

Causes of social policy positions of political parties

Henning Finseraas (Researcher, NOVA, hfi@nova.no)

&

Carsten Jensen (Assistant Professor, Aarhus University, CarstenJ@ps.au.dk)

Paper prepared for the 8th annual ESPAnet conference

Budapest 2-4 September 2010

Do not quote or cite without permission

Causes of social policy positions of political parties

Henning Finseraas (Researcher, NOVA, hfi@nova.no)

&

Carsten Jensen (Assistant Professor, Aarhus University, CarstenJ@ps.au.dk)

The social policy literature is one of the liveliest in political science today, with a well-spring of theories on the determinants of social protection. Authors variously suggest that the labor movement, feedback effects from mature welfare state institutions, globalization, and electoral institutions, just to mention a few, drives social protection (for reviews, see Pierson 2000; Green-Pedersen & Haverland 2002; Starke 2006; Ferrera 2008). In the literature focus has been on policy outputs, notably public spending and social rights. Yet, at the heart of all the theories, including those advocating apparently apolitical determinants like globalization, is the political parties that legislate expansion or retrenchment of social protection. In our view, the literature on the development of the welfare state has not paid sufficient attention to determinants of party positions on welfare state issues, beyond the assumption that left parties represent the lower socio-economic strata. This neglect is problematic if it is accepted that they constitute a core element in the causal chain linking determinants with outputs.

This paper studies the causes of shifts in the social policy positions advocated in election campaigns by Left and Right parties. It thereby helps bridging the gap between social policy determinants and outputs by fleshing out in more detail the political process that we submit must always link the two. We, first, deduce hypotheses on the impact of various institutional and socio-economic factors on changes in social policy position of Left and Right parties. Then we test these on data from 17 countries using the Comparative Party Manifestos dataset between 1965 and 2000.

Our findings corroborate several of the most well-established theories in the social policy literature. As implied by the power resource theory, strong labor unions mean that the Left gets stronger and threatens the material interests of the electorate of the Right (Korpi 1978; 1983; Stephens 1979). The Left consequently moves further to the left-wing and the Right moves further towards the right-wing, leading to divergence. The electoral system also matters, as a greater number of effective parties leads to a left-ward shift in the policy position of the Right throughout the analyzed period and a similar shift for the Left between 1965 and 1980. The partisan movements create stable differences 1965-1980, as both Left and Right moves left, and convergence 1980-2000, where only the Right does so. Both of these findings are possible to explain with Iversen & Soskice's (2006) theory of how electoral system affects the formation of political coalitions, but fits poorly with the mainstream literature on policy positions, which argues that more parties should lead to divergence (Dow 2001; Adams et al. 2005).

Next, in line with the new politics approach (Pierson 1994; 1996), we also find that a large welfare state leads the Right to move towards the Left, entailing convergence, yet only in the 1965-1980 period. That we only find a movement between 1965 and 1980 is presumably due to the larger fiscal room in that period, assuming that the ramifications of the Oil Crises was not felt immediately, which meant that the Right did not have to prioritize that hard between its preferences for winning office and its preferences for keeping taxes relatively low. Finally, it also turns out that the presence of strong religious parties lead to convergence. This fits with Green-Pedersen's (2002; 2007) argument that the presence of a religious dimension in the party system induces the Left and Right to move towards the center on the social policy dimension.

Social policy theories and the behavior of political parties

Most mainstream social policy theories have assumptions about the behavior of political parties, either explicitly or implicitly. In some theories like the power resource theory the political parties are center-stage, arguing as it does that it is the strength of the labor movement versus the employers and other high-income individuals that determines the scope of the welfare state. In other theories parties figure less prominently, but are relegated to the 'machine-room' of the theories as assumptions about the mechanism connecting a socio-economic or institutional factor to a policy output. In this section we discuss a number of the most well-established theories and deduce testable hypotheses about their impact on the policy position of Left and Right parties and whether these movements collectively generate convergence or divergence in policy positions. We deliberately focus on the most well-known theories, partly, because this is of greatest academic interest and, partly, because this allows us to deduce hypotheses that are clearly distinct from each other.

