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Has Three Decades of Comparative Public Policy Scholarship Been Focusing on the Wrong Question?

Francis G. Castles

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Universität Bremen
Sonderforschungsbereich 597 / Collaborative Research Center 597
Staatlichkeit im Wandel / Transformations of the State
Postfach 33 04 40
D - 28334 Bremen
Tel.:+ 49 421 218-8720
Fax:+ 49 421 218-8721
Homepage: http://www.staatlichkeit.uni-bremen.de

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ABSTRACT

The essential argument of this paper is that, despite the work of many pioneering scholars, the original agenda of those who came to comparative public policy with a view to demonstrating that the functioning of democratic politics makes a difference remains substantially unfulfilled. The substance of that agenda was to show that choices made through the ballot box influenced not only what governments did, but also had implications for important aspects of the lives of the citizens making those choices. One important reason for this failure was that much of the emergent quantitative literature came to focus on differences in government outputs as proxies for whether such differences translated into a diversity of real outcomes. In effect, the literature tried to settle the question of whether 'politics matters' by showing how politics shapes what governments do without asking the no less important question: does government matter? This paper seeks to model a diverse range of outcomes with a view to assessing the impact of both political and government spending and taxing variables. On the basis of that assessment, I argue that the challenge for the next generation of political science informed comparative policy research is to go beyond an examination of the link between political choice and the outputs of government to ask questions about – and ideally to begin to map – the linkages between the things governments do and the lives their citizens experience.

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Has Three Decades of Comparative Public Policy Scholarship Been Focusing on the Wrong Question?

DOES GOVERNMENT MATTER?

The original agenda of the ‘politics does matter’ school of comparative public policy research was to demonstrate that political differences amongst nations had an impact on public policy outcomes. The differences these scholars had in mind related to the differential strength of political parties and degrees of class mobilization, but later came also to include differences in the character of political institutions and, in particular, the barriers these imposed to progressive reform. Originally, too, the ‘politics does matter’ school concerned itself almost equally with two kinds of enquiry: the determinants of the size of government and the welfare state and the policies governments pursued to control the economy. Arguably, in the 1980s, in the heyday of the debate on the impacts of democratic corporatism, the political economy strand became the dominant one, with a vast literature emerging on the role of parties, trade unions and corporatist arrangements in shaping macroeconomic policy outcomes (amongst the earliest and most influential contributions, see Hibbs, 1977; Tufte, 1978; Schmidt, 1982; Goldthorpe, 1984). However, a strand of enquiry which had seemed to offer a persuasive account of variation in the 1980s had increasing difficulties in making sense of macroeconomic developments in succeeding decades as the countries of Scandinavia, continental Western Europe and Japan began increasingly to suffer from the scourge of unemployment and slow growth and as countries with few if any pretensions to corporatist intermediation, such as the United Kingdom and the United States, became the economic miracle-makers of early twenty-first century capitalism.

The declining persuasiveness of at least simpler variants of the ‘politics does matter’ account of modern political economy left size of government stories as the main game in town. In the 1980s, the relevance of party control to the growth of big government became an orthodoxy of the comparative public policy literature, with scholars like Manfred Schmidt, John Stephens, Duane Swank, and, later, Klaus Armingeon investing heavily in the creation of pooled time-series datasets capturing not just variation in public expenditures and, in particular, aggregate welfare spending, but also annual change in a wide range of alternative measures of the partisan control of government. Ultimately, when the orthodoxy began to be challenged in the mid-1990s, the debate focused fairly and squarely on the politics of welfare expenditure, with Paul Pierson (1994; 1996) suggesting that ‘a new politics in which all parties had to be responsive to demands of welfare clienteles meant that such spending was no longer a function of Left partisan control, whilst others, including Schmidt (1996) and Clayton and Pontusson (1998), pointed to contrary evidence of persisting partisan effects. Unlike the political

economy literature, that concerning itself with public expenditure remains alive and well, with the availability of increasingly reliable data sets on sub-aggregates of spending (including the OECD Social Expenditure Dataset available from the early 1990s and the Classification of the Functions of Government – COFOG – data since the mid-2000s) allowing the protagonists of the ‘party does matter’ position to show that, even if aggregate spending no longer always manifests a clear partisan effect (see Huber and Stephens, 2001), other types of expenditure, such as unemployment compensation (Korpi and Palme, 2003), active labour market outlays (Powell and Barrientos, 2004,) public spending on education (Schmidt, 2007), economic affairs spending (Obinger & Zohlnhöfer, 2007) and working age cash benefits and caring services (Castles, 2008) continue to do so.

An alternative to public expenditure as a measure of the size of government is the revenue base from which that expenditure is funded. Early neo-Marxist scholarship on the growth of the welfare state tended to be preoccupied with the notion of ‘fiscal crisis’ and the limits to which total revenue or the size of the ‘tax state’ could grow without undermining the profitability of the capitalism system on which it rested (see Offe, 1972; O’Connor, 1973; Gough, 1979). Clearly, too, the size of the ‘tax state’ was no less an obvious arena of partisan preference than big spending, with Leftist and working class preferences for the latter matched by Rightist and bourgeois distaste for paying for the former. However, in part because neo-Marxist scholarship declined rapidly after about 1980, and in part because ‘politics matters’ scholars found it easier to make benign assumptions about the consequences of welfare spending than about revenue extraction, taxation based accounts of big government never came to rival big expenditure accounts in the comparative public policy literature, although the story was quite different in mainstream economics. However, what did emerge from the early 1990s onwards was a literature on the political factors shaping differences in national taxation policy mixes, with politics mattering not just because some countries taxed and spent more than others, but because partisan and institutional differences predisposed countries to prefer some types of taxation to others (see, amongst others, Peters, 1992; Wagschal, 2001; Kemmerling, 2009).

The aim of this chapter is not to contribute to the ‘politics matters’ debate as such, but rather to draw attention to the implications of a point first famously noted by Esping-Andersen (1990) in relation to social welfare spending and frequently reiterated – although rarely acted on - by scholars subsequently: that the expenditure outputs of government are not necessarily the same thing as policy outcomes in the sense of making a real difference to the lives of individual citizens. Unlike the political economy literature which deals with measurable outcomes in terms of economic growth, unemployment and inflation, the ‘politics matters’ interpretation of the findings of the com-

parative analysis of public expenditure and of taxation mixes rests on the very significant and, in the vast majority of studies, unexamined assumption that how governments spend and tax translates directly into what happens in the real world. Clearly, this is an assumption convenient to make given that data on real world outcomes have until quite recently been more difficult to obtain than government spending and revenue numbers often routinely published by international governmental agencies. It is, moreover, an assumption quite natural to a political science informed analysis of public policy, although one scarcely defensible for a body of scholarship supposedly based on empirical enquiry. Whereas a demonstration that politics shapes economic outcomes does genuinely show that politics matters, a demonstration that politics shapes spending aggregates and sub-aggregates or the mix of taxes extracted by governments to fund that spending makes only half the case, leaving it to be shown that these kinds of expenditure or taxation mixes in turn shape the life chances of individuals in determinate ways.

Esping-Andersen's own response to the analytical problem he notices is to replace welfare expenditure measures with measures of welfare state entitlement. That response is an understandable one for a sociologist seeking to demonstrate a direct link between political mobilization and individual life chances, although, of course, there still remains a potential gap between entitlements and outcomes. An alternative approach, and one I think more appropriate for a political science informed comparative public policy analysis, is to explore the potential for an explicitly two-stage analysis: to show not only how politics shapes government expenditures and taxation preferences, but also how – or, given the lack of research on such matters, how far - these outputs, in turn, influence key variables capturing the quality of life in modern democracies. To put it another way, in order to prove politics matters, we also need to answer the question: Does government matter? This paper, which uses data from the OECD publication *Society at a Glance* (OECD 2009a) on headline social indicators as measures of real outcomes, is a preliminary attempt to do just that. As subsequent sections of the paper show, rather than being self-evident, as three decades of comparative public policy scholarship has assumed it to be, the evidence for a strong link between big government as measured by total public spending or total welfare spending and policy outcomes is extremely weak. Relationships with total revenues and with the sub-aggregates of spending and taxing are, in many cases, apparently stronger, but are sometimes counter-intuitive, are frequently indirect and often require interpretation.

