutes a case?</i>	Attempts for institutional innovation and reform (disaggregated)	Pension system as a whole (aggregated)

The main challenge therefore is how can we maintain the rich informative context of the within-case analysis and shift into an aggregated level of analysis without conflating epistemological premises and analytical perspectives. The ontological premises of this article identify the relation of power and causality as an ‘open-ended process’ that explores actors’ power asymmetries and strategic attempts to trigger institutional change on pension systems. However, shifting the analytical strategy from diachronical research into an aggregated nominal level of measurement, endangers an epistemological conflation since our comparative methodologies cannot account for causal inference as part of actors’ power to strategically act within the institutional context they operate, since these institutional contexts nurture different power asymmetries and ideas to actors. For example, do (Swedish, German, British) unions have similar demands at any given point of time?

As Hall¹³ has rightly argued, our methodologies for the pursuit of causal assessment in historical institutionalism have been outrun by emerging ontological and epistemological premises that reject the possibility of a universal, 'one-size fits all' causal law for the assessment of social process. The exploration of power relations, the role of ideas in shaping strategies and the importance of structures in constraining, enabling and favouring these strategies can therefore be captured within a research framework that remains context-sensitive and explores actors attempt to mobilise resources and exercise their power structurally, relationally and discursively.

However, does this indicate that such a comparative research endeavour is impossible? As I will show, there are at least two ways to overcome this challenge. The first aims to identify common actors' operating at different institutional contexts (here Sweden, Germany and Britain) that share similar aims; for example the formulation of a basic universal pension scheme. Identifying common actors and targets allows researchers to prioritise the importance of institutional contexts within which actors operate and provide a comparative assessment of actors' power asymmetries and strategies to achieve their common aim.

This strategy however is more plausible when researchers attempt to identify the necessary and sufficient conditions for the appearance of a new institutional arrangement, such as institutional innovations¹⁴, revolutions¹⁵. Examples from a meso-level of analysis, such as the introduction of social insurance programmes, are either implicitly provided by Mares¹⁶ or explicitly in this article. The problem arises when we try to explain not only institutional innovation but also institutional evolution of these institutional paths. While therefore the aggregated comparative analysis is able to explain the origin of an institution, after the elapse of time it becomes quite problematic to explain their evolution as the institutional landscape gets increasingly complicated and as further institutional layers (as in the case of pension systems) are build on top of previously existing ones and new actors are introduced.

This problem is aggregated not only due to the increasing complexity of the social world but also due to the fact that once we explain how actors' power asymmetries account for institutional development, we have to consider that –by definition– institutions once established gain causal properties, since through feedback mechanisms they structurate power asymmetries, institute new actors and condition discursively what (else) is possible. While feedback mechanisms and loops can be adequately explained within the diachronical analysis, how can comparative analysis account for the role of these feedback mechanisms in structuring actors' power asymmetries and conditioning actors' strategies?

The understanding of causation within the existing methodologies for comparative quantitative analysis do not account for actors' strategies as part of the empirical world but rather focus on theoretically informed analytical categories (independent variables). Even in the more sophisticated qualitative comparative analysis in the work of Ragin¹⁷, actors' strategic attempts to mobilise resources and exercise their power is not part of the analytical strategy¹⁸. Despite its well claimed advantages, the existing qualitative comparative methodologies treat actors (e.g. unions, employers,

financiers) as holding similar causal properties across all cases (pension reforms or pension systems).

The second solution to this problem, therefore is to provide a theoretically derived analytical tool that can account for the institutional complexity of the modern pension systems. While the relation between power and institutions remains at the heart of the research, this comparative approach focuses on the importance of ‘governance’ as a process that is not strictly focusing on the policy-making process (how are pensions governed?) but also explores who are the subjects (e.g. unions, employers, financiers, state actors) that are able to determine the object of governance (what is to be governed?)¹⁹. Here actors’ power asymmetries and strategies are realised from their attempts to shape the institutional content (e.g. eligibility, redistribution, generosity) as well as to strategically prioritise their mode of instituting pension systems (e.g. privatisation, individualisation). In our case therefore, pension institutions are realised as the object of governance that remains to be determined by the way each national political economy shapes actors’ power and constrains or enables their strategies and ideas.

Providing therefore a comparative assessment of the actors’ ability to identify the nature of the object of governance (i.e. pension systems) and the modes of governance (i.e. collective bargaining, elections, expert committees) employed as part of actors’ power struggle, the comparative locus of this research shifts from the empirical world into a more abstract analytical concept that allows researchers to maintain the comparative tool of their analysis constant across the increasing complexity of the social world.

The analytical use of governance here allows us to compare not the development of pension institutions per se but to compare the attempts to institutionalise public-earning related schemes. The analysis here retains the path of pension development as open-ended, exploring therefore both successful paths as well as rejected alternatives. In this way the research avoids any functionalist accounts or theoretically derived arguments for the process of change and instead opts to identify any empirical patterns for the development of pension systems and comparatively assess the ability of key actors to shape the content (e.g. generosity) and the logic (e.g. redistribution, competition) of pension institutions.