As indicated, the power resource theory situates political actors centrally. In most of the empirical literature, labor movement strength has been measured as left cabinet seats (e.g., Hicks 1999; Huber & Stephens 2001; Bradley et al. 2003). However, originally the power resource theory stressed that labor movement strength was not solely an issue of how strong cabinet presence it has, but also the strength of the labor unions (Korpi 1978; 1983; Stephens 1979). Recently, Kwon & Pontusson (2010) has shown that it actually matters a great deal whether a left-wing government is backed by a strong union or not. We want to focus on this aspect of the power resource theory since this makes a study of the policy positions of parties less tautological: Union strength and the social policy position of the Left parties in Parliament are clearly not the same thing, whereas the policy position of Left

parties and their share of cabinet seats may be highly interdependent as the pursuit of office may come at the expense of policy (Strøm 1990).

If it is true that stronger unions lead to greater partisan conflicts as shown by Kwon & Pontusson (2010) then this may be visible either as a left-wing move by the Left, or by a combined move by both the Left and Right parties to their respective wings. If we focus squarely on the effect of stronger unions our expectation would be that the latter option is most realistic. As a stronger union radicalizes, or emboldens, the Left parties take a more pro-welfare position, and the threat to the constituency of the Right, i.e., employers and high-income individuals, increases. The natural response of Right parties in that situation would seem to be to agitate against such attack on the material interests of their voters. Hence, stronger unions should lead to divergence between the Left and Right as both parties move towards the wing to accommodate their respective constituencies.

The power resource theory has been critiqued by a number of other theories. The new politics approach by Pierson (1994; 1996) posits that partisan politics matters less today because all parties are squeezed between the need for fiscal management and the general popularity of the welfare state. It would seem to follow from the argument that the influence of a big welfare state above all else should influence the Right as they are the ones traditionally advocating meager social policies. We should not necessarily see the Left becoming more pro-welfare as a means to please their constituency exactly because of the fiscal stress most nations are subject to (Jensen 2010). In any event, the outcome ought to be convergence between the Left and the Right.

Pierson argues that the welfare state entered into a new period after around 1980 as that was the time the constraining effect of the oil price crises hit in earnest, while the welfare state simultaneously had developed a strong popular support. This leads to two

different expectations as to when more exactly the Right should make their move towards the Left. In the period prior to 1980 there was a greater degree of fiscal slack, meaning that the Right was able to combine a more pro-welfare position with relatively low taxes. On the other hand, the size of the welfare state constituency was biggest in the period after, which would imply that it especially is in that period the Right could gain electorally from making such a move. We consider it an empirical question in what period the Right should move towards the Left.

Globalization, or economic openness, is another very influential factor on social protection according to a large number of authors. Globalization has been argued to have two widely different effects. The so-called compensation hypothesis posits that globalization generates a need for protection against the vagaries of the international market. The proponents of this hypothesis are, however, split on what parties respond to the rising globalization. Cameron (1978), in his original formulation of the argument, suggests a median voter logic where both Left and Right parties are forced to become more generous. Garrett (1998) presents a different view. He points out that those voters most at risk are Left voters, which would suggest that it in particular should be these parties that became more pro-welfare.

The so-called efficiency hypothesis argues that globalization generates a pressure to retrench the welfare state in order to keep countries attractive to business, which may exit if taxes are too high. The argument has been met with much critique, but has recently been corroborated by Busemeyer (2009). In terms of policy positions, one may expect both Left and Right parties to shift position. As noted by Korpi & Palme (2003), Right parties may seize globalization as a window of opportunity to propose cutbacks, yet Left parties may do the same as a means to appear fiscally responsible (e.g. Ross 2000). Depending on what parties

move we should either see a status quo in the absolute difference between the parties, or divergence if only the Right moves, or convergence if only the Left moves. Especially the argument that Left parties become less welfare friendly hinges on a certain level of fiscal austerity following the Golden Age of expansion, which would imply that this particular effect should only be found after 1980.

Moving on, Iversen & Soskice (2006) have presented an argument on the role of the electoral system for the formation of pro-welfare coalitions. They argue that PR systems lead to a coalition between low- and middle-income voters that 'bleed the rich' by enacting generous social policies. In PR systems more parties are able to enter Parliament, entailing that middle-income voters are able to form their own party with a reasonable chance of not only getting represented, but also being the pivotal party. This reduces the risk of entering into a coalition with low-income voters because the chance of being dominated is a lot smaller than when only two parties are represented in Parliament.

It would seem to follow from this argument that a PR system would allow the Left to become more pro-welfare than otherwise. At the same time, it should lead the Right towards the center in order to make it less attractive for center parties to enter into a coalition with the Left. In principle this should create a status quo in the absolute distance between the parties since both are moving in the same direction, but evidently only on the condition that both move equally far.