POLITICS MATTERS LINKAGES

This section of the chapter consists of a commentary on three tables presenting correlations between political variables on the one hand and government expenditures, tax components and policy outcomes on the other. Table 1 presents correlations between

Left government partisan incumbency (measured for both the period 1996-2005 to capture short-term immediate effects and for the period 1960-2005 to capture long-term ‘Left legacy’ effects – on the latter, see Castles, 2007, 30), union density (for the time-point 2006) and constitutional structure (as measured in 2005) and a variety of measures of government spending with a view to providing a summary check on the ‘politics does matter’ hypothesis as it has been conventionally argued in the determinants of government spending literature. Table 2 presents correlations between these same political variables and a variety of tax revenue measures to check out the same hypothesis in respect of the determinants of taxation. Finally, Table 3 looks at the association between our four political variables and eight headline social indicators for the mid-2000s selected by the OECD as appropriate measures of self-sufficiency (employment to population ratio and share of students with insufficient reading competences), equity (the Gini coefficient of income inequality and the gender wage gap), health (male life expectancy at 65 and infant mortality) and social cohesion (measured by survey responses on subjective well-being and the percentage of respondents reporting that they had been victims of crime over the past year) to establish whether there is any evidence of direct political impacts on policy outcomes. These indicators (see Appendix A at the end of the paper) are extremely wide-ranging and provide the basis for a reasonably comprehensive test of the ‘politics matters’ hypothesis.

The six expenditure measures featuring in Table 1 include the big aggregates of spending (total public expenditure and total social expenditure), the major functional categories of socially relevant spending (cash expenditure on the aged and survivors, spending on health and on education) and, finally, a category of spending noted in previous research (Castles, 2009) as being closely related to equity outcomes (cash spending on those of working age together with service provision to the old and families). The four taxation measures featuring in Table 2 include the aggregate of all taxation revenue, the total taxation revenue of general government, as well as its three main components, income and profits taxes, social security contributions and consumption taxes. Data for all categories of spending and taxing are for the year 2006 and all are measured as percentages of GDP. All the correlations in these and subsequent tables in this paper are based on data for the same group of 21 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. All data sources are identified in notes to the tables and all expenditure, taxation and outcomes data come from the OECD.

As a final preliminary it should be noted that the decision to use OECD headline social indicators as the testbed for establishing the case for whether government matters is a way of seeking to avoid the charge that I am setting up an experiment favourable to

any particular conclusions concerning the impact of politics and government. The point is that these outcomes were chosen by the OECD – not by me - as sensibly representative of cross-national variation in respect of self-sufficiency, equity, health and social cohesion in OECD countries. The outcomes are extremely various, but all clearly have substantial implications for the life chances of individuals in modern societies. Some of them, like, perhaps, the frequency of crime, one might expect to be only quite indirectly or distantly linked with government spending or, at least, with spending as disaggregated as crudely as here (spending for particular programmes to prevent crime might be another matter). Others like reading insufficiency and infant mortality are the targets of specific government spending programmes, whilst, in many countries, the tax and transfer system as a whole is designed to mitigate the extremes of poverty and inequality. Some components of taxation are more progressive than others and hence more equalizing, while different components have been hypothesized as having diverse effects on the composition if not the quantum of employment (see Scharpf, 2000). The implicit assumption that big spending means bigger and better outcomes across the board may well be false, but it would be truly surprising and probably justifiably a source of embarrassment for comparative public policy research if the most readily measurable outputs of government were shown to have little if any impact on many of the outcomes identified here. Obviously, other outcomes might have been chosen to test the hypothesis that government matters, and obviously, too, policy instruments other than spending and taxing might have been considered, but my aim here is exemplary: to show the way so that others may follow in opening up a field of comparative analysis that has been surprisingly neglected.

Turning now to the findings reported in Table 1, there are three points worthy of particular mention. First, the core ‘politics matters’ proposition that political variables covary with the big aggregates of spending is more or less consistently and moderately supported, with short-term Left incumbency positively correlated with both total public expenditure and total social expenditure at the .01 level of significance and long-term Left legacy associated with social expenditure at this level, but with total public expenditure only at the .05 level. Union density is also positively correlated with both at the .05 level, while the constitutional structure variable, which is a measure of the number of veto-points in each country’s political system, is negatively correlated to total public expenditure at the .05 level but not to total social expenditure. On the whole, these findings are in line with the ‘old’ view of public expenditure development that politics helps account for the rise of big government rather than the ‘new politics’ view that such differences have become increasingly irrelevant.

Second, however, and with just a few exceptions to be discussed below, it would seem that this conclusion must be considerably tempered in light of the fact that, for the

most part, these ‘politics matters’ effects are not carried over to the sub-aggregates of public spending. Neither the short-term measure of partisan incumbency nor constitutional structure, the two most frequently used political variables featuring in the literature, are associated with any of the components of social expenditure (although the relationship between incumbency and working age cash only misses out by a whisker), while the two biggest programmes of the welfare state, in most countries taking up to at least 60 per cent of social spending – aged cash and health spending – show absolutely no evidence of being associated with political variables of any kind. Certainly there is nothing here that provides compelling evidence that politics decisively shapes the major components of socially relevant spending.

Table 1: Correlations between Political Variables and Public Expenditure Aggregates and Sub-aggregates, mid-2000s

		Left Government 1996-2005	Left Government 1960-2005	Union Membership 2006	Constitutional Structure 2005
Total Expenditure of General Government 2006	Pearson Correlation	.559**	.548*	.515*	-.444*
	Sig. (2-tailed)	.008	.010	.017	.044
	N	21	21	21	21
Total Social Expenditure 2006	Pearson Correlation	.551**	.595**	.443*	-.245
	Sig. (2-tailed)	.010	.004	.044	.284
	N	21	21	21	21
Public Aged Cash Expenditure 2006	Pearson Correlation	.264	.121	-.101	-.076
	Sig. (2-tailed)	.247	.603	.662	.744
	N	21	21	21	21
Public Health Expenditure 2006	Pearson Correlation	.316	-.033	-.188	.184
	Sig. (2-tailed)	.163	.887	.415	.425
	N	21	21	21	21
Public Education Expenditure 2006	Pearson Correlation	.332	.534*	.688**	-.302
	Sig. (2-tailed)	.141	.013	.001	.183
	N	21	21	21	21
Working Age Cash & Other Services 2006	Pearson Correlation	.432	.720**	.759**	-.398
	Sig. (2-tailed)	.051	.000	.000	.074
	N	21	21	21	21

Sources: Data on Total Public Expenditure from OECD, *National Accounts at a Glance*, Paris, 2009b; data on Total Social Expenditure, Age Cash Expenditure, Public Health Expenditure and Working Age Cash and Other Services from or calculated from OECD, *Social Expenditure Database*, 2010a; data on Public Education Expenditure from OECD, *Education at a Glance*, Paris, 2009c. Data on Left Government 1996-2005 and 1960-2005 and on Constitutional Structure from Armingeon et al, *Comparative Political Data Set 1960-2008,*, 2010; data on Union Membership as a percentage of employees from OECD, *Employment Outlook*, Paris, 2010b. Notes: Working Age and Other Services = Total Social Expenditure – (Aged Cash Expenditure + Public Health Expenditure); Constitutional Structure = additive index composed of five indicators: (1) federalism (0=absence, 1=weak, 2=strong) (2) parliamentary government =0, versus presidentialism or other =1 (3) proportional representation =0, modified proportional representation=1, majoritarian=2 (4) bicameralism (0 = no second chamber or second chamber with very weak powers, 1=weak bicameralism, 2=strong bicameralism), (5) frequent referenda=1.

Third, the few exceptions possibly indicative of strongly positive political impacts on the sub-aggregates of spending both involve measures arguably tapping fundamental aspects of the extent of working class political mobilization or ‘power resources’ (see Korpi, 1978) in modern capitalist societies. The long-term Left legacy variable is designed to capture the entirety of the post-war experience of Leftist rule, while the union density variable identifies the limited number of countries – essentially, Belgium, Denmark, Finland, Norway and Sweden - in which working class industrial movement has been able to resist the widespread trend to union decline over the past few decades (see Wallerstein, 2000; see also Rothstein, 1992, on the factors which have made unions stronger in these countries). Table 1 shows, both of these variables, in turn, are strongly and positively associated with educational expenditure and with working cash and other services spending and, very significantly for our subsequent analysis, it turns out to be the case that both of these political variables are significant positive predictors of the level of working age cash and other services spending in a regression model with an adjusted R^2 of .64. This, then, is one area of spending which, *prima facie*, appears to be substantially shaped by political variables.

