

# **NO NORMAL SCIENCE!**

**Festschrift for Kees van Kersbergen**



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Edited by Christoffer Green-Pedersen,  
Carsten Jensen and Barbara Vis

Politica

# NO NORMAL SCIENCE!

*Festschrift for Kees van Kersbergen*

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# Preface

Beste Kees, Dear Kees, Kære Kees,

Happy Birthday! For us, your birthday is a unique opportunity to honor a dear friend, colleague, and mentor. To us, you are all these things at the same time. Our present for you is a testimony to your fantastic scientific journey over the past 40 years. Geographically, your mobility has taken you from Florence to Amsterdam, to Nijmegen, back to Amsterdam and then to Aarhus, not to mention your shorter excursions to North Carolina and Konstanz. Your academic journey has taken you from graduate student to full professor. At every place and in every role, you have picked up friends who want to honor you by contributing to this book. Some got to know you as a promising graduate student, others as an engaged supervisor, and others as a great colleague, but no matter your role, they got to know a fantastic person who became a friend.

The book's title – *No normal science!* – is inspired by Thomas Kuhn according to whom normal science 'does not aim at novelties of fact or theory and, when successful, finds none' (1962: 52). Consequently, normal science is puzzle solving, focusing on puzzles that can be solved. Much research, including our own as well as some of yours, as you noted in a co-authored publication with one of us – is normal science. Yet luckily, much of your research over the years has been anything but 'normal'.

The title is intended to honor your scientific originality. Initially, you worked on the role of Christian democracy in the development of European welfare states. The capstone of that work was published as *Social capitalism: A study of Christian democracy and the welfare state* in 1995 and has become a true classic within the field. Although you easily could have remained safely with that topic and become 'Mr. Christian Democracy', your great curiosity has pulled you in many other directions. You have explored a variety of issues related to the welfare state: from social investment to welfare chauvinism to reform strategies. But your interests are much broader than that. Already 20 years back, you became engaged in the question of how

democratic politics is best organized to deal with the rising complexities of modern society. In some of this work, you contributed to the then rapidly emerging literature on 'governance'. In other work around the same time, you originally explored new themes, for example in one of your personal favorites on quasi-messianism and the disenchantment of politics. In more recent years, you have once again have taken an original turn by engaging with a series of new bodies of literature, which made you among other things one of the pioneers in studying the effects of social acceleration on representative democracies. The question of how to best organize democratic politics is today even more salient with the massive digital transformations we are witnessing – and you are once again at the forefront, helping us all to better understand the world we live in.

Aarhus and Utrecht, June 2023

Christoffer Green-Pedersen, Carsten Jensen, and Barbara Vis

**I. 'GOING BACK TO HIS ROOTS':  
DEVELOPMENTS RELATED TO  
CHRISTIAN DEMOCRACY**



## Chapter 1

# Ranking the stars: The proliferation of liberal democracy

*Hans Keman*

### The end of history or political decay?

After the fall of the wall in 1989, many political scientists believed that the world was definitely turning democratic. What they meant was that the world was becoming merely liberal democratic. Free and fair elections would make political participation flourish, and freedom of expression and association would create a pluralistic mode of representation – albeit in the form of indirect democratic governance of society. In short, polyarchy, government by many, as coined in 1971 by Robert Dahl, would prevail across the world sooner rather than later.

Yet, as the 21<sup>st</sup> century moves on, democratic backsliding is manifesting due to flawed institutions showing defective trends. For example, electoral manipulation is regularly noted, the rule of law is under siege, and the stateness, or effective governance, is below par (Bermeo, 2016). In short, the level of democraticness appears to be in peril. Is this indeed the case? According to The Economist it is, reporting the state of democracy as follows:

Democracy was dealt a major blow in 2020. Almost 70% of countries covered by The Economist Intelligence Unit's Democracy Index recorded a decline in their overall score. (....) The global average score fell to its lowest level since the index began in 2006 (The Economist Intelligence Unit, 2021: 3).

They are not alone in fearing the decline of liberal democracy in the 21<sup>st</sup> century. Since the latter part of the 20<sup>th</sup> century, various agencies measuring the level of democraticness have emerged, like Freedom House and recently Varieties of Democracy. They claim to record the level *and* change of democraticness globally, and their annual reports demonstrate a downward trend. Yet, the conceptualization

and concomitant measurement of democracy differ considerably (Munck and Verkuilen, 2002; OECD, 2014), which makes one wonder what the virtue and value of such rankings are. And how valid and reliable are these scales of democraticness?

In this chapter, I will first introduce the concept of polyarchy (cf. Dahl, 1971) as a comparative variable. I will discuss the results over time in view of the idea of waves of democratization (Huntington, 1993). Second, I shall examine the rankings of The Economist Intelligence Unit, Freedom House and Varieties of Democracy, all claiming to measure democraticness worldwide. The conclusion is that ‘ranking the stars’ may be useful for the media and politicians but is insufficient to understand what happens when, where and with what effect for a democratic society.

### **Polyarchy as a comparative variable of democraticness**

In his seminal study, Robert Dahl (1971) developed a concept that could travel across the world and across time. Conceptually, two crucial dimensions are introduced: political participation and public contestation. The first dimension concerns how and to what extent the population can participate in the electoral process by the right to vote. Yet, the road to universal suffrage was often long and hesitant. This struggle was also about how the votes are translated into seats; the main difference being having a first-past-the-post electoral system (like in the UK) or Proportional Representation as is prevalent across Europe (Farrell, 2001).

The second dimension, public contestation, is related to political and civil rights. Contestation involves the room to challenge the reigning powers without being harassed or persecuted. This is essential to any democracy, but the freedom to challenge, criticize or condemn public authority is still limited in many polities. In short: If public contestation is restricted, plurality is limited, and democracy defined as polyarchy cannot function adequately.

Combined, the two dimensions define polyarchy, according to Robert Dahl, meaning *government by many*. In his view, the route toward a polyarchy is developed in sequences. In some countries, democratization begins by allowing public contestation first and electoral participation later (e.g., the UK and the Netherlands); in others, through the introduction of voting rights and conducting

elections (e.g., Germany). A third sequence concerns those polities where civil and political rights are introduced simultaneously with electing officials (as in New Zealand). This *parallel* development can be a result of decolonization, the collapse of a hegemon (as in Eastern Europe), insurrection or evaporation of dictatorship (as in Spain and Portugal).

Hence, there are three pathways toward democratization: one, by establishing participation and contestation simultaneously; two, electoral participation first and public contestation later; and three, political contestation followed by electoral participation. Over time, after the Great War in particular, the emergence of a uniform model of democracy has become the *paradigm* of liberal democracy, in which participation and contestation are seen as the central values of democraticness.

Tatu Vanhanen (2003) has developed an empirical measure of polyarchy by operationalizing the degree of electoral participation and pluralist representation.<sup>1</sup> Figure 1 below shows the distribution of polyarchies in 2000 and 2018 on public contestation and political participation for the 38 polities.<sup>2</sup>

The figure shows the variation across the 38 countries: The 16 polities in the upper right quadrant (Czech Republic, Israel and Spain are post-war additions) can be considered established polyarchic systems. The polities in the upper left quadrant containing Argentina and South Korea have notably developed polyarchic conditions, whereas six democracies in the lower right quadrant have backslid after 1995. The United Kingdom is one of them. The 14 polities in the lower left quadrant do not quite qualify as polyarchies. Canada and France are perhaps surprising cases. In part, this may be explained by the emergence of a dominant party and a lower turnout

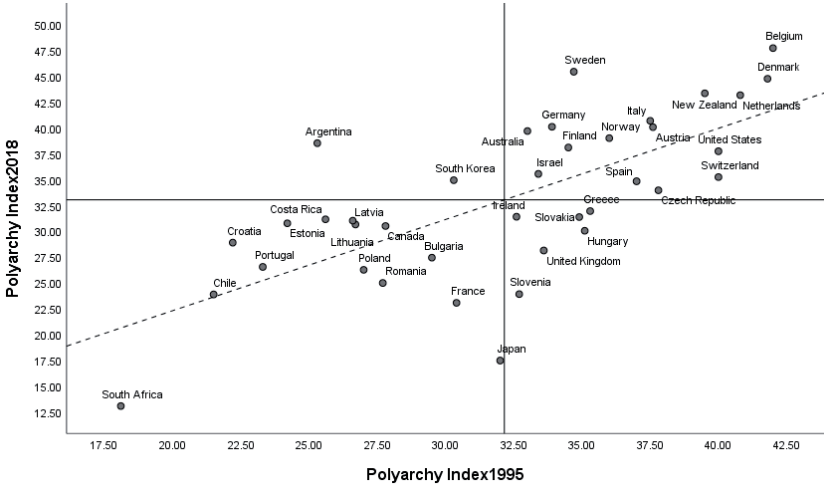
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1 The formula used by Vanhanen is: electoral turnout \* votes non-largest parties/100. The turnout represents the extent of participation and votes for the non-largest parties the extent of pluralism.

2 The sample (N = 38) is selected based on scores of 0.65 or better obtained from The Economist Intelligence Unit's report (2021). Second, a geographical spread was pursued to represent all continents. The total N of cases included by Vanhanen is 167. Table 2 reports all cases used in this chapter.

(this latter factor plays an alternative role in Belgium where voting is compulsory).

**Figure 1: Comparing the Polyarchy Index in 1995 and 2018**



Explanation: Dots represent the relative position of 38 countries according to the Vanhanen Index in 1995 and 2018 (Pearson's correlation = .61). The vertical and horizontal lines represent mean values for 1995 and 2018. The diagonal is the fitting line of the correlation ( $r = .38$ ).

Source: Vanhanen Index of Democracy. Reading example: Argentina has improved between 1995-2018 being below the mean in 1995 and moving above the mean in 2018. Japan and South Africa, are below both means, regressing as a polyarchy during this period.

Another way to inspect Figure 1 is to consider the 'fitting line', i.e. the diagonal: Countries that are close to this line can be seen as neither improving nor backsliding. Yet, polities that are below this line are scoring lower over time and appear to be in peril of backsliding (but see also Argentina and Sweden as positive cases). In sum, Vanhanen's index of polyarchy can be used to compare levels of democraticness and over time. Although it is considered a 'thin' measurement since it consists of only two variables (OECD, 2014), it can be useful as a *descriptive* model to examine, for instance, waves of democratization and backsliding.



## Waves of democratization: What goes up must come down?

Searching for patterned variation diachronically is common in comparative politics. Finding cycles is part of this exploration. Waves of democratization and reversal have become subjects of research. Samuel Huntington, a prominent representative of this search for waves of democratization,<sup>3</sup> observes three waves: the first long wave of the 19th century ending after the First World War, a second wave after the Second World War, and a third wave beginning in the mid-1970s in Southern Europe, followed by Latin America and Asia. Huntington does not discuss the collapse of the Soviet bloc and the subsequent democratization in Eastern Europe. This latter development is the fourth wave of democratization resulting in a wave of reversal.<sup>4</sup>

There is consensus that the *first wave* was long, slow, and lasted up to the Great War (1914-1918). It took place in Western Europe and its 'offshoots' like the USA and the British dominions. The development toward polyarchy mainly followed the public contestation route. Universal suffrage was only hesitantly introduced later. The *second wave* occurred during the interbellum (1918-1939) and was the result of the dissolution of the German and Austrian empires and the emergence of new states mainly in Eastern Europe due to the peace treaties of 1919 (Lee, 2000). This wave did not last long, and democratization was often thwarted in Europe and led to autocratization (see Berg-Schlosser and Mitchell, 2002). The *third wave* emerged after the Second World War and lasted until the 1960s. Decolonization was a prime mover: New, independent states were born and often provided with a constitution based on the liberal model of democracy (Pinkney, 2020). Finally, the *fourth wave* has been different: First, the South European countries, Greece, Portugal, Spain, returned to the democratic fold. Yet, the sudden Fall of the Wall

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3 Huntington defined a democratic wave as 'a group of transitions from nondemocratic to democratic regimes that occur within a specified period of time and that significantly outnumber transitions in the opposite directions during that period of time' (1993: 15).

4 There is an ongoing debate about what makes a 'wave', creating multifarious divisions of the time line and cut-off point and grouping of countries (see Schmidt, 2019: 391-398). I follow Huntington's concept and add that each wave knows a trend up- and downward.

in 1989 accelerated democratization across Eastern Europe as the Communist regimes transformed into constitutional democracies (de Raadt, 2009). Outside Europe, a wave of democratization in the 1990s occurred too: South Africa ended Apartheid in 1993, and in Latin America, Argentina and Chile consolidated their regained levels of democraticness in spite of economic recession and the social traumata related to the preceding dictatorship (Hybel, 2020). The question is, can these waves of democratization and reversal be observed by means of Vanhanen’s data, which identifies the emergence of a polyarchy? Table 1 reports the number and averages of polyarchies for each wave.

Obviously, the number of polyarchies as well as the average scores have increased over time (in part due to the birth of new states after the First and Second World War). After the fourth wave, all 38 countries included in the sample can indeed be considered democracies. Yet, the Range shows that there are considerable differences among the polities. Between 1995 and 2018, this convergent trend appears to have stalled (see also Figure 1). Another factor that may well be relevant is time. Many of the countries only (re-)democratized during the last wave (e.g., in Eastern Europe and Latin America). Hence, as Inglehart and Welzel (2005) claim, generational change appears to affect the developing political culture and the extent to which the political game is played by the rules as the only game in town.

**Table 1: Average poliarchy scores by wave of democratization**

Waves	1900	1920	1965	1995	2018
Average score	7.0	13.5	25.8	32.2	33.0
Range (MiniMax)	19.9	31.5	34.9	23.9	34.7
N of cases	14	31	25	38	38
Percentage	36.8	81.6	65.8	100.0	100.0

Explanation: Average scores represent the Vanhanen Index of Polyarchy. Range is the difference between the highest and lowest score of each wave. N of cases is the number of polyarchies by wave and the per cent of total (N = 38). Source: See Figure 1.

The development towards a civic culture (Almond and Verba, 1963) promoting political participation simply takes time, education and grows by generation (cf. Inglehart and Welzel, 2005). Altogether, the level of democraticness has grown over time, but there are also reversing developments: What goes up appears to come down! An example is the interbellum era: There were 31 polyarchies after the First World War but only 25 in 1939. Another era of reversal is the 1960s and 1970s when a number of democratic polities across Asia, Africa and Latin America turned into autocracies (Pinkney, 2020).

In short: After several waves of democratization, we note an increase of democratic polities, if and when conceptualized as a polyarchy. We also note that after a wave of democratization, a further development beyond the minimal operationalization is often slow, and serious reversals occur. Second, the different waves are either unevenly distributed across the regions or short-lived. The third and fourth wave resulted in many ‘new’ democracies but also reversal towards illiberal tendencies (like in Hungary, Israel and Poland). Considering the standards of polyarchy, many polities could be typified as defective or at best as flawed democracies. Although the fourth wave looked promising, the 21<sup>st</sup> century appears to feature lower levels of democraticness. However, this development, captured by the Vanhanen index, hardly tells us to what extent the liberal democratic paradigm has emerged in full. The ambition of the so-called ‘thick’ approaches is to gauge comprehensively the variation in democraticness in the 21<sup>st</sup> century.<sup>5</sup>

### **Liberal democracy as the yardstick: Ranking the stars**

The precursors of contemporary theories of democracy were concerned about confining the absolutist powers of the state vis-à-vis its inhabitants of the realm as well as defining the natural integrity of the individual. Eventually, these ideas were institutionalized in (individual) liberties and assigning the judiciary to oversee their maintenance. Hence, civil and political rights that were gradually

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5 The terms ‘thick’ and ‘thin’ are used to depict the difference between a concept with few indicators, like Vanhanen’s operationalization of polyarchy, whereas *Varieties of Democracy* and *The Economist* use many different indicators and sources (see OECD, 2014).

granted to the citizen together with the rule of law are today considered corner stones of a fully-fledged democratic polity.

These ideas were embodied in the work of the Founding Fathers of the US constitution and, for example, J.S. Mill. Probably the research by Freedom House is the core example of this persuasion. The pivotal point is that political and civil rights ought to be considered as essential to enjoy democracy. States that do not meet these criteria are seen as non-democratic if not worse, and this yardstick divides the world into good guys and bad guys. This approach is typical for the ideological contest during the Cold War between the East and the West that dominated the post-war era up to the decline and disintegration of the USSR after 1989. At the same time, this Cold War contest blurred a more objective search for measuring democraticness as a system of governance (as conceptualized by van Kersbergen and van Waarden, 2004).

Our criticism of the available measures inspecting the levels of democraticness so far shows that they tend to be *biased* (Freedom House) or *minimalist* (polyarchy) as a yardstick. Other indexes have emerged, competing by means of developing many indices and scaling devices of how complete democracies are. This type of indexing is called 'thick' measurement. Nevertheless, the value of such rankings remains questionable in terms of validity and reliability, as the evidence is based on (often unknown) experts and unclear aggregation formulas affecting the outcomes (Munck and Verkuilen, 2002). Two examples are the indexes created by The Economist and the Swedish Varieties of Democracy (V-Dem).

Their results are proudly presented as the 'truth' about the state of liberal democracy around the world. It is like a popular Dutch TV programme *Ranking the stars* or like other (often silly) listings published by the media that merely focus on the rank gained by a country rather than discuss the ranking substantially. Table 2 reports the rank orders of these four indexes, which are often used in academia.

Judging the rank order correlations between the rankings of the indexes, it is obvious that the polyarchy (Vanhanen) index is weakly associated with the other scaling efforts. It may be useful for comparisons over time, and, as the data are publicly available, everyone can replicate Vanhanen's efforts. This is not feasible for the Freedom House results: Experts are in large part responsible for the country

scores, and we have no access to the data. Compared with the other indexes, the outcomes of the Freedom House ranking are puzzling: Even at face value, it is hard to see that Romania, South Korea, South Africa and the USA are at the same level. In sum, both ways to rank the stars are dubious and unreliable.

This is different for both 'thick' rankings. The Spearman's Rho correlation between Varieties of Democracy and The Economist is:  $r = .79$  or 62% overlap. In most cases, the differences are minor, but as the last column illustrates, a number of polities have a wide gap between them ( $> 6$  points): Australia, Austria, Belgium, Canada, Chile, Costa Rica, Estonia, Israel, Japan, Lithuania, Slovakia and the USA. Eight are consolidated and long-standing democracies (even the USA in view of its recent past!), and four are younger democracies. This inspection tells us that rankings should be handled carefully. The actual scores could well be the outcome of misinterpretation, lack of sources or insufficient expertise. Who knows?

In sum, ranking the stars may well be an interesting exercise, but it is also precarious in the sense that many people (including politicians and journalists) tend to attach (too) much weight to these scores. As one can observe from the factual scores, the differences *between* cases are often too minimal to justify a ranking *per se*. In addition, all scales introduced here follow the paradigmatic concept of liberal democracy, seeking to find the holy grail. Yet, a liberal democracy is not by definition a working democracy. Keeping this caveat in mind, it is useful to observe that the rankings of liberal types of democracy demonstrate that democratic polities are not always and everywhere equally well institutionalized.

Table 2: Ranking the stars: Ranking orders of democracy scales

Country	Vanhanen Index	Freedom House	V.Dem.	Economist Index	Diff. VDem/Econ.
<i>Argentina</i>	10	30	30	33	-3
<i>Australia</i>	8	8	17	9	8
<i>Austria</i>	7	18	22	15	7
<i>Belgium</i>	1	12	11	27	-16
<i>Bulgaria</i>	29	36	37	35	2
<i>Canada</i>	25	6	25	4	21
<i>Chile</i>	35	18	22	13	9
<i>Costa Rica</i>	21	21	5	15	-10
<i>Croatia</i>	27	30	33	37	-4
<i>Czechia</i>	16	21	29	25	4
<i>Denmark</i>	3	8	1	6	-5
<i>Estonia</i>	23	16	9	23	-14
<i>Finland</i>	11	2	7	5	2
<i>France</i>	36	24	14	19	-5
<i>Germany</i>	6	16	9	11	-3
<i>Greece</i>	18	28	25	28	-3
<i>Hungary</i>	26	38	38	36	2
<i>Ireland</i>	19	8	11	7	4
<i>Israel</i>	13	37	32	23	9
<i>Italy</i>	5	24	19	24	-5
<i>Japan</i>	37	12	28	16	12

<i>Latvia</i>	24	27	25	29	-4
<i>Lithuania</i>	22	24	22	30	-8
<i>Netherlands</i>	4	6	11	9	2
<i>New Zealand</i>	33	4	5	3	2
<i>Norway</i>	9	2	3	1	2
<i>Poland</i>	31	35	37	34	3
<i>Portugal</i>	30	12	17	21	-4
<i>Romania</i>	32	33	35	38	-3
<i>Slovakia</i>	20	24	22	32	-10
<i>Slovenia</i>	34	14	32	26	6
<i>South Africa</i>	38	33	34	31	3
<i>South Korea</i>	14	33	17	18	-1
<i>Spain</i>	15	24	14	17	-3
<i>Sweden</i>	2	2	2	2	0
<i>Switzerland</i>	17	12	5	10	-5
<i>Un. Kingdom</i>	28	18	14	12	2
<i>United States</i>	12	33	28	20	8

Explanation: The index scores have been transformed into rank orders. Ties between countries result in a similar rank. The last column reports the differences by case between the VDem and Economist rankings. Correlations (Spearman's Rho) between the rankings are: Freedom House \* VDem = .76; Freedom House \* Economist = .83; VDem \* Economist = .79; Vanhanen \* VDem = .48; Vanhanen \* Freedom House = .31; Vanhanen \* Economist = .36.

Sources: Freedom House; Economist Intelligence Unit; Varieties of Democracy; Polyarchy (Vanhanen) index: see Figure 1.

## The state of democracy in the 21<sup>st</sup> century

To shine a better light on the developments within our universe of democratic polities, I turned to The Economist Intelligence Unit, which attempts to measure the actual *functioning* of representative government, such as popular participation, political culture and effective governance, which are part and parcel of The Economist's overall concept.<sup>6</sup> The overall change between 2005-2020 is minus .21, but if one divides the sample into low, medium and high levels of democraticness,<sup>7</sup> the negative scores appear in all three categories, especially the lower-level democracies (e.g. Hungary: -.93, i.e. 15% decrease!). The state of democracy is obviously worsening, albeit not in all countries. For example, Argentina and New Zealand's scores have improved; the Netherlands and Sweden's have not. In fact, only 12 of the 38 polities show higher scores than in 2005. Argentina is the exception, whereas Hungary and Poland are in decay. All in all, more democratic polities are in peril in this century!

How come? Among the potential explanations of backsliding, three factors play a role: the extent of *political participation*, the way a *political culture* has developed, and the *role of government* in terms of policy performance. The 'gap' between electors and elected is one concern. Second, the decline of a political culture promoting consensus and cooperation. Third, democracy is a means to an end: An elected government is expected to deliver; democracy without responsive and responsible government capable of making policy is an empty shell.<sup>8</sup> Table 3 reports the scores for each variable and level of democraticness.

In effect, the average scores on *political culture* show the largest discrepancies, 0.21 points, between the three types of democracy. The lowest-scoring cases are in Eastern Europe, but also Britain,

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6 Oddly enough, The Economist has hardly collected any information on the rule of law. Only one query out of 60 mentions the role of an independent judiciary (p. 67). This is obviously a deficiency.

7 This division is based on the overall score on liberal democracy in The Economist Index: Low is below .75 (N = 12), medium below .85 (N = 14) and full more than .85 (N = 12).

8 In other words, if democratically based decisions cannot be or are not implemented, then the concept of democracy is not very meaningful as a regime to govern a society.



**Table 3: Dimensions of a democratic polity**

<i>Variable →</i>	<i>Governance</i>	<i>Participation</i>	<i>Political culture</i>	<i>Liberties</i>
<i>Full – average</i>	.87	.86	.90	.93
Range	.21	.22	.25	.09
Worst case	Britain	Australia	Britain	Netherlands
<i>Medium – average</i>	.75	.72	.73	.83
Range	.35	.44	.19	.41
Worst case	Czechia	Belgium	Slovenia	Israel
<i>Low – average</i>	.60	.65	.55	.77
Range	.52	.50	.38	.68
Worst case	Romania	Lithuania	Romania	Hungary

Explanation: The scores are given for each category: full – medium – low (see footnote 7). The range statistics show the homogeneity: the lower the more homogeneous; if higher, there is a heterogeneous distribution. The countries mentioned are scoring lowest. Source: Economist Intelligence Unit (2021).

South Africa and the USA are below par in this respect. As regards *political participation*, we note that four West European polities seem to lag behind: Belgium, Greece, Portugal as well as Britain. The *governance* scores also differ considerably. Altogether, the table demonstrates that these factors are relevant to take into account instead of the overall rankings.

### **Towards fuller democracies or the end of the liberal model?**

The main inference of employing measures to rank the stars is that backsliding can be observed in this century. This wave of *de-democratization* is like the preceding waves of democracy: They are followed by a reversing trend. Not everywhere, however, but backsliding is not a uniform process, nor is it always followed by *re-democratization* (Bermeo, 2016). The idea of waves is certainly interesting to inspect what kind of progress is made over time. Are civil and political rights established and upheld? Are elections indeed free and fair? Is a working system of rule of law in place?

Yet, the Polyarchy Index only focusses on electoral participation and party systems being more than less pluralistic. The same reproach concerns the Freedom House index, which focuses on the availability of political rights and civil liberties. However important they are, it concerns *conditions* of democratization and less the *process* to achieve policy output leading up to a governmental performance like the welfare state (Becker and van Kersbergen, 2002).

Finally, I employed The Economist Index in more detail to inspect different dimensions of democraticness. The findings show that political culture, political participation and effective governance by the democratic state are relevant for understanding processes of democratization and *de*-democratization. Making democracy work obviously requires institutions. Yet, without a well-functioning and effective state apparatus, embedded in a positive political culture where citizens can, albeit indirectly, participate meaningfully, the democratic process cannot prosper, let alone persevere in times of societal polarization and popular dissatisfaction.

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## Chapter 2

# Revisiting van Kersbergen's contrast of Christian democratic vs. social democratic social policy 25 years later

*Evelyne Huber and John D. Stephens*

### **Quantitative literature on welfare state generosity**

The quantitative debate of the past five decades about determinants of welfare state development has been carried out between proponents of three different theoretical approaches, the 'logic of industrialism', 'state-centric', and 'political class struggle', or Power Resources Theory (PRT) approaches. More recently, feminist scholars have made important contributions to the debate, moving from early critiques of the welfare state as reinforcing patriarchy to more nuanced assessments of the differential effects of different welfare state regimes on the status of women and of the role of women as actors in welfare state development. One core hypothesis from PRT is that left-wing governments should have a strong effect on welfare state generosity, particularly welfare state redistribution. The contrasting (or complementary) argument is that Christian democratic governments (also) have a strong effect on welfare state generosity. We draw our control variables from the competing explanations found in the literature. We begin with a brief exposition of the logic of industrialism, state-centric, and the feminist contributions as well as several other hypotheses about welfare state expansion and retrenchment that do not lend themselves to easy classification.

According to the logic of industrialism explanation, both the growth of the welfare state and cross-national differences in 'welfare state effort' are by-products of economic development and its demographic and social organizational consequences (Wilensky, 1975; Pampel and Williamson, 1989). This suggests that GDP per capita and demography should be important causes of welfare state variation. Those insisting on a state-centric approach have focused on the policy-making role of bureaucrats, who are assumed to be rela-

tively autonomous from social forces, on the capacity of the state apparatus to implement welfare state programs, on the effects of state structure (e.g., federalism), and on the influence of past policy on new social policy initiatives (Heclo, 1974; Orloff, 1993; Weir et al., 1988; Skocpol, 1988; Immergut, 1992).

The contributions to the welfare state literature from a feminist perspective have mostly focused on the consequences of the welfare state for women's material position and for gender relations more broadly. Since the mid-nineties, there has been a proliferation of work on the role of women's movements in shaping the welfare state (e.g. see Jenson and Mahon, 1993; Lewis, 1994; O'Connor, Orloff and Shaver, 1999; Atchison and Down, 2009). Virtually all of these studies confirm that women, acting as independent women's movements, within established political parties, particularly leftist parties, and within state agencies, have been important actors promoting what Hernes (1987) calls women-friendly policies but that they were only successful when they had allies.

Another line of argument in the literature about the expansion of welfare states and cross-national differences in aggregate size of the very same cannot really be classified as belonging to any theoretical schools as it focuses on one causal dynamic and is compatible to various degrees with the logic of industrialism and the power resources approach. It holds that economic openness causes domestic vulnerability to external fluctuations and, thus, provides the incentive for the establishment of social safety nets for those affected by such external trends or cycles (Cameron, 1978; Katzenstein, 1985). Since smaller countries tend to be more open to international trade than larger ones, they are more likely to develop comprehensive systems of social protection as compensation for the victims of industrial adjustment. Recent contributions to the retrenchment literature turn this thesis on its head as they argue that increasing openness of financial as well as goods markets leads to cuts in the generosity of social policy, particularly in the most advanced welfare states.

## **Hypotheses**

### *Dependent variables*

Our policy variables are generosity of welfare state benefits, generosity of work and family reconciliation policy, and human capital

spending. Welfare state generosity is operationalized using an index of sickness, unemployment, and pension benefits taken from Scruggs and Tafoya's (2022) Comparative Welfare Entitlements Project. Work and family benefits is an additive index of daycare spending and parental leave, with both variables normalized so that they are equally weighted in the index. Parental leave benefits come from Gauthier's (2011) Comparative Family Policy Database and our own coding from country sources for 2011-2019, and they are operationalized as the average replacement rate of parental leave benefits in the first year. Human capital spending is spending on daycare, public education at all levels, and active labor market policy as a percentage of GDP.

### *Independent variables*

*Partisan government:* Based on van Kersbergen's work as well as our own (Huber, Ragin and Stephens 1993, Huber and Stephens forthcoming), we expect a long-term left-wing government to have a strong effect on all three of our policy measures (Table 1). In Huber and Stephens (2001), we argued that the dominant parties in government in a given country over the long run – left-wing parties, Christian democratic parties, and secular center and right-wing parties – determined which of Esping-Andersen's (1990) three worlds a country ended up in, and we presented both quantitative and comparative case study evidence to support that view.<sup>1</sup>

Regarding Christian democratic governments, we expect positive effects on welfare state generosity, no effect on work and family benefits, and negative effects on human capital spending. We expect negative effects because daycare is much less developed in continental (often Christian democratic governed) countries compared with the Nordic model due to the dominance of the male breadwinner model in the former. Led by coalitions of social democratic and agrarian/center parties, the Nordic countries universalized and de-tracked secondary education and later greatly expanded access to public tertiary education. By contrast, Christian democratic governments pushed back social democratic and union demands for

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1 Our 2001 book, like Esping-Andersen's (1990) book, did not include Greece, Portugal, or Spain. Thus, the fourth type does not appear there.

expanded and de-tracked secondary and expanded public tertiary education (Österman, 2017).