It should be noted that this reading of Iversen & Soskice (2006) fly in the face of the mainstream policy position literature. This literature argues that more parties in Parliament will generate divergence as all parties scramble to occupy distinct positions in order to carve out an electoral niche (Adams et al. 2005). Here, then, one would expect Left parties to go left and Right parties to go right. Essentially, of course, it is an empirical question

what argument is correct, but with our empirical setup will be able to discriminate between the two, as discussed below.

A final strand of literature which we want to test is studying Christian parties. Van Kersbergen (1995) and Huber & Stephens (2001) have shown that Christian Democratic parties in general are more pro-welfare than other Right parties. They have, however, devoted less attention to the question of what their presence in some countries imply for the policy positions of Left and Right parties. Green-Pedersen (2002; 2007) have presented such an argument, stressing that Christian Democratic parties, and more generally a salient religious cleavage, forces both Left and Right parties towards the center on economic issues. The reason is partly that a salient religious cleavage makes the traditional economic cleavage less important to the parties as party competition gets re-directed towards religious and/or value issues. Related, by approaching each other on the economic dimension, Left and Right parties, which are often secular, are more likely to form a working coalition that can beat the Christian Democratic parties and, hence, implement secular policies.

TABLE 1 ABOUT HERE

Table 1 summarizes the expectations. It shows how even with these comparably few – albeit very central – theories we obtain a large number of testable hypotheses. In the next section we discuss how we will conduct the empirical analysis and after that we present the findings.

Methods

We rely on data from the Comparative Manifesto Project (CMP) (Budge et al. 2001; Klingemann et al. 2006) to measure the parties' policy positions. The CMP data is the most comprehensive data source on party positions, and the only available source to test hypotheses requiring longitudinal data. We follow the major left party and the major right party between 1965 and 2000 in 17 OECD countries. A list of these parties can be found in the Appendix. There are a couple of problematic cases. The Italian Christian Democratic Party was the major bourgeoisie party until it collapsed due to corruption allegations in the early 1990s. Forza Italia represents the Italian right in the 1996 and 2001 elections. In Belgium, both the left and the right have a Flemish and Francophone division. The data from Belgium is a simple average of the Flemish and Francophone party positions. The Gaullists represent the French right until replaced by the Rally for the Republic in 1993 and the UMP in 2002. We explore the robustness of our results to these problematic cases.

We identify the policy positions of the major left and right party using 14 variables that are clearly related to public responsibility for income protection, job protection, and the distribution of income.¹ All variables are coded so that a positive score implies a more leftist position, and each party's final score (the dependent variable in the analysis) is the additive score of the party's position on the 14 areas. A principal-component factors analysis reveals that all items load positively on a factor with an Eigenvalue of 2.15.

Reassuringly, the average position for a left party across the 211 elections we rely on in the

¹ The variables are: Per 401 ("free enterprise"), per402 ("incentives"), per403 ("market regulation"), per404 ("economic planning"), per405 ("corporatism"), per409 ("Keynsian demand management"), per412 ("controlled economy"), per413 ("nationalisation"), per414 ("economic orthodoxy"), per503 ("social justice"), per504 ("welfare state expansion"), per505 ("welfare state limitation"), per701 ("labour groups:positive"), per702 (labour groups: negative").

empirical analysis is 21 (standard deviation = 11), compared to -.1 (standard deviation = 15) for the right parties. We smooth the time-series for party positions to get year-to-year-variation by averaging over the current and the next three years (two years if the election cycle is less than four years), i.e., we assume, realistically, that party positions change gradually over the election period. Figure 1 shows the cross-national (unsmoothed) means for the left (red line) and the right (blue line) over time.

FIGURE 1 ABOUT HERE

Figure 1 illustrates how, firstly, the Left always is more left-leaning than the Right, and vice versa. The data, thus, meets the most basic face validity test. There is no general trend towards convergence or divergence, but in some periods the two groups are closer than at other times. It is also evident that the Left and Right sometimes move at the same time, while at other times only one party moves. Although these trends are aggregated across countries, and therefore hides away a lot of additional cross-national variation, all of this hints that there are a lot of movements to be explained even as the basic left-right dichotomy remains throughout.

We include the following independent variables. Unless noted the data is from the Comparative Political Data set (Armingeon et al 2009). We measure *union strength* as the total reported union members as a percentage of the total labor force. The size of the welfare state is simply measured as social security transfers as percentage of the GDP, which is one of the few measures of welfare effort that goes back to the 1960s. Globalization is measured by total *trade* (sum of import and export in current prices) as a percentage of GDP. Multiparty-system is accounted for by Laakso and Taagepero's (1979) measure of the *effective number of*

political parties (measured at the seats level), which is in accordance with Iversen & Soskice's (2006) own analysis. To measure the strength of the religious cleavage we create a variable that measures the total number of legislative seats in Parliament held by religious parties.

