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The politics of social spending after the Great Recession: The return of partisan policy making

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Abstract

Prior research shows that the effect of partisanship on social expenditure declined over time in OECD countries. In this article, the author argues that the 2007/08 recession resulted in the re-emergence of partisan policy making in social spending. This was a result of mainstream parties needing to respond to the growing challenge from non-mainstream parties as well as demonstrating that they responded to the economic crisis by offering different policy solutions. Using a panel of 23 OECD countries, the author shows that since the Great Recession, partisan effects on social spending are once again significant. These effects are more likely to be observed where the salience of the Left-Right dimension is higher. In accordance with classic theories of economic policy making, left-wing governments are more likely to increase social spending when unemployment is higher and right-wing governments restrain social expenditure when the budget deficit is greater.

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Introduction

On 20th October 2010, George Osborne, the Conservative Chancellor of the Exchequer in the United Kingdom, outlined a Comprehensive Spending Review containing severe cuts to public spending. In response, the Shadow Chancellor, Alan Johnson of the Labour Party, said: “We have seen today honourable Members cheering the deepest cuts to public spending in living memory. For some Government Members, that is their ideological objective. Not all of them, but for many, that is what they came into politics for.” ([Hansard, 2010](#)) The pejorative use of the term “ideological objective” by the Shadow Chancellor is revealing as it implies that in his estimation, economic policy had moved beyond party politics. This has also been borne out by research that has demonstrated that mainstream parties of the Left and Right had ideologically converged on economic matters ([Adams and Somer-Topcu, 2009b](#); [Keman and Pennings, 2006](#)). By introducing deep spending cuts, George Osborne had broken that seeming consensus.

The spending cuts introduced by the Conservative-led government would once have been unsurprising. Partisan politics theories of the welfare state, derived from Power Resources Theory (PRT) ([Korpi, 1983](#)), raise the expectation that left-wing governments increase social spending to cater for their mainly working class voters while right-wing governments prioritize cutting taxes and spending to serve the preferences of their higher-earning constituency. Empirical studies have often confirmed this hypothesis ([Allan and Scruggs, 2004](#); [Bradley et al., 2003](#); [Korpi and Palme, 2003](#)).

However, from the 1980s onwards partisan differences on welfare policy eroded in OECD countries ([Kittel and Obinger, 2003](#); [Kwon and Pontusson, 2010](#)). This has been attributed to several factors including the burden placed on welfare states by the slowdown of economic growth across the OECD, combined with popular pressure to maintain social expenditures

([Pierson, 1996](#)). Others dispute the decline of partisanship thesis ([Allan and Scruggs, 2004](#); [Potrafke, 2009](#)).

What is clear from the literature is that the effect of partisanship varies over time. In this article, I examine how partisanship has influenced welfare spending in recent years. Almost every advanced economy in the world was affected by the Great Recession of 2007/08 making it distinct from the recessions of the early 1990s and 2000s which hit fewer countries. As a crisis event, it had the potential to realign party politics as governments attempted to address the fallout. I argue that the Great Recession produced such a realignment on social expenditure policy. The crisis presented an opportunity and a demand for mainstream parties of both the Left and Right to respond by demonstrating meaningful reform of their economic policy platforms since promising “more of the same” was not a credible position. For left-wing parties in particular, the crisis represented an opportunity to challenge the liberal economic orthodoxy that had developed over the previous four decades ([Bremer, 2018](#)). The mainstream parties had a further incentive to repoliticize policymaking as voters signalled their dissatisfaction with the dominant centrist consensus by voting for new challenger parties ([Hobolt and Tilley, 2016](#)). Rather than attempt to compete with challenger parties on new issue dimensions that were perceived to be ‘owned’ by the challengers, parties of the mainstream Left and Right responded by returning to their ideological roots and increasing the salience of the Left-Right dimension.

Using data from 23 OECD countries over the period from 1981 to 2012, the empirical evidence shows that the major parties of the Left and Right in OECD countries have sought to increase the salience of the traditional Left-Right dimension since the start of the Great Recession. This has resulted in the return of partisan differences in social spending as left-wing governments have increased expenditure to a significantly greater degree than right-wing governments. Further analysis shows that social expenditures are more responsive

to partisan differences in countries where the salience of the Left-Right dimension is higher. I also show that spending increases by left-wing governments are conditional on rising unemployment and an increased budget deficit. The results of this article demonstrate that following the onset of the Great Recession, ideological differences on social expenditures matter once more. A question for further research is whether voters will respond to the reassertion of partisanship.

Partisan politics and the welfare state

Partisan politics approaches to government spending can be traced back to the seminal work of Douglas A. Hibbs (1977) who theorized that when left-wing parties get into office, they will be more likely to implement redistributive economic policies as these would benefit their constituency of low-waged or unemployed workers. Conversely, right-wing parties will seek to reduce state spending and cut taxes to serve the preferences of their higher earning constituents. In the context of welfare spending, Hibbs' work has been built upon by proponents of Power Resources Theory (PRT). From a PRT perspective, political parties are representatives of workers and capital owners, the opposing sides in the democratic class struggle. The strength of left-wing parties and trade unions is seen as evidence of the mobilization of the working class (Korpi, 1983; Stephens, 1979).¹

A large empirical literature has assessed these partisan explanations of welfare spending. James P. Allan and Lyle Scruggs (2004) find that left-wing governments are associated with more generous welfare entitlements while more recent work by Evelyne Hübscher (2017) has reached similar conclusions with respect to both welfare generosity and social expenditure. In a similar vein, Walter Korpi and Joakim Palme (2003) have shown that cuts to benefit

replacement rates are lower when Left parties are in office. Others have have shown that left-wing governments are associated with greater overall redistribution ([Bradley et al., 2003](#)).