Power and institutions as analytical tools

Analytically the institutional legacy is realised as important for the structuration of power asymmetries and whether institutions enable or constrain certain strategies over others. The analytical point of entry of these particular political economies is based on ‘institutional complementarity’²⁰ and the idea that pension institutions are part of a dynamic process that co-evolves in relation to the following institutional domains; industrial relations²¹, financial systems²², corporate governance²³ and finally political parties²⁴.

The approach adopted in this article resembles Hay’s analytical concepts of ‘conduct, context and idea shaping’ and distinguishes at least in three analytical dimensions of power: structural, relational and symbolic²⁵. Power is characterised by the creation

and mobilisation of resources in the three dimensions by the social agents and it is spatially and temporally crystallised into forms of governance for the respective social space, which means that it ‘translated’ into both a content for institutions and a mode of instituting them²⁶.

Structural power refers to the reproduction or alteration of the very institutions within which the social agents conduct their action. When exploring this dimension, analysis can ‘capture’ the instituting capacity of social agents. The outcome of this dynamic relation ‘translates’ into both the contents of institutions and the modes of instituting them. *Relational* power is the ability to force someone to do something that otherwise s/he would be reluctant to do. Power here is a relationship between social agents in an already determined (by structural power) social context. When exploring this dimension, analysis can capture the instituted capacity of social agents to act. Discursive power is the way that society recognises, understands and interprets social categories within the existing power-relations. When exploring this dimension, analysis can capture the ability of social agents to define the ‘conditions of possibility’ for themselves and other actors to act out of their intentions; to put it simply, whose concepts, assumptions and perceptions of reality are hegemonic in one or more social spaces.

Rather than acquiring any theoretical presuppositions regarding the direction and pace of institutional change, the article comparatively examines instances of policy decision making across three pension systems while holding its analytical tools of complementary institutional domains and power imbalances constant throughout the research. In this way, we are able to empirically identify the role of key actors over pension reform as well as indicate any possible similarities or differences in their attempts to initially institutionalise a basic universal pension reform and consequently a public earnings-related scheme. Instead of adopting policy typologies as a tool to capture the complexity of policy choices over the pension system and control for contextual influences²⁷, the governance approach adopted here enables us to control also for policy feedback processes and how they constrain or enable actors’ power, strategies and ideas.

In the next section I will discuss the attempts to institutionalise basic security pension programmes, then the attempts to institutionalise a public earnings-related pension scheme and finally discuss the empirical findings with the two research questions that were set at the beginning of this article.

Attempts to institutionalise basic pension schemes: Comparing power asymmetries and institutional legacies

Addressing the attempts of unions and left-wing parties to develop a universal pension scheme, the comparison here examines why some unions were more successful than others to implement a generous public pension scheme and what accounts for this difference. The comparison will be based on the identification of possible commonalities and differences in these attempts. The application of the methods of agreement and difference at a nominal and ordinal level of analysis would be used to address whether the power resources approach account for the explanation of these

attempts. In this way, the article apart from identifying matching patterns, it can control for theoretically derived causal accounts.

As table 1 shows, despite the significant variation in the development of the complementary institutional domains and the role of key actors, in all three pension systems during the 1940s, unions retained their strong links with left-wing political parties. In terms of collective bargaining, there was a wide variation of how social partners negotiated wage and working conditions with the Swedish industrial relations bargained at the peak level, in the aftermath of the Saltsjöabden agreement in 1938. In Germany collective bargaining took place both at the sector and company level and the key social partners were DGB (German Trade Unions' Federation) and BDI (Federation of German Industry), while in Britain it was mostly at the plant level with the TUC (Trade Union Congress) providing coverage but not bargaining binding agreements.

Table 1: The institutional context in the late 1940s

<i>Pension reform in the late 1940s</i>	Sweden	Germany	UK
Institutional legacy of previous pensions schemes	Universal, social assistance scheme, means-testing	Occupationally segmented schemes	Social assistance schemes, means-testing, private pensions
Political parties	Dominant SAP-alliances	(Post WW2) SPD –no alliances, CDU	Labour party, powerful governments
Corporate governance	Export-oriented firms, concentration of ownership	Dense relations with banks, export-oriented firms, inclusion of workers (councils)	Industries, Financial services, Firms linked with credit providers, spread ownership
Financial system	Bank based, long term interests	Bank based, long term interests	Credit based, short-term interests
Industrial relations	Historical compromise (LO-SAF)	DGB-BDI leaders, segmented peak organisations, collective bargaining	‘Collective liberalism’ (voluntarism)
Pension reform: Coverage, Replacement rate, Eligibility	Basic pension, all population, ca 50%, citizenship	Basic pension failed, labour market participants equal replacement rate contributions	Basic pension, all population, ca 20%, contributions

There was also significant variation in terms of the post world-war financial system with Swedish and German banks provide patient capital to companies and retaining a long-term vested interest in companies performance through a dense networks of associations and ownership structures²⁸. In Britain corporate governance structures were not concentrated on the hands of few families or dense networks but on a wide spread of ownership with creditors such as insurance companies, pension funds and banks retaining a short-term interest on companies' performance²⁹.