The Left legacy finding is not necessarily incompatible with the ‘new politics’ interpretation, since it is possibly indicative of changes brought about by Left incumbency in the past that have not dissipated with the passing of time. The union density finding is both unexpected and surprising. It is unexpected because, although in the early days of comparative public modelling, union density was used as a proxy measure for working class mobilization through non-parliamentary channels, the variable ceased to play a prominent role in comparative research once Left incumbency measures proved to have greater explanatory value in accounting for aggregate expenditures. The finding is surprising because, in an era when most commentators have written the unions off as a serious political force, this measure of working class mobilization appears to be of continuing political relevance and, indeed, the evidence suggests that there are areas of spending in which the non-parliamentary channel is of greater importance than short-term partisan incumbency. That the associations noted here are unlikely to be spurious is suggested by the fact that the components of spending with which these political variables are strongly associated are ones central to class strategies for the amelioration of the rewards structure of capitalism either through the removal of educational disadvantage or by providing compensation for the losers in the income distribution through cash benefits or benefits-in-kind. These components of expenditure have far less budgetary weight in most countries than do aged cash and health spending, but they have always been viewed by the Left and unions as pivotal to the achievement of ideologically preferred outcomes including particularly greater income and gender equality.

Table 2 shows the bivariate linkages between political variables, the total revenues of government and the main components of the revenue base. As previously in the case of the big aggregates of spending, a ‘politics matters’ account holds water, with total revenues moderately associated with short-term incumbency (positively) and political structure (negatively) and more strongly (positively) with both Left legacy and union density. Moreover, the linkages between politics and the components of taxation appear generally closer than between politics and the major components of spending, with consumption taxes as a percentage of GDP significantly associated either positively or negatively with all four political variables, and with Left legacy modestly and union density strongly associated with the revenue derived from income and profits taxes. Given that income and profits taxes are the most progressive of revenue sources, this latter finding again ties in with the idea that those political measures best tapping long-term and underlying working class mobilization demonstrate a uniquely predictive power in respect of outputs related to the achievement of equality outcomes. It is worth noting, however, that the link between measures of Left strength and union density and reliance on consumption taxes has a less obvious ideological rationale, since the incidence of such taxes tends to be, if anything, regressive in character, with the connection between the Left incumbency and outputs, arguably, being the need of big spending governments to find ways to extend their revenue base.

Table 2: Correlations between Political Variables, Total Taxation Revenue and Components of Taxation

		Left Government 1996-2005	Left Government 1960-2005	Union Membership 2006	Constitutional Structure 2005
Total Tax Revenue 2006	Pearson Correlation	.457*	.695**	.716**	-.515*
	Sig. (2-tailed)	.038	.000	.000	.017
	N	21	21	21	21
Income & Profit Tax 2006	Pearson Correlation	.111	.444*	.641**	-.221
	Sig. (2-tailed)	.631	.044	.002	.335
	N	21	21	21	21
Social Security Contributions 2006	Pearson Correlation	.248	.170	-.009	-.082
	Sig. (2-tailed)	.277	.462	.971	.725
	N	21	21	21	21
Consumption Taxes 2006	Pearson Correlation	.524*	.564**	.621**	-.790**
	Sig. (2-tailed)	.015	.008	.003	.000
	N	21	21	21	21

Source: All data on total taxation and its components from OECD*, Revenue Statistics*, 2010c. Political variables as Table 1.

The very strong negative correlation between the number of veto-points in the political system and the yield from consumption taxes points to a mechanism in the constitu-

tional structure giving unique leverage against the Leviathan of big government (on the way in which the veto-points inherent in federalism impose constraints on the power to tax, see Brennan & Buchanan, 1980). There are no linkages reported in Table 2 between any of our political variables and social security contributions, but possibly had we included a variable measuring Christian Democratic incumbency, this might have been positively associated with a form of funding built into the very fabric of the social insurance model of the welfare state holding sway in much of Catholic Western Europe (although note that research in this area has tended to omit Spain and Portugal, Catholic countries with Christian Democratic parties – see van Kersbergen, 1995). Even conceding that a similar linkage might also exist between Christian Democratic incumbency and age cash spending (the funding of which is, of course, the main purpose of social security contributions), it would seem that, on the whole, a ‘politics matters’ perspective provides a more comprehensive account of the revenue outputs of government than of its spending outputs.

There would be little need for a two-stage analysis of politics on government outputs and government outputs on outcomes if there were evidence of strong direct effects of political variables on policy outcomes. Table 3, which presents correlations between the same four political variables featuring in Tables 1 and 2 and eight OECD headline social indicators, makes it possible to test whether that is the case. In fact, the evidence is anything but strong. Left incumbency over the period 1996 to 2005 turns out to be wholly unassociated with outcomes as measured at the end of that period, although the Left legacy variable is significantly and negatively related to the Gini index at the .01 level. Union density is also negatively and significantly associated with both the Gini index and infant mortality, with the relationship with the Gini index significant at the .01 level. Finally, the only other statistically significant association is the positive one between constitutional structure and infant mortality. Of the eight outcome variables identified, only two -economic inequality measured by the Gini index and infant mortality - show signs of being in any way directly linked to politics. The degree to which the population is employed, the literacy of the young, the extent of gender equality in the economy, how long men live beyond the age of 65, the degree of subjective well-being and the likelihood of being a victim of crime all seem unaffected by these major differences in the functioning of democratic politics.

Table 3: Correlations between Political Variables and Headline Social Indicators, mid-2000s

		Left Government 1996-2005	Left Government 1960-2005	Union Membership 2006	Constitutional Structure 2005
Employment to Population Ratio 2006	Pearson Correlation	-.088	.161	.197	.036
	Sig. (2-tailed)	.705	.486	.392	.878
	N	21	21	21	21
Insufficient Reading Competence [PISA] 2006	Pearson Correlation	.165	.091	-.347	-.046
	Sig. (2-tailed)	.476	.694	.123	.844
	N	21	21	21	21
Gini Index mid-2000s	Pearson Correlation	-.200	-.610**	-.570**	.155
	Sig. (2-tailed)	.386	.003	.007	.501
	N	21	21	21	21
Gender Wage Gap 2006	Pearson Correlation	-.196	-.368	-.339	.239
	Sig. (2-tailed)	.394	.100	.133	.298
	N	21	21	21	21
Life Expectation Men at 65 2006	Pearson Correlation	-.259	-.121	-.416	.401
	Sig. (2-tailed)	.257	.600	.061	.071
	N	21	21	21	21
Infant Mortality 2006	Pearson Correlation	-.293	-.428	-.473*	.605**
	Sig. (2-tailed)	.198	.053	.030	.004
	N	21	21	21	21
Subjective Well-being 2006	Pearson Correlation	.022	.336	.306	.169
	Sig. (2-tailed)	.926	.136	.177	.464
	N	21	21	21	21
Victims of Crime 2005	Pearson Correlation	.045	-.001	.147	.014
	Sig. (2-tailed)	.848	.998	.526	.952
	N	21	21	21	21

Source: Data on headline social indicators are from OECD, *Society at a Glance*, Paris, 2009a. Political variables as in Table 1.

GOVERNMENT MATTERS LINKAGES

Ultimately, then, much of the case that politics matters in the sense of making a real difference to the lives of democratic citizens comes down to ‘the elephant in the room’, that is to the largely unexamined assumption that governmental outputs make a difference to a broad range of policy outcomes. Tables 4 and 5 offer an initial test of this assumption by examining the bivariate relationships between expenditures and outcomes (Table 4) and revenues and outcomes (Table 5). Obviously, this test is not an exhaustive one because there are many ways governments can influence outcomes other than through the quantum of expenditure they devote to particular programmes and the ways in which those programmes are funded and the fact that most comparative public policy research has focused on spending and taxing is, arguably, as fundamental a criticism of

past research as the neglect of the government outputs/policy outcomes nexus on which we focus here. Contests over budgetary allocations are, however, at the heart of democratic politics and clearly, if the evidence suggested that such contests had no implications for the lives of citizens, it would seriously undermine most standard justifications for this form of government.

The findings in Table 4 split more or less neatly into two, with three spending categories manifesting multiple links with outcomes and three virtually none at all. Public health spending is not significantly correlated with any outcomes and conspicuously not so with male life expectation or infant mortality, the two outcomes with which one might have assumed this category of spending would be most closely associated. Each of the two big aggregates of spending is significantly correlated to just one outcome: social spending negatively with infant mortality and total spending of general government negatively with years of male life expectation. This latter finding is highly anomalous unless seen through a prism of extreme right-wing ideology, suggesting as it does that government spending is actually dangerous to your health.

The multiple associations between both education spending and working age cash and other services spending and policy outcomes, for the most part fit quite easily with standard assumptions about the impact of spending. There are no anomalies at all in respect of working age cash, which is very strongly negatively related to the Gini index, more modestly negatively associated with the size of the gender wage gap and strongly positively associated with subjective well-being. There is also every reason to believe that more public spending on education will provide the skills required for a high employment to population ratio and will be conducive to greater income equality and a reduced gender wage gap.