By contrast, some scholars have challenged partisan politics approaches to the welfare state. Paul Pierson's ([1996](#)) influential 'New Politics' theory of the welfare state has often been invoked to show how partisan differences declined over time. He argued that the slowdown in economic growth in OECD countries from the 1970s onwards limited the prospects for significant welfare expansion. At the same time, welfare states had grown to such an extent that the size and range of client groups made it difficult for parties to advocate significant spending reductions without alienating large groups of potential voters. Therefore, rather than expanding the welfare state, parties engaged principally in reform and restructuring ([Pierson, 1996](#)). Recent research has offered support for this proposition demonstrating that partisanship is a significant determinant of institutional reforms of the welfare state but not policy outputs ([Klitgaard et al., 2015](#)). Other scholars have attributed the decline of partisanship to the effects of globalization and the convergence of party policy positions ([Kwon and Pontusson, 2010](#); [Potrafke, 2009](#)). The latter argument finds some resonance in the literature on party system change which has also demonstrated the ideological convergence of mainstream parties of the Left and Right ([Adams and Somer-Topcu, 2009b](#); [Downs, 1957](#); [Keman and Pennings, 2006](#)).

Empirical research has supported the decline of partisanship thesis with regard to social expenditures ([Huber and Stephens, 2001](#); [Kittel and Obinger, 2003](#); [Kwon and Pontusson, 2010](#); [Potrafke, 2009](#)) but Kwon and Pontusson ([2010](#)) took their analysis a step further and disaggregated the data by decade. In doing so, they show that although partisan effects on social spending are not evident in the aggregated data, they do emerge at some points in time, specifically during the 1980s. However, the influence of partisanship disappeared once again in the 1990s. Others have suggested that the decline of partisanship thesis is

attributable to methodological choices. Recent research by Carina Schmitt has shown that partisan effects are still evident in social spending if researchers select the cabinet as the case rather than country-years ([Schmitt, 2017](#)).

The effect of partisanship on welfare spending may change over time but it is also possible that it changes in response to events, particularly economic crises. Research has shown that right-wing governments have used economic downturns as a justification for implementing welfare retrenchment ([Amable et al., 2006](#); [Korpi and Palme, 2003](#)). Jensen and Mortensen ([2014](#)) find that governments of all ideological persuasions engage in retrenchment when there is high institutional fragmentation in a country, but right-wing governments cut unemployment benefits to a much greater degree than left-wing administrations. As partisanship can influence how governments respond to economic crises, it is relevant to ask if and how it effected responses to what is considered to be the worst economic downturn since the 1930s: the Great Recession.

Partisan policymaking during the Great Recession

The Great Recession, beginning in 2007/08, afflicted every economically advanced country. Real rates of economic growth declined though some countries were affected more than others.² In response to the recession, most OECD countries adopted expansionary policies to some extent even though cost containment was still high on the agenda ([Armingeon, 2012](#)). As with any period of recession, social expenditures increased in the immediate aftermath as a natural consequence of governments spending more on unemployment benefits and social expenditures now accounting for a larger proportion of national income due to economic contraction. Table 1 shows the level and change in social expenditure in OECD countries

between 2007 and 2009. Although there is inevitably some variation, every country experienced an increase in spending from 1 percentage point in Australia to 6.8 percentage points in Ireland.

Researchers have tried to understand the reasons for variations in governmental response with most focussing on the overall fiscal policies implemented ([Armingeon, 2012](#); [Hübscher, 2016](#); [Raess and Pontusson, 2015](#)). However, Armingeon et al. ([2016](#)) have examined changes in social expenditure in the immediate aftermath of the recession. They find that Left party governments have no unconditional effect on changes in social expenditure. Additional results show that left-wing governments are more likely to cut welfare spending during periods of fiscal adjustment or when Left parties are part of a broad coalition ([Armingeon et al., 2016](#)). These findings echo the ‘Nixon goes to China’ argument of welfare spending which states that left-wing parties have the credibility to implement cuts to social spending as voters will believe they are necessary rather than driven by ideology ([Ross, 1997](#)). Peter Starke et al. ([2014](#)) find some evidence of partisan effects using a comparative case study of recessions in Australia, Belgium, the Netherlands, and Sweden. They show that partisanship is more likely to effect welfare policy responses in countries that have less generous welfare states. They argue that in more generous welfare states, the automatic stabilizers that are built into the system constrain any discretionary spending or consolidation that partisan governments may wish to undertake ([Starke et al., 2014](#)).

The literature concerning governmental response to the Great Recession does not provide a consistent account of the role played by party ideology with respect to social expenditure. However, there is some evidence that the partisan complexion of the government mattered in one way another. What is absent from the current literature is an assessment of whether partisan effects reemerged in the medium term following the recession. Studies to date have focussed on the period from 2008 to 2009. That is the point at which governments were

Table 1: Change in social expenditure from previous year (%)

	2007	2008	2009	Change 2007-09
Australia	16.8	17.9	17.8	1
Austria	26.8	27.3	29.5	2.7
Belgium	25.4	26.7	29.1	3.7
Canada	16.2	16.9	18.5	2.3
Denmark	26.3	26.5	30	3.7
Finland	23.7	24.3	28.3	4.6
France	28.9	29.2	31.5	2.6
Germany	25.9	26.2	28.8	2.9
Greece	21.5	22.2	24.4	2.9
Iceland	16.8	17.3	19.9	3.1
Ireland	16.6	19.5	23.4	6.8
Italy	26.1	27.1	29.2	3.1
Japan	19.1	20.3	22.6	3.5
Luxembourg	19.8	22.1	25.2	5.4
Netherlands	21.9	21.6	23.8	1.9
New Zealand	18.4	19.9	21	2.6
Norway	21.2	20.8	24.3	3.1
Portugal	22.7	23.2	25.6	2.9
Spain	21.3	22.8	26.1	4.8
Sweden	27.4	27.6	29.8	2.4
Switzerland	23.6	23.6	26	2.4
United Kingdom	21	22.5	24.9	3.9
United States	16.1	16.8	18.8	2.7

primarily responding to the immediate economic crisis. The question is whether partisanship mattered when parties had time to act strategically.