At the end of World War 2, both in Sweden and UK, SAP (Social Democrats) and Labour were at the helm respectively while in Germany it was the CDU (Christian Democrats) that would soon gain power. Interestingly by the end of 1940s, in all three political economies, there were attempts to legislate basic security pensions. However, it was only in Britain and Sweden that basic universal schemes were enacted since the in the occupied after World War Germany, the proposal of the Allies to push for universal social security reform (*Einheitsversicherung*) met the opposition of miners and agrarians with the latter preferring the creation of separate rather than universal schemes³⁰. The authoritarian institutional legacy of the social insurance principle proved crucial for the rejection of the proposals, since some occupational groups had created vested interests in their own separate schemes.

The new basic pension schemes were legislated during Social Democratic and Labour governments in Sweden and Britain respectively with unions (LO, TUC) that were in agreement to put forward an agenda for a universal pension scheme. A popular labour movement (LO, TUC) with a dominant left-wing political party (SAP, Labour) in power both in Sweden and Britain respectively, institutionalised basic pension schemes that expanded the role of public welfare state provision and extended the social rights of their citizens.

A focus strictly on the development of the pension system would provide the 'power resources' approach certain explanatory credentials. Applying the method of agreement in order to explain why the British and Swedish pension systems established a basic pension scheme that provided coverage to all citizens, we are able to identify that despite the differences at the various institutional domains, the combination of a popular and united organised labour and dominant left-wing party in power were the *causal similarities* for the successful implantation of the public basic pension scheme. The common result in terms of formal operation, i.e. the basic pension scheme, confirms the argument of the power resources approach.

However there are two important differences in the institutional logic of the Swedish and British pension schemes regarding their entitlement criteria and their replacement rates (see table 1). The Swedish pension system granted a social right that remained independent from the market forces, since all Swedish citizens regardless of their labour market participation records were entitled a basic pension that provided 50% replacement rate of the average income. In stark contrast, the British public pension system granted a 20% replacement rate of average income to those who obtained a full contribution record. Therefore the striking difference in the content of the two systems reproduced a different logic that recognised pensions as a 'social right' that

provided adequate income during retirement in Sweden and only as a meagre income in Britain that was conditioned on the social insurance principle topped with means tested supplements.

While the power resources approach is able to determine what matters for the implementation of basic pension schemes, the approach could not account for the differences in their institutional logic. These different logics nurtured accordingly different interests and power asymmetries since effectively the meagre replacement rate of the British basic pension allowed the growth of private alternatives and perpetuated the role of private provision within the governance of the British pension system.

From a different standpoint, Swenson³¹ argues that the development of pension system is determined by the demands of the employers and the existing labour relations. In a time of labour scarcity, employers would be unwilling to promote competition over the rent of labour power (wages) or competitive pension schemes. As Swenson demonstrated, Swedish employers in order to avoid competition over private schemes strategically endorsed the institutionalisation of the tax-financed universal public pension scheme. However, if we realise that the British labour market could not have been experiencing flourishing labour supply just after WW2, then how can we again explain the difference between the substantial and the insufficient replacement rate in the Swedish and British pension system? How such a high replacement rate became acceptable for employers in Sweden but not in Britain?

The answer can be found if we pay attention to the major actors in pension systems and their power asymmetries. While Britain and Sweden shared similar formal institutions for old-age pensions, there was a difference in the logic of the system. The attributing reason here is that the power of Swedish unions but also of British financiers. In Britain, the power of financial capital actors was established early through the signing of private pension schemes with insurance companies while the Treasury strategically pressured for low replacement levels³² in order to reduce the burden on the public budget and safeguard the interests of financial capital markets. Along with the liberal beliefs of Beveridge³³, the new scheme offered the backdoor opportunity for middle and higher-earners to raise their retirement income through the private sector. As Beveridge himself wrote in 1942

“In establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family”³⁴.

The growth of privately controlled pension schemes benefited from tax exemption, rendered alternatives (e.g. unions' schemes) unattractive and strengthened its power over the governance of pension institutions. The financial institutions in Sweden were not able to exercise any power over the pension systems since they had not developed vested interests among pensioners in the market economy prior to 1940s. Timing and institutional legacies therefore do matter not only in a static sense but also in a dynamic way that prescribes actors' with asymmetrical power resources.

Table 3: Applying the method of agreement and difference for the development of the universal basic schemes³⁵

<i>Method</i>	<i>AGREEMENT</i>			<i>DIFFERENCE</i>	
	<i>Sweden</i>	<i>Germany</i>	<i>Britain</i>	<i>Positive Case (Sweden)</i>	<i>Negative Case (Britain)</i>
Causes & Context	<p><i>Strong left-wing party in power</i></p> <p><i>Strong union movement</i></p> <p>Historical compromise</p> <p>Bank-based financial system</p>	<p>Allies forces in power, then CDU</p> <p>Strong union movement</p> <p>Sectoral collective bargaining</p> <p>Bank-based financial system</p>	<p><i>Strong left-wing party in power</i></p> <p><i>Strong union movement</i></p> <p>Collective liberalism</p> <p>Credit-based financial system</p>	<p>Strong left-wing party in power</p> <p>Strong union movement</p> <p><i>Lack of private alternatives</i></p>	<p>Strong left-wing party in power</p> <p>Strong union movement</p> <p>Growth of private alternatives</p>
Institutional Outcome	<i>Basic Universal Pension Scheme</i>	Failure to implement a Basic Universal Pension Scheme	<i>Basic Universal Pension Scheme</i>	<i>ca 50% replacement rate, Based on citizenship</i>	ca 20% replacement rate, Based on contributions

The lack of private alternatives and strong financial actors therefore become a necessary cause that is able to adequately explain the development of the basic pension schemes and their institutional features. Applying the method of agreement in order to identify what distinguished the three pension systems in their ability to implement a basic pension scheme and the application of the method of difference to understand the different power dynamics (see table 2), the research identifies both sufficient and necessary conditions for the institutionalisation of a universal basic scheme that render pensions as a social right and protect pensioners from market forces.