*Other political variables:* Our expectations for women in parliament are clear; a strong positive association with all three policy indicators, but especially parental leave and human capital investment. However, it is trickier to interpret causally because it is highly correlated with left-wing governments ( $r = .78$ ). Historically, left-wing governments promoted gender egalitarian policies and all left-wing parties (social democratic, green, and left socialist) instituted quotas for women in party affairs, including parliamentary representation. As we have argued in earlier works (Huber and Stephens 2000, 2001), this initiated a feedback loop in which women, particularly politically activated women, increased their support for the left and demanded more gender egalitarian policies, like work and family reconciliation policies, and greater incorporation into policy-making, including parity in representation in parliament and in the cabinet. Disentangling this feedback loop in quantitative analysis is simply not possible.

*State institutions:* The state-centric approach to welfare state development argues that political institutional variables affect variations in welfare generosity. We measure this with the three variables veto points, proportional representation, and voter turnout. Our hypotheses on their effects are the same as for redistribution. Our original finding on veto points – namely that they retarded welfare state development – was on data that primarily covered the period of welfare state expansion (Huber, Ragin and Stephens, 1993). Later research, primarily case studies, indicated that opponents of welfare state cutbacks could use constitutional structure veto points to retard retrenchment. Thus, we adopt a non-directional hypothesis for veto points. Building on Iversen and Soskice (2006), we expect a positive effect of proportional representation on social policy generosity. We also expect a positive effect of voter turnout on policy generosity.

*Globalization:* We expect all the globalization variables, except trade openness, to have a negative effect on social policy generosity as they strengthen the hand of capital in negotiations with governments and labor. There are competing hypotheses about the effect of trade openness: The conventional race to the bottom hypothesis

Table 1: Variables and hypotheses

Dependent variables		Social policy generosity	Work and family benefits	Human capital spending
Social policy generosity	Index of generosity of sickness pay leave, unemployment benefits and pensions			
	Additive index of daycare spending and parental leave			
	Public spending on education, daycare and active labor market policies as a percentage of GDP			
Independent variables		Social policy generosity	Work and family benefits	Human capital spending
Partisan government				
Left government	Seats of leftist parties as proportion of the seats of all governing parties, cumulative from 1945 to date of observation	+	+	+
	Seats of Christian democratic parties as proportion of the seats of all governing parties, cumulative from 1945 to date of observation	+	+/-	-
Control variables				
Other political variables				
Women in parliament	Percent of members of the lower house of national parliament who are women	+	+	+
	Additive index of presidentialism, strong bicameralism, federalism and regular use of referenda	+/-	+/-	+/-
Proportional representation	o = single member district, 1 = mixed, 2 = proportional representation	+	+	+
	Voter turnout	+	+	+



<i>Globalization</i>				
Capital market openness	An index of capital controls in which high values mean few or no controls on cross-border capital movement	-	-	-
Third world imports	Manufacturing imports from developing countries as a percentage of GCP	-	-	-
Trade openness	Sum of exports and imports as a percentage of GDP	+/-	+/-	+/-
Outward FDI	Outward direct investment flows as a percentage of GDP	-	-	-
Immigration	International migrant stock as a percentage of the population	-	-	-
<i>Long-term economic change</i>				
Technological change	Ten-year average change in total factor productivity			+
Employment in dynamic services	Employment in dynamic services as a percentage of the working age population			+
<i>Social risks</i>				
Unemployment rate	Unemployed persons as a percentage of the civilian labor force	+/-		
Children in single-mother households	Children living in single-mother households as a percentage of total children		+	
Aged percent	Percentage of the population over 65	+		
<i>Other control variables</i>				
Military spending	Military spending as percentage of GDP	-	-	-
GDP per capital	GDP per capita in households	+	+	+

All variables except employment in dynamic services (Hope and Martelli, 2019) are available in Brady, Huber and Stephens (2021).

is counterposed by Katzenstein's (1985) 'compensation' hypothesis, which contends that in very open economies, such as the small countries of Northern Europe, labor is compensated for the vagaries of rapid change by generous social policy.

*Long-term economic change, social risks:* We hypothesize that long-term technological change will create a demand for human capital investment because it creates demand for more skilled and educated workers. We do not expect it to affect the other two policy variables. We also expect the effects of social risks to be specific to the three dependent variables. We hypothesize that greater proportions of children in single mother families will increase demand for generous parental leave. Arguably, unemployment will affect unemployment insurance generosity, but it is unclear what direction this might take. For instance, in the mid-1970s, Switzerland moved from virtually no unemployment to very modest levels of unemployment. The government responded by replacing an almost non-existent system in 1974 with one with benefits at the 90<sup>th</sup> percentile on Scruggs' unemployment generosity index. On the other hand, governments in Denmark, Netherlands, Finland, and Sweden responded to sustained periods of high unemployment with cuts in unemployment insurance generosity.

*Other controls:* Past quantitative studies of welfare state development have included level of affluence, measured by GDP per capita, as an operationalization of logic of industrialism theory (Wilensky, 1975; Pampel and Williamson, 1989). We measure national economic affluence as GDP per capita. Following many quantitative studies of variations in welfare generosity (e.g. see Hicks, 1999; Huo, Nelson and Stephens, 2008), we control for military spending. The measurement of these variables and data sources are summarized in Table 1.

### **Statistical estimation**

Hicks (1994) notes that 'errors for regression equations estimated from pooled data using OLS [ordinary least squares regression] procedures tend to be (1) temporally autoregressive, (2) cross-sectionally heteroskedastic, and (3) cross-sectionally correlated as well as (4) conceal unit and period effects and (5) reflect some causal heterogeneity across space, time, or both' (p.172). We follow Beck and Katz's (1996) recommended procedure, using panel-corrected stan-

dard errors, corrections for first-order auto-regressiveness, and imposition of a common rho for all cross-sections. Since there is some trend in our data, we do not include a lagged dependent variable as recommended by Beck and Katz (1996) because in this situation the lagged dependent variable inappropriately suppresses the power of other independent variables, as Achen (2000) has shown.<sup>2</sup> Beck and Katz (2004: 16-17) have shown that correcting for first-order auto-regressiveness actually does include a lagged dependent variable on the right-hand side of the equation (known as Prais-Winsten estimations). Thus, as our results show, it does deal with the problem of serial correlation but without suppressing the power of other independent variables.

## Results

Table 2 displays our analysis of the causes of variation in generosity of the welfare state measured by our three dependent variables. First, we enter the two partisan government variables alone (Models 1, 3, and 5) and then add the control variables (Models 2, 4, and 6). As expected, left-wing governments are highly significant in both models for all three dependent variables. By contrast, as we hypothesized, Christian democratic governments have a strong effect on welfare state generosity but not on the other two dependent variables. The addition of controls in models 2, 4, and 6 does not change the pattern across the two government partisanship variables. Thus, the van Kersbergen argument is confirmed with our updated and improved data.

The contrast between Christian democratic governments and left-wing governments is made starker if one includes union density and female percent of parliamentary seats. Indeed, in the PRT-inspired quantitative analyses, union density is often used as alternative or supplement to left-wing governments. Left-wing government and female percent of parliamentary seats are highly correlated ( $r = .78$ ). This is not to imply that female parliamentary representation is somehow spurious or even that the explained overlap in variation should be assigned to left-wing governments. Rather, we argue that

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<sup>2</sup> In this data, the lagged dependent variable explains 98% of the variation in the dependent variable.

Table 2. Determinants of generosity of social policy, work and family policy, and human capital spending

	Social policy generosity			Work and family policy			Human capital spending		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7		
Left government	.239 ***	.249 ***	.103 ***	.078 ***	.104 ***	.032 **	0.59 ***		
Christian democratic government	.172 ***	.134 ***	.010	.014 *	-0.12	-.002	-.002		
Union density		.015		.018 ***		.041 ***	.037 ***		
Women in parliament		.021		.012 **		.031 ***	.032 ***		
Veto points		.246		-.182 **		.032	.021		
Proportional representation		.823 ***		.091		.099	.129		
Voter turnout		-.043 ^		-.018 ^		-.012	-.011		
Capital market openness		-.056		.062		.437 ^	.453 ^		
Third world imports		-.109		.027		-.196 **	-.034		
Trade openness		.030 ***		-.008 ***		.009 *	.002		
Outward FDI		-.004		.000		-.003	-.004		
Immigration		-.250 ***		-.043 **		.015	.029 ^		



the two are so closely causally entwined that it is not possible to statistically separate the effects of the two.<sup>3</sup>

At the time of publication of van Kersbergen's 1995 book, social investment was not on the radar of comparative welfare state scholars. Our results show that partisan differences on human capital spending are the largest of any of our three dependent variables. They are even more striking if one includes the difference in the other two variables tapping the PRT complex, union density, and women in parliament.

## Discussion

The strong role of partisanship in shaping the welfare state helps explain the geographic clustering of the regimes with the social democratic regimes developing in the social democratic dominated Nordic countries, the Christian democratic/conservative regimes developing in the continental European countries, and liberal regimes developing in the secular center and right governed Anglo-American countries. In Huber and Stephens (forthcoming), we show that government redistribution and disposable income distribution closely follow this regime typology and we argue that variations in long-term partisan government are the primary reason why.

In Huber and Stephens (forthcoming), we explore whether the dynamics of expansion of social rights differed in the earlier and the later period. We compared the periods before and after 1990 for generosity of social insurance and generosity of work and family reconciliation policy, and before and after 1996 for human capital spending, because of the scarcity of observations for human capital spending before 1990. The politics of social rights expansion remained remarkably stable across periods for all three social rights.

As we noted, the academic debate and policy focus on social investment post-dated the publication of van Kersbergen's 1995 book by a decade, so it is not surprising that the subject is not discussed in the book. In fact, at that point in time, the growth of the knowledge economy was in its earliest stages: In 1990, few people had access to the internet and few people had laptops and cell phones. Yet the

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3 See Huber and Stephens (2000) for further analysis and discussion of the historical interrelationship between women's political mobilization and left-wing governments.

lead of the Nordic countries on all three components of our measure of human capital spending already existed in 1995. It is tempting to attribute this to the foresightedness of Nordic policy makers, but in fact, they had additional reasons for pursuing these policies. In the case of active labor market policies, it was a complement to solidaristic wage policies. In the case of universal and de-tracked secondary school (and later opening up of higher education), the social democratic and agrarian parties passed these policies to open up educational opportunities to the sons and daughters of workers and farmers. And finally, the primary aim of the initial expansion of early childhood education was gender equality in the labor market and household. These policy goals were not shared by Christian democratic parties.

In sum, van Kersbergen's insights into the ideology and political project of Christian democratic parties help us understand policy choices of these parties that came on the agenda after the publication of his book. The traditional emphasis on the male breadwinner model and childcare in the family retarded work/family conciliation policies and public expenditures on human capital, from early childhood education and care to tertiary education. There has no doubt been some reorientation towards stronger work/family conciliation policies in major Christian democratic parties, but this reorientation has not erased the long-standing differences to social democratic parties.

As mentioned above, the results for the period since 1990 or 1996 have been remarkably similar to the results for the earlier period. Given the marked decline in the vote share of social democratic and Christian democratic parties in some countries, one might wonder why the partisan effects we find are still there. There are at least three reasons for the continuing impact of left-wing and religious parties.

First, our measure includes all left-wing parties, not just social democratic parties, just as it includes all religious parties, not just the Catholic Christian democratic parties. Our measure of left-wing cabinet share declines from an average of 41% in the 1990s, to 38% in the period 2000-2007, 33% during the crisis (2008-2012), and 30% in the post-crisis period (2013-2017). The religious cabinet share declines from 13% in the 1990s to 11% in the period 2000-2007, then increases to 14% during the crisis, and declines again to 9% in the

post-crisis period. These changes are not of a magnitude that we would expect to make a major difference in the influence of these parties on social policy. Obviously, these are averages across all our countries, so their electoral strength and influence on policy in individual countries may well have weakened much more than these average figures suggest.

Second, as many scholars have argued, policy legacies make cut-backs politically very difficult, which strengthens the position of the left and of religious parties in defending welfare state programs. Third, most new challenger parties on the right have embraced a position of 'welfare state for citizens', and they have neither pushed major cuts in welfare state generosity nor put up major oppositions to social policy initiatives by the left or religious parties that benefit citizens.

Nevertheless, we cannot expect the partisan imprint on policies to remain as clear in the future. Established parties in general have been losing vote shares, which has required more frequent coalition government formation across ideological lines. Thus, ambitious policy innovation in the development of the welfare state as part of the political project of any party is likely to stay off the agenda.

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## Chapter 3

# The changing face of Dutch politics: The demise of Christian democracy and the rise of the educational cleavage

*Anchrit Wille*

### **Dutch cleavage politics in changing times**

Christian democracy, which had dominated the political scene for much of the twentieth century in the Netherlands, is gradually facing its demise. The Dutch Christen-Democratisch Appèl (CDA) performed poorly in the 2021 parliamentary elections. The party lost four seats, leaving them with only 15 seats in Parliament. This is far from the 54 seats the party won in 1986. The CDA's decline in electoral support progressed even further in the March 2023 provincial and Senate elections, where the party's representation in the Senate was cut in half. It now only holds five seats in the Senate, compared to the 27 it held in 1980.

Until the 1960s and 1970s, Dutch society was deeply divided along religious lines. People organized their social and political lives within separate pillars, each with its own schools, newspapers, broadcast networks, and political parties. It was rare for children to have friends from different religious backgrounds, and interfaith marriages were uncommon. Most people only socialized with others from their own pillars, and the only time they would interact with people from different pillars was during military service or at work.

This division also affected politics. Protestants typically voted for Protestant parties, while the vast majority of Catholics voted for the Catholic Party. Secular citizens tended to vote for either the social democrats or the liberal party. This system of voting along religious lines was a reflection of the societal divisions at the time.

In the twenty-first century, many of the class and religious divisions that once defined Dutch society have faded away. Two key factors have contributed to this decline in the social basis of support for Christian democratic parties over the past few decades: the

weakening of religious divisions and the emergence of a new divide based on sociocultural issues that is closely linked to education (Gomez, 2022). This new educational divide has replaced the previous secular/religious divide (Kriesi et al., 2008), creating new lines of party competition within the Dutch political landscape.

The purpose of this essay is to examine how the contours of Dutch politics are changing and how these changes reflect shifts in the underlying cleavage structure of Dutch society. Specifically, I will draw on previous research by van Kersbergen (1999, 2008) and Bovens and Wille (2017), as well as additional literature, to identify how sociodemographic developments have given rise to new political conflicts and contributed to the decline and emergence of political parties in Dutch democracy.

### **A restructuring of cleavages**

In their classic article, Seymour Martin Lipset and Stein Rokkan (1967) defined the concept of cleavage to represent structurally embedded social groups with contrasting interests and values that inform distinctive voting preferences (Lipset and Rokkan, 1967). It refers to a specific type of conflict in democratic politics that is rooted in the social structural transformations that have been triggered by large-scale processes (Bornschieer, 2009: 1). Lipset and Rokkan identified a number of such large-scale ‘critical junctures’ in the history of European society, which eventually led to the formation of cleavages within European society. Among these are the Reformation, the emergence of nation-states, and the Industrial Revolution.

Across Western Europe, cleavage formation in the nineteenth and twentieth centuries was based on religion and class. In the Netherlands, this religious cleavage constituted an independent dimension of political competition (van Kersbergen, 2008; Kalyvas and van Kersbergen, 2010). It reflected the conflict between religious and secular voters, with the religious more likely to vote for Christian democratic parties. At the heart of this cleavage lies the conflict between church and state, which is the contest determining how religious norms should be reflected in governmental policy.

Western party systems at the beginning of the 1960s still reflected the ‘frozen’ social cleavages of the 1920s (Lipset and Rokkan, 1967), but the next decades were marked by important societal and politi-

cal changes. In the 1960s and 1970s, student protests and the rise of a counterculture brought cultural issues relating to authority, human sexuality, women's rights, the environment, and differing interpretations of individual freedom to the political arena (Pless, Tromp and Houtman, 2020).

The increasing modernization of Western societies has eroded traditional cleavages over the last decades. Classic sociodemographic categories, such as class and religion, are losing their relevance (Kriesi et al., 2008, Pless, Tromp and Houtman, 2020; Tromp, Pless and Houtman, 2022). Cleavage-like categories such as age, or generations (Inglehart, 1977), gender, and in particular education are becoming the basis of new political conflict lines (Kriesi, 1998, 2010; Deegan-Krause, 2007: 541). Different political scientists and sociologists emphasize the importance of education in the rise of new, cultural conflicts in Western, post-industrial societies (Kriesi et al., 2010; Bornschie, 2010; Pless, Tromp and Houtman, 2020). The study 'Diploma democracy: The rise of political meritocracy' (Bovens and Wille, 2017) shows how the contours of this new political and social divide have crystallized in Western Europe.

In this essay, I show how the demise of the religious and the rise of an educational cleavage in the Netherlands are reflected along three lines: a changing sociodemographic division, shifting differences in terms of political preferences, and the appearance of a new divide in the political landscape.

### **New sociodemographic divisions in the Netherlands**

A first indication of a restructuring of cleavages is whether we can observe structural changes in Dutch society. How has the shift away from religious divisions and towards education-based divides, as part of a broader process of modernization, taken place in Dutch society?

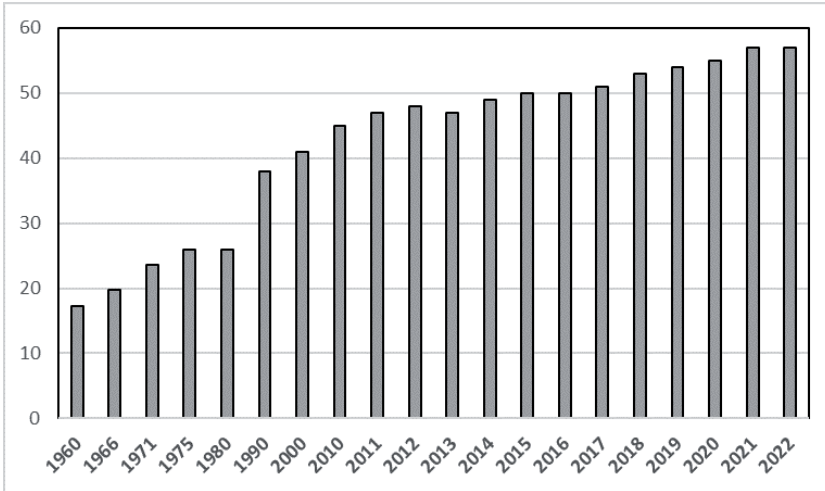
#### *The secularization of Dutch society*

In recent years, the Netherlands has experienced a significant trend towards secularization. More than half of the population is now unaffiliated with a church or religious denomination, and this trend shows no signs of slowing down (see Figure 1). According to data from the Dutch Central Bureau of Statistics (CBS) and the Neth-

erlands Institute for Social Research (SCP), in 2022, 58% of Dutch people aged 15 and older did not consider themselves to belong to any religion. This is in stark contrast to the 1960s when less than 20% of the population were unaffiliated.

Of those who still identify with a religion, the number of Catholics has seen a significant decline. In 2010, 27% of the Dutch population was Roman Catholic, but by 2022, that number had dropped to just 18%. The number of Protestants has also declined, although less rapidly than the number of Catholics. These changes reflect a broader trend towards secularization and a move away from religious identity as a primary factor in Dutch society.

**Figure 1: Secularization in the Netherlands (% with no religious denomination) (1960-2022)**



Source: CBS.

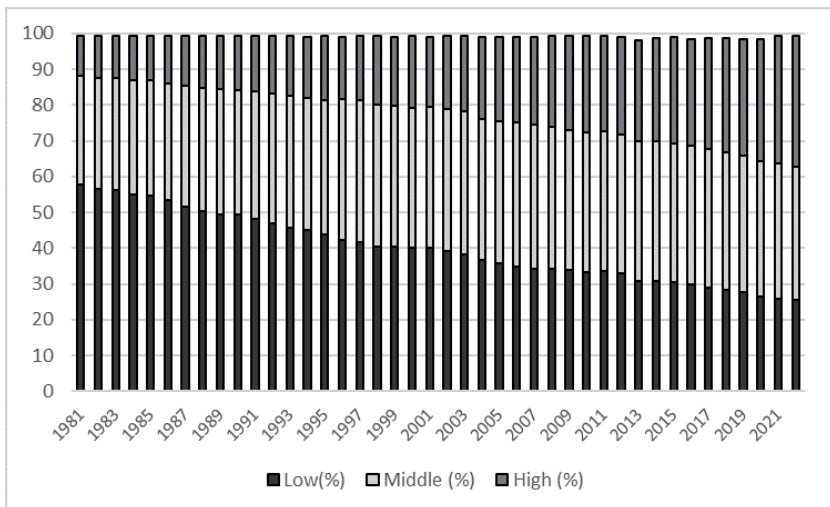
Secularization in the Netherlands has been further fueled by the expansion of education. As levels of education have risen, so too has the proportion of the population that identifies as secular or non-religious.

### *The rise of the well-educated as a new social segment*

In the past, it did not make much sense to talk about different educational groups, as the number of well-educated people was small.

However, in recent decades, the number of highly educated individuals has significantly increased. In 1960, only 2% of the population was highly educated, while in the 1980s, it was 11% (Bovens and Wille, 2017). As of 2021, the majority of 15- to 75-year-olds in the Netherlands have a secondary education, and 35% have at least a higher vocational education or university degree, as Figure 2 shows.<sup>1</sup> This significant expansion of the number of well-educated citizens provides the demographic basis for cleavage formation.

**Figure 2: Educational level of Dutch population 15 to 75 years (1981-2022, %)**



Source: CBS.

The emergence of new educational divides in Dutch society has led to increased stratification and segregation along educational lines. This has resulted in unequal access to housing, healthcare, job opportunities, and income, as well as disparities in life expectancies and wealth. In addition, education plays an important role in shap-

<sup>1</sup> The growth concerns the number of individuals for whom the highest level of education achieved is an HBO or wo bachelor's degrees and the HBO and WO master's or doctorate. Individuals for whom the highest level of education is havo, vwo, and mbo2-4 are qualified as the middle educational levels; and the primary education category, the vmbo, lower havo, vwo, and mbo1 are qualified as the lower educational levels.

ing patterns of homogamy, as highly educated individuals tend to socialize mainly with others who are similarly well educated (Bovens and Wille, 2017).

Furthermore, higher levels of education are associated with lower levels of religious commitment. In 2019, 62% of academics in the Netherlands reported having no religious affiliation, compared to only 34% of individuals who had completed primary education (CBS, 2019). As education levels increase, the likelihood of being secular also increases (SCP, 2022: 71). These trends suggest that education is becoming an increasingly important factor in shaping social and political attitudes and behaviors in Dutch society.

### **A shift in political values**

A social divide must be based on distinct values and beliefs for it to be politically significant. In the past, Catholics, Protestants, and seculars formed such distinct groups, but secularization has led to a decline in moral traditionalism. Nowadays, education is a major source of values and beliefs, and cultural issues have taken center stage in the political debate.

#### *The decline of religious conflict lines*

In the Netherlands, voters have traditionally been categorized along two dimensions: social-economic left-right and religious-secular. Christian democracy, which is based on Christian doctrines such as community spirit, stewardship, and care for loved ones, has been one of the major political forces in the country. The election manifestos of the Christian Democratic Party often emphasize the importance of Christian values. The religious model of Christian democracy also includes specific norms related to sexuality, life and procreation, family issues, and gender roles. These norms have sometimes created conflicts between moral traditionalism and liberalism. (Pless, Tromp and Houtman, 2020, Tromp, Pless and Houtman, 2022).

Since the 1960s, with the process of secularization, people started to criticize religious values, churches, and authority and placed more emphasis on individual liberty and personal authenticity. As a result, religion's social significance has declined. The protest and counterculture movement has had a lasting impact on Dutch soci-



ety and politics, as noted by scholars such as Inglehart in 1977 and Kriesi in 2010.

Surveys conducted by the SCP in 2006 showed that formal education, particularly academic degrees, has become antithetical to religious belonging. University-educated individuals placed less faith in religious principles compared to those with lower levels of education. The survey also revealed clear differences in religious beliefs between those with higher and lower levels of educational attainment. For example, 32% of those with higher educational levels believed in miracles compared to 50% of those with lower education. Similarly, there were differences in the belief that the Bible is God's word (17% among those with higher education compared to 42% among those with lower education) and the notion that Adam and Eve really existed (14% among those with higher education compared to 33% among those with lower education).

### *New cultural conflict lines*

In recent decades, a new cultural conflict dimension has emerged alongside traditional religious divides. This dimension is characterized in various ways, such as libertarian/authoritarian (Stubager, 2008, 2009, 2013), post-materialist/materialist (Inglehart, 1977), green-alternative-libertarian/traditional-authoritarian-nationalist (Marks and Hooghe, 2009), or cosmopolitan/nationalist (Bovens and Wille, 2017). The gradual rise of this new cultural divide has been fueled by waves of non-Western immigration, the process of European unification, and increasing concerns over the environment and climate change (Kriesi et al., 2008).

Many scholars attribute this political realignment to the role of education in post-industrial societies, where highly educated individuals tend to hold more libertarian views on sociocultural issues compared to their less-educated counterparts (Bovens and Wille, 2017). Highly educated citizens tend to embrace social and cultural diversity and support multiculturalism, autonomy in lifestyle, and environmentalism. On the other side of this new conflict line, we find citizens with lower levels of education who tend to reject multiculturalism and prefer a more homogeneous national culture and traditionalism, or worry about the impact of environmental measures on the costs of living.

## Shifts in the political party landscape

Cleavages manifest themselves also in the support for specific political parties or for particular political organizations. Political parties, Lipset and Rokkan (1967) argued, play a critical role in stabilizing and institutionalizing patterns of competition. Not only the decline of religion but also the growth of educated voters is viewed as changing the electoral ground for political parties over time. These steady changes have played an important role in redefining the landscape of Dutch politics.

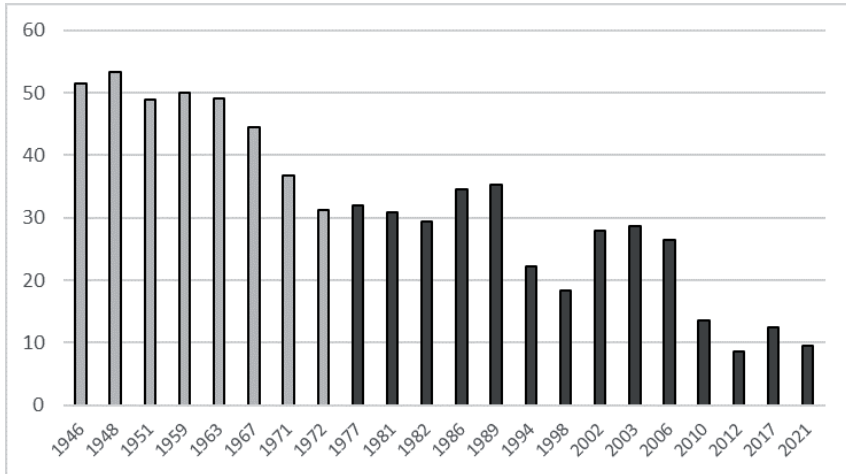
### *The demise of the Christian Democratic Party*

In the Netherlands of the past, Protestants would vote, by and large, for the various Protestant political parties, and almost all Catholics would vote for the Catholic Party. The process of depillarization in which people began to identify less with their religious groups had a detrimental impact on the support for confessional parties.

After losing seven seats in the 1967 parliamentary elections, the three confessional parties in the Netherlands (KVP, ARP, and CHU) began discussions about working together. Following a lengthy period of deliberation on fundamental principles and programmatic direction, the parties merged to form the Christian Democratic Appeal (CDA) in 1980. However, the confessional parties had already been represented in the House of Representatives since 1977 via their own list. The formation of the CDA was a success, as evidenced by the electoral results in Figure 3. The CDA gained significant voter support, becoming the largest and most powerful party in the Netherlands by 1989 in terms of parliamentary seats, membership, and its pivotal role in the coalition system, according to van Kersbergen (2008).

In 1994, the CDA suffered a significant setback, losing 16.9% of the vote and 25 seats, along with its dominant position in the coalition system. The voters who abandoned Christian democracy mostly moved to the right, supporting the VVD, and to the center-right of liberalism, backing D66. Nevertheless, the CDA made a comeback in 2002 and 2003, and it remained the largest party in parliament after the elections of 2006, as noted by van Kersbergen (2008: 261).

**Figure 3: Electoral results of the Christian Democratic Party (CDA) in Dutch Parliamentary Elections, 1977-2021 (%), dark grey bars) and the total of the three confessional parties in the period 1946-1972 (%), light grey bars)**



Source: Kiesraad.

During this period, the CDA intentionally adopted a conservative economic stance. The party grappled with the challenge of balancing the promotion of its Christian ideology with its desire to remain a central player in politics. As a result, it increasingly distanced itself from its confessional roots and focused more on its centrist positioning. This led to internal disagreements over the party's core values, including the interpretation of the C in its name. Party members debated whether it represented Christian, conservative, compassion, or communitarianism (van Kersbergen, 2011).

In the 2010 elections, the CDA faced a significant defeat. The majority of its voters were aged 55 or older, posing a critical issue for the party. To appeal to younger voters, they needed new strategies. In contrast, D66 and GroenLinks have had an easier time attracting younger voters, with almost one in three of their voters under 35 years old. However, according to Te Grotenhuis et al. (2012), the impact of generational replacement on this trend was limited. More important than generational replacement was that religious, churchgoing

voters left the party, as they shifted towards secular parties such as VVD, PVV, and to a lesser extent, D66.

According to Gomez (2022), the success of Christian democratic parties in elections was largely influenced by their strategic decisions and their ability to adapt to the changing social and political landscape. Kalyvas and van Kersbergen (2010) suggested that the impact of secularization on religious parties may have been overstated, as Christian democratic parties were able to adapt to a more secular context by shedding their explicitly religious ideological beliefs and instead presenting policies that were broadly inspired by religious principles. However, this strategy proved detrimental for the CDA, as it made the party indistinguishable from other right-wing parties and failed to appeal to voters who still based their choices on economic and cultural issues, leading to a decline in support for the party (van der Meer, 2013).

### *The rise of social-liberal green versus populist right parties*

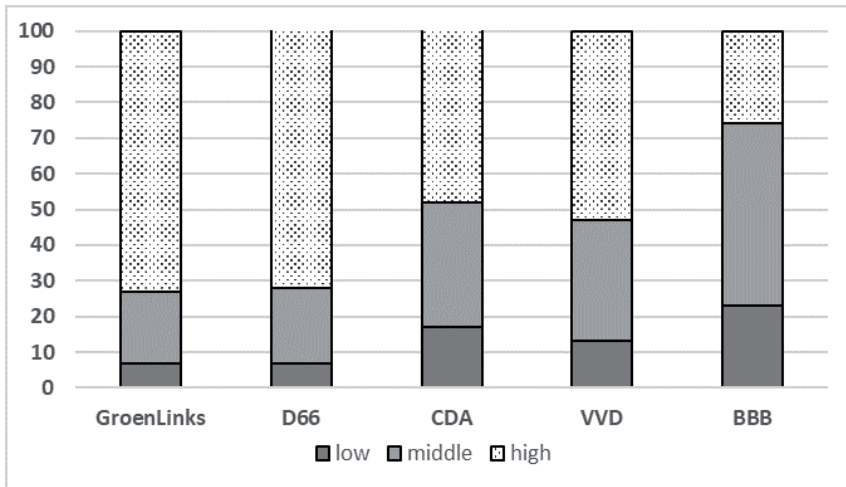
The CDA's loss of voters has benefited other political parties that are growing in popularity. CDA voters who seek a more left-wing, social, and less conservative platform are turning towards the confessional ChristenUnie, which stands out for its focus on ethical and moral issues but is generally considered more left-leaning than the CDA; or to the secular social liberal (D66) and green (GroenLinks) parties. These parties have entered the political stage in the Netherlands since the 60s, on one side of the new cultural dimension of conflict, predominantly attracting voters from the high end of the education spectrum. They have gained a lasting place in the political arena because they represent groups of voters who share a culturally progressive set of issue preferences.