Even though we have not presented any theoretical expectations to them, we also include two additional socio-demographic demand factors that under all circumstances must be expected to matter for how right-leaning parties can be. The first is the proportion of elderly in society, measured as the share of the population aged 65 or more. The next is the unemployment rate, which is measured as the share of the civilian workforce that is currently unemployed.

In those regression models where we estimate the difference between Left and Right parties we, finally, also include a control for the absolute policy position the Right parties. The reason is straightforward: The more right-leaning the Right is, the greater the difference between the Left and Right will be since only sometimes will the Left move just as much towards the center, completely neutralizing the move of the Right. The bivariate correlation between the absolute policy position of the Right and the difference between the Left and Right is $-.73$ with $p\text{-value} < .000$. The relationship between the absolute position of the Left and the difference is much smaller with a bivariate correlation of $.40$, which is why we include the Right (of course, both cannot be included because the dependent variable is defined as the difference between the two, generating perfect multicollinearity). It is beyond this paper to go into why there is this difference, but future research certain ought to investigate why it is that Right parties are quicker to close the gap left open by a Left party moving to the extreme left-wing.

We follow the advice of De Boef & Keele (2008) and estimate Error Correction Models (ECM). The term error correction model does not refer to a specific estimation

technique, but refers to the model's direct estimation of the dependent variable's movement to equilibrium after a change in the independent variable. In the absence of strong theoretical guidelines regarding the dynamics (i.e. whether a change in the independent variable has a short-term or long-term effect on the dependent variable), we impose as few restrictions as possible, i.e. we estimate what De Boef and Keele (2008) label the general ECM:

$$\Delta Y(i, t) = \alpha_i + \alpha_1 Y(i, t-1) + \sum \beta_j \Delta X(i, t) + \sum \gamma_j X(i, t-1) + \varepsilon(i, t) \quad (1)$$

where $\Delta Y(i, t)$ is the change in policy position from the previous year in country i in year t , X is the vector of independent variables, included as change from the previous year and as the lagged level, α_i is the country-specific intercepts, while ε is the error term. The β -coefficients are estimates of the short-term effects of changes in the independent variables, while the γ -coefficients are used to calculate long-term effects by dividing the respective coefficient with α_1 . The model is estimated using OLS with panel corrected standard errors to correct for spatial correlation and group-wise heteroscedasticity (Beck and Katz 1995). We include fixed effects because our primary interest lies in understanding within-country variation; for instance, whether changes in the effective number of parties or the size of the welfare state leads to altering policy positions *within* individual countries.

Findings

We start out by looking at the causes of convergence and divergence, splitting the sample into two periods (1965-1980 and 1980-2000) in order to investigate the temporal dynamics that are hypothesized to be present. Table 2 reports the results. We are primarily interested in the

long-run effects of the variables since these are the ones that are going to have a lasting impact on the social policy position of the parties. Since the difference between the Left and Right is calculated by simply subtracting the (high) values of Left parties from the (low) values of Right parties, the coefficients are easy to interpret: a negative coefficient indicates that the difference is getting smaller and a positive coefficient indicates that it is getting bigger.

TABLE 2 ABOUT HERE

Looking first at the effect of strong unions, we see how in both periods these lead to greater divergence. This is entirely as expected and requires no further elaboration for now. The size of the welfare state, measured as the level of social security spending, also has the expected impact, as it leads to convergence. Interestingly, however, it is only in the 1965-1980 period that the effect is visible. This would seem to indicate that convergence mostly happens in periods of fiscal slack where the Right does not have to prioritize that hard to be able to both meet the demands for welfare and relatively low taxes. Economic openness leads to convergence, but only in the first period. Before we get to the next table where we study the movements of individual parties, it is difficult to conclude much on this information. The effective number of parties leads to convergence in the latter period, which on the face of it would seem to contradict the standard argument of the policy position literature; yet, for now we cannot tell if this is equivalent to supporting Iversen & Soskice (2006) since this hinges on the movements of the individual parties. Religious party strength, finally, leads to convergence in the latter period as well.

TABLE 3 ABOUT HERE

Moving on, we now look at the movement of the Left and Right parties individually. Now it becomes possible to gauge what parties caused the convergence and divergence located in the previous table. It should be noted that the meaning of the dependent variable now change as we no longer look at the difference between the parties, but the absolute policy positions. Thus, a negative coefficient now means that a party becomes less welfare-friendly, while a positive coefficient means that a party becomes more welfare-friendly.