Moreover, if these outcomes led on to greater subjective well-being, it would scarcely be surprising. On the other hand, it is somewhat strange that education spending should co-vary with such a wide range of outcomes but not with reading insufficiency, while the negative relationship between public education spending and male life expectation and the positive one between education spending and victims of crime are no less anomalous than the earlier finding of a negative association between life expectation and total public spending.

The associations between cash spending on the aged and outcomes are consistently difficult to interpret. Why should giving cash benefits to those above the age of 65 strongly and negatively influence the employment of those below the age of 65? Why should such spending make for reduced reading competence amongst the young and why should more spending on the old make for lesser subjective well-being and very markedly lower levels of victimisation in the population as a whole? Some of these questions will be addressed in the next section, which attempts in a very tentative and

Table 4: Correlations between Public Expenditure Aggregates and Sub-aggregates and OECD Headline Social Indicators, mid-2000s

		Total Public Expenditure 2006	Total Social Expenditure 2006	Public Aged Cash Expenditure 2006	Public Health Expenditure 2006	Public Education Expenditure 2006	Working Age Cash & Other Services 2006
Employment to Population Ratio 2006	Pearson Correlation	-.256	-.290	-.711**	-.370	.483*	.421
	Sig. (2-tailed)	.263	.203	.000	.099	.027	.058
	N	21	21	21	21	21	21
Insufficient Reading Competence [PISA] 2006	Pearson Correlation	.129	.224	.608**	.171	-.303	-.381
	Sig. (2-tailed)	.577	.329	.003	.459	.181	.088
	N	21	21	21	21	21	21
Gini Index mid-2000s	Pearson Correlation	-.396	-.425	.090	.210	-.482*	-.760**
	Sig. (2-tailed)	.075	.055	.697	.360	.027	.000
	N	21	21	21	21	21	21
Gender Wage Gap 2006	Pearson Correlation	-.294	-.218	.221	-.054	-.657**	-.499*
	Sig. (2-tailed)	.196	.343	.335	.815	.001	.021
	N	21	21	21	21	21	21
Male Life Expectation at 65 2006	Pearson Correlation	-.436*	-.301	.008	-.097	-.441*	-.347
	Sig. (2-tailed)	.048	.185	.974	.675	.046	.123
	N	21	21	21	21	21	21
Infant Mortality 2006	Pearson Correlation	-.415	-.447*	-.402	.201	-.014	-.352
	Sig. (2-tailed)	.061	.042	.071	.381	.952	.117
	N	21	21	21	21	21	21
Subjective Well-being 2006	Pearson Correlation	.011	.022	-.543*	-.180	.551**	.594**
	Sig. (2-tailed)	.964	.926	.011	.434	.010	.005
	N	21	21	21	21	21	21
Victims of Crime 2005	Pearson Correlation	-.240	-.375	-.743**	-.149	.447*	.286
	Sig. (2-tailed)	.294	.094	.000	.518	.042	.210
	N	21	21	21	21	21	21

Source: All data from sources referenced in Tables 1 and 3.

exploratory way to move beyond the simple correlation analysis provided in this section of the chapter to model the determinants of each of these headline social indicators separately. In the meanwhile, it is worth noting that the most probable reason for the anomalies noted here both in respect of educational spending and aged cash spending is the covariance of these categories with other variables. One obvious set of candidates are demographic variables. High aged cash spending goes along with an aged population and high education spending with a youthful one and there would be nothing anomalous in the finding that employment levels are lower in a society with a larger dependent population (both aged and youthful) or that levels of crime are higher where the population is more youthful.

Table 5: Correlations between Total Revenues, Components of Taxation and OECD Headline Social Indicators, mid-2000s

		Total Tax Revenue 2006	Income & Profit Tax 2006	Social Security Contributions 2006	Consumption Taxes 2006
Employment to Population Ratio 2006	Pearson Correlation	-.016	.534*	-.522*	-.029
	Sig. (2-tailed)	.944	.013	.015	.901
	N	21	21	21	21
Insufficient Reading Competence [PISA] 2006	Pearson Correlation	-.015	-.398	.408	-.017
	Sig. (2-tailed)	.948	.074	.066	.941
	N	21	21	21	21
Gini Index mid-2000s	Pearson Correlation	-.589**	-.457*	-.133	-.289
	Sig. (2-tailed)	.005	.037	.564	.204
	N	21	21	21	21
Gender Wage Gap 2006	Pearson Correlation	-.550**	-.573**	.191	-.487*
	Sig. (2-tailed)	.010	.007	.408	.025
	N	21	21	21	21
Life Expectation Men at 65 2006	Pearson Correlation	-.394	-.164	-.060	-.675**
	Sig. (2-tailed)	.077	.477	.795	.001
	N	21	21	21	21
Infant Mortality 2006	Pearson Correlation	-.438*	.050	-.475*	-.454*
	Sig. (2-tailed)	.047	.831	.030	.039
	N	21	21	21	21
Subjective Well-being 2006	Pearson Correlation	.248	.559**	-.264	.018
	Sig. (2-tailed)	.279	.008	.247	.937
	N	21	21	21	21
Victims of Crime 2005	Pearson Correlation	-.014	.485*	-.602**	.071
	Sig. (2-tailed)	.950	.026	.004	.759
	N	21	21	21	21

Source: All data from sources referenced in Tables 2 and 3

Turning finally in this section to the linkages between revenues and outcomes, Table 5 demonstrates a much wider range of associations than Table 4. Unlike the big aggregates of expenditure, the big aggregate of revenues is significantly correlated with out-

comes, with income inequality, the gender wage gap and infant mortality all lower where the overall taxation base is higher. Each of the separate components of revenues is also associated with a range of outcomes, although some are difficult to interpret. There is no surprise that the quantum of progressive income taxation should be linked to the equity indicators of the Gini index and the gender wage gap. Hypothesized linkages between greater income equality and both lower infant mortality and greater subjective well-being (for more analysis, see Models 5 and 6 in the next section) also make sense of the negative associations between progressive taxes and those variables. Arguably, if progressive taxes are used to fund service provision for the old and families (see Esping-Andersen, 1999), there should be no surprise in the positive link between income taxes and employment, but there seems to be little logic in the positive relationship between the quantum of income taxes and victims of crime.

The same applies to the mirror image findings for social security taxes: the negative relationship with employment seems to fit nicely with Scharpf's (2000) finding of a negative link between higher payroll taxes and business employment, while the negative association with victims of crime seems no less mysterious than the corresponding relationship with progressive taxation. As in the earlier case of the association between age cash expenditure and victims of crime, there is reason to suspect that the anomalous findings in respect of victims of crime are a consequence of the covariance of these tax components with demographic categories. Social security taxation is higher in countries with aging populations (correlation = .53) and income and profits taxes are higher in countries (correlation = .54). Finally, we note that both infant mortality and the gender wage gap are lower where consumption taxes are higher and the far more anomalous finding that male life expectation at age 65 is very significantly lower where consumption taxes are higher. This latter is the only really substantial association with this outcome noted anywhere in our analysis and it will be discussed further in the next section.

My interim conclusion on the basis of the bivariate findings in Tables 4 and 5 is the moderately optimistic one in terms of the core claim of comparative public policy that politics matters that there is some real evidence for linkages between at least some spending and revenue outputs of government and a wide variety of policy outcomes. That there is almost no evidence for the proposition that big government and aggregate welfare spending are linked to outcomes may be more a problem for the *amour propre* of a generation of comparative public policy scholars who assumed that it was so than it is a substantive problem for our understanding of the logic of policy development. Big government and aggregate welfare spending necessarily involve multiple trade-offs between desired outcomes, so that big spending often conceals more than it reveals about policy choices. That is why, as I have argued over a number of years, expenditure analysis is only sensibly conducted through a disaggregation strategy identifying which

factors shape which expenditure components with what effects (see Castles, 2009). The analysis of expenditure in this paper is merely an extension of that argument. It might be suggested that the lack of any association between public health spending health outcomes is a more serious difficulty for the view that government matters, but this is probably not the case either. Over the past half century, cross-national variation in public health spending has decreased continuously, with a coefficient of variation of 31.52 in 1960 (Castles, 1998, 164) declining to just 10.65 for the data used in this chapter. In effect, spending on health is regarded as mattering so much that most democracies are constrained to make a similar degree of expenditure effort in this area, thus leaving the field clear for other variables (including, of course, even more disaggregated data pertaining to particular programmes within the health budget) to shape outcomes like infant mortality and life expectation.