On the other side of the new cultural dimension of conflict, we see the emergence of new challenger right-wing populist parties (PVV, FvD, JA21) that attract voters who hold more conservative views on issues such as immigration, law and order, national identity, and climate and environmental policies. These parties appeal to secondary and lower-educated voters who feel left behind by globalization, the EU, immigration, and firm climate acts.

The emergence of these new parties has disrupted the traditional political landscape and challenged the dominance of established

parties, including the CDA. It also displays a clear differentiation of political parties based on the educational level of their voters that has emerged in the Dutch political system. As shown in Figure 4 for five parties, the most highly educated voters are those of the green and liberal cultural parties, such as GroenLinks and D66. These parties have traditionally received a lot of support from highly educated Dutch citizens. The least educated voters are those of the PVV (not shown in Figure 4), and their education level is not significantly different from non-voters and those who vote for other protest parties.

**Figure 4: Educational level for voters of five main Dutch political parties (%) (2023)**



Source: Ipsos Survey for the NRC, 17 maart 2023.

Also, the new farmer-friendly political party BoerBurgerBeweging (BBB) acting against new nitrogen laws in the Netherlands gained a significant share of support (73%) from middle- and low-educated voters in the provincial elections in 2023 (see Figure 4). BBB attracted almost a quarter of the voters who voted for the CDA in 2021, which suggests growing dissatisfaction with traditional mainstream parties, such as the VVD and CDA, among the middle and lower educational segments of the population. Ganzeboom and Arab (2019) found that the education profiles of political parties in the Netherlands have remained relatively stable over the past two decades,

with highly educated voters more likely to vote for cultural progressive parties such as GroenLinks and D66, and lower-educated voters more likely to vote for right-wing populist parties such as PVV and BBB.

Over the past two decades, there has been a clear link between sociocultural issues and political mobilization among specific educational groups in Dutch politics (Stubager, 2009, 2010; Bovens and Wille, 2017). This has led to a restructuring of political conflict lines, with the left-right dimension increasingly tied to this cultural contradiction. In particular, the cultural divide has become the central conflict dimension in Dutch politics, eclipsing other traditional themes such as the economy, immigration, the environment, and Europe (Otjes, 2021). While these themes still play a role, party positions on these issues have become increasingly clustered, with a clear division between parties that prioritize climate change, refugee admittance, and European cooperation, and those that prioritize immigration, economic growth, and less involvement with the European Union (Otjes, 2021).

### **Education, secularization, and the future of the CDA in Dutch politics**

All politics is demographics. The shifting demographics of a population have profound political implications. In the case of the Netherlands, the declining number of religious individuals – who traditionally formed the core constituency of Christian-democratic parties – coupled with the growing number of highly educated individuals have reshaped the country's political landscape. The process of modernization has eroded traditional religious (and class-based) divisions, giving rise to new political divides based on education.

The weakening of the once strong connection between religious identity and political affiliation has made it harder for the Christian Democratic Party to rely on traditional voter loyalties. The CDA finds itself increasingly caught between different groups of voters with diverging educational backgrounds and political preferences. This means finding a way to appeal to a more diverse and liberal voter base, while still trying to maintain its confessional values and identity. The CDA struggles to appeal to younger, highly educated voters who tend to favor socially and culturally liberal values that

are often at odds with Christian conservative positions; while at the same time trying to retain a support base of older, lower, and middle-educated voters who are more conservative and religiously oriented.

The politics of educational expansion in the era of secularization has changed the face of Dutch politics. Increased electoral volatility and a fragmented political landscape shaped new political challenger parties that seem better able to respond to the changing political and social realities and the shifting demands of CDA voters. The ability of the Christian Democratic Party to navigate these challenges will determine its future success in Dutch politics.

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## Chapter 4

# Plus ça change, plus c'est la même chose: Stability and change in the Dutch party system and its effect on the politics of problem solving

*Christoffer Green-Pedersen and Barbara Vis*

### Introduction<sup>1</sup>

In 1991, Gladdish argued that Dutch politics was ‘governing from the centre’. An important reason for this description was the strong centripetal forces of the Dutch party system, which in turn were closely related to the pivotal position of the Christian democrats (CDA) (van Kersbergen, 1997; 2003). This ‘governing from the centre’ also influenced policy-making in the Netherlands. This holds especially for the so-called politics of problem solving (Keman, 1997), such as the ability of Dutch governments to pass even highly controversial socioeconomic reforms under volatile economic conditions.

In this chapter, we argue that – quite remarkably, given the huge changes in the Dutch party system, including the decline of the CDA and, even more pronounced, of the social democrats (PvdA) – the description of Dutch politics as ‘governing from the centre’ appears as relevant in 2023 as it did in 1991. By and large, Dutch politics in general and Dutch governments in particular have continued their centrist focus. Coalition governance is still guided by the ‘politics of accommodation’, as stated by Louwerse and Timmermans (2021: 477), meaning that not much has changed in coalition governance, despite all other changes. Yet, the governing centre of Dutch politics has moved more towards the centre-right in the last decade or so, largely because of the more central role of the conservative liberals (VVD) – since 2010 – the largest party in the coalitions.<sup>2</sup> We

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1 Thanks to Hans Keman and Carsten Jensen for comments on earlier versions.

2 Depending on the specific coalition partners, the resulting governments have been either right of centre (e.g., Rutte I: VVD and CDA, with

argue that the continuity that is visible amidst all change helps explain why socioeconomic reform capacity is still relatively high in the Netherlands, even though the changes have made the politics of problem solving increasingly difficult.

### **Governing from the centre: The centripetal dynamics of Dutch party politics**

Gladdish's (1991) description of Dutch politics as 'governing from the centre' was well-aligned with other descriptions at the time, with the Netherlands characterized by consensus governments with roots in pillarization and consociational democracy (Andeweg and Irwin, 1993: 231-238). While pillarization and, to a lesser extent, consociationalism were fading characteristics of Dutch society in the early 1980s, what remained was a party system with three major players: the PvdA, the CDA and the VVD. After the successful merger of the KVP, ARP and CHU in the late 1970s, the CDA had managed to place itself at the very centre of the Dutch party system. The party had a pivot position where building coalition governments was to a large extent a matter of whether the CDA wanted to govern 'to the right' with the VVD or 'to the left' with the PvdA. Furthermore, the centrist position of the CDA in the party system was perfectly aligned with the party's ideology, which – as Kees van Kersbergen has originally demonstrated – focused on reconciling different societal interest and balancing conflict and consensus (van Kersbergen, 1997, 2003). The CDA was the embodiment of 'governing from the centre.'

The decades-long pivotal role of the CDA – with neither a clear left-wing nor right-wing majority being within sight – implied that both the PvdA and the VVD had to adopt a centrist strategy to (re) gain government power in the 1980s. Interestingly, this may also have opened up the possibility of the 'purple' coalitions from 1994 to 2002, the first ones since the First World War without Christian democratic participation (Green-Pedersen, 2004: 328-330). These 'purple' governments of PvdA, VVD and the social liberals (D66) can be seen a continuation, or even culmination, of governing from the centre. When the CDA was removed from office, it was replaced by a government in which the other parties had taken over the CDA's

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support [*gedoogsteun*] by the populist Freedom Party [PVV]) or a balance between left and right (e.g., Rutte II: VVD and PvdA).

centrist position and continued its focus on reforms in the areas of socioeconomic policy (see van Kersbergen, 2008 for a discussion of CDA's decline in the 1990s and its recovery in the early 2000s).<sup>3</sup> In sum, Dutch politics until 2002 was characterized by strong centripetal dynamics in the party system (see also Pennings and Keman, 2008: 174-176).

The 2002 election can be seen as path-breaking because of the sudden breakthrough of the populist party Lijst Pim Fortuyn (LPF). This breakthrough followed a turbulent election campaign in which the assassination of Pim Fortuyn nine days before the elections marked the beginning of more tumultuous times in Dutch politics. How to portray the development since then? One way is to look at the measure of party system polarization suggested by Casal Bértoa (2022) (see also Casal Bértoa and Enyedi, 2021: 192-200). This measure captures the electoral support for 'anti-establishment parties',<sup>4</sup> with higher scores indicating a higher degree of party system polarization. As Table 1 shows, party system polarization rose significantly from the 1998 election to the 2002 election, from around 18% to 36%, and has not dropped down to its previous level since then. Table 1 also displays the level of fragmentation captured by the effective number of parties. Here, the 2002 election also implies a substantial increase, but the one from 2012 to 2017 is more pronounced.

The increased fragmentation in the Dutch party system partly reflects two other trends, which are visible in Table 1. The two most recent elections imply a substantial increase in the number of parties

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3 Kees van Kersbergen (2008) uses the metaphor of the phoenix to describe the CDA's decline – i.e., bursting into flames after having shredded its feathers – and its recovery – i.e., rising from its ashes. Extending this metaphor since then, it seems that the party is still in its shredding phase, polling only 6 seats (currently: 15 seats in parliament) late July, which was shortly after the fall of the Rutte IV cabinet (IPSOS, 2023).

4 Whether a party is an anti-establishment party is based on three criteria: (1) it perceives itself as a challenger to the parties that make up the political establishment; (2) it asserts that a fundamental divide exists between the political establishment and the people (implying that all establishment parties, be they in government or in opposition, are essentially the same; and (3) it challenges the status quo in terms of major policy issues and political system issues, see Casal Bértoa (2022). At the 2021 election, such parties that made it into Tweede Kamer are PVV, PvdD, SP, SGP, JA21 and FvD.

**Table 1: Development of the Dutch party system since 1981**

Election year	Fragmentation (effective number of parties) <sup>a</sup>	Polarization (vote share of anti- system parties) <sup>a</sup>	Number of parties in parliament <sup>b</sup>	Vote share of PvdA, CDA and VVD <sup>b</sup>	Party system closure <sup>a</sup>
1981	4.3	11.7	10	76.0	91.70
1982	4.0	12.6	12	83.0	91.23
1986	3.5	8.4	9	85.0	91.82
1989	3.8	10.2	9	81.8	91.69
1994	5.4	17.9	12	66.2	91.77
1998	4.8	18.1	9	72.1	92.23
2002	5.8	35.8	10	58.4	92.14
2003	4.7	22.0	9	73.8	91.94
2006	5.5	31.5	10	62.4	92.15
2010	6.7	35.0	10	55.5	91.63
2012	5.7	26.5	10	59.9	91.36
2017	8.1	39.3	13	39.7	91.52
2021	8.5	35.7	17	37.1	91.88

a Data from Casal Bértoa (2022).

b Data from Andeweg, Irwin and Louwse (2020: 60). Updated by authors.

represented in parliament – 17 regular parties, not counting the split-offs, after the 2021 election – and a substantial decrease in the share of seats obtained by the three traditional mainstream parties that have delivered the Prime Minister since the Second World War: the PvdA, the CDA and the VVD. While their share of the votes dropped substantially to below 60% at the 2002 election, it increased again at the 2003 election to over 70%, to drop again to around 60% at the 2012 election and plummeting to about 37% at the 2021 election. This development is largely driven by the breakdown of electoral support for the PvdA and the more gradual decline of the CDA.

The 2002 election was also important in another way. It opened up the issue of immigration as a new conflict dimension in the Dutch party system beyond the two classic ones, the economically left vs. right parties and, to a lesser extent, the religiously based vs. secular parties. Dutch party competition can thus also be seen as having become more multi-dimensional over the past decades (Andeweg, Irwin and Louwerse, 2020: 62-68). Exactly this multi-dimensionality lies behind Pellikaan, de Lange and van der Meer's (2018: 233) argument that a core or pivot party, which is necessary for a party system to be centripetal, no longer exists in the Netherlands. Pellikaan, de Lange and van der Meer operationalize the core of a party system as 'the point in the political space at which all potential legislative majority coalitions intersect' (235-236). The core party, then, is 'able to dominate coalition bargaining and (...) determines the direction of competition, as it is the one that is needed in all majority coalitions that could be formed' (236). Analyzing party manifestos from Dutch political parties between 2002 and 2012 and using a confrontational approach, Pellikaan, de Lange and van der Meer (2018) find that the CDA was the core party in 2002. This core 'crumbled' at the 2006 election, and it was neither occupied at the 2010 election nor at the 2012 election. This would suggest that it was no longer possible to govern from the centre. But is that indeed so?

No matter which indicators or characteristics we look at (see, e.g., Table 1), the Dutch party system has changed dramatically since the studies from the 1990s that emphasized that the Netherlands was governed from the centre. However, this does not necessarily mean that coalition governance and the problem-solving capacity of Dutch governance has changed, too. We examine this question next.

The clearest impact from the changes in the party system on government formation is perhaps that the number of coalition partners has increased. Where the Netherlands was governed by two parties in the 1980s and typically three parties from 1994 to 2017, coalitions of four parties have become necessary these days. Building a coalition government with a majority has simply become more complicated, which is also reflected in the record-long coalition negotiations after the 2021 election: 299 days.

Yet, in terms of the parties included, Dutch governments are characterized by a remarkable continuity. Despite the massive increase in the number of parties in parliament, only one party has managed to establish itself as a new governing party: the Christian Union (CU), which is a centrist party.<sup>5</sup> What has changed in terms of composition of the governments is that the VVD has obtained the position as the largest party in the party system. In practice, this has meant that this party has become the dominant actor in government formation, resulting in a shift of Dutch governments to the centre right. However, the pull toward the right is partly countered by the relatively strong position of the centrist D66 and by the fact that a majority including the VVD and radical right, that is, not including the centre, has never been within sight. The two attempts at including the populist right in government – LPF from 2002 to 2003 and the Freedom Party (PVV) as a support party from 2010 to 2012 – failed, and thus far the VVD has shown no interest in trying again.

So what stands out when we look at the Dutch party system is the contrast between the significant increases in fragmentation and polarization and the growing multi-dimensionality around issues such as immigration and European Integration (Andeweg, Irwin and Louwerse, 2020: 62-68) as well as the continuity of government formation around the centre. This can be illustrated by introducing the concept of party system closure recently developed by Casal Bértoa and Enyedi (2021) based on Peter Mair's original idea. Party system closure captures how stable and predictable government coalitions are. The measurement of the concept allows for comparison across

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5 On the general left-right score of the 2019 Chapel Hill Expert Survey (Jolly et al., 2022), the party is scored at 5.1 on a 0-10 scale, where 0 is extreme left and 10 extreme right. In comparison, the D66 is scored at 5.2, PvdA at 3.6, CDA at 6.8 and VVD at 7.6.

time and countries and varies from 0 to 100, where 100 indicate a completely closed party system.<sup>6</sup> In the latter case, government formation is extremely stable and predictable, meaning that changes in governments are always complete (no party continues from one government to the next), the governing alternatives are completely clear, and new parties have no chance of becoming part of the governing alternatives. The Dutch figures reported in Table 1 are very stable, indicating that patterns of party interactions around coalition government formation have been highly predictable (notwithstanding the length of the coalition formation processes).<sup>7</sup> Thus, the contrast between the turbulent party system and the stable patterns of coalition formation around the centre is remarkable (cf. Louwerse and Timmermans, 2021). Explaining this stability would be an interesting avenue for future research.

In sum, beyond the higher number of coalition partners, the most significant change to Dutch coalition governments is the relative growth of the VVD into the largest party in parliament and the party delivering the Prime Minister since 2010. Perhaps against all odds, Dutch governments are still centrist, as they combine parties across the political centre, although the balance in these governments has lately tilted more toward the centre-right.

### **Reform capacity and the politics of problem solving**

To what extent has the turbulence in the party system combined with remarkably stable patterns of coalition formation around the

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6 The measure is calculated based on changes in the composition of governments (see Casal Bértoa and Enyedi, 2021: 34–45), which typically do not occur on a yearly basis. To avoid having many years with values of 100 just because there has been no changes to the government composition and to capture trends in party interaction around government formation, a time-weighted measure is provided, which is reported in Table 1.

7 Comparatively speaking, the Netherlands does not score the highest value because changes in governing parties have almost never been complete. One or more parties have always continued in government. Countries such as Denmark or the United Kingdom typically score higher – from 95 to 99 – because alternation is almost always complete. Yet, party interaction around coalition formation in the Netherlands has been very stable and closed around the centre.



centre influenced reform capacity in the Netherlands and the politics of problem solving? Reform capacity is ‘the extent to which political institutions facilitate the adoption of socially efficient reforms (reforms that increase some measures of aggregate welfare)’ (Lindvall, 2010: 263). If politics is (also) about solving problems, policies need to change if social and/or economic conditions change – which is why reform capacity matters.

### **Looking back: the Netherlands as an exemplary case of high socioeconomic reform capacity**

In the welfare state literature, the Netherlands is often typified as an exemplary case of high socioeconomic reform capacity. This began in the early 1980s, when the Netherlands demonstrated problem-solving capacity in dealing with economic crises that it faced (Keman, 1997), including significant welfare state retrenchment (see e.g., Green-Pedersen, 2002; Vis, 2010). In the late 1990s, the notion of crisis had even been replaced by the idea of a ‘Dutch [economic] miracle’ (Visser and Hemerijck, 1997). This development can be attributed to yet more problem solving in the form of various significant retrenchments of the Dutch welfare state, including unemployment insurance and disability pensions (Green-Pedersen, 2002; Vis, 2010; Visser and Hemerijck, 1997).

Looking at how the ‘intrusive’ reforms were adopted in the 1980s and the 1990s, we see an important role for the social partners – especially employer and employee organizations – the Dutch so-called ‘Polder’ model in action (Woldendorp, 2005). Notwithstanding their importance for, say, the well-known ‘Wassenaar accord’ of the 1980s, given the ‘strong government’ at the time (as well as in the 1990s), agreements with the social partners were always forged under a ‘shadow of hierarchy’ of the government (Visser and Hemerijck, 1997). This has changed since, especially, the Rutte II government, where we see both the inclusion of small(er) opposition parties in the reform process and a different timing in the sequencing of negotiations (Hemerijck, Karremans and van der Meer, 2023). First, there is approval sought from the social partners and only then from the ‘constructive’ opposition parties, with the government acting as a ‘broker’ between the different actors.

It is beyond the scope of this chapter to discuss all these reforms in detail (see e.g., Hemerijck, Karremans and van der Meer, 2023; Hemerijck and van Kersbergen, 2019 for overviews). Instead, we use the so-called Social Pact adopted in 2014 and the pension reform adopted in 2019 to illustrate the still extant reform capacity in the Netherlands. At the same time, these cases also reveal that the politics of problem solving – the ability of governments to pursue ‘intrusive’ socioeconomic reforms – has become more difficult. This is partly an indirect effect of the considerable changes in the Dutch party system, which has made the Senate, the first chamber of the Dutch parliament, crucial in passing socioeconomic reforms.

The Social Pact entailed a major socioeconomic reform. This pact included planned cuts of, initially, 4 billion euros and formed the basis of, among other laws, the Participation Act (*Participatiewet*, 2015) – a drastic reform of the disability pension schemes – and the Work and Security Act (*Wet Werk en Zekerheid*, 2015) – involving a drastic reform of employment protection regulation. The Social Pact was adopted in difficult socioeconomic times, when unemployment levels were rising, while there was also a need to make budget cuts to meet the EMU budgetary rules. The Rutte II government was able to adopt the different reforms in the agreement by, first, obtaining approval for the pact from the social partners in early April 2013 (see Hemerijck, Karremans and van der Meer, 2023 for a more detailed discussion). This was followed later that month by approval from (several) opposition parties, which were needed to also obtain a majority in the Senate (see below). Some years earlier – in 2007 under the Balkenende IV government comprising the CDA, the D66 and the CU – the reform of dismissal protection (part of employment protection regulation) were still on hold because of irreconcilable differences in the coalition. The fact that the Pact – which included a reform of the employment protection regulation – was adopted testifies to the Dutch socioeconomic reform capacity. However, the, from the government’s perspective, probably more challenging route through which the pact came about suggests that the politics of problem solving has become more difficult.

A similar route, but also reform capacity, is visible in the pension pact that was agreed on in 2019 (see Hemerijck, Karremans and van der Meer, 2023 for a more detailed discussion); the legislation for this

reform has been adopted by the Senate in May 2023. This pension reform entails an increase of the statutory pension age as well as a radical – and politically very difficult (e.g., van Kersbergen and Vis, 2014) – revision of the occupational pension scheme (i.e., second pillar) from a defined benefits to a defined contributions scheme. The proposal for the reform dates back to 2010 but was then rejected by the PVV. In the final months of Rutte I (VVD, CDA), the government and the so-called ‘constructive’ opposition parties (D66, CU and the Greens [*GroenLinks*]) again proposed a pension reform but did not adopt it. A revised proposal made it into the coalition agreement of Rutte II (VVD/PvdA), but also during this government, no such reform was adopted. It was again on the agenda of Rutte III (VVD, CDA, D66, CU). When the government lost its majority in the Senate in 2019, they needed support from the Greens and the PvdA. Until the agreement with the social partners in 2019, these parties had blocked the proposed reform several times (see Heme-rijck et al., 2013).

This brief summary reveals that in terms of process, this pension reform has been anything but easy. But it happened. Like with the Social Pact, also this reform could only be adopted with a key role for the social partners as well as the ‘constructive’ opposition parties, illustrating once again that the politics of problem solving has become more difficult.

Looking at these two cases of socioeconomic reforms, the larger influence of the Dutch Senate is one factor that stands out. For a very long time, the Senate hardly influenced (socioeconomic) reform capacity in the Netherlands, since the parties that had a majority in parliament also had a majority in the Senate. This has changed since 2010, reflecting the more fragmented party system,<sup>8</sup> arguably making compromises complex and cumbersome. However, looking at the socioeconomic reforms that have been pursued in the Neth-

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8 Specifically, Rutte I (2010–2012) had half of the votes in the Senate between 2010 and 2011 (i.e., no majority) but did have a majority between 2011 and 2012; Rutte II (2012–2017) had no majority in the Senate for its full term in office; Rutte III (2017–2021) had a majority in the Senate between 2017 and 2019 but not between 2019 and 2021; and Rutte IV (2021–) did not have a majority in the Senate and incurred major losses at the 2023 provincial elections (through which the members of the Senate are elected) (PDC, 2022).

erlands in the past decade or so, reform capacity is still remarkably high. We argue that this is at least partly due to the government's agenda being relatively broad, that is, including a large number of topics, which produces room for cooperation and compromise. As Lindvall (2010: 373) explains, 'where actors have the possibility of linking issues (...) it will be easier to pursue common interests, as with a large number of items on the agenda there will often be trade-offs available' – resulting in reform capacity. Such trade-offs are exactly what we see in the 'intrusive' socioeconomic reforms in the Netherlands in the past decade or so.

## Conclusion

In this chapter, we have – with admittedly broad strikes, yet, or so we hope, in the spirit of Kees van Kerbergen's work – examined whether and how the changes in the Dutch party system influenced the politics of problem solving. Our argument can be summarized in this way: *plus ça change, plus c'est la même chose*. On the *change* side, the party system looks completely different from when Gladdish (1991) wrote about the Netherlands. The CDA has declined substantially and – unless the party will yet again rise from the ashes (see note 2) – lost its position as a 'pivot party'. The PvdA – often a cooperative partner of the CDA – has also been marginalized (Keman, 2022), although its prospects for the 2023 parliamentary elections look brighter now the party has joined forces with the Greens. But there is maybe even more on the *la même chose* side. Coalition formation has still been characterized by much stability, there is still a dominant party (the VVD), and the characterization of 'politics from the centre' still seems to hold. The centre of the Dutch party system is still so strong that a government based on parties on the wings of the Dutch party system are not feasible.<sup>9</sup> What is more,

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9 Note that this may change after the parliamentary election in November 2023, depending on the development of the Farmer-Citizen Movement (BBB) – a party that has one seat in parliament but that has won the 2023 provincial elections with a landslide, reaping over 20% of the votes. If BBB proves to be up to the task of governing in the provinces – something that the winner of the 2019 provincial elections, Forum for Democracy (FvD), failed to do – it may become a realistic coalition partner in a future right-wing government.

the socioeconomic reforms that have been adopted suggest that the Netherlands has not lost its reform capacity either, although it is pressured by, among other things, the challenges of mobilizing a majority in the Senate.

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## Chapter 5

# Van Kersbergen's law? The magical disappearance of Dutch social democracy

*Frans Becker and René Cuperus*

Let's start with a confession: This is not an international comparative analysis of the predicament of social democracy in Western Europe, the kind of contribution you would expect in a *Festschrift* for Kees van Kersbergen. On the contrary, we deliberately concentrate on one party in one country. Across the board, social democracy in Europe has lost ground, and explanations may vary from the decline of the traditional working class and class vote to the lack of an appealing answer to globalization, deep European integration, immigration and an unfavourable *Zeitgeist* (Benedetto, Hix and Mastrotrocco, 2020; De Waele, Escalona and Vieira, 2013; Wolinetz, 2016). But the national differences are significant, for example between the implosions of the French PS and the Dutch PvdA on one side and the relative survival of the German and Scandinavian parties on the other. We think that for the time being, the best way to get a deeper understanding of the complex situation of social democracy – of both general European trends and particular circumstances – is to start with national experiences. And as we are in the confessional, anyway, we are ready to admit that even explaining the unfortunate fate of one single party – in this case, the Dutch Labour Party, the *Partij van de Arbeid* (PvdA) – is not as easy as it might seem. While we were close witnesses of its recent history, we have trouble unravelling the secret of both its 'magical return' (Cuperus and Kandel, 2001) before and its magical disappearance later. Why has the PvdA done so much worse than other social democratic parties?

To find out what happened to the Dutch Labour Party in the past four decades when the social democratic vote for the Second Chamber elections decreased from 33% in 1986 to 6% in 2021, we use a 'Braudellian' approach to identify developments of different speed and duration in different layers of time. We thus focus mainly on more structural trends instead of short-term processes and events.



### Kersbergen's 'double trouble' analysis

In 1995, Kees van Kersbergen published his dissertation *Social capitalism: A study of Christian Democracy and the welfare state* (van Kersbergen, 1995). To put it shortly, this was a correction of the (at that time) current international typologies of the welfare state; they simply didn't distinguish or include the Christian democratic variant. Wrongly so, as van Kersbergen argued, because it was a distinctive model with specific characteristics, to be found in Germany, Holland and Italy. Elsewhere, van Kersbergen actually criticised the PvdA for having given in too much to this model. He preferred the social democratic Scandinavian type (van Kersbergen, 1994).

In his concluding chapter, he predicted that the Christian democrats were facing an unsuccessful future. They had 'double trouble'. Their electorate was dwindling because of the 'declining significance of religion', and they were confronted with 'the decay of what was identified as the politics of mediation', i.e., a 'procedure for moderating societal cleavages while reinforcing social groups and group identities in an attempt to gain as broad a social support as it could possibly obtain'.

However, as he observed, deeper causes of decline played a role, too. A broader societal process affected 'politics in general and Christian democracy in particular'. Van Kersbergen pointed at the general disintegration of traditional politics: the 'collapse of the function of political parties and the decline of conventional political participation', as well as the 'crisis of representation'. As a result of changing cleavage structures and the erosion of political group identities, contemporary political parties found it difficult to explain who they represented. Moreover, the role of parties as intermediaries between society and state had changed fundamentally. While parties used to represent civil society on the level of the state, they had lost their roots and had become more and more dependent on the state (van Kersbergen, 1995: 238-239, 245-246; Mair, 2013).

And some fifteen years later, van Kersbergen pointed out that 'in the raw political reality in the Netherlands there would be no guarantee after 2010 for a Christian democratic resurrection' (van Kersbergen, 2011: 216). Recent events couldn't prove him more right. In the last regional elections (March 2023) in the Netherlands, CDA totally imploded. In its last rural bastions, it was replaced by the



so-called Farmers-Citizen-Movement (*BoerBurgerBeweging* (BBB)), which led a successful campaign against the effects of national climate policies. Out of the blue, the BBB became the dominant party in all Dutch provinces.

### The magical disappearance of social democracy

van Kersbergen's analysis of Dutch Christian Democracy, published almost 30 years ago, has some light to shed on the causes of the decline of the other traditional Dutch *Volkspartei*, the PvdA. But first, some data about the general elections of the PvdA between 1986 and 2021.

Two things stand out from this table: a rather up-and-down vote for the PvdA since 1989 and a completely deplorable situation since 2017. With a few exceptions, the situation on local and regional level has not been much better.

**Table 1: PvdA % and seats at the general elections**

Year	Seats out of 150	%
1986	52	33.2
1989	49	31.9
1994	37	24.0
1998	45	29.0
2002	23	15.1
2003	42	27.3
2006	33	21.2
2010	30	19.6
2012	38	24.8
2017	9	5.7
2021	9	5.73

When we look at the broader picture, five trends stand out: 1. A serious increase in volatility of the voters' behaviour; 2. A squeeze of the traditional *Volksparteien*; 3. A growing fragmentation of the po-

litical landscape; 4. The conservative liberals as the main force of stability; and 5. A strong political dynamic on the centre and radical right.

Since 2002, new political parties on the right succeeded four times to enter the political arena with surprisingly high figures. At the same time, the decline of social democracy was not compensated by better results of other parties on the left, the GreenLeft and the Socialist Party. Overall, the left lost considerable ground during the last decade. To account for the deteriorating position of the PvdA, we must go back to the early 1980's.

### **'The essence is that you let them down'**

One of the first eyewitnesses of the loss of confidence between the core electorate and the Dutch Labour Party was the journalist Gerard van Westerloo. Together with his colleague Elma Verheij, he wrote a series of reportages about 'ordinary people', their day-to-day experiences, and their views on politics. In 1984, he interviewed several tram drivers in Amsterdam, many of them regular PvdA-voters, who had completely lost their faith in the party. While they were confronted with the rapid changes in their city, including the aggression of passengers and the change of ambiance on the tram, the politicians took the moral high ground and accused the drivers easily of racism. As one driver said about them: 'They were hypocritical to the bone. They had their mouth full of immigrants and that you had to be full of understanding for them, but they lived in neighbourhoods where they'd never seen a Turk. [...] If you told them that your tram was made unsafe by a bunch of pickpockets, they'd send you an anthropologist who would tell you about the origins of Caribbean culture.' The driver hated them – and he had ceased to vote for them. And no, he was not a fascist or a racist (van Westerloo, 2003: 10).