Through the application of the methods of agreement on the left column of table 2, I identify two *sufficient* conditions across the three attempts to institutionalise a universal basic pension scheme during early 1940s; namely the election of a dominant left-wing party and a unified organised labour. Through the application of the method of difference on the two positive cases, listed on the right column of table 2, I demonstrate that the existing literature has been neglecting the importance of institutional legacy in nurturing different power asymmetries identified here in particular in the role of British financiers. Comparing the similarities and differences among the positive cases, identifies the lack of private alternatives as a *necessary* cause for the implementation for a generous basic pension scheme, since the growth of private alternatives in the British pension system empowered the role of financiers and their ability to prevent a more generous basic public pension scheme.

This finding complements the power resources approach through the identification of both sufficient and necessary conditions for the protection of pensioners from market forces; namely a left-wing party in power, a united organised labour and the lack of power on behalf of the financiers to offer market alternatives. This new causal hypothesis remains context-dependent and it provides a starting point for future research on the historical development of the welfare state programmes.

By the implicit use of the methods of agreement and difference and the disaggregation of the level of analysis, the article controls not only for the causal factors (e.g. strong unions, employers) identified by the theory (e.g. power resources, employer-centred approaches) but controls also for all the actors that are identified to be operating within the particular context. In particular, the article identifies that welfare theory has to move beyond the holy triangle of employers, unions and state and incorporate within its research agenda the role of financiers for the historical development of pensions systems. As the British example shows, British financial capital actors were able to utilise their vested interests prior to adoption of the BSP, undermine alternative schemes, embed workers' interests within the financial capital market and empower their role over the governance of pension institutions.

Power and the direction of institutional development in the late 1950s: the case of the earnings-related schemes

Interestingly, the attempts to institutionalise public earnings-related schemes in all three countries happened at a similar time. However despite the formal similarities in the establishment of the earnings-related pension schemes, there were substantial differences in their implementation and the institutional logic of the new schemes. These differences were conditioned by the institutional legacy and the power imbalances among key actors. Institutions do not defend *per se* their legacies or are able to reproduce their logic just by their existence; actors are seeking to alter institutional characteristics based on their power resources and through the channels of power that the institutional setting is offering them. The direction of the institutional change therefore is at stake and it is here where the power asymmetries of competing actors such as unions, employers, state actors or financiers are under analysis; as well as their ability to shape institutional content as well as strategically prioritise their mode of instituting pension systems.

Unions maintained their links with left-wing political parties, an assumption that once again satisfies the power resources theory. The channels of power for each labour movement differed, in Sweden it was through SAP, labour institutions (peak collective bargaining) and unemployment funds ('Ghent' system). In Germany it was through labour institutions of collective bargaining (both plant and sectoral level) and through SPD, while in Britain it was through plant-level bargaining and the Labour party. Interestingly for each attempt to institutionalise a public earning-related scheme unions had to compete not only in election votes but also at the level of ideas with employers and financiers.

Unions in Sweden quickly realised that the development of the earning-related pension programme could not only serve to enhance redistribution and solidarity among wage-earners but also could serve the demands of the unions for full employment and welfare state expansion³⁶. Opposition parties originally rejected the idea and favoured a voluntary scheme that would be based on bargaining³⁷. The mobilisation of both union and SPD against employers and bourgeoisie parties in the 1959 elections provided the necessary mandate for the union-proposed public earning related pension programme to be institutionalised. This attempt of the Swedish unions exemplifies their relational power to mobilise their resources over the governance of pension institutions but more importantly highlights their discursive power to formulate a socio-economic plan that define the conditions of possibility' for themselves and render their ideas as point of reference and dominant perception of 'what is possible'.

Table 4: A comparative assessment over the governance of pension systems in the late 1950s

Pension systems	Swedish	German	British
<i>Who is recognised to govern?</i>	Open to political struggle, political parties, collective actors (LO-SAF)	Work councils, Unions (DGB,DAB), Employers, Political parties (CDU, SPD)	Public and private financial actors (Life Offices, APSF, Treasury), Political parties
<i>Modes of governing?</i>	Politicisation of pension reforms, Mobilisation of organised labour and capital expressed via party politics	Collective bargaining	Pro-liberal market practices, not part of collective bargaining
<i>What is to be governed?</i>	Pensions as a social right- Citizenship pensions, Earning related pensions (ATP)- bargaining over AP funds	Pensions as a deferred wage	Pensions as a poor-relief for the low-income and as a financial contract for the high-income groups