First of all, as hypothesized it turns out that stronger unions makes both Left and Right parties turn towards their wings, and do so in both periods. Looking at the effect of a sizable welfare state, it turns out that the convergence in the 1965-1980 period is caused by the Right moving towards the center. This is exactly was we would expect if it is the popularity of the welfare state among the median voter that drives the parties in this particular respect. In some sense, this finding fits with the new politics perspective, yet, the new politics perspective is usually applied on the post-1980 period.

The convergence found between 1965 and 1980 which was caused by economic openness turns out to be generated by a center-move by the Left. This is puzzling. We would as a minimum have expected the Right to be behind at least some of this diminishing partisan difference, but they are unaffected by economic openness in the first period. Yet, a move towards the center by the Left was only expected after 1980, which means that it is difficult to make much sense of this finding. It is, however, noteworthy that the Right becomes more pro-welfare in the 1980-2000 period; even though this does not lead to convergence it is nevertheless still in line with the compensation hypothesis, which, hence, gets additional support from this test.

The effective number of parties led to convergence in the latter period. Looking at Table 3, however, we find significant movements in both periods that fit the expectations consistent with Iversen & Soskice (2006). As evident, in both periods Right parties become more pro-welfare with a rising number of effective parties, which is the core expectation since it above all are these parties that stand to lose; by moving towards the center the Right heightens the possibility of avoiding a coalition between the Left and the middle-income voters. The Left only moves toward their wing in the first period, while there is no effect of the effective number of parties on the position of the Left after 1980. One may speculate why this is so, but one thesis might be that there is a ceiling effect: the total number of effective parties is bigger after 1980 than before, and we know that after 1980 these are often also advocating policies unrelated to the traditional left-right dimension (Dalton & Wattenberg 2002). This may have altered the underlining dynamics of coalition formation.

Related to this last point, we see how the convergence between Left and Right parties generated by a strong presence of religious parties is caused by synchronized shifts by both the Left and Right. This is entirely as expected since it *a priori* must be presumed that the particular form of party competition that religious parties create affect both of these contenders. The fact that we only find these effects after 1980 was not hypothesized, but might be explained by referring to the more volatile voters and party systems after this date, which may have altered the traditional left-right cleavage structure on many countries.

Conclusion

The findings reported above are in many ways comforting. They show that the relationship between a number of well-known social policy determinants and policy outputs have clear-

cut effects on the political process in ways that makes a lot of sense. Since all of these theories in our reading should have such effects, this is in no ways an irrelevant conclusion. If we had not found these effects, effectively one could wonder if the apparent relationship between the social policy determinants and the policy outputs is spurious.

In the paper we have deduced hypotheses relating to the power resource of the labor movement, the feedback effects from a large welfare state, globalization, electoral systems, and religious cleavages. Of these five, globalization has the weakest impact on the policy positions of political parties. To a certain extent this is not terribly surprising because this factor is more remove from the political process than the other four, which are all fairly easy to see how might influence parties comparably directly. Globalization, on the other hand, is a drawn-out process, partly technologically driven, that is difficult to link to the preferences of workers and employers. It also has to travel from heighten international competition via greater perceived risk exposure of the workers to greater demand for social protection and into the political system. In short, while globalization may very matter, its impact on the policy process is not particularly straightforward, as our results indicate.

References

- Adams, J., Merrill, S., III., & Grofman, B. 2005. *A unified theory of party competition: A cross-national analysis integrating spatial and behavioral factors*. Cambridge, UK: Cambridge University Press.
- Armingeon, Klaus, Philipp Leimgruber, Michelle Beyeler and Sarah Menegale. 2009. "Comparative Political Data Set 1960-2006." Institute of Political Science, University of Berne.
- Beck, Nathaniel and Jonathan N. Katz. 1995. "What to Do (and Not to Do) with Time-Series Cross-Section Data." *American Political Science Review* 89(3):634-647.
- Budge, Ian, Hans-Dieter Klingemann, Andrea Volkens, Jusith Bara and Eric Tanenbaum. 2001. *Mapping Policy Preferences: Estimates for Parties, Electors, and Governments, 1945-1998*. Oxford: Oxford University Press.
- Bussemeyer, Marius R. 2001. "From Myth to Reality: Globalization and Public Spending in OECD Countries Revisited." *European Journal of Political Research* 48(4): 455-482.
- Bradley, David, Evelyne Huber, Stephanie Moller, Francois Nielsen and John D. Stephens. 2003. "Distribution and Redistribution in Postindustrial Democracies." *World Politics* 55(4):193-228.
- Cameron, David R. 1978. "The Expansion of the Public Economy: A Comparative Analysis." *American Political Science Review* 72 (4): 1243-61.
- Dalton, Russel J., and Martin P. Wattenberg (eds.). 2002. *Parties without Partisans. Political Change in Advanced Industrial Democracies*. New York: Oxford University Press.
- De Boef, Suzanna, and Luke Keele. 2008. "Taking Time Seriously." *American Journal of Political Science* 52(1): 184-200.