Van Westerloo also looked at the other side, the local politicians of the Labour Party, and drew a devastating picture of the PvdA in the Dutch city of Arnhem in 1990. What he saw was a completely closed world where the local politicians were keeping each other busy, playing their game of power and influence. With an average income three times as high as that of the average household in Arnhem, they had completely been alienated from their origins. Years before, the PvdA members of the council used to have a notebook

in which they had to put down who they had talked to in town. That was over. If you gave a party, one of the council members told, ‘those involved in politics were standing on one side talking to each other, while your family and friends were at the other’ (van Westerloo, 2003: 77).

These observations may seem rather impressionistic, but they are the kind of real-life evidence number-crunching political scientists tend to neglect. But in the 1990’s, the gap between core electorate and PvdA became all too visible in local elections. In Arnhem, the PvdA almost lost half of its seats in 1990. In Amsterdam, where the local party leader had been honoured with the name ‘Brezhnev at the Amstel River [where the City Hall is located]’ the PvdA went down from 21 to 12 seats out of 45 that same year. The most dramatic development, however, took place in Rotterdam. Like in other North-Western European countries, city politics had always been a solid base and nurturing ground for the Labour Party, and the PvdA in Rotterdam had held around 20 out of 45 seats since the war—and three times during that period they even attained a majority position. But after 1986, this was over.

The extreme right gained some seats in the city council, but the final blow and sweep-out of the PvdA from the City Hall happened in 2002 when entrepreneur-politician Pim Fortuyn obtained a mas-

**Table 2: PvdA seats in Rotterdam City Council**

Year	Seats out of 45
1986	24
1990	18
1994	12
1998	15
2002	11
2006	18
2010	14
2014	8
2018	5
2022	4

sive victory with the first break-through populist movement in the Netherlands. Part of the problem for the PvdA was the large-scale arrival of immigrants in some neighbourhoods combined with the lack of successful integration policies. As a former Rotterdam politician said: 'People just didn't recognize their city anymore.' He diagnosed a huge gap between the generation of social democrats that governed the city in the 1990's and the world of the average Rotterdam population: two worlds that hardly met (Becker et al., 2004: 192).

In the same year, 2002, the PvdA experienced its largest electoral defeat at the general elections since its foundation in 1946, declining from 29% to 15%. We asked van Westerloo to reflect on it as keynote speaker for a large audience of social democrats. He was not easy on them. The essence, he said, was that they had let their voters down (van Westerloo, 2002: 15). You could hear a pin drop in the venue. But the losses in 2002 were peanuts compared to the results in the most recent elections.

### **The Faustian seduction of neoliberalism**

One of the more common explanations, popular among political scientists, for the electoral decline of the Dutch Labour Party (PvdA) is that it had sold its soul to a Faust impersonating neoliberalism. Duco Hellema and Margriet van Lith asked the PvdA politicians and ministers who had been directly responsible for the course of the PvdA in the 1990's why this had happened: 'It went naturally, we followed the *Zeitgeist*, we were forced in that direction and didn't have much choice, it was almost self-evident' (Hellema and Van Lith, 2020). That answer is just a little too evasive. Dissidents, warning signs, and critical comments at that time were not appreciated (Becker, 2021). If it wasn't for a lack of critical sense, courage, conviction, or competence, it was certainly inspired by a desire for power, by the eagerness to be and remain part of the government again. The mantra was 'to take managerial responsibility' in government at nearly any cost.

During the 1990's social democrats or progressives—not only in Holland—adapted their policies to the neoliberal current in economics and politics that had become dominant in the Western world in the 1980's. By the time Tony Blair got elected in 1997, they invented

their own label for it, *The Third Way*, after the book of Anthony Giddens. According to Blair, the new project was situated between ‘the free market individualism of the right and the old-left statism. [...] We are taking the historic values of the Left, and we are applying them to our new world of dynamic markets.’ It meant revaluation of markets and the private sector, less state regulation, emphasising the individual responsibility of citizens and transforming the welfare state from a ‘safety net of entitlements to a springboard of opportunities’. In a world of change, change itself became a positive value. ‘We embrace change’ was the motto of the Third Way (Becker, Cuperus and Kalma, 1999).

Van Kersbergen, Christoffer Green-Pedersen, and Anton Hemerijck have stressed the positive side of this approach in the Netherlands and Denmark with active labour market policies, the promotion of high rates of labour market participation, macro-economic stability, and wage moderation at its core. They saw the Third Way as a genuine social democratic response to new economic conditions (Green-Pedersen, van Kersbergen and Hemerijck, 2001). But despite the desirability of a switch in the direction of an activating welfare state, and despite the good intentions of the slogan ‘*flexicurity*’ (flexibility and security), in reality, the new policies turned out to have unbalanced effects, undermining security and making the Netherlands the European champion of flexibility. As Wolfgang Merkel concluded for the Dutch case: ‘Old paradigms were abandoned without recourse to new ones.’ (Merkel et al., 2008)

Although the PvdA leadership – personified by Wim Kok and Ad Melkert – never explicitly identified with the label ‘the Third Way’, it is quite clear that it adopted full-blown Third Way policies. As Bill Clinton once remarked: ‘Prime Minister Wim Kok, from the Netherlands, actually was all doing this before we were.’ Hellema and Van Lith show in detail how the PvdA in coalition governments between 1989 and 2002 embarked on a programme of supply-side economics, financial cuts, tax reforms, outsourcing and privatisation of public services and utilities, liberalisation and deregulation of economic sectors, flexibilisation of the labour market, and reform of welfare state arrangements, moving far away from statism and historical Left values and getting pretty close to dynamic markets and free market individualism. Symbolic for this was Prime Minister Kok’s

notorious statement that ‘shaking off ideological feathers’ can be a liberating experience for social democrats’.

Governing the Netherlands was increasingly considered a managing job, running the ‘BV Nederland’, *Netherlands Inc.* The preference for the shareholders’ economy, further globalisation, and deep market integration in Europe contributed to unchaining capitalist forces in a period where they were already on the move. In a world in flux, social democrats thus failed to provide counterweight to an unleashed capitalism and fuelled the forces of insecurity and inequality instead (Cuperus, 2009: 23-73). Basically, the PvdA – as Arndt and van Kersbergen foresaw – followed the same track again with deep welfare state reforms between 2012 and 2017 in another coalition with the conservative liberals. Again with devastating electoral results (Arndt and van Kersbergen, 2013).

One of the effects was the dismantling of the state and public sector. The introduction of New Public Management (the state should steer, not row) in the 1990’s, promoting market forces and competition in the public domain, undermining the public ethic and the role of public professionals, considering citizens as customers of public services – but treating them with distrust and growing surveillance – all added up to policy disasters, catastrophic failures of essential public services, and state interventions with damaging effects. The decentralisation of essential public functions to the local level under condition of later budget cuts made matters worse. No wonder that trust in political institutions has suffered severely in the Netherlands – bad news for social democrats for whom the state and the collective sector used to be an essential part of their political project.

‘We should never have done so’ was the opinion of quite a few social democratic politicians and economists responsible for PvdA politics in the 1990’s – as reflected in the title of Hellema and Van Lith’s book.

### **New uncomfortable cleavages**

What also affected the position of social democracy was the fact that the political sociology of voting behaviour took its revenge. After the era of pillarisation in Dutch politics and society, electoral researchers came to the conviction that voters now started to behave ‘socially indifferent’. Finally, citizens had the kind of consumer freedom to

choose whatever and whoever they liked. But research of voters' attitudes and behaviour across Europe disclosed new social cleavages decisive for the political landscape in the early 21<sup>st</sup> century and extremely relevant and uncomfortable for social democracy.

The electoral problems for the PvdA started, as Philip van Praag has rightly pointed out, long before the populist revolt and before the new cleavages came to the surface. When the PvdA was founded in 1946, one of its aims was to appeal to both a working-class electorate and the middle classes, hoping to become a 40% party in the future. The last aim was never reached, but there were times when the Labour Party indeed successfully forged an electoral coalition over class boundaries. In the last decades, however, the PvdA has lost electoral support among an already shrinking traditional working class, and the party has not succeeded in strengthening its position among the middle-class voters (Houtman, Achterberg and Derks, 2017; van Praag, 2016: 122-123). Its position is even more problematic vis-à-vis the new cleavages.

The first time we analysed the Dutch election results in terms of these new cleavages was in 2006, after the disappointing score for the PvdA, in what we called *The lost battle* (Becker and Cuperus, 2007). Hanspeter Kriesi and his colleagues had just published results of their comparative research about the effects of global modernization: 'we assume that the processes of increasing economic (sectoral and international) competition, of increasing cultural competition (which is, among other things, linked to massive immigration of ethnic groups who are rather distinct from the European populations) and of increasing political competition (between nation-states and supra-or international political actors) create new groups of 'winners' and 'losers'. The likely winners include entrepreneurs and qualified employees in sectors open to international competition as well as all kinds of cosmopolitan citizens. The expected losers, by contrast, include entrepreneurs and qualified employees in traditionally protected sectors, all unqualified employees and citizens who strongly identify themselves with their national community. We assume that individuals do not perceive cultural and material threats as clearly distinct phenomena' (Kriesi et al., 2006).

Their conclusion was in line with what van Kersbergen and André Krouwel wrote in 2003 about the new polarisation in politics

between those who felt pretty comfortable with the new world and the political institutions – although rather irrelevant for their personal life – and those who felt threatened by the globalisation, the European integration, immigration, and the loss of trusted social infrastructure (van Kersbergen and Krouwel, 2003, in Becker and Cuperus, 2007: 51).

This new polarisation cut straight through the traditional electorate of the PvdA, which was clear at the referendum on the European constitutional treaty when a majority of Labour voters – to the embarrassment of the social democratic leadership – turned against it. The PvdA, so we feared and witnessed, didn't have an answer to this new polarization and would end up losing the 'losers'. The idea of a *Volkspartei* had, in these circumstances, become an illusion. The 'clash between high-educated future optimists and lower educated pessimists about the future' was bad news for Labour (Cuperus, 2009: 73 ff.).

In the following years, the insights in the new cleavages deepened. The level – or rather kind – of education appeared to have become a major dividing line in Dutch society, leading to two separate worlds whose inhabitants seldom meet. The political system had become a 'diploma democracy', and the Labour party found itself on the 'diploma side' of metropolitan academic professionals. The 'practically' educated, as Kjell Noordzij recently recorded in his research project *Revolt of the deplored*, have a deeply felt distance to the incumbent politicians, who 'don't know our world', 'look down upon us', and 'consider themselves above us'. What they experience is arrogance and disdain, and they have the feeling of being regarded as losers or deplorables, at whom Hillary Clinton once turned her nose up. This gap of respect is a more important motive for dissatisfaction than material inequality or lack of political knowledge (NRC, 2023).

Recently, new dimensions of this cleavage have been lined out in *The Atlas of the abandoned citizens*; an electoral-geographic analysis of non-voting and anti-establishment voting in the Netherlands (de Voogd and Cuperus, 2021). Dutch politics is more and more characterised and effected by political-social unease and distrust in government. A growing proportion of the population no longer feels represented nor respected by established politics/The Hague.



There is an education gap, a health gap, and a trust gap. This is reflected in non-voting or voting for protest parties and populist or 'outsider parties', who do not (want to) feel part of the mainstream establishment. There is a short circuit between administrative Netherlands and the region as well as between metropolitan dominance and feelings of backwardness in rural Netherlands. There is also a short circuit between the high-educated and the middle-educated over values and preferences. The Dutch political system has transformed into a so-called 'Diplomademocracy': for and from the urban academic professionals, who are economically comfortable and lean culturally to the left. The *Atlas* is also demonstrating that there is a clash going on over the future course of the Netherlands. Many Dutch people feel that the Netherlands is not heading in the right direction. This feeling is stronger the less educated people are and the further away they live from the Randstad.

### **The transformation of the political system**

Finally, this leads us to 'van Kersbergen's law' of the transformation of the political system. Not only voters have changed; so have the traditional political parties and the political system, with serious consequences for the relationship between the Labour party and its potential electorate. For Dutch politics, the end of the 'pillarisation' era seems a natural turning point, but some of the changes occurred quite independently of this phenomenon.

As social democracy ceased to be a movement with deep and widespread roots and branches in society, a new orientation focused on governance and policy became dominant. As early as in 1985, the Wiardi Beckman Foundation – the think tank of the Dutch Labour party – introduced the concept of the 'cheese dome', which denoted the genesis of a political centre where politicians with a limited view on society locked themselves in full-time: 'They create – together with their public servants and lobbyists – their own world and their own language, which not only isolates them, but makes them powerless as well' (van den Berg, 1985: 8). Tinkering with society's engine with the help of policy, without ever getting away from under the hood, as Anton Hemerijck once called it (Becker and Cuperus, 2003: 39).

Politics was thus reduced to the ‘Bermuda triangle of policy’. Problems and experiences of society were reduced in such a way that they became manageable in terms of bureaucratic and financial rationality. That this implied alienation from the ‘real world’ and a severely limited perspective on the very same seemed to be of secondary importance. The world of policy felt it was sufficient in itself (Cuperus, 1995). What aggravated the problem was the strict separation of policy formulation and policy implementation. The world of policy makers and the world of its objects seem to be kept apart by an impenetrable glass wall; maybe they see each other, but they certainly don’t hear each other.

As a result, the Labour party ended up with a broken relationship with an important part of what used to be the traditional PvdA electorate. In a large WBS research project about the ‘concealed politics of daily life’, we concluded on the basis of personal interviews: ‘political parties are falling short in connecting the personal sphere of life with the public domain, of the daily anxieties and dreams of people with political struggle and ideals’ and ‘that the people’s capacity to translate personal problems in public issues and political solutions has dropped below a critical limit’ (Sie Dhian Ho, 2013: 12).

What hasn’t helped? The fact that the political room to manoeuvre on a national scale has become seriously limited by the deepening of the European Union. As Chatham House has argued in a research paper on ‘The political economy of populism in Europe’, the rise of populism, to the detriment of established parties, is a reaction to the distributional conflicts resulting from ‘hyperglobalization’. It connects its drivers to specific economic and political contexts. ‘Among other factors, it finds that different types of populist protest tend to develop depending on whether the shocks from hyperglobalization are primarily to trade or financial markets, or manifest primarily as sudden increases in immigration’ (Manow, 2021; Rodrik, 2011).

Moreover, the serious challenges that social democracy is facing must be met by a weakened political leadership and representatives that have changed considerably in the past decades. In the period of pillarisation, the best and brightest of the emancipation movements rose to leading positions, rooted in society; afterwards, the recruiting ground has narrowed down to the small circle of high-educated party members, usually with a background in the public sector. The

best and brightest tend to choose career paths outside politics, not inside, resulting in a drop of quality. One of the effects is that parliament is lacking authoritative politicians with profound knowledge of their field. Long-term leadership is out of fashion. Since Den Uyl and Kok, who covered the period from 1967 to 2002 together, the PvdA has changed leadership seven times, recently in 2022 when Attje Kuiken became the leader of the parliamentary group. From Den Uyl to Kuiken: it is *plus qu'un pas*.

### **A magical future?**

Whether it was their attitude towards their core electorate, the content of their policies, the incapacity to recognize and bridge new cleavages, or their isolation under the cheese dome of policymaking, social democrats have neglected the essentials. Together with the Christian democrats they have long been the buttresses of the post-war political settlement in Western Europe. They were the proud pillars of the European welfare states and the European middle-class societies. Their decline is not comforting at a time of multi-speed societal transition with fragmentation, polarisation, post-industrialisation, mass migration, and new inequalities combined with a lack of political leadership able to maintain the balance between tradition and innovation.

The question remains why the PvdA performed so much worse than some of its sister parties. We suggest a few explanations:

1. The Dutch political and electoral system is extremely open. There are no thresholds for parties to be elected and no districts with a first-past-the-post system. The Dutch system is genuinely and completely representative and proportional. The result is a multi-multi-multiparty system with an *embar-rass de choix* for voters and a fierce competition for parties. At the 2021 elections, 17 political parties were represented in the House of Representatives, occupying together the total of 150 seats. In the municipal council of Rotterdam, 14 parties are present. As traditional party affiliation and loyalty have weakened, voters have every opportunity to switch to another party of their liking. Newcomers can easily gain a seat, e.g., in 2021, some 70,000 votes sufficed for a seat in parliament. This

is what we would call fine-tuning on the supply side of party politics.

2. Fragmentation of the political landscape has thus occurred on the right side as well as on the left side. However, the left side of the political spectrum has not grown and has remained in a minority position, making coalition politics unavoidable. In the first decades after World War II, the social democrats and the Christian democrats could reach a compromise over the construction of the welfare state, but since the 1980's, the PvdA only found coalition partners either in Christian democrats or in its traditional opponent, the liberal party VVD – with or without the progressive liberals of D66. Inevitably, coalition politics drew the social democrats to the right in a more neoliberal direction, participating in governments with the CDA from 1989–1994 and 2007–2010, and with the VVD from 1994–2002 and 2012–2019. Especially the ‘purple’ coalitions with the VVD had disastrous electoral results for the PvdA, alienating its traditional electorate and opening political space for populist movements as well.
3. In the third place, and now we're beginning to skate on thinner ice, Holland is a small country with an open economy, economically and mentally situated between the Continent and the Anglo-Saxon world. The political and business world has been inclined to adapt to the forces of globalization – if not to embrace them – rather than to slow down or mitigate the effects of the new economic and financial order. Policy competition became an important instrument to promote and safeguard the national interests in the international arena – and Dutch social democracy followed suit. Could it be that Dutch social democracy has been inclined to follow the liberal Anglo-Saxon-oriented mainstream more than for example the French or the Germans have done? Thereby losing its social-democratic authenticity, a distinctive position – and most of its electorate?

Maybe – the ice is getting even thinner – there is also a more sociological explanation. In Dutch society, there is a strong undercurrent of detraditionalisation. The rigid pillarisation model was

followed by the cultural explosion of the 1960s/70s and the rapid rise of a post-industrial knowledge-based economy, causing a strong liberal-oriented individualism, certainly among the potential PvdA electorate. This, in combination with the emergence of a migration based-multicultural society, seems to have ended attachment to traditional people's parties, the emancipation vehicles of the grandparents.

The severely downsized PvdA now has hopes of political survival or even regaining a substantial power position by close cooperation, even merger, with the GreenLeft. It may be helpful to redress the generational imbalance and to become one of the bigger parties in the Netherlands again (Rekker and De Lange, 2021). The basic question is: will this solve its existential electoral and programmatic problems? It will certainly not bring back the lost voters who feel they have been let down; they have found a destination elsewhere, mostly in the populist camp. Will there be a magical future for Dutch social democracy? Some ten years ago, we had slight hopes that by a Houdini-act, the PvdA would be able to liberate itself and rise again. Now, we're not so sure about it anymore.

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**II. SOME OF KEES' THEMES:  
INEQUALITY AND THE POLITICS OF  
WELFARE STATE REFORM**



## Chapter 6

# Radical long-term care change and social-democratic loss in the Netherlands: Connecting institutional change, political processes, and electoral outcomes

*Jet Bussemaker and Janna Goijaerts*

### Introduction

Kees van Kersbergen has written extensively about the phenomenon of the welfare state, including the role of political parties (Christian-Democracy and Social-Democracy), gender structures, and reform and retrenchment policies. In this chapter, we will build on his analysis of retrenchment, extending the debate of Hemerijck and van Kersbergen (2019), who argue that transformative change is easiest in consensus democracies. Our analysis confirms their conclusions by showing that corporatist politics not only leads to incremental change but also to radical welfare state reform and extends these conclusions to the field of healthcare – a sector not incorporated in their analysis.

We will analyze how welfare state reform is not only a matter of implementing institutional change and the political interests that play a role during this process, but also of the political input and outcome that take place before and after the process of change. We will illustrate this thesis with a case study of radical reform in the Netherlands, the case of the decentralization of long-term care, connecting political practice and theories on political and institutional processes of welfare state change.

The authors of this chapter have both previously studied welfare reform, particularly in a Dutch context (Bussemaker and van Kersbergen, 1999; Goijaerts, 2022). Goijaerts is working on a PhD that integrates health and healthcare in social policy research (Goijaerts et al., 2022). Bussemaker is professor of policy, science and societal impact, but is also a former MP, former deputy minister of health and former minister of education for the Dutch Labour Party. As

such, this analysis does not only build on academic knowledge, but also on experiential practice.

### Various theories of reform and retrenchment

In the comparative political economy literature, two broad accounts of institutional change exist. The one account argues that institutions are inherently stable but that, at rare times, this institutional stability is broken by an exogenous shock causing a radical change. The other account argues that institutions are constantly changing incrementally and that these changes should not be disregarded as minimal but in fact, together, amount to radical institutional change.

The literature that emphasizes institutional stability has based its argument around the concept of path dependency. Once an institution is built, it is very economically, politically and/or administratively costly to change the institution. Institutional change does take place but only rarely and as a consequence of an exogenous shock, called a critical juncture. Already in the 1990s, Paul Pierson (1996) observed that the politics of welfare state retrenchment are inherently different from the politics of welfare state expansion. Pierson (1996: 143-144) summarizes the difference between expansion and retrenchment as follows: 'Welfare state expansion involved the enactment of *popular* policies in a relatively undeveloped interest-group environment. By contrast, welfare state retrenchment generally requires elected officials to pursue *unpopular* policies that must withstand the scrutiny of both voters and well-entrenched networks of interest groups'. Indeed, retrenchment is characterized by a *negativity bias*. Individuals show a stronger negative feeling towards losing the things they have than a positive feeling towards gaining something new of an equal value (1996: 146). Furthermore, the losses of retrenchment are often more concentrated and tangible, whereas the gains are often diffuse and uncertain (1996: 145).

What is new in the politics of welfare state retrenchment as a result of the changing policy goals and context is the disparity between politicians' 'policy preference and their electoral ambitions' (1996: 146). New political strategies thus need to be developed to make these two compatible. Pierson (1996: 147) argues that the new politics of the welfare state is a politics of *blame avoidance*. Strat-

egies of blame avoidance are lowering the visibility of reforms by making the effects of policies hard to detect or by making it hard to trace responsibility for the policy changes, seeking broad consensus on policy reform to spread the blame and mask the responsibility or playing off one interest group against another and compensating the politically most crucial groups (1996: 147). Pierson (1996: 174) concludes that, in general, 'it is [hard] to find *radical* changes in advanced welfare states'. Retrenchment is pursued extremely cautiously using political strategies of consensus building and trimming existing structures rather than changing policy programmes radically.

The second account of institutional change manifests itself as a critique on the notion of institutional stability interrupted by critical junctures. Instead, the counterargument states that incremental changes should not be ignored since 'incremental processes of change appear to cause gradual institutional transformations that add up to major historical discontinuities' (Streeck and Thelen, 2005: 8). In this literature, the process of change, which may be incremental or abrupt, is distinguished from the results of change, which may amount to either continuity or discontinuity (Streeck and Thelen, 2005: 8). In other words, incremental processes may lead to radical change of the welfare state. Streeck and Thelen (2005) categorized incremental institutional change into five types: displacement, layering, drift, conversion, and exhaustion.

Bruno Palier (2007) studied the changing French pension system as a least-likely case for radical policy change and found that incremental radical change was in fact taking place in the French pension system. He therefore reached a conclusion opposite to Pierson's, namely that radical change is possible despite path-dependent forces of the welfare state. In the French case, change took place in four sequences. First, actors share a diagnosis, which challenges the instruments chosen in the past. Second, the new instruments are chosen in opposition to the past. Third, the new measures are adopted on the basis of an ambiguous, even contradictory, agreement. Palier's tracking of the process of change focused on the invisible changes of ideas and logic rather than the visible changes of power resources and policies. The indicators used by Palier are the type of discourse and framing of the policy problems and solutions. He found that the changes in the pension system were spurred by

ambiguous policy frames (2007: 100): ‘Vagueness surrounding the meaning of these measures and divergent interpretations of the solutions adopted do not appear to be parasitic on clear, rational action, but lie right at the very heart of their political functionality’. Finally, Palier found that the *layering*, as described by Thelen (2003), of the new pension instruments led to cumulative change and a profound transformation of both the logic and the structure of the pension system (Palier, 2007: 102).

What can be discerned from comparing these two accounts of institutional change is that politics plays a different role in both accounts. Welfare state stability is caused by blame avoidance – the lack of willingness of politicians in power to cut popular measures, thereby risking electoral loss. Incremental welfare state change, however, is caused by consensus politics – forging agreement on the basis of ambiguous frames. Hemerijck and van Kersbergen (2019) have similarly drawn a connection between institutional change literature and political characteristics. They connect institutional change to processual mechanisms and electoral institutions, showing that consensus democracies are more prone to long-term-oriented reform and social investment change. They argue that ‘consensus democracies based on proportional representation, coalition governments, and – not to forget – social partnership, allow for negotiated and long-term-oriented reform compromises, which can ensure that the costs and burdens of intrusive long-term-oriented social investment reforms are fairly shared’ (Hemerijck and van Kersbergen, 2019: 52). These institutional features help to solve the problem of temporal commitment in democracy through processual mechanisms. Hence, consensus democracies are better equipped than majoritarian systems to implement social investment reform, even if these reforms break with historical legacies (Hemerijck and van Kersbergen, 2019: 59).

This conclusion might make sense if we look at the way decisions are made about reforms and the way they are implemented. However, the question is what the consequences might be in the long run for the political parties involved. There may be an interaction between implementing institutional change and the political interests that play a role during this process, and the political input and outcome that take place before and after the process of change.

With respect to this question, it is useful to refer to the responsiveness/responsibility dilemma, as formulated by Peter Mair (2009). Governing for the long term by implementing radical welfare state reform (responsibility) can lead to decreasing electoral popularity (responsiveness). Political parties in modern democracies have the double function of representing the interests of their voters and, at the same time, governing the state. Peter Mair argues that the tension between these two demands has increased as it has become more difficult to reconcile them. The principal of the principal-agent relationship is similar in prospective responsiveness and retrospective accountability, namely the parliament and the voters. What makes the relationship between responsiveness and responsibility incompatible is the fact that in the case of responsibility, there are a host of different and sometimes competing principals, namely the central banks, autonomous controlling bodies, the courts, the European Commission, and so on. It is particularly difficult for the agent government to reconcile the interests of both principals (2009: 13).

Moreover, the political landscape has become more fragmented (and it has therefore become more difficult for governments to read voter preferences and to align voters behind their policies), while the institutional environment for governing has become more complex (governments find themselves to be more constrained by other agencies and institutions), making it harder for political parties to represent and take responsibility at the same time. In addition, governments are constrained by legacies inherited from earlier governments. Consequently, political parties used to be able to bridge this division between responsiveness and responsibility, but it is not conceivable today for parties to be able to persuade voters on side through partisan campaigns and appeals to partisan loyalty (Mair, 2009: 13-15). Parties that are busy governing have less room for partisanship and often act depoliticized during their governing period. In response to these developments, parties that distance themselves from governing – such as the populist parties – take up the responsiveness role forcefully but rarely take governing responsibility: ‘In other words, there is a growing bifurcation in European party systems between parties which claim to represent but don’t govern and those which govern but no longer represent’ (Mair, 2009). We want to illustrate how, in the Netherlands, a process of smooth welfare

state reform led to an historic loss for the social democrats, thereby reinforcing the dilemma between responsiveness and responsibility in the Dutch political climate.

### **The Dutch case: Long-term care reform and electoral loss**

Healthcare reform deserves more attention in welfare state research since it is not only one of the big spenders in welfare states, but also one of the most appreciated services among the electorate. Hence, reform is very necessary and very hard at the same time. The Dutch welfare state – including the healthcare system – has been known for a long time as very generous. The Dutch healthcare system has experienced two main reforms in the last decades. In 2006, the government initiated a universal mandatory care insurance scheme for curative services, the Health Insurance Act. The act introduced universal coverage for the entire population and market incentives: Supply and demand of healthcare became a matter of negotiation between private health insurance companies and private health providers, both restricted to legal state arrangements. Because of the market incentives, the social democrats voted against. In the same period, other care policy programmes were being reformed. In 2007, the Social Support Act was initiated, which provided a framework for social and community support. Municipalities carry the responsibility for the Social Support Act, so this is a decentralized policy. All major parties, including the social democrats, voted for the new act. It was regarded as a promising perspective to connect citizens and welfare provisions in close proximity (Bredewold et al., 2018).

In 2015, this reform was expanded by a huge reform of long-term care arrangements (LTC), but also youth care and social assistance from state level to municipalities. The central notion behind the reform was that local governments could determine more customized solutions and stimulate reciprocity between state and citizens, summarized in a frame of a ‘participation society’. The reforms were accompanied by cutbacks, based on the notion that local customized solutions should be cheaper – a clear example of retrenchment. The two reforms from 2006/7 were respectively prepared by a right-wing coalition government and implemented by a right-wing coalition (Health Insurance Act) and a coalition of Christian democrats and social democrats (Social Support Act). The radical 2015 reform was



prepared and implemented by a government of liberals and social democrats (Rutte II, VVD-PvdA, 2012-2017). We will focus on the last reform.

The 2015 reform took place in a context of financial austerity and a dynamic political climate. In the aftermath of the financial crisis and in the midst of the Euro-crisis, the government was faced with severe budget cuts. The Labour Party became the second-largest party of the Netherlands with 38 seats in parliament, right after the Liberals led by Mark Rutte with 41 seats. After a campaign in which both parties campaigned against each other, being each other's natural enemies, they were forced to collaborate after the elections. The severe economic crisis did not allow parties any form of delay, and combined with a good chemistry between the two party leaders, the election outcome resulted in a Lib-Lab government, formed in six weeks, an exceptional record in Dutch history. Spurred by the dynamics of ageing populations and changing social and familial structures, the retrenchment of long-term care had a high priority on the agenda.

It is in this context that the old LTC scheme – the Exceptional Medical Expenses Act – was finally dissolved. Since January 2015, the part of the old scheme that concerned medical treatment and nursing has been transferred to the main health insurance scheme. The part of the old scheme that concerned social support and participation has been transferred to the Social Support Act. Municipalities are responsible for the Social Support Act, so this part of the old LTC scheme has been decentralized. Only the care services for the most vulnerable people are still insured in an insurance scheme, the new Long-Term Care Act. The tendency that had been playing out for several years to 'reduce the scope of the provisions covered by the national [long-term care] insurance system and allocate them to domains of social policy governed by less solidaristic, more discretionary and subsidiary principles' came to full completion in 2015 (Da Roit, 2012: 8).

Let us see how we can understand the retrenchment of long-term care in the Netherlands in terms of institutional stability versus incrementalism and the connected dilemma of responsiveness versus responsibility. If we try to explain the reform with Pierson's framework, we can only conclude that his argument does not hold here.

First of all, the retrenchment of the Dutch LTC is hardly an example of cautious trimming of existing structures (Pierson, 1996: 174). The radical restructuring of LTC systems, not only in the Netherlands, but also across Europe, contradicts his resilient-to-reform argument. In a study of LTC systems in six European countries, including the Netherlands, Pavolini and Ranci (2008) found that LTC used to be organized either according to the informal care-led model or according to a services-led model, but in face of new social risks, all countries are converging towards a mix of these models. This is specifically true for the Netherlands as the services provided through the old scheme, which had existed for almost half a century, were scattered among three new schemes, each with a different logic (the Health Insurance Act with its mandatory health insurance and market elements, the Social Support Act with a decentralized scheme of informal care and the Long Term Care Act as a very reduced form of the old LTC scheme). Hence, the radical reform of LTC schemes is not a response to a particular critical juncture, but instead to more incremental societal developments such as demographic ageing.