SOME EXEMPLARY MODELLING

In the previous sections of the paper I have attempted to establish whether there was some *prima facie* evidence of linkages between political variables, government expenditure outputs and policy outcomes in 21 advanced democratic nations. In this final substantive section of the paper, I present a series of regression models of these outcomes with a view to finding out whether government spending variables still feature as predictors of outcomes when we also take account of the possible impact of some other basic differences between these countries in respect of:

a) demography (the size of the elderly, youthful and dependent populations as well as the fertility rate);
b) culture (adherence to non-Protestant Christian faiths – see Castles, 1994);
c) economic structure (net national income per capita, which, interestingly, proves wholly insignificant in this modelling of outcomes in 21 rich countries, but which might very well prove far more significant in a more developmentally diverse sample of nations); and
d) other social outcomes featuring in the analysis. A strong candidate variable in this latter respect is income inequality as measured by the Gini index which has been strongly claimed to be a determinant of a wide range of significant policy outcomes including physical and mental health, life expectancy, educational performance and well-being in general (see Wilkinson & Pickett, 2009). If income inequality is strongly linked to other outcomes and can itself be plausibly demonstrated as being shaped, directly or indirectly, by political variables and government outputs, then, this would constitute just the kind of evidence we are looking for of multi-stage processes of policy determination in which both politics and government matters.

It should be emphasized once again that the status of the analysis here is preliminary and my aims are exemplary more than substantive. It would be absurd to pretend that a comprehensive statistical account of eight highly diverse outcomes is possible in a paper of this length. The modelling here is under-theorised, does not rely on an exhaustive discussion or elaboration of possible hypotheses, only includes a very small number of variables specific to particular outcomes and, given the relatively small number of cases available for the analysis, only features the limited number of variables that prove statistically significant in combination. Although I take great care to identify probably spurious relations, and to ensure that that they do not feature in the models presented below, I may not always have been successful. It would be wrong, therefore, to see these models as offering definitive explanations of outcomes. The most I would claim for them is that, like those in my earlier book, *Comparative Public Policy*, they provide "a preliminary sorting process, informing us about combinations of variables which fit together to produce possible accounts" of the outcomes in which we are interested (see Castles, 1998, 20). The exemplary point I wish to make relates not to any particular model, but to the pattern revealed across the models as a whole. If more than a few of these possible accounts directly or indirectly involve the impact of categories of government spending or taxation, then that reinforces the evidence provided by the correlations in Tables 4 and 5 that government does, indeed, matter. If, in turn, these government spending and taxing outputs can be plausibly linked to political variables such as Left incumbency, working class mobilization or constitutional structure, this may be taken as support for the viability of the kind of two-stage analysis that I argued earlier offers the best promise of demonstrating that politics really does make a difference for public policy outcomes.

Self-sufficiency Indicators

In *Society at a Glance* (2009a), the OECD argues that self-sufficiency in advanced industrial societies depends on access to jobs and possession of the skills required to obtain work. The headline indicator of access to jobs is the employment rate for the working-age population, while the OECD's chosen skills indicator is the share of students aged 15 with reading competencies at level 1 or below.

Values for the employment rate as a percentage of the population aged 15-64 range from the high to mid 70 per cent level in Switzerland and much of Scandinavia to just 58 per cent in Italy and the low to mid-60 per cent level in Belgium, Greece, Spain and Portugal. The best fitting model for total employment contains terms for non-Protestant Christian adherence, the size of the dependent population and public spending on education. Employment is higher where non-Protestant adherence is lower (i.e. where Catholicism is less entrenched), where the dependent population is lower and where educa-

tional spending is higher. Note that even controlling for the axiomatic inverse relationship between employment and unemployment, none of these factors ceases to be statistically significant and the adjusted R^2 increases to .82. It might be surmised that the religious and the demographic variables influence total employment by accounting for lower levels of female employment in countries where traditional religious values are strongest and where women are more likely to remain out of the labour force to care for children and the elderly, arguably characteristics most pronounced in Southern Europe and the countries of the Mediterranean more broadly (see Gal, 2010). In fact, however, regressions unreported here show that both variables are also strongly linked to male employment levels, although religious adherence depresses female employment by about twice as much as that of males. Educational spending, on the other hand, is a variable which significantly influences female but not male employment levels. The unstandardized coefficient for public education in Model 1 suggests that, for every one percentage point of GDP more spending on education, there will be a 1.6 percentage point higher employment rate, while the unreported regression for female employment suggests that, for each percentage point of GDP more on spending, there will be a 3.6 percentage point higher female employment level. We may, therefore, conclude that this is an area in which government spending has a direct effect in helping to remove a major obstacle in the way of female employment and, hence, in enhancing the job access and self-sufficiency of the population.

Model 1: Employment to Population Ratio 2006

	Unstandardized Coefficients		Standardized Coefficients		
I	B	Std. Error	Beta	t	Sig.
(Constant)	143.059	17.624		8.117	.000
Public Education Expenditure 2006	1.633	.656	.296	2.489	.023
Non-Protestant Christianity	-.125	.018	-.814	-6.815	.000
Dependent Population	-2.300	.538	-.489	-4.275	.001

a. Dependent Variable: Employment to Population Ratio 2006. Adj R^2 = .78

Notes: The non-Protestant Christianity variable is, in most countries, equivalent to the percentage of the population adherent to the Roman Catholic faith (data from http://www.catholic-hierarchy.org/country/sc3.html). However, in Greece, it also includes Greek Orthodox adherents (data from CIA Factbook, 2010). The dependent population is equal to the sum of the population aged 0-15 and 65 years and over and is calculated from *OECD Factbook*, 2010d.

In the earlier analysis of correlations between components of government spending, it was noted that the strongest single correlate of the total employment level was the negative relationship with public aged cash spending, but it was also pointed out that this relationship could well be a spurious one, with age spending standing as a proxy for other variables. In fact, age spending turns out to be a proxy for both demographic and cultural factors with the effect disappearing once non-Protestant Christianity and the

size of the dependent population are included in the model. Obviously, one of the great advantages of regression modelling over bivariate analysis is that it can assist in identifying spurious relationships of this kind. It is relevant to note that employment levels are one of the few areas where an imputed relationship between government outputs and outcomes goes beyond mere assumption, with Scharpf, 2000, (75-85) offering a sophisticated, but nevertheless, exclusively bivariate analysis of the employment effects of taxation. His results, which purport to show the strong negative effects of social security contributions and consumption taxes on a variety of measures of business employment, require checking against the same demographic and cultural variables as feature in Model 1. Here, I simply note here that while social security contributions as a percentage of GDP is a significantly negative predictor of total employment along with educational spending, this association also disappears when we control for religious adherence and dependency.

Model 2: Insufficient Reading Competence (PISA) 2006

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	31.177	3.588		8.690	.000
Tertiary Education in Age Group 25-64	-.428	.115	-.649	-3.715	.001

a. Dependent Variable: Insufficient Reading Competence [PISA] 2006. Adj R^2 = .39

Data on tertiary education in age group 25-64 are from *Education: Key Tables from the OECD*, 2009d.

Values for insufficient reading competence range from highs of around 25 per cent in all the countries of Southern Europe to the extraordinarily low outlier of Finland with just under 5 per cent and with other goodish performers like Canada, Ireland, Australia and New Zealand between 10 and 15 per cent. This distribution proves difficult to model in any sensible way. The only multi-regressor model that could be generated contained positive terms for non-Protestant Christianity and the size of the elderly population with an adjusted R^2 of .47. Clearly, the size of the elderly population does not provide an intelligible explanation for a lack of reading competence amongst the young and it seems obvious that what the model is doing is pointing to the difference between the largely Protestant countries of the New World (and to some extent Scandinavia) and the largely Catholic and aging countries of Southern Europe. In fact, a dummy variable for the four Southern European countries proves almost as successful with an adjusted R^2 of .45.

Any sensible modelling of reading outcomes would almost certainly need to start from the kind of socio-economic background variables identified in the PISA research from which the reading competency used by the OECD originate (see OECD, 2010f). For Model 2, I have used the tertiary level of educational attainment for the age group 25-64 as a proxy for differences in parents' educational background, which generates a

finding that is broadly compatible with the PISA analysis. The only component of government spending significantly correlated with reading insufficiency in Table 4 was public expenditure on aged cash and this term ceases to be significant when we control for parents' tertiary education level. The PISA researchers argue forcefully that there are ways of counteracting socio-economic factors which impede educational performance and, to the extent that this is true, it would be wrong to suggest that this is an area in which the policy actions of government are ineffectual. However, at the level of analysis of this chapter, it must be concluded that this is not an area in which political or government spending effects are readily apparent.