Crises on the scale of the Great Recession and Great Depression of the 1930s provide windows of opportunity for radical political and institutional change (Bremer, 2018; Capoccia, 2015; Gourevitch, 1986). The data in this research covers a five year period from 2008 to 2012. While this may not be enough time to evaluate the long-term impact of the recession it is adequate to assess whether the crisis produced fundamental changes in political and institutional developments. The most comparable economic collapse to the Great Recession is the Great Depression which began in 1929. Many of the fundamental political changes resulting from the Great Depression were experienced within five years, such as the adoption of Franklin D. Roosevelt's New Deal programme in the US, the beginning of the Swedish Social Democrats 40-year period in government from 1932, and Adolf Hitler's appointment as Chancellor of Germany in 1933. The period between 2008 and 2012 is therefore sufficient to assess the medium term significant effects of the Great Recession though it must be borne in mind that not all the consequences will emerge within that timeframe.

In this research, I argue that one fundamental consequence of the recession was the breaking the economic consensus that had developed between parties of the Left and Right in advanced democracies. In order to retain credibility when faced with the crisis, political parties sought solutions which did not replicate the policies of the previous two decades which had led to the recession. It is my argument that when parties had the opportunity to strategically readjust their policy platforms in the medium term they returned to their ideological traditions. This led to a restoration of ideological differences between mainstream parties of the Left and Right and, in turn, the reestablishment of partisan determinants of social spending. If partisanship became relevant once again following the onset of the Great

Recession, by implication, parties have shifted their positions on the Left-Right dimension, moving away from the center. But why do parties shift their ideological positions?

Party shifts in the ideological space

Research on the ideological dispersion of political parties tends to support the view that mainstream parties moderate their positions over time to align with the ideologically moderate preferences of voters ([Adams and Somer-Topcu, 2009a](#); [Downs, 1957](#); [Ezrow, 2007](#); [Keman and Pennings, 2006](#)). This convergence is one reason why partisan effects on social expenditures have eroded over time ([Potrafke, 2009](#)). Further research has shown that party positions are relatively stable over time, both on the general Left-Right dimension ([Dalton and McAllister, 2015](#)) and on specific issue dimensions such as moral, cultural, socio-economic, and European Union issues ([Dalton, 2016](#)). Thus, it could be argued that convergence on social expenditure became a stable equilibrium.

However, the literature also shows that parties are responsive, the question is, what are they responsive to? Various authors have shown that parties adopt an office-seeking strategy of responding to shifts in the ideological position of the median voter ([Downs, 1957](#); [McDonald and Budge, 2005](#)). Others have questioned this hypothesis. Margit Tavits ([2007](#)) has shown that parties are responsive to shifts in the position of voters on the ‘pragmatic’ dimension of the economy where policy flexibility is seen as an asset. However, parties are less responsive on the ‘principled’ dimension which includes core values like welfare, education, health, and social justice. Shifts in these domains undermine the credibility of parties ([Tavits, 2007](#)). Further research has demonstrated that parties are more responsive to the median preferences of their specific voters rather than the overall median voter in systems where the

legislature is elected under proportional rules ([Golder and Stramski, 2010](#)).

Other researchers dispute whether the median voter matters at all for party policy. Internal party politics can lead parties to deviate from strategies that satisfy the median voter ([Kitschelt, 1994](#); [Tsebelis, 1990](#)) as can the presence of cross-cutting issue dimensions ([Kriesi, 2010](#)). In terms of policy outcomes, Paul Warwick's ([2010](#)) research suggests that governance is characterized by choice between bilateral alternatives rather than satisfying the centrist preferences of the median voter.

Instead of responding to the median voter, Zeynep Somer-Topcu ([2009](#)) has shown that parties shift ideological positions considerably more when they have suffered electoral losses. Vote losses are taken by parties as evidence that public opinion has moved away from the party and therefore, strategic adjustments need to be made to recover lost support ([Somer-Topcu, 2009](#)). Further research has demonstrated that mainstream parties respond to the policy positions of niche, or challenger, parties by adjusting their own programmes to either promote or deemphasize particular issues that are advanced by these challengers ([Abou-Chadi, 2016](#); [Meguid, 2005](#)). Responding to electoral losses and the rise of challenger parties are of particular relevance in the context of party politics after the Great Recession.

Theoretical expectations

The literature on party policy shifts largely shows that parties are responsive to changes in the political environment. When faced with crisis events, it is more likely that parties will shift policy positions first, as a signal that they are trying to address the critical problem and second, to retain credibility by jettisoning policies that have previously failed. As the policies that failed in the lead up to the Great Recession were those that resulted from

convergence on economic issues, it is my argument that the post-recession response by mainstream parties was to break the centrist consensus that had developed.

Two consequences of the Great Recession led to the reemergence of partisan differences on social expenditure policy. First, voters abandoned mainstream parties in greater numbers and instead lent their support to challenger parties of the radical right, radical left, and other types of non-mainstream party such as Italy’s Five Star Movement ([Hernández and Kriesi, 2016](#); [Hobolt and Tilley, 2016](#)).³ In total, the mainstream parties of the Left and Right experienced a 14 percentage point decline in their vote share between 2004 and 2015 while the total vote share of challenger parties increased from 10 percent to 23 percent over the same period ([Hobolt and Tilley, 2016](#)). Prior to the Great Recession, it was clear that cross-cutting socio-cultural issues were gaining in salience in electoral politics at the expense of economic issues to the benefit of challenger parties that campaigned on cross-cutting issue platforms ([Abou-Chadi, 2016](#); [Kitschelt, 1994](#); [Kriesi, 2010](#); [Meguid, 2005](#); [Rovny, 2013](#)). Although few challenger parties have made it into office, their increasing electoral support suggests that voters have been “fleeing the [ideological] center” ground ([Hobolt and Tilley, 2016](#)).