Also Pierson's argument about blame avoidance does not hold here. At first sight, the Lib-Lab government might seem to be a perfect example of coalition building to avoid blame: right-wing and left-wing opposites implementing retrenchment. However, a closer look shows us that this is not true, at least in so far that this coalition was not a necessary condition for the implementation of these policy changes. Governments from the 2000s onwards had already been working on adaptation of the Exceptional Medical Expenses Act (SER, 2008: 22). By the time new elections were held in 2012, there was a certain social consensus about what needed to be done to make the Exceptional Medical Expenses Act more sustainable. Both the Liberal Party and the Labour Party had similar plans to restructure the Exceptional Medical Expenses Act in their election programmes (VVD, 2012; PvdA, 2012). Both parties wanted to dissolve the old LTC scheme, both parties were emphasizing the separation of costs for care and accommodation (one of the major problems associated with the old scheme), and both parties were looking at the existing Health Insurance Act and Social Support Act for solutions. The differences between the two parties were typical lib-lab differences: the more conservative oriented Liberal Party wanted

more market elements and less redistributive elements and vice versa (VVD, 2012; PvdA, 2012). The reason that these radical changes were not implemented earlier is that the Health Insurance Act and Social Support Act had only recently been implemented. As it took time for administrative actors to implement both these reforms and these care schemes were a vital part of changing the old scheme, it is not so surprising that it took some extra years before the LTC system could be radically changed. This means that the reason the old scheme was dissolved by the 2012-2017 Lib-Lab government is not so much a matter of coalition building, but rather a matter of timing. The reform of the Dutch long-term care is all together best understood in terms of a system built on consensus and an incremental process with radical change as a result, which is similar to Palier's analysis of the French pension system. The investment in consensus firmly contributes to a transformative change, while a financial crisis may work as a catalyst.

On this point, the analysis of Hemerijck and van Kersbergen is helpful. Where, from the perspective of Pierson's theory, we would expect that interest groups of specific policy packages would use their power to stop these radical changes (which did not take place), with Hemerijck and van Kersbergen's approach, we can state that the reform was compatible with the political culture in conservative-corporatist welfare states. Corporatism is a very important element of Dutch political culture. Union representatives, business representatives, advisory councils; they are all asked for counsel before policies are being reformed. As mentioned earlier, Dutch governments began asking for counsel in the 2000s. Both the independent advisory Council of Public Health and Care (RVZ) as the Social-Economic Council (SER), representing both labour and business, advised the government in 2008 to reform the old LTC scheme in a radical manner, either by a total abolition (RVZ) or a radical transformation (SER) by transferring parts of services from the old LTC scheme to the Health Insurance Act and the Social Support Act, leaving a core LTC scheme for the weakest chronically ill groups (SER, 2008: 85, 123). As one of the authors was the deputy minister of health by then, we can add that this advice was asked on purpose to create a support base and consensus compatible with the domi-

nant political culture.<sup>1</sup> The final dissolution of the old LTC scheme was thus stooled on broad social consensus reached after years of making strategic agreements in which different interest groups were represented, which makes this a perfect illustration of corporatist political culture. As a consequence of the social consensus, there was no need to make the policy changes invisible.

## Conclusion

In times of economic hardship, it may be easier to openly and visibly take radical measures and, thus, take responsibility for the development of the welfare state. In times of economic hardship, the bridge between responsiveness and responsibility may be mended by appealing to voters' understanding of unpopular measures, as the Lib-Lab government 2012-2017. Moreover, the Dutch case on long-term care emphasizes the findings of Hemerijck and van Kersbergen (2019) that long-term reform is more likely in consensus democracies based on proportional representation, coalition governments, and – not to forget – social partnership.

So far, the conclusion might be positive about the role of political parties taking responsibility. However, we should not only look to the decision- making process of reform and its implementation, but also to the consequences for the long run for the political parties. While the Liberal Party did quite well in the 2017 elections (led by former MP Mark Rutte, since 2022, the longest-serving Dutch prime minister ever), the results for the Labour Party were disastrous, and the presence in parliament shrunk from 38 to only nine seats. Even though the government and its ministers were praised in the public opinion for their courage and resolute implementation of radical reforms that were deemed necessary by public institutions, the voters punished the Labour Party in a way that has never occurred before. To put it in terms of the Mair, we might say that this is an exemplary case of a party taking responsibility but losing responsiveness to its voters. Thus, consensus politics do not withhold the electorate of being very critical in hindsight, making the responsibility vs responsiveness dilemma even more dynamic. The Dutch case shows that by taking responsibility, political parties can suffer immense electoral

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<sup>1</sup> This basic elements of this SER report would be implemented by government seven years later.

losses, leading to more hesitation to govern for the long term on part of political leaders for the future. Indeed, still afraid from the dramatic consequences of reform policies for the Labour Party in 2017, the governments Rutte III and Rutte IV (both without the Labour Party) tried to govern without taking risks. Finally, internal political differences broke the political coalition, leading to new elections in November 2023. Hence, we conclude that Hemerijck and van Kersbergen's (2019) argument might be expanded by including the feedback loop of electoral outcomes on institutional change and political processes.

To rethink the consequences in the long run for European social democracy and consensus policies in general, and the Dutch Labour Party more in particular, we need more Kees van Kersbergens. While many academics are inclined to specialize in specific topics or theories, van Kersbergen's trade has been to combine general knowledge of political parties, welfare institutions, consensus democracies and international comparisons with in-depth analysis. His contribution is therefore extremely helpful in making sense of the complex mechanisms of the political-social world.

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# Chapter 7

## Digitalization and the welfare state: Citizens' views on who should be in charge

*Marius R. Busemeyer*

### Introduction and motivation

In the last few years, I had the honor and pleasure of working intensely with Kees van Kersbergen on a publication project about the consequences of digitalization for the welfare state, broadly conceived (Busemeyer, Kemmerling et al., 2022a, 2022b). Together with Paul Marx and Achim Kemmerling (and the large number of contributors to this project), we discussed how and whether rapid technological change – a multi-faceted phenomenon often discussed under the broad (and simplified) headings of digitalization and automation – might pose a more significant challenge to contemporary welfare states compared to previous waves of technological change. Kees van Kersbergen's contributions to these debates were not only to discuss and highlight the implications of technological change for the concrete policy area of health care (Jensen and van Kersbergen, 2022) but also to push the rest of us to think more thoroughly about the deeper (and more radical) implications of these changes in conceptual terms.

One example of his keen ability to move the yardstick in terms of thinking outside the box in this regard is his recent work on the implications of the use digital technology in the administration of the welfare state. In the final chapter of the volume (Busemeyer, Kemmerling et al., 2022b: 386), we had discussed the 'public management dilemma' that is associated with the spread of digital technology in welfare state administration. On the one hand, the widespread use of digital innovations such as automated decision-making systems, digital sharing and storage of citizens' information to facilitate information flow, and the use of digital technology in the delivery of services such as education can 'give a tremendous boost of efficiency and can enhance the quality of social services' (Busemeyer, Kemmerling et al., 2022b: 386). On the other hand, the widespread usage

of these innovations might fuel opposition to the concentration of digital power resources (i.e., data) in the hands of the state. Following up on this idea, van Kersbergen and Svendsen (2022) have recently shown that the speed and depth of digital innovation in the welfare state seems to depend not only on the availability of digital resources and technical know-how but also on the broad availability of a non-digital resource, namely social trust. Countries with a high degree of social trust have been able to implement digital innovations faster with positive effects for efficiency and quality of service, which can further enhance citizen trust in the performance of their welfare states. Vice versa, low-trust countries are likely to have a harder time implementing digital innovations.

Against this broad background, the contribution of this short chapter is to delve deeper into one particular aspect of citizens' views on the implications of radical technological change for the welfare state. This is, to some extent, related to Kees van Kersbergen's latest work on this issue, namely the question of which actors citizens trust to deal with the (expected) negative side effects of rapid technological change. In the next section, I briefly discuss the state of research on the broader topic before I present an empirical analysis of data from a cross-national public opinion survey – the OECD's *Risks that Matter 2020* (OECD, 2020) – which includes data on the specific issue mentioned above. In the concluding section, I reflect on the findings.

### **An emerging research agenda**

As I argue more extensively elsewhere (Busemeyer, 2022), existing research on the question of how current rapid technological change affects the welfare state is limited. In contrast, there is a much broader research tradition in labor market economics on the effect of technological change on labor markets, which has produced a number of important findings. For one, there is mounting evidence that technological change is associated with a particular pattern of labor market stratification, namely the 'hollowing out of the middle' effect (Autor, Levy and Murnane, 2003; Autor, 2022; Goos, Manning and Salomons, 2014; Michaels, Natraj and Van Reenen, 2014; Breemersch, Damijan and Konings, 2017). Looking backwards (i.e., analyzing labor force survey and panel data for the past decades),



this research finds that technological change indeed increases demand for (and by extension, the wages of) highly skilled workers in the knowledge economy. However, and somewhat different from the previous effects of globalization, the association between skills, income, and employment prospects is not linearly positive. Instead, researchers have identified increasing demand for low-skilled employment, often in personal services such as hairdressing and table waiting, which are difficult or too expensive to automate and routinize. Different from the high-skilled winners of the transformation towards the knowledge economy, the wages of the low-skilled service workers do not necessarily increase. Those in the middle of the income and skills distribution are then increasingly ‘under pressure’ (OECD, 2019) to either upgrade their skills in order to keep up with the top strata in the knowledge economy or face downward decline in status and economic resources.

A second line of research in labor market economics adopts a more forward-looking perspective by trying to estimate the likely future impact of digitalization and automation on labor markets. A pioneering study in this strand of research was carried out by Frey and Osborne (2017), who developed occupation-specific risk assessments based on experts’ judgements about the likelihood of certain tasks being done by robots, advanced software, or AI in the coming years. Another example is the recent paper by Acemoglu et al. (2021), who extract data on the usage of AI in companies from job vacancy data, identifying measurable replacement effects of AI usage on the hiring of non-AI related staff, even though these effects remain small in the aggregate still. In a related paper, Autor’s (2022) former rather positive perspective on the effects of technological change on labor markets has turned more pessimistic because of the fundamental uncertainties regarding the future potential of AI and machine learning, which could have disruptive consequences for labor markets.

Building on the wealth of scholarship in labor market economics, welfare state scholars have only recently begun to explore the implications of digitalization for the welfare state. One strand of literature focuses on the political consequences of technological change, highlighting how the above mentioned ‘squeezing’ of the middle class might lead to growing support for radical and right-wing pop-

ulist parties (Anelli, Colantone and Stanig, 2019; Frey, Berger and Chen, 2018; Im et al., 2019; Kurer and Palier, 2019; Kurer, 2020). Relatedly, Culpepper and Thelen (2020) have pointed to the rising political and economic power of leading companies of the platform economy (see also Kenney, Bearson and Zysman, 2021).

A second strand, which is of greater relevance for this particular chapter, is concerned with the association between technological change and welfare state attitudes and preferences. Work in this tradition builds on the recent scholarship emphasizing the centrality of labor market risk in shaping individual-level attitudes towards the welfare state (Häusermann, Kurer and Schwander, 2015; Rehm, 2009). In line with this work, the pioneering paper by Thewissen and Rueda (2019) studied the association between automation risk exposure at the occupational level (measurable, for instance, with indices on the ‘routine task intensity’ of occupations developed in the economics literature discussed above) and support for redistribution, finding a consistent and robust positive association. Related papers in this area adopted a more differentiated perspective on social policy preferences, distinguishing between demand for compensatory social policies such as more generous unemployment benefits on the one hand and more social investment-type policies (i.e., investments in education, further training, and active labor market policies) on the other. In spite of using partly different datasets, various papers in this sub-field have come to similar conclusions, which is that those whose jobs are at risk of automation tend to prioritize compensatory social policies, whereas the ‘winners’ of technological change (i.e., high-skilled and high-income individuals) are more in favor of social investments (Busemeyer and Sahm, 2022; Busemeyer, Gandenberger et al., 2022; Busemeyer and Tober, 2022; Gallego et al., 2022; Im, 2021; Kurer and Häusermann, 2022).

### **Some theoretical expectations (and descriptive empirical findings)**

An issue that has not been addressed so far in existing scholarship is the question of which actors citizens would like to see in charge of managing the digital transformation of welfare states and labor markets. Why is this a relevant question? First, this issue is related to social and political trust, which Kees van Kersbergen identified

in his recent work as an important resource for societies in order to deal successfully with the challenges of technological change. Secondly, it defines the relationship between citizens themselves on the one hand and collective actors such as trade unions, civil society associations, and employers as well as the welfare state on the other. If citizens view individual workers such as themselves to be largely responsible for managing the implications of technological change, there is little legitimacy (or even need) for the state to step in. If, in contrast, citizens primarily look towards the state and other collective actors to support them in dealing with the digital transformation, then this is likely to boost support for continued involvement of the state in this matter.

Before proceeding, I briefly want to introduce the question that I use in order to measure citizens' views on the responsibility for managing the digital revolution. This question was part of the OECD Risks that Matter 2020 survey. This is a quota-based – but in practical terms, representative – survey of public opinion in 25 OECD countries, including about 25,000 respondents.<sup>1</sup> The survey is broadly focused on exploring perceptions of and preferences related to different kinds of social risk. Together with a team of researchers from the University of Lausanne, we had the chance of designing and including a set of questions on social risk perceptions and preferences related to technological change in this survey. For the following analysis, I rely on this question from the survey:

To what extent do you think each of the following should or should not be responsible for dealing with the potential negative side effects of technological change?

- a. The national government
- b. Intergovernmental organisations or political unions, such as the United Nations or, if you live in a European Union member state, the European Union
- c. Trade unions
- d. Firms, businesses, and employers
- e. Civil society groups, such as professional associations, non-profit organisations, and charitable organisations
- f. Individual workers themselves

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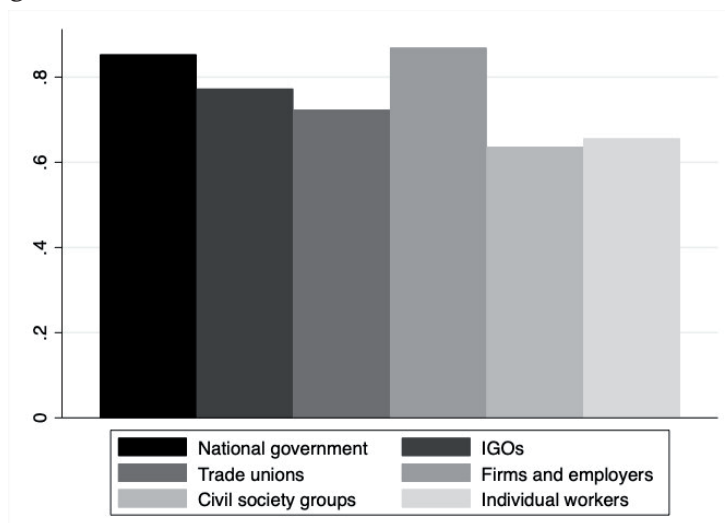
<sup>1</sup> For details, see OECD (2020).

Respondents were then asked to indicate their response on a four-point scale: '1. Definitely should not be responsible; 2. Probably should not be responsible; 3. Probably should be responsible; 4. Definitely should be responsible.'

The question wording did not force respondents to prioritize between these different actors nor did it force them to pick and choose. Hence, it is possible for respondents to attribute (joint) responsibility to different actors. Furthermore, the wording of the question emphasizes the 'potential negative side effects' of technological change. This is not to downplay to potential *positive* consequences of digitalization and automation for work, such as improvements in the quality of work, expanded options for new and different forms of work organization, and – in the case of robots in particular – the prospect of having machines take over the physically strenuous aspects of jobs. However, in designing the question, we were more interested in how individuals would react to the real and perceived automation risks entailed in rapid technological change. Empirically, we find that large shares of the workforces in OECD countries are indeed worried about these risks (Busemeyer, Gandenberger et al., 2022). This share reaches from a low of about 20-25% in countries like Austria, Finland, and Norway thinking it is likely or very likely that their jobs will be 'replaced by a robot, computer software, an algorithm, or artificial intelligence' in the coming five years to close to or even more than 50% in Chile, Mexico, Turkey, or South Korea.

Regarding the responsibility question, I also find varied response patterns. Figure 1 depicts the share of respondents across all countries in the sample who state that the respective actor(s) should 'probably' or 'definitely' be in charge of managing the negative side effects of technological change. Relatively speaking, most respondents (almost 87%) regard firms and employers as the actors who should be primarily responsible. This is likely because firms are immediately in charge of managing the implementation of digital technology at the workplace. In second place and close behind, however, respondents regard the state ('the national government') as being responsible for managing technological change (85%). Notably, responsibility is attributed to national governments rather than to international or supranational organizations (77%). Collective actors that represent the interests of employees and workers are also ap-

**Figure 1: Citizens' views on who should be in charge of managing the potentially negative side effects of technological change**

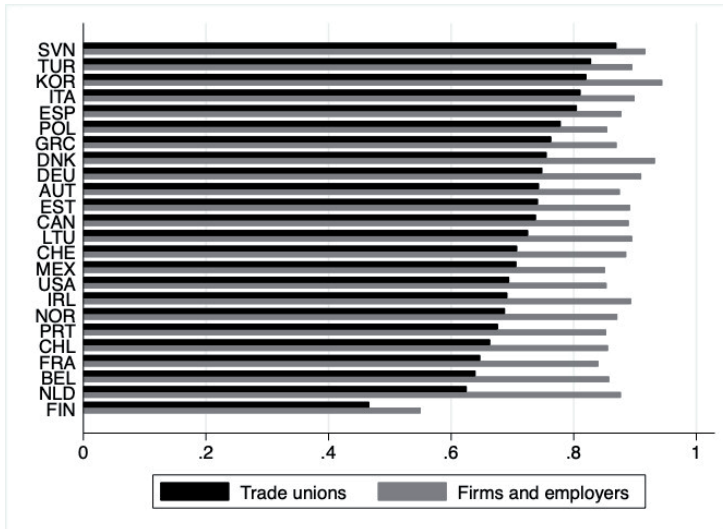


Note: Bars indicate the share of respondents stating that the respective actor(s) should probably or definitely be in charge. Source: OECD (2020).

preciated as influential actors that hold responsibility for managing the negative side effects of technological change, but on a decidedly lower level compared to business and government, namely 72% in the case of trade unions and 64% in the case of other civil society organizations. Comparatively few respondents also think that individual workers themselves should be responsible for managing the negative side effects of digitalization (66%).

Figures 2 and 3 display how the shares of respondents perceiving different actors to be responsible varies across countries. In the case of Figure 2, I plot the share of respondents who believe that individual workers themselves are responsible against the share who thinks that the state (i.e., the national government) should be responsible. Interestingly, there is more variation regarding the share who holds individuals responsible across countries, while the share holding the government responsible remains rather stable and high. Thus, national institutional contexts seem to have a stronger effect in the case of popular perceptions of the role of individuals in dealing with technological change, whereas the central role of the state is relatively uncontested.

**Figure 2: Perceived responsibility to manage negative side effects of technological change: individual workers vs. the state**

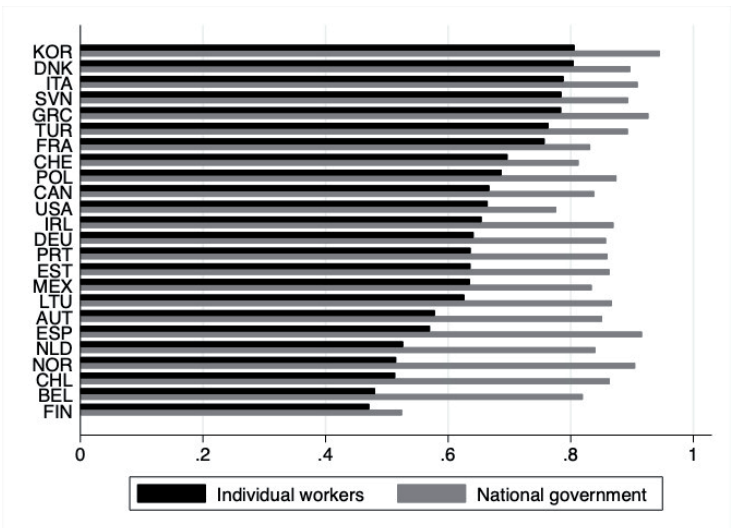


Note: Bars indicate the share of respondents stating that the respective actor(s) should probably or definitely be in charge. Source: OECD (2020).

Furthermore, the figure clearly shows that these perceptions do not simply mirror existing welfare state regimes, supporting van Kersbergen's (2013) critical position on the empirical usefulness of these typologies. For instance, the Scandinavian countries are distributed across the whole scale, with Danish respondents expressing very high support for holding individual workers responsible, while this share is lowest in Finland and similarly low in Norway. The supposedly individualist liberal welfare states of Canada, the US, and Ireland are in a middling position, whereas conservative/corporatist welfare states are also distributed across the scale.

Figure 3 depicts the shares of respondents who hold trade unions or firms/employers responsible. Again, the share of respondents assigning responsibility to employers is high and varies less across countries, whereas the share who see unions in a responsible position varies more. There is a certain, but not clear-cut, tendency that support for trade unions being responsible is higher in countries where the power resources of trade unions are somewhat less developed, for instance in Slovenia, Turkey, and Korea as well as – to some extent – in the Southern European countries of Italy, Spain,

**Figure 3: Perceived responsibility to manage negative side effects of technological change: trade unions vs. firms and employers**



Note: Bars indicate the share of respondents stating that the respective actor(s) should probably or definitely be in charge. Source: OECD (2020).

and Greece (plus Poland). Support for trade unions to play a responsible role in managing the negative side effects of digitalization is somewhat lower in corporatist countries where unions traditionally play a strong role (Belgium, the Netherlands, and again Finland). It goes beyond the scope of this short contribution to explain fully this variation – I merely note its existence here and encourage researchers to delve deeper into this issue.

**Individual-level determinants**

In the next step, I move from the country level down to the individual level. As in the previous section, I directly combine the discussion of theoretical considerations with empirical analysis for reasons of space. Table 1 displays the results of a multi-level regression analysis (with robust standard errors) of the above-introduced dependent variables, which have been dichotomized for ease of interpretation.<sup>2</sup> I start the discussion with variables capturing socio-economic status, namely income and education. In this case, it could be expected-

<sup>2</sup> More specifically, the top two and the lower two categories are collapsed, respectively.

Table 1: Individual-level determinants of responsibility attributions for managing the negative side effects of technological change

Who should be responsible?	(1) National government	(2) International organizations	(3) Trade unions	(4) Firms/ employers	(5) Civil society groups	(6) Individual workers
Education	0.00765 (0.0504)	0.00894 (0.0417)	-0.0544 (0.0376)	0.191*** (0.0485)	0.0449 (0.0381)	0.143*** (0.0387)
Disposable income (log)	0.00704 (0.0243)	0.000404 (0.0163)	-0.0237 (0.0182)	0.0460** (0.0216)	-0.0229 (0.0159)	0.0111 (0.0196)
Age	0.0112*** (0.00299)	0.00882*** (0.00285)	0.00555*** (0.00189)	0.0179*** (0.00234)	0.0105*** (0.00202)	0.00696*** (0.00209)
Gender (female = 1)	0.150** (0.0589)	0.118** (0.0602)	0.125*** (0.0356)	0.225*** (0.0610)	0.00272 (0.0441)	-0.176*** (0.0352)
Not employed	0.0399 (0.0425)	-0.0201 (0.0428)	-0.0380 (0.0281)	0.218*** (0.0420)	-0.140*** (0.0367)	-0.176*** (0.0334)



Using digital tech at work	-0.0148 (0.0192)	-0.0116 (0.0129)	-0.0277** (0.0111)	0.0484*** (0.0142)	-0.0107 (0.0124)	-0.00507 (0.0120)
Subjective tech risk	0.241*** (0.0266)	0.280*** (0.0368)	0.377*** (0.0255)	0.141*** (0.0399)	0.441*** (0.0308)	0.349*** (0.0300)
General tech attitude	0.0289 (0.0457)	-0.0129 (0.0509)	0.0309 (0.0359)	0.0674* (0.0395)	-0.0278 (0.0438)	0.0414 (0.0361)
Constant	1.121*** (0.327)	0.765*** (0.189)	1.049*** (0.220)	-0.162 (0.279)	0.380** (0.167)	0.414** (0.209)
Observations	19,156	18,386	18,587	19,289	18,291	18,896
Number of countries	24	24	24	24	24	24

Robust standard errors in parentheses

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

ed that high-status individuals should be more in favor of supporting individual responsibility to manage the fallout of technological stress because these individuals also have the necessary resources to be able to deal with the associated labor market transformation. It turns out that this expectation only holds in the case of highly educated individuals (model 6). Furthermore, high-status individuals could be more likely to express support for attributing responsibility to employers given their generally more positive attitudes towards business interests vis-à-vis support for the state or trade unions. This expectation is confirmed in model 4.

Labor market and occupational status also matter to some extent: Those who are currently not employed<sup>3</sup> are more likely to hold employers accountable and less likely to attribute responsibility to civil society groups and individual workers. Somewhat surprisingly and against plausible expectations, trade unions do not seem to matter in this case. Regarding occupational variables, the survey includes an item on whether respondents regularly use digital technology at their workplace. This aspect captures at least some characteristics of the occupations of respondents. Interestingly, heavy technology users are more likely to attribute responsibility to firms and employers but less to trade unions.

Finally, I include a number of attitudinal variables that might be correlated with responsibility attributions. The first captures subjective perceptions of technological risk, i.e., how likely it is from the perspective of respondents themselves that their job will be replaced by a robot, advanced software algorithm, or artificial intelligence in the next five weeks (this variable was already mentioned above). Previous analyses by us have shown that subjective automation risk is strongly related to social policy preferences related to tech change (Busemeyer, Ganderberger et al., 2022). Table 1 shows that subjective perceptions of automation risk are strongly related to responsibility attributions as well: Higher perceived risk is associated with higher levels of responsibility attributions. This could express a general perception that ‘something needs to be done’ about the expected negative side effects of technological change, independent of which (type of) actors should be responsible for ‘do-

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3 Note that the survey questionnaire does not distinguish between unemployed and voluntary non-employment here.

ing something.' Secondly, I include a general measure of whether technological change is perceived as a positive or negative force of change. This variable does not have a strong effect. It is only in the case of responsibility attribution to employers where a weak positive association can be observed.

### **Concluding remarks**

Rapid technological change is currently transforming labor markets of advanced post-industrial democracies, and it is likely to have even stronger effects in the coming decade. Generally speaking, there is still little research on the implications of this digital transformation for the welfare state. While there is at least growing attention to this issue – also thanks to Kees van Kersbergen's contributions (Busemeyer, Kemmerling et al., 2022a, 2022b; Jensen and van Kersbergen, 2022; van Kersbergen and Svendsen, 2022) – this short contribution brought attention to a hitherto neglected facet in this debate, namely the question of which actors are held responsible by citizens in managing potential negative side effects related to digitalization and automation. My analysis has shown that most responsibility is attributed to business and government actors, while individuals tend to attribute less responsibility to trade unions or individual workers.

On the one hand, this might indicate that individuals associate the responsibility to fix things with a perceived responsibility for breaking things, to paraphrase a common saying of the digital economy. Business and government are held responsible for managing the negative side effects of technological change because they are perceived as the actors to blame in promoting radical change in the first place. On the other hand, the attitudinal patterns identified in this chapter might also reflect a certain skepticism regarding the ability of unions, civil society groups, or individuals themselves in managing these side effects, as workers are perceived to be victim to socio-economic forces that they can hardly influence or control. The latter interpretation receives support from the fact that subjective perceptions of automation risk are strongly (and positively) associated with attributions of responsibility. However, for obvious reasons, this short chapter could only scratch the surface of these issues, and further research is always needed, particularly from lead-

ing scholars in the field of welfare state research (van Kersbergen and Vis, 2013).

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## Chapter 8

# The organization of the local welfare state

*Jens Blom-Hansen, Kurt Houlberg and Søren Serritzlew*

### Introduction

The welfare state in modern democracies is at least partly a local phenomenon. This is true in the sense that almost all welfare states leave some welfare functions in the hands of local governments. The extent of welfare decentralization varies across the globe from almost nothing (e.g. Malta) to including almost all core welfare areas (e.g. Denmark). However, some welfare functions, for example primary education, are decentralized almost everywhere (Boadway and Shah, 2009: 276). In other words, the welfare state in many countries and sectors is a local welfare state. There is therefore an interesting link between the welfare state and the local government system. However, the debate on the welfare state is rarely linked to the debate on the organization of local government systems.

In this chapter, we seek to establish this link. We focus on one fundamental aspect of any local government system, namely the size of local governments. The optimal size of local governments has been a hot topic in political science for centuries, if not millennia, since size arguably influences the way democracy works (Dahl and Tufte, 1973). The rise of the welfare state over the past 50-70 years has been ‘the single most important transformation of advanced capitalist democracies in the post-World War II period’ (van Kersbergen and Manow, 2020: 376). With this rise, the age-old debate of the optimal size of local government has gained renewed significance because it now affects the daily lives of ordinary citizens in important ways.

More specifically, we address how the size of local governments affects four core issues in the modern welfare state: expenditure on welfare programs, the effectiveness of welfare programs, the costs of running the political system, and local democracy. We provide empirical evidence from research on the Danish 2007 municipal reform, which represents an unusually promising quasi-experimental testing ground for examining these questions.

The chapter proceeds as follows. The next section accounts for the classic debate about the optimal size of local government. It includes an argument that this debate has gained added importance with the rise of the welfare state and the increased focus on local governments as service-providing jurisdictions. Next, we turn to the methodological challenges faced by researchers who want to bring empirical evidence on the impact of local government size. In this context, we introduce the Danish 2007 local government reform and argue that it constitutes an unusually strong empirical testing ground. We then present findings from four projects that use the Danish 2007 local government reform's quasi-experimental nature to address the relationship between size on the one hand and welfare programs, economy, and democracy on the other. We find that size does not matter much for the welfare expenditure and effectiveness, but that size is important for administrative costs and for democratic outcomes.

### **The debate on size and democracy**

The question of local government size is a major classic issues within the discipline of political science dating back to Aristotle and Plato. As Dahl and Tufte (1973) explain in their influential book *Size and democracy*, fundamental democratic concerns are linked to jurisdiction size, although not in a straightforward way. Arguably, small jurisdictions facilitate citizens' participation in politics, enhance their trust in their own political competence, and breed civic consensus. They make politics less abstract and increase politicians' responsiveness to citizen views. They spread political power, further control over government, and increase political accountability. However, there are also important democratic arguments against small jurisdictions. Large jurisdictions allegedly facilitate diversity in beliefs and values, make politics more competitive and professional, and imply greater system capacity. They also have more organizational activity and thus more community groups, interest organizations, and political parties and therefore more serious media coverage of local politics (Blom-Hansen, Houlberg and Serritzlew, 2014; see also Dahl, 1967; Denters et al., 2014; Lassen and Serritzlew, 2011; Lewis, 2011; Newton, 1982; Sharpe, 1970; Treisman, 2007; Warren, 2011).