- Dow, Jay K. (2001). "A comparative spatial analysis of majoritarian and proportional elections." *Electoral Studies* 20(1):109-125.
- Ferrera, Maurizio. 2008. "The European Welfare State: Golden Achievements, Silver Prospects." *West European Politics* 31 (1):82-107.
- Garrett, Geoffrey 1998. *Partisan Politics in the Global Economy*. Cambridge: Cambridge University Press.
- Green-Pedersen, Christoffer, and Markus Haverland. 2002. "The New Politics and Scholarship of the Welfare State." *Journal of European Social Policy* 12(February):243-51.
- Green-Pedersen, Christoffer. 2002. "New Public Management Reforms of the Danish and Swedish Welfare States: The Role of Different Social Democratic Responses", *Governance*, 15 (2): 271-294.
- Green-Pedersen, Christoffer. 2007. "The growing importance of issue competition: The changing nature of party competition in Western Europe." *Political Studies*, 55 (4): 608-628.
- Hicks, Alexander 1999. *Social Democracy and Welfare Capitalism: A Century of Income Security Politics*. Cornell: Cornell University Press.
- Huber, Evelyne and John D. Stephens. 2001. *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. Chicago: University of Chicago Press.
- Iversen, Torben and David Soskice. 2006. "Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More Than Others." *American Political Science Review* 100(2):165:181.

- Jensen, Carsten. 2010. "Issue compensation and right-wing government social spending." *European Journal of Political Research* 49(2):282-299.
- Klingemann, Hans-Dieter, Andrea Volkens, Jusith Bara, Ian Budge and Michael MacDonald. 2006. *Mapping Policy Preferences II: Estimates for Parties, Electors and Governments in Central and Eastern Europe, European Union and OECD 1990-2003*. Oxford: Oxford University Press.
- Korpi, Walter. 1978. *The Working Class in Welfare Capitalism: Work, Unions, and Politics in Sweden*. London: Routledge & Kegan Paul Books.
- Korpi, Walter. 1983. *The Democratic Class Struggle*. London: Routledge Kegan & Paul.
- Korpi, Walter and Joakim Palme. 2003. "New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975-95." *American Political Science Review* 97(3):425-446.
- Kwon, Hyeok Yong, and Jonas Pontusson. 2010. "Globalization, labor power, and partisan politics revisited". *Socio-Economic Review* 8(2): 251-281.
- Laasko, Markku, and Rein Taagepera. 1979. "Effective Number of Parties: A Measure with Applications to Western Europe." *Comparative Political Studies* 12 (3): 3-27.
- Pierson, Paul. 1994. *Dismantling the Welfare State?: Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge: Cambridge University Press.
- Pierson, Paul. 1996. "The New Politics of the Welfare State." *World Politics* 48:143:179.
- Pierson 2000. skal være Pierson 2001?
- Ross, Fiona 2000. "'Beyond Left and Right': The New Partisan Politics of Welfare." *Governance* 13(2): 155-183.
- Starke, Peter. 2006. "The Politics of Welfare State. Retrenchment: A Literature Review." *Social Policy & Administration* 40:1, 104-120.

Stephens, John. 1979. *The Transition from Capitalism to Socialism*. London: Macmillan.

Strøm, Kaare. 1990. "A Behavioral Theory of Competitive Political Parties." *American Journal of Political Science* 34, 2 (May 1990), pp, 565-598.

Van Kerbergen, Kees (1995). *Social capitalism: a study of Christian democracy and the welfare state*. New York: Routledge.