Table 5: An overview of the pension reforms during the 1950s in Sweden, Germany and Britain

	Sweden		Germany	Britain	
	Basic Pension	ATP	Public Insurance	BSP	SGS
Eligibility	Citizenship	Employment	Employment	Employment	Employment
Contributions	Employers (5.86%), general revenues (2%)	Only employers (13%)	Equally shared among employers & employees	Employers (11%), employee (13.8%), state (4%) of average income	Equally shared among employers & employees
Calculation	Flat-rate	30/15	Lifetime earnings	Contributions	Contributions
Replacement	48%	Maximum 77%	70-80%	20-25%	Varied (low)
Responsibility Funding	State PAYG	Employers PAYG+ funds	State PAYG	State PAYG	Employers Funded
Payment	DB	DB	DB	DB + means testing	DB (no indexation)
Administration	State	Social partners	Social partners	State	State/ Trustees (contracted out)

Data: Author's compilation and Ebbinghaus³⁸

In Germany During 1955-1957 there was serious disruption of productivity since several strikes over wage disputes occurred. While wage negotiations were giving away to health and pension bargaining, SPD and DGB proposed a two pillar system that would provide a minimum income to all pensioners, irrespective of their participation in the labour market, while it maintained the differentiation among occupational groups and their benefits at the second pillar³⁹. The proposals met the opposition of DAB that considered equal benefits irrespectively of occupational groups as ‘unjust’⁴⁰ and therefore the dispute between trade union associations exemplified their lack of discursive power to provide the conditions of possibility for a coherent and common proposal on behalf of organised labour.

Instead, it was employers and the CDU that prioritised the ideas of ‘social conservatism’ and introduced a high replacement rate social insurance public scheme⁴¹. The concerns raised over the channelling of pension savings expressed by private and public financial interests, such as Allianz and Bundebank, prioritised the reliance on privately controlled schemes and considered the public social insurance scheme as a burden for the federal budget were discounted by CDU and by German employers and in particular the export-sector. The governance of the German pension system realised pensions as a ‘deferred wage’ and it was governed by social partners through existing collective bargaining and labour institutions (see table 4).

In Britain, financial capital along with the Treasury and the Conservative government retained the primacy of the market as a pension provider and restricted the role of public provision⁴². Despite the effort of the Labour party to strengthen the role of the public provision as well as enhance the redistribution among pensioners, the proposals put together by Richard Titmuss were rejected by the unions as insurance companies and pension fund associations financed lavishly a counter-campaign that aimed to discount Labour party proposals⁴³. The counter-campaign was successful insofar as to discount the idea for the creation of publicly controlled pension fund and strengthening solidarity and redistribution among pensioners. This rejection was indicative that unions opted, to strengthen the plant-level as the site for bargaining over pensions and reproduce the contractual character of British pensions, instead of promoting redistribution and solidarity.

Addressing actors’ power asymmetries and strategies to institutionalise their logic over pension systems, the comparative perspective here realises that there was a significant variation over the governance of the three pension systems. The modes of governance of the pension system differed across all three pension system since in Sweden, the institutional legacy that established pension as a ‘social right’ and the mobilisation of the electorate over the pension reform allowed pensions to be politicised (see table 4). The actors that were recognised to govern the Swedish pension reform were political parties and collective actors (LO, SAF). Collective bargaining was prominent both in the Swedish and German pension system, placing the labour market mechanism and especially industrial relations at the heart of pension development and as determinant of pension benefits. Especially in Germany and partly in Sweden, the object of governance

(i.e. pensions) were realised more as a 'deferred wage', while the actors that were recognised to govern were social partners and the CDU.

Apart from unions, employers, political parties, financiers also played a crucial role for the governance of the pension schemes. And while in Germany their voices were silenced by the interests of the export-sector, in Sweden the size and the scope of private pension contracts was limited. In stark contrast, British financiers were able to create vested interests in the British pension system and mobilised their discursive power through campaigns to convince unions and more significantly through consultations to the Conservative party⁴⁴. The governance of the British pension system realised pensions as a financial contract that was governed through plant level bargaining and invested on employee's behalf by private financial actors such as insurance companies and pension funds. The actors that were realised to govern were mainly public and private financial actors such as insurance companies and pension funds associations as well as the Treasury.

The three pension systems and especially the earnings-related schemes differed in terms of their institutional features such as eligibility and generosity but also according to their ability to promote redistribution, solidarity and competition (for an overview see table 5). Whether the institutional context and timing in Sweden favoured unions and SAP and not Labour's or the DGB's proposals in Britain and Germany respectively, the comparative analysis here offers some insightful findings. Comparing the attempts to institutionalise a public earning related pension scheme, the comparative cross-case analysis here identifies that the object of governance (pensions) and the mode of governing pension institutions differed across the selected cases constraining and enabling different conditions of possibility for relevant actors.

Empirically, this research approach enables us to understand 'what is possible' or 'what else is possible'. Instead of identifying a pattern for the development of the earnings-related pension schemes, the comparative research identifies the importance of institutional legacy and complementary institutional domains in empowering key actors in the three political economies. This is not to undermine the power of other actors (especially employers in Sweden and Britain) but it highlights that at least according to their strategies, unions and financiers (to use the same example) were far more successful in mobilising their resources and shaping the logic (redistribution – universality, competition- marketisation respectively) of pension institutions.