Economic dilemmas can be added to these democratic concerns. Dahl and Tufte (1973) discussed the relationship between jurisdiction size and factors like system capacity and citizen effectiveness. Economists have worked further with these questions and argue that small jurisdictions create the potential for welfare gains, because public services can be better tailored to local preferences (Oates, 1972: 31-63), or because citizens can move to localities that offer the ideal tax-service package (Tiebout, 1956). However, a counter-argument holds that large jurisdictions are more cost-effective due to economies of scale in the production of many public functions (Hirsch, 1959).

The rise of the welfare state over the past 50-70 years has given renewed value to the classic debate on democratic and economic concerns over local government size. According to Eurostat, local government expenditure averages 12% of GDP among countries in the European Union. There is considerable variation around this mean – from a low score of 1% on Malta to a high score of 35% in Denmark – but local government expenditure accounts for more than 10% of GDP in eleven EU member states.<sup>1</sup> What these statistical figures mean in practice is that when European citizens need the services of the welfare state, it is very often a local government official or a local government institution they need to contact. Local governments almost everywhere have turned into important providers of welfare services. In other words, the welfare state is largely a local government affair. Exploring the link between welfare services and the size of local governments is therefore a timely endeavor.

In the post-World War II period, a large number of countries have reformed their local government systems. Very often this has included changing the size of local governments. Given the number and validity of democratic, economic arguments for and against small jurisdictions, one might expect a great deal of variation in these reforms. However, the reform trend has been unidirectional: Changes of jurisdiction size have almost invariably led to larger units. The agenda has been to harvest scale effects by amalgamating local governments (Baldersheim and Rose, 2010; Fox and Gurley, 2006; Holzer et al., 2009; Swianiewicz et al., 2022).

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<sup>1</sup> The cited statistics are 2020 values from Eurostat's digital database on General Government Expenditure by Function (COFOG).

### **Studying local government size: Methodological concerns and how the 2007 Danish municipal reform meets them**

Studying the importance of the size of local governments is methodologically challenging. The main problem is that jurisdiction size is nonrandom. Size typically reflects a response to political problems. This means that while jurisdiction size may have an impact on factors like welfare expenditure, economy, efficiency, and democracy, the reverse may also be true. As such, jurisdiction size may be decided as solutions to problems related to these factors. For example, a local government facing economic problems may decide to amalgamate with neighboring local governments to solve these problems, or well-off districts in a large poor city may decide to secede to form their own local government to improve their own situation. The point is that there is a complex two-way relationship between the size of local governments and the factors we want to study. The researcher therefore faces potentially serious problems of endogeneity when studying this relationship.

The best solution to endogeneity problems is to turn to experimental methods (Blom-Hansen, Morton and Serritzlew, 2015). However, a true experimental investigation of the impact of jurisdiction size would involve a random distribution of jurisdictions of varying sizes across a political territory. Such a set-up would mean that not only is jurisdiction size exogenous, its effects are also uninfluenced by potential confounding factors. This would be a strong research design but practically – and ethically – very challenging, perhaps impossible, to establish.

If a true experimental design is not possible, the second-best solution is to use a quasi-experiment. Such an experiment resembles other experiments in the sense that there are experimental and control groups, an exogenous intervention, and measures of the effect of the intervention. However, unlike most types of experiments (but like natural experiments), the experimental intervention is not provided by the researcher but comes from the outside, for example from the political-administrative system. In contrast to all true experiments, however, assignment to experimental and control groups is not randomized in quasi-experiments, so active control for potentially confounding factors may be necessary.

A quasi-experimental investigation of the effect of jurisdiction size would require a large-scale reform of a country's local government structure, which includes some – but not all – local governments so that there is both an experimental group and a control group. Furthermore, the reform would need to be imposed upon the local government, for example by the central government, so that it is exogenous. Finally, controls for potentially confounding factors would need to be included in the analysis to deal with the nonrandom allocation of local government to treatment and control groups.

The Danish 2007 local government reform constitutes such a quasi-experimental set-up. The reform had two main ingredients. First, functions were redistributed among the three tiers of government: municipalities, counties, and the central government. This aspect of the reform involved all municipalities equally. Second, municipal amalgamations reduced the number of local governments from 271 to 98 new units (Mouritzen, 2010). The methodologically attractive aspect of the Danish reform is that not all local governments were amalgamated. 66 of the 98 new units were results of amalgamations of 239 old local governments, and 32 municipalities did not change. Couched in experimental language, the reform constituted a quasi-experiment in which a treatment group of 239 local governments received an external shock to their size, while a control group of 32 municipalities was left unchanged.

In the following sections, we present findings from four projects that use the Danish 2007 local government reform to investigate the relationship between jurisdiction size on the one hand and welfare programs, economy, and democracy on the other.<sup>2</sup> All four studies utilize a difference-in-difference design to compare the pre- to the post-reform development in the amalgamated municipalities with the control group of non-amalgamated municipalities.

### **Jurisdiction size and democracy**

The local welfare state serves economic as well as democratic purposes. Political control of welfare production at the local govern-

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<sup>2</sup> These sections draw – sometimes verbatim – on Lassen and Serritzlew (2011); Blom-Hansen, Houlberg and Serritzlew (2014, 2021); and Blom-Hansen et al. (2016).

ment level allows citizens to influence how their own schools, day-care centers, libraries, etc. operate, where they are located, how they are run, and how well they are financed. State-level welfare services are, of course, also governed democratically, and citizens can influence policy but not the welfare institutions they use. National politics is by nature much more abstract and almost never about specific institutions in citizens' own local area. In contrast, local politics is concrete and often about the very school that your kids attend or the roads on which you drive. This affects how democracy works. Dahl and Tufte (1973) point at two mechanisms: One is a democratic strength of the local level, and one is a limitation. The big strength of local democracy is that ordinary citizens typically have better opportunities to understand, participate in, and influence politics at the local level. This may lead to better democratic outcomes on indicators such as turnout, internal political efficacy, trust, political confidence, and satisfaction with democracy. However, the limitation of local democracy is that some policy areas cannot easily be controlled by local government, particularly if they are small, and that organized political participation may be hard or impossible because not all interest groups and parties exist at the local level.

The democratic strengths and limitations of local government are, of course, closely tied to jurisdiction size. It is due to the relative smallness of local government that politics can become more accessible but less potent. In very small jurisdictions, politics is very close to citizens, and in large jurisdictions, it is further away. One consequence is that political discussions may be quite different in large and small jurisdictions. In a study of local agendas, Mortensen et al. (2022) find that political agendas in smaller jurisdictions are simpler and shorter. Thus, jurisdiction size of local government may influence democratic indicators.

Using the Danish 2007 reform, Lassen and Serritzlew (2011) examine how jurisdiction size affects internal political efficacy. Internal political efficacy is a measure of citizens' political self-confidence, which is important for whether they believe that they can participate in politics or whether it is worth their while. A high degree of internal political efficacy is therefore a good measure of the quality of a democratic system. It turns out that jurisdiction size influences internal political efficacy. In larger jurisdictions, citizens tend to

have lower political efficacy. Studies of other democratic effects following the reform suggest that larger jurisdiction size leads to lower turnout in elections, lower trust in politicians' responsiveness, and lower satisfaction with local democracy (see the overview in Hansen, 2016). The effects are typically limited, particularly in the long term (Pedersen et al., 2022). However, it seems safe to conclude that the effects of jurisdiction size on a range of democratic outcomes are more likely to be negative than positive. Studies of local democracy in other countries (Gerring and Veenendaal, 2020) draw similar conclusions about negative effects on factors such as turnout, internal and external political efficacy, political confidence, and satisfaction with democracy (DeHoog, Lowery and Lyons, 1990; Lapointe, Saari-maa and Tukiainen, 2018; Denters et al., 2014; Denters, 2002).

Hence, jurisdiction size is likely to be important for democracy. However, the big trade-off here is that the potential benefits of small jurisdictions may come at an economic cost. We now turn our attention to three aspects of this question.

### **Jurisdiction size and the costs of running the political system**

Blom-Hansen, Houlberg and Serritzlew (2014) use the Danish 2007 municipal reform to investigate whether the argument of scale effects is really so powerful that it trumps other arguments on municipality size. They start by clarifying how to design a proper test of this argument. First, in line with Hirsch (1959), they argue that large units cannot reasonably be expected always to produce with lower unit costs than small ones. It is more likely that the municipal cost curve initially exhibits increasing returns to scale, since some production costs are constant and unrelated to size, and since increasing production allows for more division of labor into more specialized functions. However, after a certain level of production is reached, decreasing returns to scale begin to emerge due to problems of communication and coordination.

The cost curve is, therefore, expected to be U-shaped. This suggests that there is an optimal jurisdiction size at the trough of the curve. However, since the optimal size is likely to vary across different tasks, it does not make much sense to try to estimate a general optimal size when dealing with multipurpose local governments. The optimal jurisdiction size for, say, sewerage production is like-

ly to be different from, say, education. Since the functions of local governments vary across countries and time, the search for a general optimal jurisdiction size is probably futile. This may explain the mixed evidence in the literature on scale effects in local government (Gendźwiłł, Kurniewicz and Swianiewicz, 2021; Tavares, 2018). Blom-Hansen, Houlberg and Serritzlew (2014) therefore argue that the argument of scale effects must be tested on the costs of running the political system. Any local government is a political system, and running it involves administrative costs. Globally, any other task can be – and is – placed in different tiers of government.

Blom-Hansen, Houlberg and Serritzlew (2014) use the Danish 2007 local government reform to test whether amalgamations reduce the costs of running the local political system. To compare local governments before and after the reform, they impose the post-reform structure on the pre-reform situation, that is, pre-reform municipalities that were amalgamated in 2007 are aggregated to their post-reform size. In a series of difference-in-difference analyses including appropriate controls, they then investigate how administrative costs per capita developed in amalgamating and non-amalgamating local governments in the period 2005–2011, that is, two years before the reform and five years after.

The results consistently show statistically significant scale effects. They took a few years to fully materialize, but five years after the reform, the savings amounted to 10% of average administrative costs. In other words, at least within the empirical range of jurisdiction size in the Danish local government sector, the costs of running the system decrease with unit size. Although the savings are far from trivial, it is still a relevant question whether this gain trumps other concerns of local government size. We return to this question in the conclusion.

### **Jurisdiction size and welfare expenditure**

As noted in the introduction, the welfare state in modern democracies is at least partly a local phenomenon. This is nowhere more true than in Denmark, which, according to the Eurostat statistics discussed earlier in the chapter, has the largest local government sector in the EU. This is the result of decentralization of important welfare functions, including childcare, elementary schools, care for children

with special needs, eldercare, and labor market activities. Denmark is therefore an interesting case for investigating the link between the welfare state and the local government system.

This is what Blom-Hansen et al. (2016) do, continuing the work by Blom-Hansen, Houlberg and Serritzlew (2014) discussed above. The analysis from 2014 focuses on the costs of running the local political system, which amount to approximately 10% of total local costs; the study from 2016 investigates whether jurisdiction size affects local government expenditure spent on delivering policy to local citizens, which is the lion's share of local expenditure at approximately 90%.

Blom-Hansen et al. (2016) start by arguing theoretically that a strong relationship between welfare expenditure and the size of local governments cannot be expected. The reason is that most local welfare services are delivered by institutions within local governments such as schools, kindergartens, and nursing homes. Changing the size of local governments does not automatically change the size of these institutions. In other words, scale effects may be real, but they are likely to be located at the level of welfare institutions, not at the jurisdiction level. As in private production, firm size is different from plant size (Boyne, 1995). If true, this would mean that, at least as far as expenditure goes, there is no link between the welfare state and jurisdiction size.

The Danish 2007 local government reform again functions as empirical testing ground, and the analytical strategy is similar to the previous study. Blom-Hansen et al. (2016) compare local governments before and after the reform by imposing the post-reform structure on the pre-reform situation. Using a difference-in-difference design including appropriate controls, they investigate how expenditure per user in eight policy areas develops in amalgamating and non-amalgamating local governments in the period 2003-2014, that is, four years before the reform and eight years after.

The results confirm the theoretical expectations of no size effects. In all areas where welfare services are provided by institutions below the jurisdiction level – schools, childcare, and eldercare – jurisdiction size is unrelated to expenditure levels. For two non-welfare areas with services provided at the municipal level – roads and administration – increased jurisdiction size is related to lower expenditures. In only one welfare area – labor market activities, which



are not provided by institutions below the jurisdiction level – is there a link between expenditure levels and jurisdiction size, but the relationship is *positive*. In other words, large local governments spend *more*, not less, than small ones in this area. For total expenditures across eight policy areas, no significant effect of jurisdiction size is found. This result echoes findings from a study of Dutch municipal amalgamations (Allers and Geertsema, 2016). In sum, in most welfare areas, there is no direct link between the welfare state and the size of local governments, at least as measured by local expenditure on welfare services within the empirical range of Danish local jurisdiction sizes.

### **Jurisdiction size and the effectiveness of welfare programs**

The hope that larger jurisdiction size will lead to better economic outcomes can be fulfilled if costs are lower. Based on the results just presented, this seems not to be the case. But the hope can also be fulfilled if higher quality is obtained in larger jurisdictions. For constant costs, a higher quality would mean that welfare services can be produced more effectively in larger jurisdictions. This means that one important question remains unanswered: Is jurisdiction size related to the quality of welfare services? Similar arguments apply. Larger jurisdictions may enjoy economies of scale due to increased specialization and the possibility to recruit competent staff (Dahl and Tufte, 1973: 110-117). The counter-arguments are similar: Larger jurisdictions entail less competition, and larger jurisdiction size does not automatically imply larger firm size. Even the methodological problems of endogeneity are similar and can be addressed with the same quasi-experimental design. In addition to this, welfare service quality is elusive, either because quality is hard to define or simply hard to measure. This problem of defining welfare service quality particularly applies to wicked problems (Rittel and Webber, 1973), such as welfare services for children with special needs and special education, and many other welfare services where solutions are not always known, and it is unclear whether a problem has been – or can be – solved. But even when means and ends are known and uncontroversial, systematic accounts of quality are rare.

To address these problems, Blom-Hansen, Houlberg and Serritzlew (2021) focus on the effectiveness of public schools in municipal-



ities before and after the Danish amalgamation reform. The reform is used as a quasi-experiment as described above, and public schools are selected because they devote many resources to measure quality in the form of school exams. School exams cover most pupils, they focus on outcomes, are measured independently of the organization (thanks to external examiners), and measure learning, which is of course one of the main goals of schools. Hence, it is possible to obtain good measures of quality for public schools.

The results show that grades have increased in Danish public schools after the reform. However, the increase is almost identical in public schools located in amalgamated and non-amalgamated municipalities. This indicates that the larger jurisdiction size does not affect quality in public schools. Similar analyses of another measure of school quality, namely completion of upper secondary education, show the same result. Combined with the result that costs remain similar for amalgamated and non-amalgamated municipalities, it becomes clear that jurisdiction size is not related to effectiveness of welfare services, at least when it comes to public schools.

## Conclusion

Local government plays an important role in welfare states. Many services are provided at the local level, although with considerable variation among countries. Local welfare service provision can make sense both from an economic and a democratic perspective. At the local level, it is possible to tailor services to local demands and needs. This can potentially entail an economic welfare gain that is infeasible if the service is provided at the national level. Service provision at the local tier of government can also have implications for economies of scale. Furthermore, local service provision allows for local political control of welfare service. This brings important political questions close to citizens, and this again can have implications for democratic participation and political efficacy.

A very fundamental aspect of how local government is organized is size. Local government can be fragmented with many small municipalities, and local politics can be close to citizens but with limited potential for economies of scale. Or local government can be consolidated with larger municipalities and more potential for economies of scale but also a larger distance between citizens and politicians.

We have explored, based on the Danish local government amalgamation reform of 2007, how the size of local governments affects the effectiveness of welfare programs, the costs of running the political system, and local democracy. When it comes to welfare expenditure and effectiveness, the effects are limited. This suggests that economies of scale play a limited role since local welfare provision takes place at the 'plant level', that is, at local institutions such as schools and daycare. Increasing the size of local government does not automatically increase the size of local welfare institutions. We also see limited effects on effectiveness. However, local political systems are affected by size. On the one hand, the costs of running them are higher in smaller municipalities, so here we do see evidence of economies of scale. On the other hand, smaller municipalities tend to perform better on democratic outcomes.

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## **Chapter 9**

### **(Almost) complete convergence: Ageing in the Danish and Dutch welfare states**

*Gøsta Esping-Andersen, Jon Kvist and Niels Ploug*

#### **Introduction**

In his now classic contribution, Kees van Kersbergen (1995) highlights the influence of religion, and especially Catholicism, in the making of a group of European welfare states. Here, the Netherlands stands out as a prototypical case. Although a rival to the social democratic variant, such as the Danish, comparative data demonstrates that the Christian democratic approach displays similarities in terms of generous income maintenance and ample population coverage.

In this chapter, we compare these two welfare regimes in terms of their policies addressing the living conditions of the elderly. How do they manage the social risks and living conditions associated with old age? This is the question that shall guide our analyses. As will become apparent, the two nations' social protection for, and level of well-being among, the elderly is surprisingly convergent despite a distinctly different socio-political context.

Denmark stands out as an historically highly homogenous society, and its welfare state edifice is very much the legacy of strong social democracy. The Netherlands, in contrast, stands out for its religion-based pillarization and the postwar social policy dominance of primarily Catholic political parties. The 1970s saw the emergence of a social democratic imprint, but this was to a certain extent cancelled as neo-liberal ideologies and efforts to privatize social programs came to the fore from the 1980s onwards (van Hooren and Becker, 2012).

Building on data from the OECD, Eurostat, and the EU-SILC, we analyze both 'objective' and 'subjective' measures of well-being within the population aged 65+. In order to contextualize our data on welfare levels and distributions, we include summary descriptions of the two countries' basic social policy characteristics from

the perspective of the retiree population, i.e., income support (pensions) and social care services.

What is quite clear is that the two countries do not differ significantly in terms of the income position of their aged citizens. Poverty rates are very low in both Denmark (4%) and the Netherlands (5%) according to the latest (2021) OECD data. Indeed, the two countries boast some of the lowest old-age poverty rates globally. However, while the Danish poverty *gap* indicator – measuring the intensity of poverty by the mean distance of the poor to the poverty line – is comparatively narrow (11%), the Dutch is more than double that (28%). The two countries also differ in terms of total public pension expenditure (8% of GDP in Denmark and only 5% in the Netherlands) – in the latter case, a private pension component plays a role, albeit not hugely so. The substantially lower spending level in the Netherlands can in great part be ascribed to low employment levels across women's life course which, in turn, translate into fewer and lower pension entitlements. However, income replacement rates for those with full entitlements are similarly generous (89% in the Netherlands; 84% in Denmark).

This suggests that if there are any significant differences between the two welfare states for the aged, it may be more related to social care than income maintenance.

### **Pensions and retiree incomes in Denmark and the Netherlands<sup>1</sup>**

If we are to believe the Mercer Global Pension Index, Denmark and the Netherlands have the second and third best pension system in the world, only surpassed by Iceland (Mercer, 2022). The European Commission, too, continuously rates the Danish and Dutch system as the best in the European Union. Both Mercer and the Commission score countries' pension systems according to three criteria. The first two criteria concern adequacy and sustainability, and the third concerns integrity in the Mercer index, and modernization in the Commission's index. The main reason why the two systems score so well is because they boast three pension pillars which are

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<sup>1</sup> The Dutch situation is based on Anderson (2011). We thank Anton Hemerijck and Diederik Boertien for their generous help in orienting us for the Dutch case.

approaching maturity. Both include a first pillar that safeguards against poverty, a second that secures a substantial degree of income replacement, and a third essentially private pillar enjoying favorable tax treatment.

In 1956, Denmark introduced a universal flat-rate pension for all citizens aged 67 and over. All residents are entitled to a full pension if they have lived in Denmark for at least 9/10th of the years between age 15 and retirement age. The retirement age is indexed to longevity; it is currently still 67, but it will rise to 68 in 2030.

The second Danish pillar represents funded occupational pensions. These received a boost in 1991 when they were extended to almost all parts of the labor market covered by collective agreements. Considering that employment levels are universally very high for women as for men, virtually all citizens have become eligible for a second pillar at the end of their working life. Soon, the majority of Danish retirees will receive more than half their income from these occupational pensions.

Similar to Denmark, and inspired by the Beveridge model, the Netherlands introduced a universal flat-rate basic pension in 1957 for all citizens aged 65+. Residents accrue 2% every year up to 50 years, implying that having been a resident non-stop through one's adult life will guarantee 100% benefit levels. The system is now raising retirement age to 67.

The dominant part of most retirees' income support derives from the second-tier insurance-based labor market pensions. The coverage level is near-universal for citizens with an employment record (about 85% of all Dutch employees are covered). The pensions are linked to the employment contract and derived from collective agreements. They adhere to the defined-benefit formula.<sup>2</sup> There are distinct funds for various industrial branches, types of firms, or professions (e.g., doctors). In most sectors of the economy, this second-tier insurance pension scheme is mandatory. Although it covers the vast majority of employees, it is a somewhat male-biased system since Dutch female employment has historically been rather

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<sup>2</sup> The Netherlands is currently undertaking a major pension reform, and the second-tier system is scheduled to become a defined-contribution based scheme as of 2026.

marginal and remains biased in favor of a part-time dedication and lengthy interruptions related to births and care of children.

Additionally, the system includes a third-tier pension, quite limited in scope, utilized primarily by groups such as the self-employed that cannot participate in the second-tier, employer-based plans. It is premised on individualized pension products offered by banks or insurance companies.

Because the second pillar requires long and stable careers, it is sensitive to labor market participation. Accordingly, the comparatively weaker labor force attachment among Dutch women implies a much wider gender-specific pension gap in the Netherlands than in Denmark.

That said, the two countries' retirement policy packages are quite convergent, and they do in fact produce very similar welfare outcomes among the elderly. This can be seen from the data presented in Tables 1 and 2 below.

**Table 1: Relative incomes of the elderly in Denmark and the Netherlands**

	Denmark	Netherlands
Average income as % of population average		
Age 65+	81.3	85.6
Age 75+	73.1	76.9

Source: OECD (2021).

As mentioned above, the incidence of poverty among the elderly in both Denmark and the Netherlands is comparatively very low due to the effectiveness of the two countries' retirement pension systems. This profile is also supported by subjective measures. Table 2 depicts the percentages (9.4 in Denmark and 7.5 in the Netherlands) who express an inability to face unexpected expenses, both when compared to the rest of Europe and when compared to the population average within each nation. Less than 10% of the elderly in both countries express their inability to face unexpected financial expenses. This is less than half the level in the general population in the two countries and of the elderly in EU27.



**Table 2: Inability to face unexpected financial expenses, 2021**

	Two adults. At least one 65+	All
Denmark	9.4	19.5
Netherlands	7.5	15.1
EU27	22.6	30.1

Source: EU-SILC data 2021.

The positive living conditions of the elderly is also reflected in subjective measurements of overall life satisfaction and happiness. On a life satisfaction scale from zero to ten, with ten being most satisfied, the elderly in Denmark and the Netherlands score quite high. As is evident in Table 3, there are only minor differences across the two countries, gender, and degree of ageing; it is evident that the vast majority of the elderly are blessed with a high degree of life satisfaction. The European Union average is markedly lower for all groups.

**Table 3: Life satisfaction, 2021, scaled from 0-10**

	Men	Men	Women	Women
Age	65-74	75+	65-74	75+
Denmark	8.0	7.9	7.8	7.8
Netherlands	7.9	7.9	7.8	7.7
EU27	7.1	6.9	7.0	6.7

Source: EU-SILC data 2021.

This picture of the life situation of the elderly in Denmark and the Netherlands is echoed in the measurement of overall happiness (see Table 4). The great majority of elderly men and women in Denmark and the Netherlands are happy always or most of the time. The differences across gender and age groups are, once again, quite marginal. And it is also worth noting that happiness levels in the European Union overall are substantially lower, and they decline markedly in tandem with ageing.

**Table 4: Percent happy: Always or most of the time, 2021**

	Men	Men	Women	Women
Age	65-74	75+	65-74	75+
Denmark	71.7	75.0	71.1	74.0
Netherlands	80.0	75.0	75.3	71.0
EU27	63.3	55.4	54.7	46.8

Source: EU-SILC data 2021.

### **Elderly care in Denmark and the Netherlands**

Beginning in the 1960s, care services for the elderly were defined in universalistic policy terms both in Denmark and the Netherlands. However, on this dimension, we see divergent trends.<sup>3</sup>

Today, the Danish long-term care system is perhaps the most universal long-term care (LTC) system in the world. It aims to guarantee quality of life for persons in need of care and furthermore to enhance their ability to care for themselves. To achieve this, it comprises four elements: preventative home visits, rehabilitation, home help services, and elderly homes.

LTC is organized and delivered by 98 municipalities and for certain health benefits by Denmark's five regions. It is financed through general taxation and is generally provided free of charge. The trend towards deinstitutionalization of elderly care started in 1987 and is still ongoing, most recently with a renewed emphasis on rehabilitative measures and on small teams delivering LTC, inspired by the Dutch *Burgzorg* model.

In 2018, 8.2% of persons aged above 65 years of age received a preventative home visit, 1.0% underwent rehabilitation, 10.3% received home help services, and 5.6% resided in elderly homes (Kvist, 2020).

Population ageing and increased life expectancy constitute a formidable challenge for the LTC system. All the while a large number of LTC professionals reach retirement these years, we witness a rapid increase in the number of frail elderlies. The number of elderly people above the age of 67 years will increase by 326,000 from 2022 to

<sup>3</sup> For an up-to-date comparison of long-term care policies, see Verbakel et al. (2023).

2040 (Danmarks Statistik, 2022). And the number of elderlies above the age of 80 will increase from 291,500 in 2022 to 499,500 in 2040; an increase of 200,000 equaling 71%. In fact, incremental cuts over the past years have resulted in a decline of the scope of LTC.

Besides deinstitutionalization, rehabilitation, and service organization in smaller teams, there is also an emerging push in favor of private elderly care since 2009 (Kvist, 2020). The elderly can now choose between a private or public nursing home. The former is, however, quite marginal. In 2021, the number of places in private care amounted to 1,700, equaling 2% of the total number of places in residential care (Danmarks Statistik, 2021).

Turning to the Dutch case, the expansion of old age home places was quite extraordinary in the 1960s and 70s, probably only matched by Scandinavia.<sup>4</sup> Trends over the past decades are dominated by two key principles. First, until recently there was a notable fall in *informal private* (i.e., familial) care for the needy elderly – driven in part by demographics and in part by heightened individualism and geographical mobility (all of which entail less familial caregiving). However, this trend has been reversed (see below).

Second, following a 1992 Law, and accelerating over the past two decades, cost-containment measures have spurred a move away from universalism and towards means-testing. In parallel, we witness greater reliance on private elderly care provision, and the (public) system has experienced substantial cutbacks in professional care personnel. The decline is very evident in the share of elderly in long-term care homes (dropping from 9% in 1985 to 4% in 2005).

Privatization has also occurred within other social care services. This is particularly the case for home help. The receipt of home help (when needed) became a *de facto* citizens' entitlement during the 1990s. However, the rights principle was subsequently cancelled, and access to these services is now to a greater degree subject to income testing. The retreat of the public sector accelerated following the 'Usual Care Protocol' from 2003. This is especially clear for home help services. The reform increased the recipient co-payment rates substantially, and it aimed to encourage a greater role for informal familial care. As a result, the percent frail elderly receiving public-

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4 Our treatment of Dutch elderly care policies builds to a large extent on van Hooren and Becker (2012).

ly provided home help declined from 18% in 2000 to 13% a decade later.<sup>5</sup> In parallel, the incidence of family-provided care doubled for more occasional support and rose by 30% for frequent and more intensive familial care giving.

Scholarship suggests that the neo-liberal policy shift in the Netherlands' elderly care services has fostered two problematic trends. As emphasized in the study by Swinkels et al. (2015), the first problematic trend is that the elderly population now experiences more loneliness and less life satisfaction. As emphasized by Da Roit (2012), the second is that this shift has nurtured social dualisms: community-provided care is increasingly limited to the less educated and to the low-income elderly, whereas the higher educated and well-off have moved towards private self-payment elderly care (see Da Roit, 2012; Swinkels et al., 2015).

## Conclusions

In our title, we hedged our claim of complete convergence with a parenthetical 'almost'. The parenthesis was in part meant to suggest that the reality of complete convergence was, empirically speaking, up for grabs. And, in part, it was added to our title because, yes, history at one point in time created convergent elderly policies in the two countries. But then the historical dynamics of the two polities went into a divergence mode. This was the case with services but not with income maintenance. Retirement benefits and their welfare outcomes could hardly be more similar than those found in Denmark and the Netherlands.

Divergence is, however, clearly manifest within the field of care services for the elderly. Denmark has remained faithful to its age-old principle of universalism and social rights premised on citizenship (or residence). In the closing decades of the 20<sup>th</sup> century, the Netherlands embraced neo-liberalism, promoted privatization, and eroded the idea of social entitlements. The neo-liberal policy shift was clearly accompanied by policy rollbacks; but it also signaled that

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5 For details, see van den Broek, Dykstra and van der Veen (2017). As it turns out, the rate of public home help service provision in the Netherlands (13%) is almost identical to current Danish rates (see also van Hooren and Becker, 2012: Table 3).

the Christian democratic values that have influenced Dutch welfare policy to a large degree are on the wane.

Our chapter is but one little contribution to the Festschrift volume honoring Kees van Kersbergen's academic achievements and huge influence within the world of social policy comparativists. His *Social capitalism: A study of Christian democracy and the welfare state* was a scientific vanguard, the first to analyze systematically and thoroughly the Christian democratic variant and its foundational properties. And it taught us that social democracy did not have a monopoly as architect of large welfare states.

In a sense, his opus remains highly relevant also as a first guide to grasp the radical neo-liberal policy shift that Dutch social policies have experienced. The implications of his book are, to repeat, that Christian democracy favors generous social policies. Ergo, if Christian democracy is evermore weaker, be it ideologically or as policy maker, the social welfare foundations it laid will perhaps experience a similar dynamic of weakening and erosion.

The Denmark-Netherlands comparison that underpins our small contribution was an obvious choice considering Kees' Dutch roots and Danish academic career. But more than three decades ago, one of our chapter's three authors, Gøsta (a Dane), was the doctoral thesis advisor of Kees (a Dutchman). It may very well be the case that this original Danish-Dutch synergy paved the way not only for his *Social capitalism* opus but also for his later decision to become a full-fledged Danish professor.

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# Chapter 10

## Sequencing social investment reform in Germany and the Netherlands

*Anton Hemerijck*

### **For Kees**

Kees and I were introduced to each other by our mutual friend Maarten Hajer, I think in the summer of 1988, in Amsterdam in some café along the canals. Maarten, who like me was doing a DPhil at Oxford, brought us together as Kees and I were working on similar topics. Kees and I hit it off. I had some difficulty understanding what precisely the European University Institute (EUI) was about, but I admired his supervisor Gøsta Esping-Andersen whom I had started to read. Thirty years later, I ended up as a professor at EUI. In between, Kees and I co-wrote a fair number – but still too few – articles and book chapter on the welfare state, policy learning, and consensus politics. Every time we received the peer reviews, demanding that we better explicate our argument without extending the word limit, I panicked. Kees never: he always volunteered to make painful cuts with great acumen. For this contribution, I developed an argument on Bismarckian welfare state change for which Kees is the leading expert. For sure, the comparison between the Netherlands and Germany I make below, would have been better *and* more concise if co-authored with Kees. Well, this is an invitation to Kees to write together again.