Following from previous literature which shows that parties are responsive to both electoral losses ([Somer-Topcu, 2009](#)) and shifts in the policy positions of their voters rather than the overall median voter ([Golder and Stramski, 2010](#)), it is logical to expect that mainstream parties shifted policy in response to the Great Recession. Indeed, research has already shown that parties became less concerned with appealing to the median voter following the Great Recession ([Clements et al., 2018](#)). The increased vote for challenger parties was seen by mainstream parties as a signal that voters were dissatisfied with the centrist consensus of recent decades thus providing an incentive for mainstream parties to shift to the Left or Right as part of a pragmatic strategy to win voters back from challenger parties.

Second, the Great Recession provided mainstream parties with an opportunity and incentive to once more emphasize the Left-Right dimension. Prior to the crisis, competing with challenger parties brought risks for mainstream parties. Attempting to outflank challenger parties on their cross-cutting issue platforms risked increasing the salience of issues that were ‘owned’ by the challengers ([Abou-Chadi, 2016](#); [Meguid, 2005](#); [Rovny, 2013](#)). However, the recession naturally resulted in voters becoming more concerned with their economic security and material well-being ([Margalit, 2013](#); [Traber et al., 2017](#)). As the economy is an issue which challenger parties try to deemphasize ([Rovny, 2013](#)), mainstream parties sought to take advantage of political debate shifting onto economic matters by increasing their programmatic emphasis on material concerns. Research has already shown that social democratic parties sought to increase the salience of core left-wing issues relating to welfare and economic liberalism following the onset of the Great Recession ([Bremer, 2018](#)). Some parties of the Right have also taken advantage of the crisis to introduce drastic cuts in social expenditure, as exemplified by the UK Conservative Party since 2010 ([Taylor-Gooby, 2012](#)).

Figure 1 provides initial evidence of the change in saliency of the Left-Right dimension following the recession. Using data from the Manifesto Project ([Volkens et al., 2017](#)), it shows the change in average saliency of Left-Right issues in the manifestos of all parties in a given party system before and after the recession. While the average salience of Left-Right issues decreased by around 21 percentage points in Australia after 2008 this is very much an outlier. In a majority of countries the salience of Left-Right issues increased.⁴.

Given the renewed emphasis on Left-Right differences between the mainstream parties, it is my expectation that there will be a greater effort by mainstream parties of the Left and Right to implement policies that are influenced by their ideological traditions. In terms of social spending, I expect that left-wing parties will once again increase expenditures to a greater degree than right-wing parties. As the increasing salience of the Left-Right

Figure 1: Percent change in salience of right-left dimension before and after 2008

Note: The figure shows the difference between the mean salience of *rile* categories from the period 2000-2007 compared to 2008-14 in each country.

dimension is an indicator of greater emphasis on material concerns, these partisan differences should also be more pronounced where the salience of Left-Right issues is higher as social expenditure outcomes are a signal that parties are responding to voters.

Returning to the literature on partisan economic policy making (Hibbs, 1977), it is also expected that left-wing parties will be particularly sensitive to increases in unemployment. Social expenditure naturally increases as a result of rising unemployment though governments can attempt to limit the amount paid out in benefits even as the number of recipients increases. There is therefore potentially a conditional effect of unemployment on social spending. It is expected that left-wing governments will increase social spending when unemployment is higher and right-wing governments will restrain social expenditure by cutting back benefits even when unemployment is rising as this will limit increases in the fiscal deficit. In each case, the respective parties are catering to the preferences of their core

voters ([Hibbs, 1977](#)).

Finally, right-wing parties will attempt to emphasize their fiscal conservatism as a signal to voters of their ideological shift away from the center ground. The budget deficit inevitably increases during periods of recession but some governments may choose to run a greater deficit than others, for example, if they opt to combat the economic downturn with an extensive programme of fiscal stimulus. Once again, it is likely that the impact of the deficit on social spending is conditional on government ideology. Left-wing governments will be more likely to allow the deficit to increase in order to preserve higher levels of social spending that principally benefit their core voters. Right-wing governments will prioritize fiscal conservatism and attempt to limit increases in the deficit. As a result, social spending increases will be lower, and perhaps go into reverse, under right-wing governments when the deficit is larger.

Data and methods

I test these arguments using data from a panel of 23 OECD countries over the period from 1981 to 2012.⁵ The dependent variable is the change in total social expenditure as a percent of GDP. I use the change in social expenditure rather than the level as this assesses changes that resulted from the policy actions of governments of different ideologies whereas the level of social expenditure is an indicator of the overall size of the welfare state ([Kittel and Obinger, 2003](#)). The data is taken from the OECD Social Expenditure (SOCX) database. To examine how the effect of partisanship on social spending has changed over time, I follow Kwon and Pontusson ([2010](#)) by disaggregating the data to cover five time periods. The first model uses the entire dataset and covers the period from 1981 to 2012. The second and third

models cover the 1980s and 1990s, respectively. The fourth model covers the period from 2000 to 2007, prior to the onset of the recession. The final model covers the period from 2008 to 2012 which provides an assessment of the influence of party ideology since the start of the Great Recession. The choice of social expenditure as a dependent variable for assessing changes in welfare spending has been criticized by some scholars ([De Deken and Kittel, 2007](#)). Continuing that debate is beyond the scope of this article. However, the concern of this research is how governing parties reacted to a severe recession. This brought pressures to cut state spending across the board with welfare expenditures accounting for the greater part of the budget in almost every OECD country. It is therefore theoretically appropriate to examine whether governments increased or constrained spending across the spectrum of welfare programmes including housing, family policy, health, and education, rather than just assessing changes in unemployment, pensions, and sickness benefits. On a purely methodological note, social expenditure as provided by the OECD SOCX database is the only social spending dataset that is routinely collected and supplied by national governments ([Castles, 2009](#)). This is perhaps one reason why SOCX data continues to be used in analyses of welfare spending ([Armingeon et al., 2016](#); [Kwon and Pontusson, 2010](#); [Potrafke, 2009](#); [Schmitt, 2017](#)).⁶ Some also argue that changes in social expenditure could be attributable to adverse economic conditions rather than policy decisions. However, controlling for unemployment, economic growth, and public debt can minimize this particular disadvantage of spending data ([Schmitt, 2013](#)).