Why time and power matters for historical institutional analysis: methodological explorations

Analytically, this research endeavour aimed to identify a causal assessment that could link power and institutional change. Following what Hall⁴⁵ calls ‘systemic process analysis’, I applied the methods of agreement and difference in order to test deductively whether the ‘power resources approaches’ prediction are verified in the various cases and whether the comparative analysis can identify inductively some patterns for explaining causal assessment. The application of the method of agreement and difference showed that while the power resources were able to explain the content of pension institutions, it failed to explain the different logics and replacement rates in the introduction of basic universal pension schemes.

It is here that the article identifies the role of (British) financial actors as conducive for the development of pension institutions, since by insisting on lower replacement rates for the public schemes they perpetuated their empowered role in the governance of the pension institutions. The incorporation of the financial actors along with the other “usual suspects” (e.g. unions, employers, state actors) in triggering institutional change therefore prescribes this research with an inductive observation and explores its importance through time. It is interesting to note that despite the well documented literature on welfare state development, few studies explored historically *and* comparatively the role of financial actors.

The second tool that allows us to comparatively assess the development path of pension institutions identified that pensions were realised as a social right (Sweden), a deferred wage (Germany) or as part of financial contract (Britain). Essentially the institutionalisation of the pension schemes in the late 1960s conditioned the power resources of all key actors’ as well as constrained and enabled certain ideas over others. The importance of power asymmetries, identified here through the mobilisation of power resources at all three levels, becomes essential in order to understand the ability of key actors’ to shape institutional development and the structuration of power asymmetries within the national political economies.

More importantly, the debate on power and institutional change has neglected the importance of ideas for triggering institutional transformation⁴⁶. The application of the diachronical analysis demonstrates the ability of actors to shape the institutional context or trigger path breaks. Linking the findings of this research with the historical institutionalism and path dependency literature, the points of contestation or formulation of alternatives are not only important during the eruption of ‘critical junctures’ but could effectively represent ‘critical junctures’ themselves. For example, the Swedish unions did not wait for the opportunity to arise with the ATP scheme; instead it was their proposal that was incorporated in LO’s socio-economic plan in the mid 1950s that triggered the mobilisation of power resources. The aim therefore of the Swedish unions was not only to govern pension systems *per se* but also to provide a holistic plan that would determine the conditions upon which pensions would be calculated and granted. Even with the

'Titmuss' proposals' in Britain, actors' where able to create a new agenda that had to be met and contested by capital actors.

Therefore the article provides an empirical way to identify critical junctures', rendering the latter not external to the analytical schema but as part of the empirical world. The benefit of this approach is that it allows researchers to identify the possibility of critical junctures based on the actors' strategic conduct. The success or failure of these strategies to trigger critical junctures are not pre-determined but are able to be realised as part of the empirical analysis. By no means such a research endeavour can be exhaustive or full explain the rupture of such a critical moment but it prescribes actors the potential to question the institutional status quo.

Theoretically, this article demonstrates how the ability of actors' to mediate a politically constructed discursive framework which other actors use as a reference for the formulation of alternative policy proposals represents an ability to exercise a form of power that remains neglected from the main welfare state literature; that is the power to discursively frame policy alternatives. While Korpi and Swenson attribute unions' relational power and employers' structural power respectively, as a way to explain welfare institutional development, the comparative analysis shows that the ability of actors' to exercise their discursive power through the mobilisation of relevant resources (e.g. campaigns, publications, consultations) also played a crucial role for the content (e.g. generosity) and the logic (redistribution) of the earnings-related pension schemes.

Notes

¹ David Collier and Ruth. B. Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America*, (Princeton University Press, 1991).

² Barrington Moore, *Social origins of dictatorship and democracy lord and peasant in the making of the modern world*, (Penguin 1967), Theda Skocpol, *States and social revolutions a comparative analysis of France, Russia and China*. Cambridge, (Cambridge University Press 1979).

³ Paul Pierson, (1994). *Dismantling the welfare state? Reagan, Thatcher and the politics of retrenchment*. Cambridge, Cambridge University Press. His work explained how welfare state institutions created vested interests that rendered retrenchment attempts unpopular and therefore effectively became the cause of institutional stability and path dependency. His work has been criticized for its focus on continuity without however discounting its analytical insights by Jacob Hacker, "Privatizing risk without privatizing the welfare state: The hidden politics of social policy retrenchment in the United States." *American Political Science Review* 98,2, (2004): 243-260. Hacker's work focus on the silent and yet important institutional changes that take place when institutions do not meet their social policy aims while Thelen highlight how institutions can be used for different purposes than those originally built-in for, see Kathleen Thelen How institutions evolve: Insights from comparative historical analysis. *Comparative historical analysis in the social sciences*. J. Mahoney and D. Rueschemeyer, (Cambridge University Press, 2003)

⁴ Bernhard Ebbinghaus, *Can path dependence explain institutional change? Two approaches applied to welfare state reform*. (Max Planck Institute Working Paper series 2005). His work emphasizes the need for a more open approach of path dependency and illustrates as a 'tree that has many branches'. In their volume Streeck and Thelen collected and summarized five types of capturing institutional change, see Wolfgang Streeck and Kathleen Thelen, Eds. *Beyond continuity: Institutional change in advanced political economies*. (Oxford University Press 2005),

⁵ Paul Pierson, *Politics in time: History, Institutions and social analysis*. Princeton, Oxford, (Princeton University Press 2004).