### **Introduction**

European welfare states have experienced a surge of reforms ever since the 1980s. In the new millennium, the notion of ‘social investment’ gained purchase as a reform compass to demographic ageing and the rise of the knowledge economy (Morel, Palier and Palme, 2012; Hemerijck, 2013). Based on aggregate spending data, Emanuele Ferragina (2022) observes a so-called ‘double movement’, a long-term binary transformation of sobering up social protection transfers, whilst expanding employment-oriented social policies.

According to Ferragina, the ‘double movement’ has watered down typical welfare regime differences between liberal-conservative Anglo-Saxon, social democratic Scandinavian, and Bismarckian continental welfare states. About a decade earlier, Kees van Kersbergen and I (2012), and later with Barbara Vis (Vis, van Kersbergen and Hemerijck, 2014), based on two qualitative assessments of comparative reform pathways, discerned a similar trend of ‘contingent convergence’ across European welfare states, with social investment reform slowly but surely gaining the upper hand.

Of course, social investment convergence trailing the double movement has been anything but linear. It is worth recalling how in the final chapter of his seminal *The three worlds of welfare capitalism* from 1990, Gøsta Esping-Andersen conjectured starkly divergent welfare state futures, intimating that the Nordic regimes were facing the fiscal limits to welfare generosity cum high taxation, that the Anglo-Saxon models were facing deep inequalities, and that the Bismarckian systems were confronting a spectre of ‘welfare without work’. At the time, Esping-Andersen was in no position to reflect on whether different regime-specific vulnerabilities would bring about reforms to ‘put things right’.

With the benefit of hindsight, we are far better positioned to explore – empirically and theoretically – *why*, *how*, and *when* countries turned to social investment priorities and/or pursued ‘double movement’ reform pathways. Being singled out by many scholars in the late 1990s and early 2000s as the most ‘reform resistant’ of the three worlds of welfare capitalism, these questions are particularly pertinent to the Bismarckian regime (van Kersbergen, 1995; Scharpf and Schmidt, 2000; Manow and Seils, 2000). My own assessment from 2013 was that the Bismarckian welfare state had transformed from a passive, male-breadwinner, and insider-biased, social insurance welfare state into an active, dual-earner and more gender-balanced, social investment welfare state. Even more astonishing was how mainstream Christian democratic parties – erstwhile strongholds of conservative family values – have come to embrace gender equity and support dual-earner household services without much political resistance.

This contribution reconstructs the process of welfare recalibration from a male-breadwinner model to the more gender-balanced



dual-earner welfare state in Germany and the Netherlands. I will argue that the continental social investment turn was *sequentially ordered*, involving three – intimately related – stages. Starting off with the typical regime-specific policy failure of ‘welfare without work’, as rightly anticipated by Esping-Andersen, by the late 1980s for the Netherlands and the early 2000s for Germany. Once the strategy of labour supply reduction was brandished as a failure, this opened the political space for an intrusive reform corrective, including wage restraint, benefit cuts, curtailing eligibility, labour market deregulation, and tightening financial and administrative controls over social insurance funds and employment services. Next, to the extent that the initial corrective of a painful retrenchment-deregulatory ‘price policy’ paid off, in terms of service sector job growth, especially for women, policy makers in the Netherlands and Germany, in the third stage, turned to a more positive ‘volume policy’ reform endeavour of active labour market policy and dual-earner family service provision. The remainder of this contribution is organized into four sections. Section two lays out the theoretical perspective of timing and sequencing in post-formative welfare politics. Sections three and four trace the three-pronged welfare recalibration trajectories in the Netherlands and Germany, respectively. Finally, section five ends on a note of moderate optimism about the staying power of social investment provision in Germany and the Netherlands.

## Timing and sequencing in welfare reform politics

In recent contributions, two rival explanations vie for causal adequacy in explaining transformative welfare reform. On the one hand, ‘electoral turn’ scholars explain reform by partisan competition representing social-consumption and social-investment electoral cleavages (e.g. Beramendi et al., 2015; Gingrich and Häusermann, 2015). On the other hand, there is the institutionally informed explanation of gradual but transformative change, developed originally by Streeck and Thelen (2005). Along these lines, Bruno Palier and Kathy Thelen (2010) observe processes of labour market dualization in France and Germany, which they explain in terms of the transformative mechanism of ‘policy drift’, e.g. the slow erosion of existing policy legacies in response to secular socioeconomic change.

Theoretically, it is important to recognize that both Beramendi et al.'s 'electoral turn' and Palier and Thelen's 'dualization drift' explanations are based on a redistributive understanding of the welfare state. The electoral-turn explanation revolves around the zero-sum trade-off between social consumption and social investment spending, under conditions of relative austerity. Similarly, the dualization drift conjecture revolves around a zero-sum predicament privileging labour market insiders to continue to benefit from male-breadwinner employment and social protection at the expense of a growing outsider pool of precarious workers. Welfare politics is not simply distributive politics. Social investment welfare provision aims to enhance people's opportunities and capabilities to resolve social risks typical of post-industrial societies whilst ensuring high levels of employment in the economy, thus bolstering the fiscal 'carrying capacity' of the welfare state. As such, early childhood education and care, vocational training over the life-course, (capacitating) active labour market policies, work-life balance policies like (paid) parental leave, lifelong learning and long-term care effectively transcend the distributive logics of 'electoral turn' and 'dualization drift' (Hemerijck and Matsaganis, 2023).

Yet, there is a possible quandary of time inconsistency, with e.g. standing social consumption commitments weighing down on the fiscal space of social investments. This is where the theoretical lens of reform timing and sequencing gains prominence. Giuliano Bonoli (2007) was first to advance an explanatory account of why social investment reform took root in Scandinavia but not on the European mainland. According to Bonoli, because deindustrialization predated the acceleration of demographic ageing across Scandinavia, this gave Nordic reformers both the necessary fiscal slack and political space to advance social investment reforms already in the late 1970s. As late de-industrializers, most continental welfare states were unable to muster the fiscal and political resources to develop social investment reforms a decade later, as pension commitments had expanded in the meantime. In short, the continental road to social investment was blocked before it could even be considered. Bad timing matters, but whether social investment reform is consequently impossible across continental Europe mainland remains an empirical question. In everyday politics, policy solutions thought to be impossible often become feasible when they turn obvious.

Alongside the intellectual predilection for distributive politics, ever since Esping-Andersen's 1990s landmark study, another penchant in comparative welfare state research is to conjecture welfare state change in terms of linear reform pathways (Hassel and Palier, 2021; Garritzmann, Häusermann and Palier, 2022a/b). However, as welfare states are made up of portfolios of interdependent policy provisions, ranging from income protection, labour regulation, social capacitation, and fiscal redistribution, reform processes realistically conjoin diverse dynamics across different policy provisions over time (Hemerijck and Schludi, 2000). It is my contention that we should further open up the theoretical perspective of gradual yet transformative change, by e.g. allowing path-dependent dualization 'drift' in social insurance and labour market regulation combined with or followed up by more transformative social investment 'conversion' in other areas of welfare provision. With time, a reform in one policy provision affects neighbouring areas, generating lateral spillover dynamics, further informed by performance feedback mechanisms and their political correlates, which may shift the locus of policy attention from one area to the next, setting in motion a cascade of reforms, the result of which can be a major overhaul in policies, institutions, and political objectives, indeed without any easily identifiable paradigmatic critical juncture.

Due to industrial decline since the 1980s, prospects of jobless growth gave credibility to strategies of labour supply reduction across most continental welfare states. However, when instances of regime-specific labour shedding come to undermine the very contribution-financing base of continental welfare states, reform alternatives previously thought of as too disrupting and politically risky become viable. Next, to the extent that painful reform correctives start to pay off, in terms of economic recovery and employment growth, such 'light at the end of the tunnel' may open avenues for more transformative reforms, inspiring new generations of policy makers to, finally, break with male-breadwinner privilege and to advance more progressive, employment-oriented and gender-friendly reform strategies. This, in a nutshell, I believe conjures up the winding, yet sequentially ordered, road to social investment priorities in the Bismarckian regimes of the Netherlands and Germany, taking root at different moments in time, at different speeds, each with very distinct political and institutional idiosyncrasies.

## **The Dutch employment miracle and the fateful politics of childcare policy design**

The Netherlands was the first continental welfare state in Europe to confront the 'welfare without work' conundrum. This started with a comprehensive social pact in 1982 – the Wassenaar Accord – between the social partners and the centre-right government of Christian democrats (CDA) and conservative liberals (VVD), under the helm of the Christian democrat Ruud Lubbers as prime minister. The Wassenaar Accord combined protracted wage restraint, cuts in social benefits, and labour market flexibilization (Visser and Hemerijck, 1997).

In the process, the Dutch economy experienced an especially rapid increase in female employment from 32.6% in 1982 to 51.1% in 1989. Reflecting on this at the inauguration of the centre-left coalition government of the CDA and the PvdA in 1989, Prime Minister Ruud Lubbers said: 'The changed position of women in our society expresses itself – among other things – in an increasing wish for participation, paid work and an independent income'. From 1993 on, successive centre-left coalitions of social democrats (PvdA) and conservative liberals (VVD), led by Wim Kok, leader of the Dutch labour party, stepped up efforts to curtail the misuse of sickness insurance and disability pensions (Hemerijck and Visser, 2001). More assertively, the Kok administration launched a so-called 'jobs, jobs, and more jobs' strategy of expanding active labour market policies aligned with strong activation requirements.

By 1998, the Basic Childcare Provision Law (*Wet Basisvoorzieningen Kinderopvang*) was adopted, according to which childcare costs would be shared equally by employers, the state, and parents, based on a market model of demand-financed private provision. The law entailed a compromise between a political preference for liberalization, shared by the VVD and D'66, accommodated a strongly progressive system of income support for childcare, advocated by the PvdA. Although the two purple coalitions under Wim Kok gave an important impulse to increasing the availability of childcare services for working parents, it was the successor Christian-Liberal centre-right government, under Jan-Peter Balkenende, that truly expanded childcare provision in the Netherlands. After a decade in opposition, the CDA was eager to re-order welfare governance away

from Scandinavian-style right-based universalism. The Balkenende administration decided to experiment with social service privatization undergirded by targeted, yet generous, income support for families in the areas of public health, housing, labour market policy and family services, including healthcare, with childcare provision as the poster child of the new approach (Bokhorst and Hemerijck, 2023).

The Childcare Act of 2005 revolved around full liberalization of the childcare market and gave parents the right to choose freely between for-profit and not-for-profit providers, or even to provide home care. Households would receive a monthly subsidy to foot the bill, conditional upon submitting ex-post evidence of their income, employment status, and a contract with a childcare centre and a personal contribution. The novel financial system of targeted allowances was part and parcel of a broader philosophy, popular with both Christian democrats and conservative liberals, that citizens in service-oriented welfare states are best thought of as competent clients capable of making independent choices.

Institutionally, responsibilities for childcare, healthcare, and rent allowances would remain with the relevant ministries, but the implementation of allowances would be organized by the tax office, under the responsibility of the Ministry of Finance. However, the tax office had no experience with public spending, only with tax collection. In the new system, the tax office would become responsible for millions of payments to households. The director general of the tax office, Jennie Teunissen, protested strongly behind the scenes against becoming responsible for two diametrically opposite operations. However, the coalition disregarded her governance concerns.

As the Dutch were embarking on an experiment, without precedent or experience, a policy fiasco was in the making. Initially, the new incentive structure did fulfil the expectation of a doubling of childcare services in the first five years of the new system in sync with increased female employment rates. The new system also proved fairly progressive with its positive effect on net disposable income for low-income families (van Hooren and Becker, 2012). In 2005, parents at the lowest income levels received a sizable fiscal refund covering 63.2% of the total costs and only had to pay 3.5% in contributions. Parents in the highest income brackets received no fiscal compensation. Soon, however, for-profit providers took over

70% of the childcare market, making the Netherlands one of the most marketized and expensive childcare systems in the EU. With so many new providers entering the market, public authorities struggled to maintain quality (Eerkens, 2021). As a dramatic low point, in 2010, a childcare worker was found to have committed large-scale sexual abuse in Amsterdam.

On allowances, problems of implementation and enforcement piled up. On the part of the administration, ICT-systems were ill equipped for such a large and overly complex operation. As relatives and friends were eager to informally care for children, the number of registered childminders increased by 500% in less than half a decade. The tax office prioritized timely payments over monitoring, which meant that unjustified payments had to be reclaimed later, and vulnerable groups ended up in financial distress (Bokhorst and Hemerijck, 2023).

By the mid-2010s, it became evident that unleashing competition through market liberalization in childcare did not have the anticipated effect of lowering costs. State contributions to childcare rose from 1 billion in 2005 to 3 billion in 2010 (Bouget et al., 2015). When the euro crisis hit, the first right-wing government under the liberal Prime Minister Mark retrenched childcare contributions. Defending a raise in parental contributions, VVD Social Affairs and Employment Minister Henk Kamp said in 2010: 'Parents pay more for childcare. Thus, they will think harder about whether they really need childcare. And they may look for alternatives such as friends and family. Not that many parents opt to stop working' (Heister, 2016).

After a widely watched television program showed iconic images of villagers in rural Bulgaria smiling as they withdrew their Dutch childcare allowances from a local ATM, the parliament unanimously supported a new law requiring the tax office to perform ex-ante checks on fraud based on a constitutionally illegal algorithmic risk model for allowance receipt validation.

Austerity continued under the centre-left/PvdA coalition under Mark Rutte. The budget for child benefits did increase somewhat in 2017 but remained among the lowest in Europe. The Netherlands increased childcare allowances in 2015, especially for single parents, and devoted a larger budget to childcare between 2017 and 2020 to improve the quality and accessibility of early-years services.

After many damning evaluations of the childcare allowance system, the de jure responsible minister for social affairs and employment, Labour leader Lodewijk Asscher resigned in 2019. By 2021, the centre-right Rutte III cabinet government resigned. Eventually, cleaning up the mess of faulty childcare design cost the Dutch state €5.5 billion, by far exceeding the entire annual childcare allowance budget (Frederik, 2021). In 2022, the centre-right Rutte IV government promised to repeal the system and to introduce free childcare, probably only for working families, by 2025 – a decision that has been postponed to 2027 to give policy discretion back to the municipalities (Bokhorst and Hemerijck, 2023).

In hindsight, the Dutch recalibration pathway commenced with a retrenchment-liberalization reform corrective in the 1980s, followed by a social investment innovation momentum in the 1990s and early 2000s, based on the principles of wage moderation, flexibility, and expansion of active labour market policies as well as early childhood education and care to support working mothers. The Dutch social investment momentum came to halt in the wake of the financial crisis. Successive governments of varying political colours generally resorted to austerity, also because the childcare allowance system proved extremely expensive and ungovernable. Throughout the Dutch experience, childcare remained narrowly conceived of as a labour-market policy instrument to ease work-life balance for working families, mostly part-time working mothers, and never as a fully-fledged instrument of early education. This is where the German experience becomes relevant.

### **German social investment and the advantage of categorizing childcare as education**

In the 1970s and 1980s when the Netherlands was struggling with the ‘Dutch disease’, Germany was riding high as a competitive post-Fordist industrial political economy combining diversified quality production with proficient male-breadwinner social security, employment protection, and vocational training. The recession in the early 1990s, following German unification, produced a sharp rise in unemployment and ballooning public debt, and thus constrained the scope for labour supply reduction by increasing social contributions. More drastic reforms were required. Two attempts



to orchestrate organized wage restraint after the Dutch success, including German Alliance for Jobs of 1995-96 under the premiership of the Christian democrat Helmut Kohl and the 1999 Pact for Jobs, Training and Competitiveness with social democrat Gerhard Schröder as prime minister, failed to live up to high expectations (Manow and Seils, 2000).

In 1986, the German government introduced a maternity leave scheme (Erziehungsurlaub), granting very long leaves of up to three years and a flat-rate child allowance for two years. In 1980s, the female employment rate remained low at 7.8% compared to 20.1% in the Netherlands (OECD, 2021).

The second Schröder Red-Green administration (2002-5) adopted a more assertive reform stance. Triggered by a publication on misleading placement statistics by the Federal Agency for Work (Bundesanstalt für Arbeit), Schröder seized the moment by appointing an expert commission led by Peter Hartz, then head of human resources at Volkswagen. In its final report, the Hartz Commission recommended a fundamental overhaul of the German work and welfare system (Fleckenstein, 2008). The most radical Hartz IV reform, enacted in 2005, merged provision of unemployment assistance for long-term unemployed and social assistance for those in need without an employment record into the new, tax-financed Unemployment Benefit II (Arbeitslosengeld II) to complement the more traditional unemployment insurance provision, Unemployment Benefit I (Arbeitslosengeld I). The duration of unemployment insurance payments was radically reduced from 32 to 12 months (18 months for older workers). The reform intended to reduce high levels of long-term unemployment and provide equal access to employment services to a much larger number of social assistance recipients, by merging long-term unemployment assistance and municipal social assistance. More in institutional terms, the Hartz reforms also transformed the Bundesanstalt für Arbeit. A new direct low-wage job-creation programme included public employment opportunities through so-called one-euro-jobs, which provide additional income of €1.00 to €2.00 per hour in combination with full benefits. Under the new Bundesagentur für Arbeit, a more unified system of job search assistance and placement services, based on new public management principles was established (*fördern* and *fördern*).



The Red-Green government put working families at the core of its policy platform with generous tax deductions for parents taking up childcare, especially among low-income families. The chancellor asked for an expert review of the family policy. Published in 2003, the Rürup/Gruescu report assertively underscored the need to break with the male-breadwinner welfare provision, reasoning that ‘the times in which the male breadwinner had a good and most importantly a secure job, enabling to women stay at home, are over’ (Heister, 2016).

Politically, the Hartz reforms were extremely unpopular, particularly with the traditional social democratic voters. Popular discontent ultimately resulted in the defeat of the Red-Green government in the 2005 German elections. The Grand Coalition of CDU/CSU and the SPD that followed revolutionized work-life balance parental leave and childcare policies under the new Minister for Family, Seniors, Women, and Youth Affairs, Ursula von der Leyen (CDU), committing the Grand Coalition to expand childcare facilities rapidly to 750,000 places by 2013 with a subsidy of €4 billion, covering one-third of the costs. Von der Leyen justified her progressive family reforms with an ‘undeniable public task’ for which the ‘federal state is responsible.’ Unsurprisingly, Christian conservative forces strongly opposed von der Leyen’s ‘social-democratic’ turn of the CDU. Conservatives harked back to the principle of subsidiarity according to which families – not the state – are free to decide over family affairs. They called for a care allowance for parents wishing to care for their children. In the heated public debate that ensued, childcare was decisively brought into the realm of early education. Von der Leyen strongly opposed the care allowance precisely because it would be ‘a catastrophic educational policy’ (Heister, 2016). When asked why parents should not be allowed to freely buy childcare on a market and then be reimbursed by the taxpayers, as in the Netherlands, von der Leyen bluntly replied that ‘the market only works for people with high incomes’. The right to childcare was introduced in 2008, to take effect in 2013. Ultimately, conservative Christians succeeded in incorporating the care allowance in the proposed legislation on childcare expansion. Nonetheless, lacking federal competencies in education reinforced existing divergence across the Länder and municipalities. To speed up the extension of childcare,

the German government decided to financially support the Länder based on a non-binding agreement to improve quality standards in early education. As such, federal subsidies allowed the Länder and local municipalities to build on and professionalize existing institutional capacities rather than creating an entirely new welfare governance model as in the Netherlands. Eventually, the care allowance was struck down by a ruling of the German Constitutional Court in 2015 (Heister, 2016).

The German economy was far less adversely affected by the Great Recession than the Dutch. Yet, the Merkel coalition government committed to a debt brake or *Schuldenbremse* in 2010. However, given that education and research were exempted from these re-trenchments, the federal state was not able to roll back its financial support to municipalities and the Länder to expand public childcare. Together, the Von der Leyen's political framing of childcare as a public concern of early childhood education and the Constitutional court's ruling invalidating the home care allowance, pulled Germany decisively away from the male-breadwinner model.

Building on the social investment groundwork laid by the Red-Green administration, path-breaking family reforms under von der Leyen clearly underscore how the German welfare state has arrived at a fully-fledged political commitment to bring more mothers and single parents into paid employment in a country plagued by one of the lowest birth rates in the EU (Korthouwer, 2010). By the early 2000s, Germany lagged behind the Scandinavian countries, France, and the Netherlands in terms of female employment and work-life reconciliation. In the wake of the Great Recession, Germany, as a social investment late-bloomer, arguably took over from the Netherlands as the social cheerleader among continental welfare regimes.

## Conclusion

The Dutch and German welfare states matured during the post-war era as male-breadwinner welfare states based on passive, employment-related social insurance provision, funded by social contributions from employers and employees, normatively discouraging women from participating in the labour market. With the benefit of hindsight, it is indeed no exaggeration to say that the continental welfare states, in comparison to their European, Nordic, An-

glo-Irish, and Mediterranean counterparts, have undergone the most path-shifting experience over the past decades. This chapter clearly identifies a temporally ordered reform *sequence* for the Netherlands and Germany, starting from a regime-specific ‘inactivity trap’, requiring an unforgiving ‘price policy’ corrective of labour market deregulation and social retrenchment, which then sets the scene for a more expansionary ‘volume policy’ of attracting especially working mothers to the labour market, supported by reforms that improve work-life balance reconciliation. It is often argued that norms and values supporting different welfare regimes are hardest to change (Goodin et al., 1999). This is not borne out by our country comparison. Seemingly, once the corrective disruption of the Bismarckian male-breadwinner provision by retrenchment and liberalization was breached, this consequently eased the way for normative recalibration in a dual-earner direction.

Returning to the academic literature, Dutch and Germany reform dynamics do not seem to have been strongly affected by partisan competition between social-consumption and social-investment occupational cleavages, as anticipated by electoral-turn scholarship (Beramendi et al., 2015). Political competition matters, as pent-up frustration over the discrepancy between aspirations and policy performance can be mobilized at ‘critical’ elections. Politically contested, retrenchment-deregulation reform correctives were taken up by both centre-right and centre-left coalition government, respectively in the Netherlands and Germany. The cathartic experience of the ‘Dutch disease’ in the 1970s persuaded the social partners and state actors, after a long intermezzo of corporatist immobilism, to revitalize a concerted strategy of wage moderation to recoup international competitiveness, supported by both centre-right and centre-left government, that ultimately paid off in revolutionary job growth in the late 1980s and 1990s. In Germany, the centre-left Schroeder government arguably lost the 2005 elections because of the unpopular Hartz reforms. Yet, successive centre-right and centre-left Merkel governments retained the Hartz reforms while progressively expanding family policy.

Fundamental to the final stage of path-shifting social investment reform is the cognitive redefinition of the Bismarckian predicament away from managing unemployment towards the promotion

of employment tout court, opening up future reforms to (re-)integrate vulnerable risk groups or those furthest away from the labour market, not only working mothers, but also long-term unemployed, migrants, people with disabilities, older low-skilled workers, and youngsters, based on the simple idea that every hour worked contributes to the revenue base of the welfare state.

Dutch and German reform trajectories differ with respect to the *timing* in a three-pronged reform sequence. Dutch policymakers were first to follow in the social investment footsteps of Nordic welfare provision. However, without much prior social investment experience and expertise, political reformers of the CDA and the VVD made a fateful error in the early 2000s when they expanded childcare on a design of private provision and ex-ante tax rebates, making the Dutch childcare system one of the most expensive in Europe. In addition, publicly subsidized private provision reinforced the part-time equilibrium for working families in the Netherlands.

When Germany expanded family and child services a decade later, policymakers did not push for social service privatization. Two important political and institutional factors explain the German approach to social investment reform. One is that liberalism is not a strong political force in Germany, whereas conservative and progressive liberals stand out in the Dutch party landscape. Also within Dutch Christian democracy, there is a strong liberal and anti-state streak among Calvinists. The second institutional factor is that Germany is a federal state, and the Netherlands a unitary one. In the Dutch unitary state, the political executive is powerful in masterminding reform. In German federalism, childcare provision falls under the competence of education, which is a prerogative of the *Länder*. In other words, the central government can support the *Länder* to expand childcare and family services, but it cannot impose institutional design.

I conclude on a note of moderate optimism about the social investment welfare future on the European mainland. The extent to which social investment reform raises the quantity and quality of employment, it conjures up a 'double dividend' in consolidating the welfare state's carrying capacity at satisfactory levels of intra- and intergenerational inequality in a problem-solving manner (Hemrijck, Ronchi and Plavgo, 2022). Today, practically all Bismarckian

welfare states have bid ‘farewell to maternalism’, to use Ann Orloff’s apt metaphor (2006). I argue that this has only partially been driven by changing gender values. Women- and child-friendly policies of affordable access to day care, paid maternity and parental leaves are as much the product of a deliberate strategy to attract especially mothers, in the face of population ageing, to the workforce to contribute to the economic pie and tax revenues for financing highly popular pension commitments.

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## Chapter 11

### Ever the committed egalitarians – or the end of Scandinavian exceptionalism?

### Comparing equality and welfare state preferences among voters and parties

*Alexander Horn and Anthony Kevins*

#### Introduction

The egalitarian culture and politics of universal welfare states of Scandinavia stand out as a recurring theme in both politics and political science research (see, e.g., Castles, 1994; Kuhnle, 2000; Kevins and van Kersbergen, 2019; Horn and van Kersbergen, 2022). Discussions about a Nordic Sonderweg can be traced back as far as the 1950s (Rustow, 1955). The defining features of this alleged exceptionalism are a strong universal welfare state and very pronounced egalitarianism (e.g., Pedersen and Kuhnle, 2017). Underlying these key features are several broadly agreed-upon historical drivers and scope conditions (Korpi, 1983; Rasmussen and Pontusson, 2018; Ferragina and Filetti, 2022): cross-class (red-green) political coalitions; the extensive political and societal power resources of the labour movement; and the Ghent system of semi-private voluntary unemployment insurance that helped to stabilise the bargaining power of trade unions vis-à-vis employers.

What seems more questionable is whether ascriptions of an egalitarian culture are (still) grounded in empirical differences on the level of voters and party elites. While welfare state dimensions have been frequently assessed ever since the *Three worlds of welfare capitalism* and the replication attempts it inspired (e.g., Esping-Andersen, 1990; Horn and Shore, 2021), the idea of a ‘passion for equality’ among voters and parties in universalist systems has been more of an extrapolation than a demonstrated empirical fact.

Research in this vein has instead focussed on tweaking and extending the ‘welfare types’ categorisations within the confines of ‘normal science’ (van Kersbergen and Vis, 2015), while the evidence



in favour of Scandinavian exceptionalism has been decidedly mixed. Despite a long line of research investigating the impact of welfare state regime types on public opinion (see, e.g., Svallfors, 1997; Bean and Papadakis, 1998; Arts and Gelissen, 2001; Blekesaune and Quadagno, 2003), for example, existing studies have typically avoided challenging the ‘welfare types’ categorisation.

Instead, much of this work has focussed on attitudes toward redistribution, either exclusively or as part of a broader measure of welfare state support (see, e.g., Linos and West, 2003; Jæger, 2009; Jakobsen, 2011); yet, the claim that social democratic welfare states engender higher support for redistribution has at best received mixed support (see Neimanns, 2021 for a discussion). A related strand of the literature, centred on Korpi and Palme’s (1998) paradox of redistribution, has generated related disagreements on the effect of universal, encompassing welfare states on redistributive preferences (see, e.g., Jacques and Noël, 2018; Gugushvili and Laenen, 2020).

Similar tensions arise from research on the potential link between egalitarianism and support for the welfare state. Even setting aside debates as to whether egalitarianism may shape attitudes toward the welfare state (cf. Breznau, 2010; Achterberg, Houtman and Derks, 2011), these dynamics appear to be disconnected from welfare state regime types – playing out similarly across various worlds of welfare (see Calzada et al., 2014). Indeed, there is some question as to whether welfare state regimes even matter for welfare state support more broadly (e.g., Kevins et al., 2019), especially when it comes to programmes (such as healthcare and pensions) aimed at more ‘deserving’ recipients (e.g., Wendt, Mischke and Pfeifer, 2011).

Despite all of this, the notion that citizens and elites alike are more egalitarian and pro-welfare in Scandinavia is often uncritically adopted – and to the extent that it is tested, only assessed at either the individual or (much more rarely) the party level. One reason for this may be that influential approaches such as the paradox of redistribution frame equality of the highest standards as an outcome – as well as a condition – of universal welfare policies, given that they broadly avoid fragmenting solidarity via means testing and targeting of the needy. Yet, it remains unclear whether any such Scandinavian exceptionalism should be manifested in egalitarianism, pro-welfare state positions, or both.

In what follows, we therefore set out to examine whether and to what extent the ‘Scandinavia versus the rest’ distinction is reflected in reality. To do so, we use data from Eurostat (2022), the European Social Survey (ESS, 2022), and the Manifesto Research on Political Representation Project (MARPOR, also known as CMP; Volkens et al., 2021) to examine trends in inequality, public opinion, and party positioning – comparing developments in Denmark and Sweden alongside those in continental and liberal Europe. Results of our analysis indicate that egalitarianism in Scandinavia is neither particularly pronounced nor consensual. This is in stark contrast to the still viable political consensus around the welfare state, which finds strong support on the left and right.

## Background

The Danish and Swedish welfare states, alongside those of Northern Europe more broadly, have been grouped together for their commitment to gender and income equality, their focus on social services, and their tendency to decentralise benefit administration (for an overview, see Greve, 2022). But researchers also clearly acknowledge that these welfare states have not simply remained static over the decades, leaving us with the question: Are claims of a unified Scandinavian model (still) justifiable?

The first step in sketching an answer to this question is to examine whether and to what extent the baseline levels of income inequality in Denmark and Sweden differ, relative to both one another and other major European countries. This is a doubly useful exercise. On the one hand, shifting inequality levels may foreshadow changing attitudes or party stances, and on the other, major divergences in public opinion or party positioning might simply reflect changes in the underlying levels of inequality.