Table 1. Theoretical expectation

Factor	Mechanism	Affected parties	Temporal dynamic
Union strength	Creates militancy among the workers, generating stronger redistributive conflicts in society	All as Left is stronger and Right therefore has more to loose	Time-invariant logic, but reduced strength of unions may have led to weaker effects after 1980
Size of welfare state	Convergence as the median voter becomes more welfare friendly	Right	1. Effect after 1980 due to greater median voter pressure 2. Effect before due to greater fiscal room
Economic openness I	Creates bigger risks among the workforce, leading to more pro-welfare attitudes (compensation)	1. All due to a median voter logic 2. Left due to a core constituency logic	Time-invariant logic
Economic openness II	Creates a need for fiscal responsibility (efficiency)	1. All due to a median voter logic 2. Right due to 'window of opportunity' 3. Left due to credibility gap	1. Time-invariant logic 2. After 1980 as need for fiscal austerity biggest in this period
Effective number of parties	1. Forces parties to diverge in order to distinguish themselves from each other 2. Forces parties to take a more left-leaning position	All	Time-invariant logic
Strength of religious cleavage	Reduces the saliency of the economic left-right dimension	All since religious cleavages often cut across the income distribution	Time-invariant logic,

Figure 1: Estimated policy positions (cross-national mean) for Left parties (top line) and Right parties (bottom line).