⁶ Wolfgang Streeck and Kathleen Thelen, Introduction: Institutional change in advanced political economies. *Beyond continuity: Institutional change in advanced political economies*. W. Streeck and K. Thelen. Oxford, (Oxford University Press 2005), 19.

⁷ Daniel Béland "Ideas and Institutional Change in Social Security: Conversion, Layering, and Policy Drift." *Social Science Quarterly* 88,1 (2007): 23.

⁸ Colin Hay, *Political Analysis: a critical introduction*, (Palgrave 2001).

⁹ James Mahoney and Dietrich Rueschemeyer, eds, *Comparative historical analysis in the social sciences*, (Cambridge University Press 2003).

¹⁰ Peter Hall, "Aligning ontology and methodology in comparative research" in *Comparative historical analysis in the social sciences*, eds J. Mahoney and D. Rueschemeyer. Cambridge, (Cambridge University Press 2003).

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- ¹¹ Theda Skocpol, Ed. *Vision and method in historical sociology*. Cambridge, (Cambridge University Press 1984), 275.
- ¹² James Mahoney, “Strategies of causal assessment in comparative historical analysis” in *Comparative historical analysis in the social sciences*, eds J. Mahoney and D. Rueschemeyer, (Cambridge University Press 2003).
- ¹³ Hall, *Aligning ontology and methodology in comparative research*
- ¹⁴ Fred Block and Peter Evans, “The state and the economy” in *The Handbook of Economic Sociology*. N. J. Smelser and R. Swedberg. Princeton, Oxford, (Princeton University Press 2005).
- ¹⁵ Moore, *Social origins of dictatorship and democracy*, Skocpol, *States and social revolutions*
- ¹⁶ Isabella Mares, *The politics of Social risk: Business and Welfare State Development*, (Cambridge 2003). Mares examines actors’ preferences at incidents of major welfare reform such as the introduction of accident or unemployment insurance.
- ¹⁷ Charles Ragin. *The comparative method: Moving beyond qualitative and quantitative strategies*, (University of California Press 1987).
- ¹⁸ By incorporating actors’ strategies and conduct as part of the empirical research, the article displaces ‘causation’ from a ‘closed system’ that attributes cause X effect Y (e.g. $X \rightarrow Y$) into an understanding of causation as part of actors’ power to strategically act within the institutional context they operate, see Mijla Kurki , *Causation in International relations: reclaiming causal analysis*, (Cambridge 2008). The differentiation with rational causal assumptions is that here actors are realised as historical, reflective on their ideas and history (‘habitus’ in Bourdieu’s terms), receiving asymmetrical information and with their conduct exercising both intended and unintended consequences within the institutional context. Causation therefore is not only to be found on the appearance of variables but also as part of actors’ strategies to shape the institutional context within they operate.
- ¹⁹ See Emma Carmel. and Theodoros Papadopoulos, “The new governance of social security in Britain” in *Understanding social security*. J. Millar,(Policy Press 2003).
- ²⁰ Wolfgang Streeck, "Requirements for a useful concept of complementarity." *Socio-Economic Review* 3, 2, (2005): 363-66.
- ²¹ Peter Hall and David Soskise, Eds. *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford, (Oxford University Press 2001).
Steven Sass, “ Anglo-Saxon occupational pensions in international perspective”, in *Britain’s Pensions Crisis*, eds Hugh Pemberton, Path Thane and Noel Whiteside (The British Academy 2006). Peter Swenson, *Capitalists against Markets: The making of labor markets and welfare states in the United States and Sweden*. Oxford, (Oxford University Press 2002).
- ²² Gordon Clark, *Pension fund capitalism*. Oxford, (Oxford University Press 2000).
Gregory Jackson and Sigurt Vitols, *Between financial commitment, market liquidity and corporate governance: occupational pensions in Britain, Germany, Japan and the USA*. *Comparing welfare capitalism: Social policy and political economy in Europe, Japan and the USA*. B. Ebbinghaus and P. Manow. London and New York, (Routledge 2001).

John Zysman, *Government, markets and growth: Financial systems and the politics of industrial change*. Ithaca, New York, (Cornell University Press 1982).

²³ Paul Bridgen and Traute Meyer, "When do benevolent capitalists change their mind? Explaining the retrenchment of defined benefit pension in Britain." *Social Policy and Administration*, (2005). Philip Manow, *Welfare state building and coordination in Japan and Germany. The social origins of nonliberal capitalism: Germany and Japan in comparison*. W. Streeck and K. Yamamura. Ithaca, London, (Cornell University Press 2001). 94-120.

²⁴ Giuliano Bonoli, Political institutions, veto points, and the process of welfare state adaptation. *The new politics of the welfare state*. P. Pierson. Oxford, (Oxford University Press 2001) 238-264. Giuliano Bonoli and Toshimitsu Shinkawa. *Ageing and pension reform around the world: evidence from eleven countries*, (Edward Elgar 2005). Ellen Immergut. and Karen Anderson, Eds, *The handbook of west European pension politics*. Oxford, (Oxford University Press 2007).