It could be argued that some countries should be excluded from the analysis due to the impact of the European sovereign debt crisis. The conditions of economic assistance provided by the IMF, European Central Bank, and the European Commission may conceivably have limited the scope for partisan policy making by some governments. However, the change in social expenditure in countries most effected by the sovereign debt crisis – such as Greece, Ireland, Portugal, and Spain (see Table 1) – does not suggest that

they were particularly constrained compared to other countries. While certain social expenditures were targeted for reductions in some countries, such as pensions in Greece, in most instances, austerity measures entailed a mixture of tax increases, labor market liberalization, and spending cuts across government. For example, in Spain, the ministries of foreign affairs and industry, energy, and tourism were hardest hit by budget cuts ([BBC, 2012](#)). I therefore retain these countries in the final sample.

The main variable of interest in this research is the partisanship of the government. I operationalize this using a measure based on the proportion of cabinet posts held by parties of different ideologies. This is the most commonly-used measure of government partisanship in the social expenditure literature (see e.g. [Armingeon et al. 2016](#), [Kittel and Obinger 2003](#), [Kwon and Pontusson 2010](#), [Schmitt 2017](#)). I recode this into two binary variables, one that indicates whether a government is dominated by left-wing parties (*Leftgov*) and another which indicates if a government is dominated by right-wing parties (*Rightgov*). These two are almost, but not quite, the inverse of one another as there are some cabinets that are balanced between parties of the left and right.⁷ In line with the definition provided by Armingeon et al. ([2015](#)), the ideological dominance of a government is indicated by parties of the right or left holding at least 66.67 percent of cabinet seats.

The second variable of interest is the change in salience of the Left-Right dimension in a country. This is measured using data from the Manifesto Project ([Volkens et al., 2017](#)). Salience is calculated as the mean proportion of party election manifestos that are devoted to *rile* categories (weighted by party vote share) in a given country.⁸ *Salience shift* is the increase or decrease in salience of the Left-Right dimension since the previous election.

A number of control variables are included in each model, most of which are standard in analyses of social expenditure ([Allan and Scruggs, 2004](#); [Kwon and Pontusson, 2010](#)). The

unemployment rate as a percentage of the civilian labor force is included to account for the changing burden placed on the welfare state as a result of labor market instability. The second control variable is the level of the deficit as a percentage of GDP. Prior research has shown that the automatic stabilizers of larger welfare states could offset the policy decisions taken by governments (Dolls et al., 2012; Starke et al., 2014). I therefore include the level of social expenditure in all models to control for the size of the welfare state. To control for changes in economic conditions, the real terms growth in GDP is included in each model with the expectation that higher growth leads to increased social expenditure. The effect of globalization is assessed using a measure of a country's total trade as a percentage of GDP. On the one hand, globalization may motivate governments to extend social expenditures to compensate those that are negatively effected by economic openness. On the other hand, countries may be forced to cut social expenditures in order to maintain competitiveness in the global economy (Potrafke, 2009). The effect of globalization can therefore only be determined empirically. Social expenditures may be influenced by the demography of the population. In particular, the proportion of the population that is elderly and entitled to claim a pension may lead to higher levels of social expenditure. I therefore control for the proportion of the population aged over 65 in each country. Recent work by Armingeon (2012) has shown that single party governments are more likely to be able to implement larger fiscal adjustments than coalition governments so I include an indicator of whether a government is a single-party majority cabinet (*SPM Govt*) in each model. Finally, previous research has shown that institutional constraints can influence social policy outcomes (Immergut, 1990; Jensen and Mortensen, 2014). To test this, I include Schmidt's (1996) index of institutional constraints which has a range of 0 to 5, with 5 indicating greater constraints. The expectation is that changes in social spending will be lower when institutional constraints are higher as governments will have a limited ability to implement preferred policies. All data except the saliency measure has been taken from the *Comparative Political Dataset* (Armingeon et al., 2015). Descriptive statistics for all

variables can be found in Tables S1 and S2 of the online appendix.

Model specification

The basic model used in this research is specified as:

$$\begin{aligned}\Delta Social\ Expenditure_{it} = & \alpha + \beta_1 Leftgov_{it} + \beta_2 Social\ expenditure_{it-1} + \beta_3 SPM\ Govt_{it} \\ & + \beta_4 Unemployment\ rate_{it-1} + \beta_5 GDP\ growth_{it-1} \\ & + \beta_6 Openness\ of\ economy_{it-1} + \beta_7 Institutional\ constraints_{it} \\ & + \beta_8 Deficit_{it} + \beta_9 Over\ 65s_{it} + \beta_{10} Salience\ shift_{it} + v_{it} + \varepsilon_{it}\end{aligned}$$

where $\Delta Social\ Expenditure_{it}$ is the year-to-year change in the dependent variable in country i in year t and ε_{it} is an error term. The level of social expenditure, unemployment rate, GDP growth, and openness of the economy variables are all lagged by one year to reduce potential simultaneity bias (Allan and Scruggs, 2004). The deficit variable is not lagged as “short-term increases in public debt directly stress the budget and restrict the financial possibilities for spending” (Schmitt, 2017). A Hausman test indicated that a fixed effects model would be most appropriate so I include country fixed effects denoted by v_{it} . However, there is little difference in the results when using either the fixed or random effects estimator. To correct for panel heteroskedasticity all models are estimated using OLS with panel corrected standard errors (Beck and Katz, 1995). To examine the conditional effects of partisanship, interaction terms are added to the basic model, the results for which can be found in Table 3. These are $\beta_{11} Leftgov_{it} \times Salience\ shift_{it}$, $\beta_{12} Leftgov_{it} \times Unemployment_{it-1}$, and $\beta_{13} Leftgov_{it} \times Deficit_{it}$.⁹ Finally, a first order auto-regressive term (AR1) is included in each model.