Equity Indicators

The headline indicators of equity featuring in *Society at a Glance* (2009a) are the Gini coefficient of household disposable income and the ratio of median earnings between women and men working full-time. The assumption that government matters is almost invariably an assumption that government programmes, and particularly expenditures falling into the welfare state category, will produce greater income equality, and the high number of significant correlations between the Gini index and the aggregates and sub-aggregates of spending and taxing in Tables 4 and 5 above offer considerable support for that proposition. Discussion of such probable effects has been a staple of the comparative welfare state literature from its early beginnings (for contrasting views, see Wilensky, 1975, Stephens, 1978 and Goodin & Le Grand, 1987), but systematic comparative research has, until quite recently, been frustrated by the absence of reliable data published sufficiently frequently to ascertain not only differences between countries but also change over time. For OECD countries this is no longer the case with data being collected regularly on a quinquennial basis and the OECD itself has shown how the progressivity of transfers and taxes contributes to income inequality in around 20 or so member states in the mid-2000s (see OECD, 2008), while Castles and Obinger (2007) have demonstrated an extremely strong bivariate linkage between gross public social expenditure and poverty in 2001 and an only somewhat more moderate one with the Gini index in the same year and Castles (2009) has argued that much of this effect stems from the equalising effects of working age cash and other services. Cross-national gender wage gap differences have not been modelled in the policy outcomes literature but have been analysed in the economics literature, where it has been argued that male wage compression together with a lower female labour supply are conducive to a lower gender wage gap, with political effects strongly implicated given that wage compression is associated with encompassing collective bargaining agreements and a strong trade union presence (see Blau & Kahn, 2001).

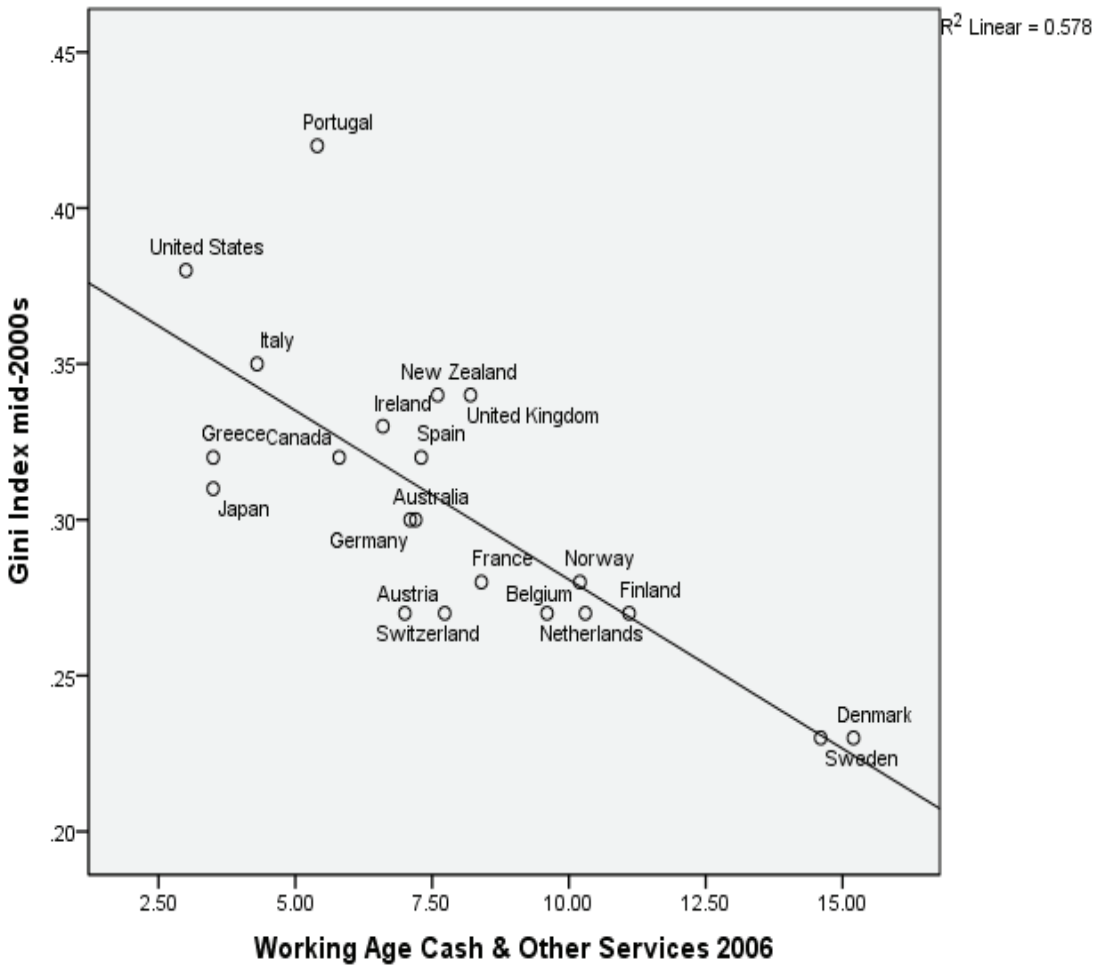
Model 3: Gini Index mid-20000s

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.389	.018		21.754	.000
Working Age Cash & Other Services 2006	-.011	.002	-.760	-5.102	.000

a. Dependent Variable: Gini Index mid-2000s. Adj R^2 = .56

Values for the Gini index vary from lows indicative of high levels of equality in countries like Denmark and Sweden at one end of the distribution to highs in Portugal, the United States, Italy and New Zealand at the other. The model we report here has only a single regressor – working age cash and other services – but this successfully accounts for more than half the variance in outcomes. A second variable – revenue from consumption taxes – improves the fit of the model, but is clearly spurious, producing a positive relationship with the Gini coefficient simply on the basis of Portugal's high values for both inequality and this measure of taxation. Removing Portugal from the equation removes any link with consumption taxes and produces a markedly stronger relationship with working age cash expenditure. The strength of the relationship for all 21 cases is shown graphically in the figure below and it may be noted that, even removing the two extreme cases at each end of the income inequality distribution, leaves a relationship still significant at the .01 level. In Table 1 it was shown that the working age cash and services measure was moderately linked to long-term Left incumbency and very strongly linked to union density, with both terms significant in a regression model explaining roughly two-thirds of spending. Neither of these variables proves significant in models of inequality containing the government spending term, suggesting precisely the kind of indirect, two-stage process that we are seeking to identify in this chapter.

We encounter what looks like another two-stage effect in our model of the gender wage gap. Wage differences between women and men are lowest in New Zealand, Norway, Belgium and France and highest in Japan, Germany, Austria and Greece. The best fitting model points to what look like two labour supply effects, with high levels of female employment making for a lesser degree of gender equality and a larger youthful population - and hence a greater proclivity for women to leave the labour force – making for greater equality. The greatest effect, however, is the negative impact of educational spending in reducing the gender wage gap presumably in virtue of supplying the skills required for women to command greater rewards for their labour market participation. The indirect political effect that can be documented here is again with union density and, to a lesser extent, with Left legacy (see also Schmidt (2007)), which, although not showing up in the outcomes model when controlling for expenditure, feature strongly in Table 1 as factors closely associated with high levels of educational spending.



Model 4: Gender Wage Gap 2006

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.345	.054		6.432	.000
Public Education Expenditure 2006	-.042	.008	-.781	-5.129	.000
Youthful Population 0-15 2005	-.014	.003	-.593	-4.252	.001
Female Employment 2006	.005	.001	.680	4.388	.000

a. Dependent Variable: Gender Wage Gap 2006. Adj R^2 = .75

Data on the size of the Youthful Population from *OECD Factbook*, 2010d. Data on Female Employment from OECD Labour *Market Statistics*, 2010e.

Health Status Indicators

The OECD’s headline health status indicators relate to mortality at the two extremes of the age distribution: male life expectancy at age 65 and the infant mortality rate (the number of deaths of children under one year of age, expressed per 1,000 live births). As noted previously, the most immediately interesting finding of our earlier correlation analysis is that neither of these variables is significantly associated with health spending

although infant mortality proved to be associated with political variables including union density and constitutional structure as well as three of four of the revenue measures in Table 5.