²⁵ Theodoros Papadopoulos, "The Recommodification of European Labour: Theoretical and Empirical Explorations", in *ERI working and occasional papers* (European Research Institute - University of Bath, 2006).

²⁶ Emma Carmel and Theodoros Papadopoulos, *The new governance of social security in Britain*

²⁷ Margitta Mätzke, "Welfare policies and Welfare States: Generalization in the Comparative Study of Policy History", in *Journal of Policy History*, 21 (2009)

²⁸ Magnus Ryner, *Capital restructuring, globalisation and the Third Way*, Review of International Political Economy. London and New York: (Routledge 2002). Sigurt Vitols, 'The origins of bank-based and market-based financial systems: Germany, Japan and the United States', in *The social origins of nonliberal capitalism: Germany and Japan in comparison*, ed. W. Streeck and K. Yamamura (Cornell University Press, 2001).

²⁹ Andrei Markovits and Christopher Allen, "Trade unions and the economic crisis: The west German case" in *Unions and economic crisis: Britain, west Germany, and Sweden*. P. Gourevitch, A. Martin, G. Ross et al, (George Allen & Unwin 1984), 89-188. Richard Minns, *Pension funds and British capitalism*, (Heinemann 1980).

³⁰ Peter Baldwin, *The politics of social solidarity: Class bases of the European welfare state 1875-1975*, (Cambridge University Press 1990): 192.

³¹ Swenson, *Capitalists against Markets*, 260-7

³² Hugh Pemberton, *'I'm all right Jack'? the trade unions and earnings-related pension in Britain in the 1950s*. (Social Policy Association. 2008)

³³ Jose Harris, "The roots of public pensions provision: Social Insurance and the Beveridge Plan", in *Britain's pension crisis: History and policy*, ed. Hugh Pemberton, Thane and Noel Whiteside (Oxford University Press, 2006).

³⁴ Beveridge 1942 quoted in Noel Whiteside, "Historical perspectives and the politics of pension reform" in *Pension security in the 21st century*. G. Clark and N. Whiteside, Oxford University Press 2003): 23

³⁵ With brown colour I highlight the sufficient causes across the cases and with green colour the necessary cause.

³⁶ Gosta Esping-Andersen, *Politics against markets*. (Princeton University Press 1985). Andrew Martin, “Trade Unions in Sweden: Strategic responses to change and crisis” in *Unions and Economic crisis: Britain, West Germany and Sweden*. Peter Gourevitch, Andrew Martin, George Ross et al. London, (George Allen & Unwin 1984). Jonas Pontusson, *The Limits of Social Democracy*. Ithaca and London, Cornell University Press 1992).

³⁷ Swenson, *Capitalists against Markets*

³⁸ Bernhard Ebbinghaus, “Between state and market: Occupational pensions, welfare regimes and labor relations in comparison!”, in *Social Protection in the New Era*, ed. Association, I.S. (Tilburg University: 2000).

³⁹ SPD, *Sozialplan fuer Deutschland*. Berlin, (Dietz Verlag 1957)

⁴⁰ Baldwin, *The politics of social solidarity*, 202

⁴¹ Philip Manow, “Business coordination, wage bargaining and the welfare state: Germany and Japan in comparative historical perspective” in *Comparing welfare capitalism: Social policy and political economy in Europe, Japan and the USA*. Bernhard Ebbinghaus and Philp Manow. London and New York, (Routledge 2001). Gerhard Lehbruch, “The institutional embedding of market economies: The German ‘model’ and its impact on Japan” in *The origins of nonliberal capitalism: Germany and Japan in comparison*. W. Streeck and K. Yamamura. Ithaca, London, (Cornell University Press 2001): 39-93.

⁴² Whiteside, *Historical perspectives*

⁴³ Howard Glennerster, “Why so different? Why so bad a future?” in *Britain's pension crisis: History and policy*. H. Pemberton, P. Thane and N. Whiteside. Oxford, (Oxford University Press 2006). Eric Schragge, *Pension policy in Britain: A socialist analysis*, (Routledge & Kegan Paul 1984). Lelsie Hannah, *Inventing retirement: the development of occupational pensions in Britain*, (Cambridge University Press 1986).

⁴⁴ Paul Bridgen, “The One Nation Idea and State Welfare: The Conservatives and Pensions in the 1950s.” in *Contemporary British History* 14,3 (2000). Paul Bridgen. and Rodney Lowe *Welfare policy under the Conservatives '95-'964*. London, (Public Record Office 1998): 104-112. Tony Lynes. *Labour's Pension Plan*. London, (Fabian Society 1969). MPNI, *Provision for Old Age- the future Development of the National Insurance Scheme* (1958).

⁴⁵ Hall, *Aligning ontology and methodology in comparative research*

⁴⁶ For noticeable exceptions see Mark Blyth, *Great transformations*. Cambridge, (Cambridge University Press 2003) and Daniel Beland, “The Idea of Power and the Role of Ideas.” *Political Studies Review* 8, (2010): 145 -154.