Results

I begin by examining the unconditional effect of party ideology on social expenditure. The first model in Table 2 shows the results for the full dataset covering the period from 1981 to 2012. In this model left-wing governments are shown to increase the rate of social expenditure but there is no statistically significant relationship which accords with the decline of partisanship thesis ([Huber and Stephens, 2001](#); [Kittel and Obinger, 2003](#)). These results are supported by the literature on party systems which has generally shown that there has been a narrowing of the ideological distance between parties for much of that period ([Ezrow, 2007](#)). Although the overall results show that partisan government does not influence social expenditures, Kwon and Pontusson ([2010](#)) have found that partisan effects are not static over time. Disaggregating the data in this way can be particularly informative if there are reasons to believe that specific critical events may have changed the relationship between partisanship and social policy outputs. If that is the case, then pooled data can hide important changes over time.

Table 2: Partisanship and social expenditure

	(1)	(2)	(3)	(4)	(5)
	1981-2012	1981-89	1990-99	2000-07	Post-2008
	b/se	b/se	b/se	b/se	b/se
Leftgov	0.018 (0.092)	-0.113 (0.209)	-0.086 (0.124)	0.035 (0.148)	0.816*** (0.209)
SPM govt	0.138 (0.109)	0.324** (0.148)	0.200 (0.213)	0.176 (0.193)	-0.404*** (0.148)
Social expenditure % GDP _{t-1}	-0.156*** (0.029)	-0.386*** (0.098)	-0.253*** (0.073)	-0.396*** (0.078)	-0.889*** (0.153)
Unemployment rate _{t-1}	-0.139*** (0.022)	0.031 (0.056)	-0.172*** (0.052)	-0.192*** (0.046)	-0.026 (0.054)
Real GDP growth _{t-1}	-0.026 (0.028)	-0.038 (0.040)	-0.048 (0.031)	-0.095** (0.038)	-0.104* (0.057)
Openness of the economy _{t-1}	0.004 (0.005)	-0.001 (0.017)	-0.033*** (0.009)	-0.005 (0.008)	0.007 (0.019)
Institutional constraints	-0.048 (0.124)	0.400 (0.307)	-0.118 (0.174)	2.512*** (0.491)	2.005 (1.700)
Deficit % GDP	-0.113*** (0.016)	-0.052 (0.039)	-0.099*** (0.029)	-0.145*** (0.030)	-0.159*** (0.048)
Population over 65 %	0.197*** (0.033)	0.029 (0.183)	0.414*** (0.120)	0.091 (0.085)	0.679*** (0.260)
Salience shift	0.002 (0.004)	0.004 (0.010)	0.009 (0.006)	0.001 (0.005)	0.021** (0.011)
N	666	158	228	184	96
Countries	23	19	23	23	23
rho	0.173	0.026	0.152	0.044	-0.327
R ²	0.294	0.394	0.510	0.568	0.795

* p<0.1, ** p<0.05, *** p<0.01

Models two and three cover the 1980s and 1990s, respectively. This is the period during which economic liberalism and globalization were in the ascendency as OECD economies recovered from the Oil Price Crises of the 1970s. At the same time, the relevance of social democratic ideals in the changing political order was under scrutiny ([Kitschelt, 1994](#)). Similar to the results for the entire dataset, left-wing governments have no significant effect on changes in social spending in the 1980s and 1990s.

Model three covers the period between 2000 and 2007 during which many social democratic parties were influenced by the ideas of the ‘Third Way’ which entailed exercising greater fiscal restraint and an emphasis on equality of opportunity rather than income redistribution. This resulted in a convergence of parties of the Left and Right, particularly on economic affairs. The results in Table 2 support this claim. As in the full dataset, left-wing governments tend to raise social expenditure more than right-wing cabinets but the coefficient is not significant. This leads to the conclusion that partisan differences in social spending were absent throughout the period from 2000 up to the start of the Great Recession.

Model five examines social expenditure in the period from 2008 onwards and captures the change in partisan politics following the onset of the Great Recession. During this period, there were 11 changes in the ideological complexion of the government in the dataset. However, I argue that with the advent of the recession, parties were forced to react in programmatic terms whether they were in office or opposition. Therefore, there does not necessarily have to be a change in the ideological affiliation of the government for partisanship to have an effect. For example, if a left-wing government was in office at the start of 2007 it may well have governed in a non-partisan manner. But if that same government remained in office after the recession it would be more likely to implement ideologically motivated policies. Model five offers support for the main argument of this research argument. It shows that since the Great Recession began, left-wing governments

have significantly increased social spending at a greater rate than non-left governments, thus signalling that parties responded to the crisis by abandoning the consensual approach to social spending that had developed up to that point..