I do not report an explanatory model for life expectation. The distribution of values for male life expectancy is quite different from those encountered anywhere else in this analysis, with Japan, Switzerland, Australia and France at the top of the distribution all exceeding 18 years of average expected longevity and Denmark, Portugal, the Netherlands, Ireland and Finland at the bottom of the distribution all falling below 17 years and the only significant correlates of male life expectancy featuring in Tables 4 and 5 above were the anomalous findings that higher levels of total public expenditure and educational spending and higher levels of consumption taxes were associated with reduced health status. Of the whole range of political, government spending, demographic, cultural and economic variables deployed in this analysis, these proved to be the only variables significantly associated with outcomes. The reported association with consumption taxes in Table 5 is a strong one, and one which, in principle, might provide ideological sustenance to the supporters of the Tea Party, but we note that, disappointingly for such supporters, the major exception to the anomalous negative relationship is the United States itself with very low consumption taxes but only moderate male life expectation beyond 65 and that the correlation between change in life expectancy over the period 2000-2006 (for data, see OECD 2009a) and consumption taxes as percentage of GDP over the same period is wholly insignificant although still negative (-.18). Without a compelling hypothetical linkage and without further evidence, the association must be regarded as spurious.

That the distribution of male life expectation cannot be modelled using the variables deployed in this analysis need not mean that this is an area impervious to government intervention or unaffected by demographic, cultural or economic factors. According to Shaw, Horace and Vogel in a paper on the determinants of life expectancy (2005) “the general consensus is that population life expectancy (or mortality) is a function of environmental measures (e.g., wealth, education, safety regulation, infrastructure), lifestyle measures (e.g., tobacco or alcohol consumption), and health care consumption measures (e.g., medical or pharmaceutical expenditures).” Most, if not all of these parameters can be influenced by the actions of government (for instance, by the subsidization of pharmaceutical expenditure through the health system or by educational campaigns warning of the adverse effects of alcohol and tobacco consumption), but our spending data are at far too high a level of aggregation to capture such effects.

Model 5: Infant Mortality 2006

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-1.982	1.369		-1.447	.166
Gini Index mid-2000s	7.906	3.035	.366	2.605	.018
Constitutional Structure 2005	.278	.068	.573	4.096	.001
Total Fertility Rate 2005	1.854	.554	.466	3.347	.004

a. Dependent Variable: Infant Mortality 2006. Adj R^2 = .62

Data on fertility rate 2005 from OECD (2009a) Society at a Glance 2009, Paris.

Modelling infant mortality is far less problematic. At one end of the distribution are the English-speaking countries of the United States, Canada, New Zealand and the United Kingdom with five or more infant deaths per 1,000 live births and at the other Japan, Sweden and Norway with less than three deaths per 1,000 live births. Model 5 suggests that infant deaths are most frequent in those countries where women are most fertile, where the constitutional structure contains a greater numbers of veto-points and where income inequality as measured by the Gini index is greatest. None of these findings is particularly surprising. That infant mortality is higher where women have greater numbers of children is a commonplace of the demographic literature, while the role of income inequality in governing access to health care and, hence, influencing infant mortality is a hypothesis of very long standing (see Russett et al, 1964, 199).

That there should be a direct connection between constitutional structure and health outcomes may not be intuitively obvious, but it has, in fact, long been argued in the ‘policy matters’ literature that federalism, which provides the most dramatic instance of multiple veto-points, significantly impedes the capacity to legislate the health policy programmes required to reduce infant mortality on a uniform national basis (for evidence relating to infant mortality outcomes, see Castles and McKinlay, 1979; for a more qualitative analysis of the development of the health care sector as a whole, see Immergut, 1992). Replacing the constitutional structure term in Model 5 with a federalism dummy also produces a result in which all three terms remain statistically significant at the .01 level, although somewhat reducing the model’s adjusted R^2. The impact of constitutional structure in Model 5 is the first instance in this analysis of politics impacting directly on outcomes. Since our analysis in respect of Model 4 has already demonstrated that cross-national income inequality is very substantially shaped by government spending, which in turn co-varies strongly with union density and Left legacy, there is evidence here too of a long chain of indirect effects from politics and government spending to income inequalities and the health status of the population.

Social Cohesion Indicators

The OECD's chosen headline indicators of social cohesion are average life-satisfaction (subjective well-being) scores and crime victimisation (the share of people who have been victims of a criminal offence in the previous calendar year). These indicators both derive from survey studies - well-being from the 2006 *Gallup World Poll* and victimisation from the *International Crime Victim Survey* – and are not available on the same kind of regular basis as the OECD expenditure and revenue data used elsewhere in this analysis.

Model 6: Subjective Well-being 2006

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	4.470	1.544		2.895	.011
Gini Index mid-2000s	-8.735	2.056	-.537	-4.248	.001
Constitutional Structure 2005	.094	.044	.257	2.150	.047
Employment to Population Ratio 2006	.049	.018	.356	2.701	.016
Total Fertility Rate 2005	.953	.373	.318	2.555	.021

a. Dependent Variable: Subjective Well-being 2006. Adj R^2 = .72

Values for subjective well-being are highest in Denmark, Finland, the Netherlands and Switzerland and lowest in Italy, Portugal, Ireland and Greece. The successful terms in the model are, for the most part, intuitively appealing, with life-satisfaction highest in those nations where more people are employed, where there are more babies and where there is the greatest income equality. Given the evidence we have that the main determinant of income inequality is spending on working age cash benefits and other services, the strong negative relationship with well-being provides support for recently reported findings suggesting the existence of a strong positive link between the social wage and happiness outcomes (Pacek and Radcliff, 2008), while the employment finding is, arguably, the obverse side of the frequently noted depressive effect of unemployment on subjective well-being (see Frey and Stutzer, 2005). The reason why a constitutional structure with a large number of veto-points should confer greater life-satisfaction is less obvious, although protagonists of limited government might want to see the finding as a vindication for the view that government intervention to procure greater equality is not the only route to greater happiness. It is worth noting, however, that, here, unlike in the case of infant mortality, the constitutional structure (and the fertility) variable cease to be significant if the United States is omitted from the equation.

Model 7: Victims of Crime 2005

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-6.155	4.577		-1.345	.195
Youthful Population 0-15 2005	1.251	.262	.738	4.770	.000

a. Dependent Variable: Victims of Crime 2005. Adj R^2 = .52

Our final modelling exercise in this paper is of variation in the reported incidence of crime. By this measure of social cohesion, the most criminally disruptive societies in our OECD sample are New Zealand, the United Kingdom, Ireland and the Netherlands, while Spain, Portugal, Japan and France are the least disruptive. The Scandinavian countries tend to fall in the middle of the distribution. This distribution is both familiar and unfamiliar, with countries clustering into ‘families of nations’ in a manner quite familiar from the policy outcomes literature (see Castles, 1993), but with families ordered rather differently (see Norris, 2009). Instead of, as in the case of the big aggregates of government, Scandinavia coming at one end of the distribution with the English-speaking countries at the other end and continental and Southern Europe in the middle, here Scandinavia is in the middle of a distribution with the continental countries, and particularly, Southern Europe at one end and the English-speaking world at the other.

As earlier in the case of reading insufficiency and the Gini index, no sensible multi-regressor model of outcomes is possible using the variables deployed in this analysis. By a tiny margin, the strongest correlate of crime victimisation in our dataset is the negative relationship with aged cash expenditure identified in Table 4. However, as noted in the commentary on that finding, it seems highly probable that this is a spurious relationship standing as a proxy for aspects of the age structure of the population, with the correlation between victims of crime and the percentage of the elderly (aged 65 and over) in the population being -.71 and with the percentage of the youthful (0-15 years) being .74. The English-speaking countries have relatively youthful age structures; Southern Europe and Japan are aging, which, of course, is why these countries expend so large a proportion of their resources on aged cash benefits. Since the idea that the young (although not the age group below 15 years of age for the most part) are likely to be responsible for the bulk of crime (and also most likely to be its victims) fits with evidence of strongly declining criminality by successive age groups (Sutherland, Cressey and Luckenbill, 1992, 157), Model 7 features the youthful population as its one significant regressor of the victims of crime. There is no evidence of either political or government spending effects and, although inequality is frequently seen as an important determinant of criminality, there is no significant relationship between the Gini index and victims of crime even at a bivariate level. There is also no significant correlation

between victimisation and unemployment although such a relationship is frequently adduced in the literature.