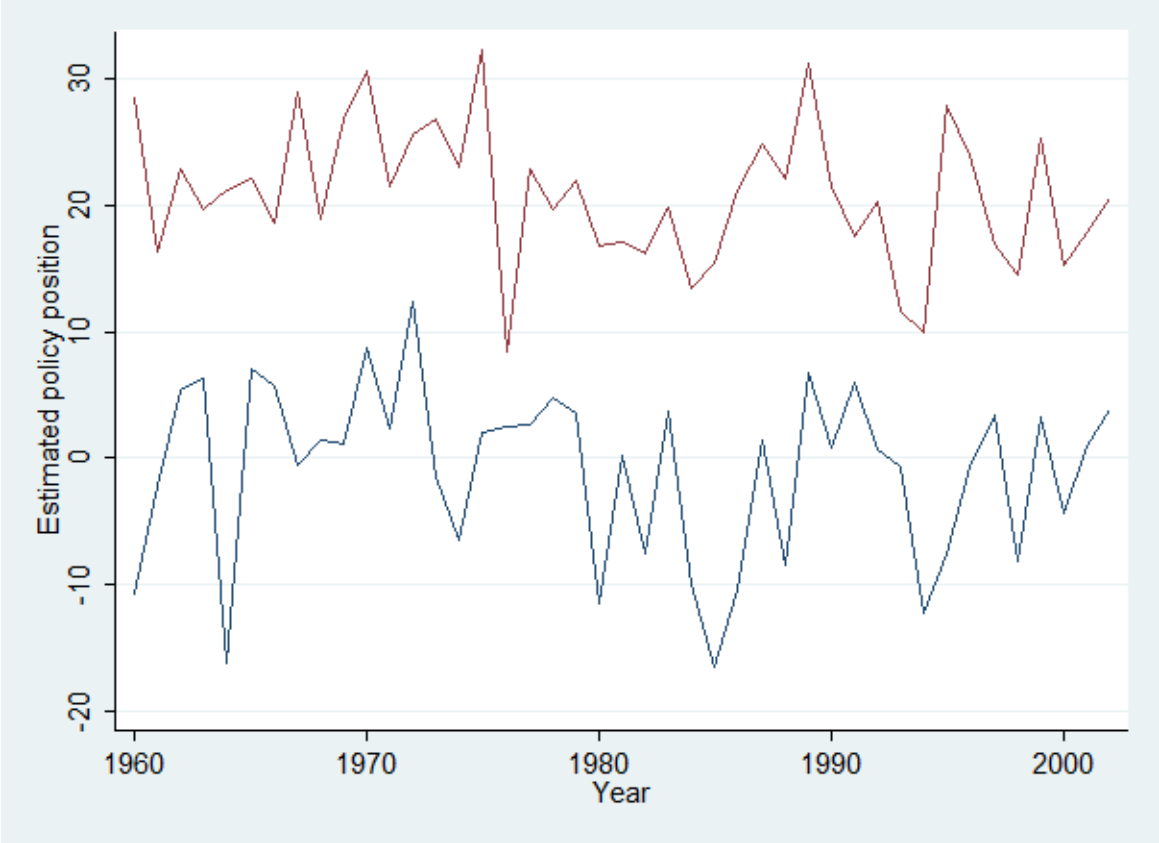


Table 2. Determinants of partisan convergence

	Model I (1965-2000)	Model II (1980-2000)
Lagged dependent variable	-.2540 *** (.0742)	-.1731 ** (.0717)
Union density	.0032 *** (.0008)	.0029 *** (0006)
Δ Union density	.0005 (.0020)	.0019 (.0020)
Size of social spending	-.5476 ** (.2269)	.0967 (.2459)
Δ Size of social spending	.8335 ** (.3482)	.4301 (.3288)
Openness (log)	-9.369 ** (4.104)	-8.154 (7.985)
Δ Openness (log)	-.4066 (5.729)	8.068 (6.670)
Effective no. of parties	.5503 (.7949)	-3.381 *** (1.126)
Δ Effective no. of parties	-.9431 (.9014)	1.482 (.9010)
Religious party strength	-.1918 (.1423)	-.6922 *** (.1363)
Δ Religious party strength	-.1080 (.2140)	.0375 (.1399)
Unemployment	.3580 (.4165)	.8113 *** (.2289)
Δ Unemployment	-.6985 (.4654)	.2883 (.3242)
Population aged 15-64	.0002 ** (.0001)	.0002 ** (.0001)
Δ Population aged 15-64	-.0039 (.0047)	-.0000 (.0001)
Party position of Right	-.0471 (.0950)	.1424 (.0885)
Δ Party position of Right	-.0531 (.0925)	-.0751 (.0800)
R ²	.23	.27
No. of obs.	247	245
Rho	.24	.26
Fixed effects	Yes	Yes

Note: Negative coefficients indicate convergence; positive coefficients indicate divergence- Panel-corrected standard errors in brackets. All independent variables lagged one year. Fixed effects on reported. *** = p-value ≤ .01; ** = p-value ≤ .05; * = p-value ≤ .1.

Table 3. Determinants of Left and Right policy positions

	1965-1980		1980-2000	
	Model I (Left)	Model II (Right)	Model III (Left)	Model IV (Right)
Lagged dependent var.	-.2267 *** (.0520)	-.2671 *** (.0520)	-.2544 *** (.0755)	-.2480 *** (.0593)
Union density	.0018 *** <i>(.0006)</i>	-.0015 *** <i>(.0005)</i>	.0008 <i>(.0007)</i>	-.0024 *** <i>(.0007)</i>
Δ Union density	-.0001 (.0014)	-.0005 (.0013)	.0005 (.0012)	-.0014 (.0018)
Size of social spending	-.0777 <i>(.1539)</i>	.5542 *** <i>(.1957)</i>	-.3494 (.2749)	-.3047 (.2311)
Δ Size of social spending	-.3182 (.2534)	-1.123 *** (.2723)	.4011 (.3643)	-.1036 (.2529)
Openness (log)	-10.41 *** <i>(3.665)</i>	-7.690 <i>(3.711)</i>	4.064 (5.202)	14.77 *** (3.538)
Δ Openness (log)	3.181 (4.023)	4.090 (4.104)	-3.124 (3.846)	-13.67 *** (3.736)
Effective no. of parties	1.703 *** (.4829)	1.282 * (.7064)	-1.229 <i>(1.216)</i>	2.303 *** <i>(.6803)</i>
Δ Effective no. of parties	.2605 (.6240)	.7730 (.7850)	.2217 (.8401)	-1.256 (.7964)
Rel. party strength	-.1674 (.1126)	.0651 (.1158)	-.2917 ** <i>(.1456)</i>	.4475 *** <i>(.1210)</i>
Δ Rel. party strength	.0598 (.1588)	.1415 (.1525)	-.1164 (.1263)	-.2028 (.1340)
Unemployment	-.1251 (.2847)	-.5936 (.3961)	.4357 (.2791)	-.4006 *** (.1526)
Δ Unemployment	-.2016 (.4015)	.5695 (.3976)	.4257 (.2791)	-.2489 (.2696)
Population aged 15-64	.0001 (.0001)	-.0001 (.0001)	.0001 (.0001)	-.0002 * (.0001)
Δ Population aged 15-64	-.0009 (.0035)	.0028 (.0039)	-.0000 (.0001)	-.0000 (.0003)
R ²	.21	.29	.21	.27
No. of obs.	247	247	245	245
Rho	.22	.20	.40	.22
Fixed effects	Yes	Yes	Yes	Yes

Note: Negative coefficients indicate anti-welfare position; positive coefficients indicate pro-welfare position. Results in bold and italics correspond to the significant results in Table 2. Panel-corrected standard errors in brackets. All independent variables lagged one year. Fixed effects on reported. *** = p-value ≤ .01; ** = p-value ≤ .05; * = p-value ≤ .1.