Overall, between 1981 and 2012, left-wing governments were associated with social expenditure increases of around 0.02 percent compared to non-left governments. For the period between 2000 and 2007 this rises to just 0.04 percent as social expenditures for governments of all ideological persuasions remained generally stable. However, in the period since 2008, left-wing governments have increased social expenditures by around 0.8 percent more than non-left governments. While all governments have raised expenditures since the recession, left-wing governments have done so at a rate of 1.3 percent compared to the 0.4 percent increases of right-wing governments.¹⁰

Further support for the argument advanced in this article is provided by the results for the *salience shift* variable. In models two, three, and four, shifts in the salience of the Left-Right dimension are not significantly associated with changes in social expenditures. However, model five shows that the increasing salience of the Left-Right dimension is significantly associated with greater increases in social spending. This is an interesting result as it shows that social spending is more likely to rise when material concerns are more salient. But it is also expected that this relationship is conditional: expenditures should rise more when there has been an increase in the salience of the Left-Right dimension and left-wing parties are in power. When Left-Right salience increases and right-wing parties are in office, social spending should not increase to the same degree. I test this conditional relationship in the next section.

The results in Table 2 provide support for the the argument that partisan politics has once again become influential in determining social expenditures in OECD countries. The

economic crisis of 2007/08 has pushed parties into breaking the consensus that had developed on public spending. While governments of all stripes tended to adopt some degree of expansionary fiscal policy in the immediate aftermath of the recession ([Armingeon, 2012](#)), in the medium term, parties have responded quite differently. As voters have been shifting from the ideological center-ground following the crisis ([Hobolt and Tilley, 2016](#)), the mainstream parties of the Left and Right have responded by reemphasizing Left-Right divisions and returning to traditional approaches to the economy and social spending. This has led to the Left once more becoming synonymous with greater increases in social expenditure and the Right with greater fiscal restraint.

The control variables provide some further results that are worth highlighting. First, and consistent with prior research ([Kwon and Pontusson, 2010](#)), larger welfare states are associated with lower rates of growth in social spending. In Table S7 of the supplementary material I explore the effect of the size of the welfare state further by interacting left-wing government with the level of social expenditure. The results show that after the Great Recession, left-wing governments increased social expenditures more in larger welfare states but the coefficient is only significant at the $p=0.1$ level. Second, contrary to Armingeon's ([2012](#)) analysis of fiscal response to the recession, single party majority governments are less able to increase social expenditure than coalition governments after the recession. Third, the unconditional effect of unemployment is negative but not statistically significant in the post-recession model. This is perhaps unexpected though it is in line with the results of previous research ([Kwon and Pontusson, 2010](#)). Fourth, countries with a larger elderly population are associated with larger increases in social expenditure in both the full model and the post-2008 model. Finally, the size of the budget deficit is a significant indicator of social expenditure in every model except model two. In all cases, higher deficits restrain social expenditure.

The conditional effects of partisanship

The results in Table 2 provide support for the argument that government partisanship has been an important influence on social expenditures since the start of the Great Recession. However, the theoretical framework for this article states that mainstream parties of the Right and Left opted to reemphasize Left-Right divisions as a response to competition from challenger parties and the shift of voters away from the ideological center ground. This is observable in the increased salience of the Left-Right dimension. This argument can be tested by interacting the partisanship of the government with the salience of the Left-Right dimension. Where the Left-Right dimension has become more salient, the ideology of the government should have a greater effect on social expenditures. Models six and seven show the results for the interaction of left-wing government and right-wing government with the salience of the Left-Right dimension since 2008. In both models, the interaction term performs as expected: left-wing governments increase social expenditures to a greater degree when the Left-Right dimension is more salient while right-wing governments restrain spending when it is more salient. Figure 2 provides an illustration of these results. When the salience of the Left-Right dimension increases by around 10 percentage points compared to the last election, left-wing governments increase social spending by around 1% while right-wing governments reduce spending by 1%.

Another implication of the argument set out in this research is that parties of the Left and Right should react differently to challenging economic circumstances. Parties of the Left should seek to increase social expenditure at a greater rate when unemployment is higher and the fiscal deficit is larger. Conversely, parties of the Right will be more likely to restrain social expenditure when the deficit is larger and unemployment is higher ([Hibbs, 1977](#)).

Turning first to the relationship between government ideology and the deficit, model eight

Table 3: Partisanship and social expenditure, interaction models

	(6)	(7)	(8)	(9)	(10)	(11)
	b/se	b/se	b/se	b/se	b/se	b/se
Rightgov	-0.022**					
× Salience shift	(0.010)					
Leftgov		0.016**				
× Salience shift		(0.008)				
Rightgov × Deficit			0.089***			
			(0.022)			
Leftgov × Deficit				-0.082***		
				(0.025)		
Rightgov					-0.237***	
× Unemployment _{t-1}					(0.066)	
Leftgov						0.173***
× Unemployment _{t-1}						(0.053)
N	96	96	96	96	96	96
Countries	23	23	23	23	23	23
rho	-0.302	-0.321	-0.290	-0.295	-0.261	-0.284
R ²	0.791	0.794	0.797	0.794	0.804	0.799

* p<0.1, ** p<0.05, *** p<0.01

Note: All models contain the full set of control variables from Table 2, not shown here for reasons of space. The full specification can be found in Table S5 of the online appendix.

shows that since the recession, right-wing governments have adopted pro-cyclical approaches to social expenditure. When the deficit is higher, right-wing governments are more likely to restrain spending. Model nine shows that the opposite is true for left-wing governments which tend to enact greater increases in social expenditure when faced with larger budget deficits. Figure 3 illustrates this conditional relationship. When the budget deficit is -10% of GDP, left-wing governments increase changes in social expenditures by around 1% whereas right-wing governments reduce changes in spending by 1.1%. These partisan differences erode as the budget deficit approaches zero. An important implication of this is that the partisan effects on social expenditures that have been found in this research may disappear over time as more countries regain control over their budgets.