IMPLICATIONS FOR FUTURE POLICY OUTCOMES RESEARCH

In terms of the objective of this chapter to identify linkages between politics, government spending and policy outcomes, the particular content of any of the above models is not the main point. Rather what is of interest is the pattern revealed across the models as a whole. This study has examined eight sets of outcomes. Three of them – reading insufficiency, life expectancy and victims of crime – manifest no signs of government output impacts, at least measuring outputs as we have here in terms of the big aggregates and major components of social spending and the aggregate of revenues and its components. Three more outcomes – employment, the gender wage gap and income inequality – provide evidence of direct effects, with greater educational spending associated with greater employment and a lower wage gap and with greater spending on working age cash and services associated with lower income inequality. Finally, the two remaining outcome measures – infant mortality and subjective well-being – are linked with expenditure at one remove, with lower income inequality associated with both lower infant mortality and with greater subjective well-being. Interestingly, despite the fact that the bivariate linkages between taxing and outcomes were more consistently significant than those with expenditure, it is expenditure that proved most successful in predicting outcomes in the models featuring in the previous section of the paper, arguably because expenditure programmes are more directly targeted to the achievement of particular outcomes than are revenue components. The evidence here suggests that some kinds of government expenditure are strongly associated with some kinds of policy outcomes - and, in particular, with equity outcomes - and on this basis I think it reasonable to argue that a comparative public policy which has hitherto largely assumed that expenditure outputs matter should in future spend more time actually demonstrating the mechanisms by which this comes about.

What I think future comparative public policy research should not do is to devote too much more time and energy to the question of the determinants of the big aggregates of public and social spending, which, although, as shown in Table 1, are moderately associated with political incumbency as the ‘politics matters’ school has always insisted, are never themselves significantly linked with outcomes in any of the models presented here. The reason, as already noted in passing, is quite obvious: government spending is finite and governments’ priorities are diverse, so that big spenders in one area will inevitably be small or medium spenders in others. As I have argued for many years, the focus of attention of comparative policy research needs to shift to the components of public and social spending, where we are far more likely to discover the obvious: that

governments that spend big on programmes designed to achieve particular objectives are more likely to achieve those objectives than those which do not. The cases here are illustrative: governments that spend more on skills acquisition through education do get higher levels of employment and do reduce gender inequalities in the workplace, and countries which offer greater benefits to low income earners and provide more services to families and the aged do reduce overall levels of income inequality. In these respects government spending clearly does matter a great deal. Arguably, the more we are willing and able (obviously the availability of appropriate data has been and remains a constraint) to disaggregate expenditure (both public and private), the easier it will be to demonstrate that spending matters. Within the education budget, there may well be programmes that help account for reading insufficiency and, within the health budget, programmes - like the extent of free or subsidized pharmaceutical provision - that may help to account for cross-national differences in life expectancy.

Lastly, I wish to address one final point about the future agenda of scholarship in comparative public policy which relates to the need to pay more attention to the question of how politics matters than to headline demonstrations of the mere fact that one or other political variable is associated with government spending or with real outcomes. Here we have shown that short-term partisan incumbency is associated with big government, but not with its separate components and not with policy outcomes. On the other hand, constitutional structure appeared to be directly implicated with infant mortality and, dependent on the inclusion of the United States in the model, also subjective well-being. Moreover, working class mobilization as measured by union density and the long-term legacy of Leftist rule was very strongly associated with expenditure components that had important impacts either directly or indirectly on a very wide range of outcomes (see Appendix B for an illustrative critical path diagram of linkages between working class mobilization, governmental outputs and equity and subjective well-being outcomes based on the analysis in this paper). Locating such patterns, mapping their persistence over time and offering coherent theoretical accounts for their development are all important topics for comparative research, with a possible hypothesis that the impact of short-term partisan incumbency on particular components of expenditure has declined over the past half century as innovatory reforms promoted by Left governments have gradually diffused to become policy verities for all governments in advanced nations (even the United States now has something resembling a national health scheme). A final question is why, when it has been largely ignored by the ‘politics matters’ literature for more than a quarter century, does working class mobilization as measured by union density turn out to have such a strong relationship with some major components of spending when short-term partisan incumbency does not? Thirty years ago Manfred Schmidt argued that “certainly, it would be valuable if the extra-

parliamentary politics of capitalist democracies featured more prominently in future public policy research” (Schmidt, 1982, 164). That remains as true today as it did then.

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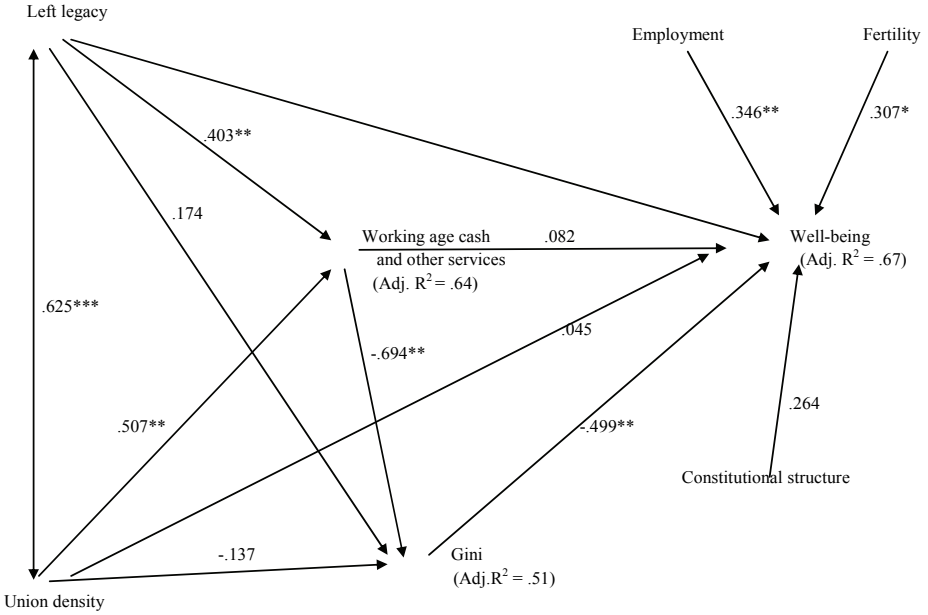
APPENDIX A: OECD Outcomes Data Mid-2000s

	Employment Ratio	Reading Insufficiency	Gini Index	Gender Wage Gap	Life Expectancy	Infant Mortality	Well-being	Victims of Crime
Australia	72.9	13.4	0.3	0.17	18.3	4.7	7.4	16.3
Austria	71.4	21.5	0.27	0.22	17.2	3.6	7.1	11.6
Belgium	61.6	19.4	0.27	0.11	17	3.7	7.4	17.7
Canada	73.6	11	0.32	0.21	17.9	5.4	7.4	17.2
Denmark	77.3	16	0.23	0.13	16.2	3.8	8	18.8
Finland	70.5	4.8	0.27	0.19	16.9	2.8	7.6	12.7
France	64	21.7	0.28	0.12	18.2	3.8	7	12
Germany	69	20	0.3	0.23	17.2	3.8	6.6	13.1
Greece	61.5	27.7	0.32	0.22	17.4	3.7	6.4	12.3
Ireland	69	12.1	0.33	0.14	16.8	3.7	6	21.9
Italy	58.7	26.4	0.35	0.14	17.5	3.9	5	12.6
Japan	70.7	18.4	0.31	0.33	18.5	2.6	6.5	9.9
Netherlands	74.1	15.1	0.27	0.17	16.7	4.4	7.6	19.7
New Zealand	75.4	14.5	0.34	0.1	17.8	5.2	7.4	21.5
Norway	77.5	22.4	0.28	0.12	17.7	3.2	7.5	15.8
Portugal	67.8	24.9	0.42	0.21	16.6	3.3	5.4	10.4
Spain	66.6	25.7	0.32	0.21	17.9	3.8	7.1	9.1
Sweden	75.7	15.3	0.23	0.15	17.6	2.8	7.4	16.1
Switzerland	78.6	16.4	0.27	0.19	18.5	4.4	7.5	18.1
United Kingdom	72.3	19	0.34	0.21	17	5	7	21
United States	71.8	19.4	0.38	0.19	17.2	6.9	7.3	17.5

Source: OECD, *Society at a Glance*, 2009. Notes: Employment Ratio = Employment rates, age 15-64, men & women, percentages; Reading Insufficiency = Share of students aged 15 with insufficient reading competences (at levels 1 or below), percentages; Gini Index = Gini coefficient of income inequality; Gender Wage Gap = Gender wage gap in median earnings between women and men working full-time; Life Expectancy = Life expectancy at 65, men; Infant Mortality = Infant mortality - Deaths of children under 1 year of age /1 000 live births; Well-being = Level of subjective well-being; Victims of Crime = Share of people who been victims of a criminal offence.

APPENDIX B: Critical Paths from Politics via Government to Equality and Subjective Well-being



Notes and sources: The strength of paths is indicated by standardized regression coefficients. Significance: * = p ‹ 0.10; ** = p ‹ 0.05; *** = p ‹ 0.01. All variables are as sourced in the text of this Working Paper.

BIOGRAPHICAL NOTE

Francis G. Castles is Emeritus Professor of Social and Public Policy at the University of Edinburgh and Adjunct Professor of Political Science at the Australian National University.