Figure 2: The marginal effect of left-wing government on social expenditure conditional on the shift in salience of the left-right dimension

Models ten and eleven capture the effect of partisanship on social expenditure conditional on the unemployment rate. The interaction terms show that in the post-recession period, Left and right-wing governments are more likely to adopt different approaches to social spending as the unemployment rate rises. Figure 4 shows that when the unemployment rate is 6%,

right-wing governments reduce changes in social spending by around 0.8%. By contrast, left-wing governments increase the rate of spending changes by around 0.6%. As the unemployment rate rises to 10% right-wing governments reduce the rate of social spending even further, by 1.7%, but left-wing governments increase the rate of spending by 1.3%.

Figure 3: The marginal effect of left-wing government on social expenditure conditional on the size of the budget deficit

Together, these results provide further support for the partisanship thesis and the argument that parties responded to the Great Recession by reemphasizing ideological differences. Furthermore, the results indicate that the partisan differences observed are related to the trying economic conditions of the post-recession period. As economies across the OECD stabilize and unemployment rates start to subside, it is possible that ideological differences between parties will once again erode. However, this is far from certain. Parties of the mainstream Left and Right are now facing strong challenges from new parties which have gained support since the Great Recession ([Hobolt and Tilley, 2016](#)). The growing support for these parties can be partly ascribed to their policy platforms which place them outside of the ideological center ground. As voters shift from the center, then responsive mainstream

Figure 4: The marginal effect of left-wing government on social expenditure conditional on the unemployment rate

parties have a strong electoral incentive to continue to emphasize partisan differences by increasing the salience of the Left-Right dimension. If that is the case, and challenger parties continue to gain in popularity, then it is unlikely that the mainstream parties of the Left and Right will return to the centrist consensus on social spending even when economic conditions improve. In which case, it is more likely that partisanship will continue to be a determinant of social expenditure in OECD countries.

Conclusion

Despite the protestations of Labour's erstwhile Shadow Chancellor, Alan Johnson, the Prime Minister in 2010, David Cameron insisted that his government's spending cuts were justified by necessity rather than ideology, stating that: "We're tackling the deficit because we have

to – not out of some ideological zeal. This is a government led by people with a practical desire to sort out this country’s problems, not by ideology.”¹¹ The notion that the government was taking an unpalatable policy step in the national interest may have been more persuasive if spending cuts had been accompanied by tax increases which would most likely have effected the Conservative Party’s supporters the most. Instead, cutting public spending with no rise in taxes is the policy response that one would expect a rightist government to take based on partisan theories of economic policy making.

In this research, I have shown that in the years following the economic crisis of 2007/08, the reemergence of partisanship as a determinant of economic policy is not confined to the UK. Across the countries of the OECD, the ideology of the government is a significant indicator of changes in social expenditures since the start of the Great Recession. Following the economic crisis, parties had to adopt policy positions that appeared to credibly respond to the challenges of the recession. Continuing with the consensual approach to social spending would have conveyed the message that parties had not adapted to the changed economic environment. Furthermore, parties were given an incentive to break with the consensus as voters themselves had signalled their dissatisfaction with centrist politics by voting in increasing numbers for new challenger parties ([Hobolt and Tilley, 2016](#)). Mainstream parties responded by increasing the salience of the issue dimension that they own, the traditional Left-Right divide. This was seen to be a less risky electoral strategy than attempting to compete with challenger parties on new issue dimensions ([Abou-Chadi, 2016](#)). The results show that the effect of partisanship on social spending is greater when parties have taken the strategic decision to increase the salience of the Left-Right dimension.

The results of this research also show that partisan effects on social spending are dependent on economic circumstances. Right-wing governments restrain social expenditure more when the deficit is higher while left-wing governments increase spending more when unemployment

is higher. The conditional relationship between partisanship and social expenditure suggests that there are circumstances under which partisan differences may, once again, erode, particularly when unemployment falls below 5 percent and the budget deficit approaches zero. It is therefore by no means certain that the effect of partisanship identified in this research will persist, indeed, previous research has also shown that partisan effects wax and wane over time ([Kittel and Obinger, 2003](#); [Kwon and Pontusson, 2010](#)). However, this research has demonstrated that in the years following the onset of the Great Recession, mainstream parties of the Left and Right have responded by reemphasizing partisan differences between one another. One question that remains for future research is whether voters will respond to this restoration of partisan differences or if they will continue to shift their support towards new challenger parties.

Notes

¹Most studies of welfare spending and redistribution focus on the implications of PRT for left-wing parties, as is the case in this research. However, it should be noted that PRT can have implications for Christian Democratic parties and welfare spending under certain circumstances e.g. see Bradley et al. (2003).

²See Table S3 of the supplementary material for an overview of GDP change across OECD countries between 2007 and 2009

³Hobolt and Tilley (2016) define mainstream parties as those that frequently participate in government, alternating between office and opposition. Challenger parties are those which do not participate in government and instead attempt to change the political landscape by promoting new issues or extreme positions on existing issues.

⁴The *plottig* graph scheme is used for all figures (Bischof, 2017). The data is based on the *rile* variable from the Manifesto Project dataset. The data and code needed to construct the salience variable is available from the author on request. The data also contains a full list of parties included in the calculation for each country.

⁵The countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States. Note, for some countries, the data only runs up to 2012.

⁶As a robustness check, I re-estimated model five of Table 1 in this research using change in six disaggregated categories of social expenditure as alternative dependent variables. The results can be found in Table S6.

⁷To conserve space, in the results section I only present the results of the unconditional models for left-wing governments. The results for right-wing governments can be found in Table S4 of the online appendix.

⁸The code to calculate this variable can be found at https://manifesto-project.wzb.eu/download/do_files/mpelds.do

⁹Interaction terms for Rightgov are also included in Tables 2 and 3.

¹⁰These figures are based on the predictive margins obtained from model five in Table 2 and model 5 in Table S4 in the online appendix.

¹¹<https://www.newstatesman.com/blogs/the-staggers/2010/12/spending-cuts-tax-ideological>

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