Here and below, we illustrate national-level trends in Denmark and Sweden alongside mean overall trends across a sample of continental and liberal welfare states included in both the ESS and MARPOR data, namely, Austria, Belgium, France, Germany, Ireland, the Netherlands, Switzerland, and the UK.<sup>1</sup> This approach allows us to contextualise Danish and Swedish developments while (1) maintain-

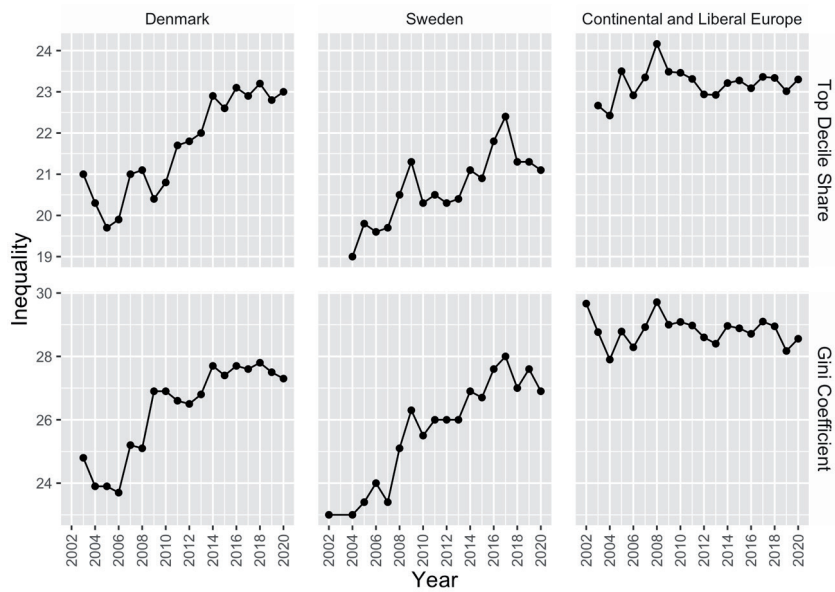
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<sup>1</sup> Note that we include Austria, Belgium, and the Netherlands within the continental grouping to reflect current common practices, despite the fact

ing a common set of cases in both parts of the analysis and (2) foregrounding trends in the core continental and liberal welfare states that are commonly studied in comparative welfare state research.<sup>2</sup>

We begin by plotting over-time shifts in income inequality in Denmark, Sweden, and our broader set of continental and liberal countries. Figure 1 illustrates these trends using inequality data from the European Union Statistics on Income and Living Conditions dataset (Eurostat, 2022), focussing on the period available for the European Social Survey data, 2002 to 2020. The top panels track changes in the top decile share of national equivalised income, and the bottom panels do the same using the Gini coefficient of equivalised disposable income.

**Figure 1: Trends in income inequality, top decile share and gini coefficient**



Results suggest similar trends in income inequality across Denmark and Sweden. Regardless of which inequality measure we focus on, inequality levels began a broad upward trajectory in our two Scan-

that they were originally classified as social democratic welfare states (Esping-Andersen, 1990).

2 All figures in this chapter are drawn using ggplot2 (Wickham, 2016).

dinavian countries from around 2007 – tapering off about a decade later but never returning to their earlier levels. These patterns contrast with the broader trends in our continental and liberal countries, which tended to have higher, although more stable, levels of income inequality over the entire period.

### Trends in public opinion

But to what extent has this rise in Scandinavian income inequality been reflected in public opinion? In the first step of our analysis, we focus on attitudes toward redistribution using responses to the statement, ‘The government should take measures to reduce differences in income levels’, with potential responses ranging from ‘disagree strongly’ (coded here as 1) to ‘agree strongly’ (coded here as 5).

Figure 2 tracks changes in these attitudes from 2002 to 2020 using data from the ESS (2022). We graph over-time trends in mean responses<sup>3</sup> to this statement for the general population (marked with circles and a solid line) as well as among respondents on the political left (marked with squares and a dashed line) and right (marked with triangles and a dotted line).<sup>4</sup>

Considering overall trends, we note that – contrary to the inequality patterns illustrated in Figure 1 – Danish public opinion is the clear outlier as Swedish attitudes more closely reflect attitudes in continental and liberal Europe.<sup>5</sup> This ‘Denmark-versus-the-rest’ distinction is also visible if we examine variation in public opinion, with larger standard deviations in Denmark; but as the dashed and dotted lines reveal, this is not the product of a larger gap between the left and right (see Table 1 below as well). Indeed, attitudinal trends among leftists and rightists are relatively similar across the three panels, with one exception: The gap between the left and right has stayed relatively consistent in Denmark but has increased over

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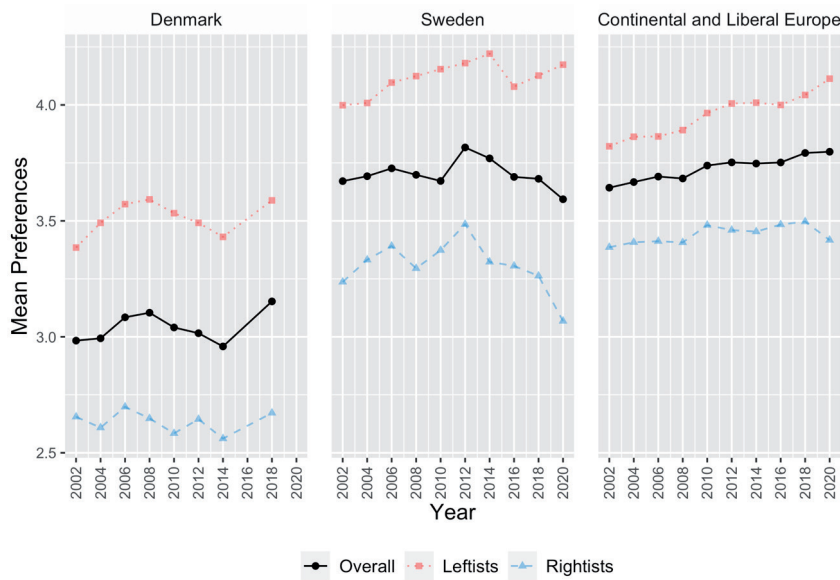
3 Here and below, public opinion analyses incorporate survey design weights.

4 Political ideology is calculated using the respondent’s self-placement on an 11-point left-right scale (ranging from 0 to 10). Those who placed themselves between 0 and 4 are coded as leftists, and those who placed themselves between 6 and 10 are coded as rightists.

5 Note that the same pattern emerges if we disaggregate continental and liberal Europe and examine trends in these two sets of countries separately.

the last few years in continental and liberal Europe and (especially) Sweden.

**Figure 2: Trends in attitudes toward income inequality, among leftists, rightists, and overall**



Findings from Figure 2 thus suggest that trends in attitudes toward reducing inequality look very different from the trends in inequality noted in Figure 1. Whereas Denmark and Sweden displayed strong similarities in their income inequality levels and changes (whether measured by the top decile share or the Gini coefficient), Denmark is the clear outlier when it comes to redistributive preferences. Importantly, this suggests that differences in public opinion on reducing income inequality do not simply reflect different levels of income inequality.

But perhaps Scandinavian exceptionalism is less about egalitarianism and more about attitudes toward the welfare state. To assess this possibility, Table 1 provides a broad overview of public opinion on equality versus welfare:

(1) *Equality*: indicating support for the government reducing inequality, measured using the survey item mentioned above.

(2) *Welfare*: indicating support for the welfare state more broadly, measured using a three-item index asking about government responsibility for the elderly, the unemployed, and childcare.<sup>6</sup>

**Table 1: Public opinion on equality and the welfare state, among leftists, rightists, and overall**

Country	Measure	Mean - Overall	SD	Mean - Left	Mean - Right	Gap
Denmark	Equality	3.04	1.14	3.51	2.63	0.88
	Welfare	3.48		3.69	3.33	0.37
Sweden	Equality	3.70	0.94	4.12	3.31	0.81
	Welfare	3.54		3.70	3.41	0.29
Continental & Liberal Europe	Equality	3.72	1.04	3.95	3.44	0.51
	Welfare	3.20		3.33	3.07	0.26

Note: Bars proportional to maximum value on the ESS scale (= 5).

The *Equality* and *Welfare* attitudinal measures are recoded to share a range from zero to five, with higher values indicating greater support, and the table lists the weighted mean values for the overall samples alongside those for left- and right-wing respondents. The table also presents data on overall variation (as measured by the standard deviation) and the gap between the mean preferences of leftist and rightist respondents.

Results suggest two major takeaways. First, support for *Welfare* is notably higher than support for *Equality* in Denmark, but the opposite is true elsewhere. Overall support for *Welfare* in Denmark is higher than it is for *Equality* (+0.44), whereas it is lower in Sweden (-0.16) and our continental and liberal countries (-0.52). Second, support for *Welfare* in Denmark and Sweden is consistently higher than what we see elsewhere, and even rightists in Denmark and Sweden demonstrate support levels that are on par with or even higher than those of leftists in the other countries.

6 The wording on these rotating module items asks, respectively, about the ‘responsibility of governments’ to ‘ensure a reasonable standard of living for the old’, ‘ensure a reasonable standard of living for the unemployed’, and ‘ensure sufficient child care services for working parents’. Possible responses range from 0 (‘Should not be governments’ responsibility at all’) to 10 (‘Should be entirely governments’ responsibility’). We then average the three items and re-scale the range to reflect the five-point scale of the equality measure.

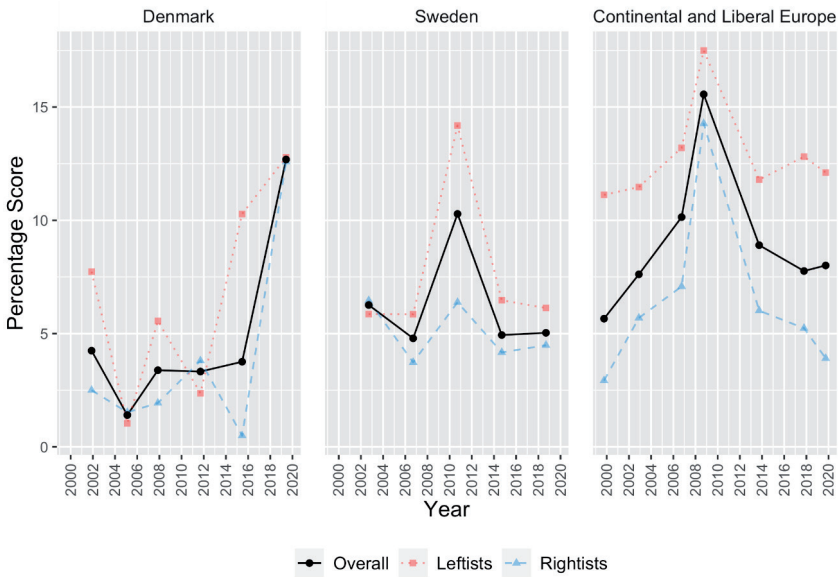
Clearly, welfare state support demonstrates a distinct Scandinavian pattern relative to support for equality. This distinction is also reflected in broader differences between the two measures across the board, with larger left-right gaps and greater variation for *Equality* compared to *Welfare* (as per their respective standard deviations). Nevertheless, the data point to much stronger evidence of Scandinavian exceptionalism in welfare state stances rather than redistributive preferences – despite the fact that income equality itself has followed similar trajectories across our two Scandinavian cases.

### Trends in party positioning

Mirroring our analysis at the individual level, we now turn to assess the extent to which Danish and Swedish parties are particularly supportive of equality. In doing so, we draw on the widely used Comparative Manifesto Project, now called MARPOR (Volkens et al., 2021), and its item 503, *equality positive*. While this item has its limitations – it was previously labelled *social justice* and includes an increasing share of non-economic aspects of equality (Horn et al., 2022) – it is the only measure at the party level that can be matched with attitudes towards inequality. We therefore use it as the starting point for examining trends in party positioning, focussing on percentage scores that reflect the relative emphasis that parties put on equality (as a percentage of the manifesto).

We begin the analysis with Figure 3, which shows trends over time for the *equality positive* measure. Results suggest that Denmark and Sweden are not more egalitarian on the party level than the rest of our sample. Similarly, there is no evidence of an egalitarian consensus; if anything, the mean level of egalitarianism in our two Scandinavian countries is lower than elsewhere. Looking at the egalitarian trajectory over time, we see the key role of crises effects in Sweden and our liberal and conservative countries, while what stands out in the Danish trajectory is a spike for the left in 2015 and the right in 2019. While the 2019 scores for Denmark are driven by the Social Democrats (10.28%) and the (centre-right) Liberals (Venstre, 12.59%), less successful populist and far-right parties also showed pronounced values (Danish People's Party, 7.45%, New Right/Nye Borgerlige, 7.04%).

**Figure 3: Trends in parties' emphasis on equality, among leftists, rightists, and overall**



Turning to the variation of parties' equality positions, we draw on the standard deviation across parties and a (more specific) gap measure to capture the difference between left and right parties (see Table 2 for more details). When we examine the overall values across the 20-year period, neither the standard deviations nor the left-right gap indicates that there is a stronger egalitarian consensus in Denmark and Sweden than in the rest of our sample.

This, we believe, begs the question whether egalitarianism in general – and the *equality positive* item from the Manifesto Project more specifically – is the right yardstick. Theoretically, it could be argued that the universal welfare state in Scandinavia is perceived to be the purveyor and guarantor of extensive egalitarianism (Horn and van Kersbergen, 2022).

We thus also assess and compare positive references to *welfare state expansion*, with Table 2 offering an overview of mean levels, standard deviations, and left-right differences. Results indicate that notwithstanding the already extensive Danish and Swedish welfare states, average support in Scandinavia is twice as pronounced as in continental and liberal Europe. On average, Scandinavian parties



**Table 2: Party positions on equality and the welfare state, on the left, right, and overall**

Country	Measure	Mean - Overall	SD	Mean - Left	Mean - Right	Gap
Denmark	Equality	4.09	4.44	6.47	2.81	3.66
	Welfare	14.67	7.46	14.41	14.81	-0.40
Sweden	Equality	6.06	2.68	7.70	5.04	2.66
	Welfare	14.03	7.10	19.11	10.86	8.25
Continental & Liberal Europe	Equality	9.58	4.85	13.15	6.97	6.18
	Welfare	6.90	2.73	7.24	6.66	0.58

Note: Bars proportional to maximum value (= 26; Welfare value for the Danish Social Democrats in 2005).

devoted over 14% of their manifestos to (expanding) the welfare state. In Denmark, this holds true for left and right parties, reflecting a very pronounced welfare state consensus. In Sweden, the support pattern is more polarised, as documented by a stronger left-right gradient; yet, even here, the right parties show above-average support for the welfare state (with a mean of approximately 11%). What is more, in both of our Scandinavian countries, the two centre-right (Venstre in Denmark and the Moderates in Sweden) and the populist right parties (Danish People's Party and Sweden Democrats) have consistently expressed growing support for the welfare state since the late 2000s.

Echoing what we reported with regard to welfare state attitudes, this means that even right-wing parties in Denmark and Sweden are much more supportive of the welfare state than left-wing parties in the continental and liberal countries that we surveyed – suggesting that Scandinavian exceptionalism has its roots in widely held support for the welfare state. The same cannot be said for an interpretation of Scandinavian exceptionalism based on an assumed culture of equality. We find no evidence to suggest that either voters or party elites in Denmark and Sweden are more egalitarian than elsewhere.

## Conclusion

Claims of Scandinavian exceptionalism have a long history in comparative political economy and welfare state research, not least of all regarding their approach to inequality. However, the results of our analysis do not suggest that Scandinavian citizens and parties are particularly committed egalitarians. Comparing over-time trends in

Denmark and Sweden to developments in continental and liberal Europe, we found that notwithstanding evidence of a Scandinavian trend in income inequality, there was little evidence of a Scandinavian trend in redistributive preferences or party positions on equality.

However, our analyses also point toward an established pro-welfare state consensus in Denmark and Sweden that distinguishes them from continental and liberal Europe. Whether on the left or the right, or among the general public or party elites, support for the welfare state is much stronger in our Scandinavian countries than in the rest of our sample. To us, this suggests that the universal welfare state and the sustained support for it – rather than ingrained egalitarianism – is the driver of Scandinavia's (policy) exceptionalism.

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## Chapter 12

# Liberalization and income inequality in worlds of welfare: A comparative analysis (1974-2013)

*Klaus Armingeon and David Weisstanner*

### Introduction

Christian democracy and the Continental welfare state has been a major topic of Kees van Kersbergen's work (van Kersbergen, 1995). Convincingly, he argued that in Continental welfare states, Christian democratic parties – together with left parties – developed the welfare state with certain features that distinguish it from the liberal and social democratic systems. He argued that in all regimes, the welfare state plays 'an indispensable role in moderating market-induced inequalities and poverty, with the social democratic regime outperforming the conservative regime (to some degree) and the liberal regime (to a considerable extent)' (van Kersbergen and Vis, 2014: 101). In this paper, we start from his perspective on the regime-specific effects of welfare states on income inequality. We focus on liberalization policies – the removal of market barriers or the loosening of restrictions on free markets – that started wave-like in the 1980s, peaking at the turn of the century and leveling off thereafter. How did this wave of liberalization impact income inequality, and how has this impact been moderated by the various welfare regimes?

The empirical analysis of this paper is based on a new dataset on liberalization for 18 mature democratic capitalist countries (in the period 1974-2013) and seven post-communist countries (early 1990s-2013) (Armingeon et al., 2019). The dataset offers encompassing information about liberalizing and de-liberalizing reforms. Our findings suggest that liberalization reforms are associated with substantially higher levels of income inequality in the long run via two channels: a widening of the distribution of market incomes and a reduction in redistribution by the state through taxes and transfers. We show that welfare states moderate the effect of liberalization on

income inequality. Apart from the special case of post-communist countries – where the transition to capitalism and democracy also meant a huge increase in income inequality – these regime-specific effects correspond to van Kersbergen’s hypothesis. The hypothesis states that they are most pronounced in the liberal and Mediterranean regimes, while in the social democratic regimes and the conservative regimes, liberalization does either lead not to increased inequality of market incomes or increasing market inequality is compensated by public redistribution leading to much lesser increases in disposable income inequality.

In the next section, we develop our argument about the regime-specific effect of liberalization on inequality. The third section presents the empirical research design, the liberalization dataset, and the operationalization of variables. Furthermore, we will then describe our major statistical tool – error correction models applied to time-series cross-sectional data – before presenting our findings and offering concluding remarks.

### **Arguments and hypotheses**

Opposing views about the beneficial or harmful effects of liberalization have long been part of both the political and academic discourse. While being principally agnostic about whether liberalization increases inequality, we start pragmatically from the plausible assumption that liberalization empowers markets which may lead to higher income inequality via two processes: (1) by removing wage floor and wage ceiling effects, thereby increasing market inequality (or pre-tax pre-transfer inequality), and (2) by retrenching tax and transfer policies that redistribute income from rich to poor. In addition, we assume that the impact of liberalization on income inequality depends on the interplay of various liberalization policies. There are many forms and approaches of liberalization. In one country, the tax system becomes less progressive, and in another, employment protection may be retrenched. All that has to be taken into account. Finally, liberalization happens frequently alongside ‘de-liberalization’ where for instance the government frees capital markets while introducing minimum wages. We therefore focus on *net liberalization*, which denotes the intensity of liberalization after taking into account all simultaneous de-liberalization reforms.

Welfare state regimes may vary regarding both the intensity of liberalization and the effect by which a set of liberalization policies affects income distribution. We distinguish five welfare regimes:

- (a) The *post-communist regime*, which is set apart from all other welfare regimes where social policies emerged after the transition to capitalism. While the post-communist regime had a policy legacy of social intervention during state socialism, with the breakdown of the old economic and political regime, the liberalization of markets occurred simultaneously with the development of democracy. Policymakers were under much stronger pressure to liberalize and hence had far fewer options to control increasing inequality compared to all other regimes. Likewise, the rise of capitalism may have spurred income inequality notwithstanding deliberate reforms. Therefore, in a first step, we compare the liberalization experience in post-communist regimes to all other older democracies.

Looking specifically at the older democracies, following van Kersbergen, we distinguish four types:

- (b) The *Nordic/social democratic welfare regime*. Here, we expect that liberalization is politically controlled and compensated so that the overall effect is very limited.
- (c) In contrast, the *Anglo-Saxon/liberal welfare regime* is the most market-friendly, and hence, we expect the strongest effects here as compared to all other regimes.
- (d) The *Mediterranean welfare regime* is weak, fragmented, faulty, and family based (Ferrera, 2021). It already fails in reducing market inequality due to weak collective bargaining and trade union power, and it fails further to redistribute sufficiently large amounts of resources so that disposable income inequality is also high.
- (e) Following van Kersbergen, we would expect the inequality indicators of the continental welfare state to be lying somewhere between the poles of Nordic and the liberal (Anglo-Saxon) welfare states.

Table 1 informs about the average Gini indicator (with 1 most unequal, and 0 absolutely equal) for the period under study (1973-2013). It confirms van Kersbergen's argument and encourages us to study how welfare regimes modify the impact of liberalization on inequality. Specifically, we see that the level of market-income inequality is very similar in Continental and Nordic countries and somewhat lower than in the Mediterranean and Anglo-Saxon nations. Looking at inequality of disposable income, it is highest in Mediterranean and lowest in Nordic countries. The index of Continental countries is close to that of the Nordic countries, while Anglo-Saxon democracies are only a little bit less equal than the countries in the European south. Finally, a third measure indicates the redistributive effort of a political system, being the share of market income that is reduced by public intervention. The Nordic and the Continental countries have much higher levels of redistribution than the Anglo-Saxon and Mediterranean countries.

**Table 1: Average inequality and relative redistribution by welfare regime, 1973-2013**

	Gini market income (1)	Relative redistribution: $\frac{Gini_{Market} - Gini_{Disposable}}{Gini_{Market}}$ (2)	Gini disposable income (3)
Continental	0.45	0.40	0.27
Nordic	0.44	0.46	0.24
Mediterranean	0.47	0.30	0.33
Anglo-Saxon	0.47	0.33	0.31

Based on these arguments about regime-specific effects, we arrive at these hypotheses:

- H1: *Net liberalizing reforms (i.e. the difference between liberalizing and de-liberalizing reforms) are associated with higher income inequality.*



- H2a: *The effect of net liberalization on income inequality is most pronounced in liberal (Anglo-Saxon) and in Mediterranean welfare states.*
- H2b: *Nordic (social democratic) welfare states mute the effects of liberalization on market and disposable income inequality comparatively strongly.*
- H2c: *Continental welfare states mute the impact of liberalization on market and disposable income inequality less than Nordic regimes but more than Anglo-Saxon regimes.*

### **Data, methods, and research design**

In this paper, we focus on liberalization reforms across multiple different policy fields, namely in the area of labor market, product market, and capital market policies. In our view, to study the effect of liberalizing policies on income inequality, it is crucial that we specify the estimated models so that all potentially relevant policy changes for income inequality are included or controlled for. For instance, a study of the effects of lowering the minimum wage must also consider the effects of accompanying policy changes in social assistance (see, for example, Dube, 2019), strengthened trade union power, or enlargement of collective bargaining. A broader coverage of collective agreements can compensate for the inequality-increasing effects of cutting the minimum wage. Therefore, the basic idea of this paper and the underlying dataset is to look at a broad spectrum of liberalization and de-liberalization rather than just considering one or two particular policy areas. We rely on an indicator on the incisiveness of (de)liberalizing reforms that has been based on all the reforms collected and coded in a project on liberalization. For a detailed description of the dataset, operational rules, and the construction of the indicator for decisiveness of net liberalization (liberalizing reforms minus de-liberalizing reforms), see Armington et al. (2019).

We use data from the liberalization database for seven post-communist and 18 Western democracies in the period early 1990s-2013, or (in case of mature democracies) 1974-2013: the Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovakia, and Slovenia (post-communist); and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Nether-

lands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States (mature democracies). On average, we have 35 observations (mature democracies) per country in the final sample after accounting for missing data on all variables.

The main explanatory variable of our study is net liberalization, an annualized index for the incisiveness of the liberalizing reforms in a given country minus the incisiveness of de-liberalizing reforms.

Our overall measure for income inequality is the Gini coefficient. It is based on the Lorenz curve plotting the total income of all income earners (y-axis) cumulatively earned by the bottom part of the population (x-axis). If everybody earns the same income, the Lorenz curve would be a straight 45-degree line running through the origin of the graph (the line of complete equality). If only one person would earn all income, the curve would correspond to the x-axis with a sudden increase at its utmost pole, i.e. the position of the earner who gets all income. The Gini coefficient is the ratio of the area below the 45-degree line and the actual Lorenz curve and the total area below the 45-degree line. A coefficient of 0 indicates perfect equality, and a coefficient of 1 stands for perfect inequality (one person earns all income).

Liberalization may affect market income directly, for example if competitive pressures and weak collective bargaining lead to almost unconstrained use of wage incentives for individual skills and work effort. Frequently, liberalization also concerns redistribution, i.e. the extent to which the welfare state corrects market income through taxes and social security transfers. Inequality of disposable income is the result of inequality of market income after redistribution of the state via taxes and transfers.

Therefore, in our study, we use three inequality-related outcome variables. Our main focus is on the Gini coefficient for disposable income: the amount of market income (wages and capital income) net of public transfers and taxes. We also consider the Gini coefficient for market income, which is less directly amenable to government intervention. Finally, we consider 'relative redistribution', i.e. the share of Gini market that is reduced by public intervention through taxes and transfers.

For our main analysis, we use data from the most recent version of the Standardized World Income Inequality Database (Solt, 2020).

We coded Australia, Canada, Ireland, the United Kingdom, and the USA as liberal (Anglo-Saxon) welfare states; Denmark, Finland, Norway, and Sweden as social democratic (Nordic) welfare regimes; and Italy, Spain, Portugal, and Greece as Mediterranean welfare states; while Austria, Belgium, France, Germany, the Netherlands, and Switzerland make up the group of Continental (conservative) welfare states.

We use a number of control variables: globalization, technological change, de-industrialization, economic cycles, and external economic shocks are likely drivers of income inequality (Atkinson, 2015: chapter 3; Nolan, Richiardi and Valenzuela, 2019; Dorn, Fuest and Potrafke, 2022). We control for globalization by entering current accounts and the size of imports and exports (measured as percentage of GDP). Economic cycles and shocks are measured by the change rate of real economic growth and by the level of unemployment. Finally, liberalization and income inequality may be correlated simply because both have a common cause: the political complexion of government.

While some authors argue that the political make up of governments is irrelevant for liberalization (Baccaro and Howell, 2017), others hold that politics influences government decisions on liberalizing and de-liberalizing reforms (Potrafke, 2010, 2017; Obinger, Schmitt and Zohlnhöfer, 2014; Obinger, Schmitt and Traub, 2016). Likewise, the partisan composition of government is also a driver of redistribution, correcting market income. Avoiding the danger of spurious correlation, we enter the indicators of the governmental strength of left and center parties, respectively, with the strength of conservative-liberal parties as a reference category. Finally, in order to control for contemporaneous correlation, we also enter year dummies in our regression models. If not otherwise indicated, data for control variables come from Armingeon, Engler and Leeman (2021).

We use error correction models (ECMs). Tests show that our data might contain unit roots (we cannot reject the null that all panels contain unit roots) and that log net liberalization and disposable income inequality might be co-integrated, although the co-integration tests are not fully conclusive. ECMs are frequently used with co-integrated data, but they represent a general type of model suitable even in the absence of co-integration (de Boef and Keele,

2008). Our interpretations are focused on long-run multipliers (LRMs). While short-run coefficients show the immediate effect of a reform, LRMs inform about the effects distributed over a range of years. For estimating the LRM and its standard error, we apply the Bewley transformation (de Boef and Keele, 2008: 192). Arguably, it takes time for reforms to have an effect on income distribution, and therefore, the LRM is the major interesting coefficient. This is in line with an argument of J-curve effects: ‘The simple, compelling idea is that economic reforms generate transitional costs in the short term before they begin to produce their promised economic gains’ (Hellman, 1998: 206). The idea originates from the literature on currency devaluations but can be applied to broader economic reform (liberalization) as well. Reform might create losers and inequality in the short run but perhaps less in the long run, or on the contrary, there may be null effects on inequality in the short run followed by strongly increasing inequality over the following years.

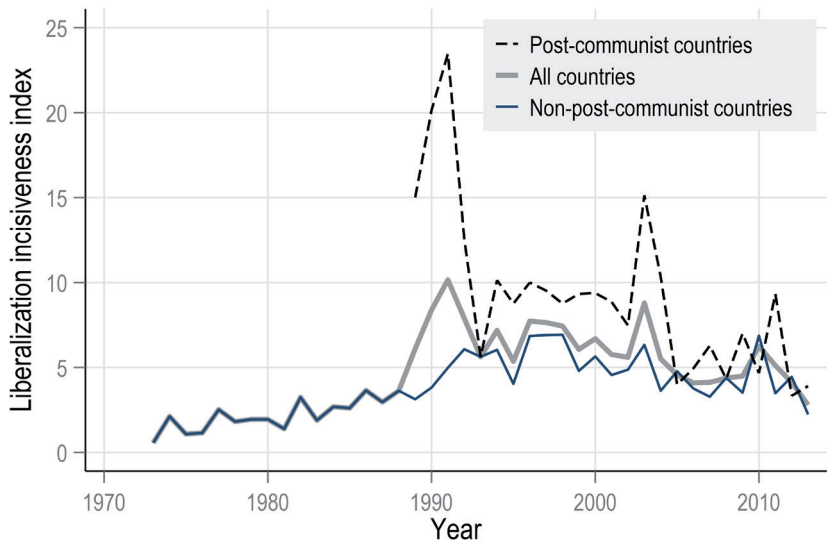
## Findings

We begin with descriptive findings. Figure 1 shows the overall development of net liberalization and the development in the post-communist world as compared to the mature democracies. Clearly, the post-communist countries are set apart from the mature democracies, both by the extent of liberalizing reforms and the ‘early’ peak in the 1990s and the subsequent decline of liberalizing efforts. In contrast, in the mature democracies, liberalization starts in the 1970s/1980s, reaches a peak in the 1990s and the first years of the new millennium, and then declines.

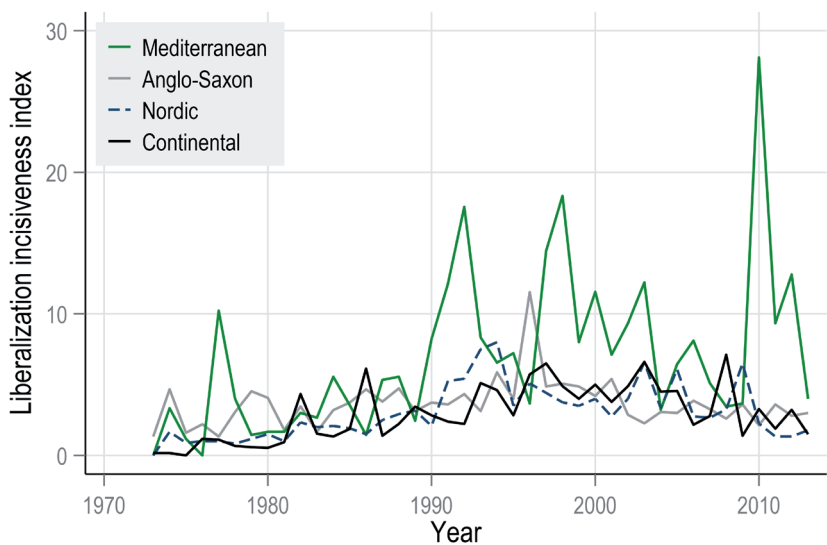
Figure 2 depicts liberalizing in four welfare regimes in older democracies. The Mediterranean countries have the most erratic developments, while the development of liberalization in the remaining three welfare regimes is very similar: liberalization starts in the late 1970s, peaks in the first years of the new millennium, and then starts to decline.

We now move to the results of the ECMs. Here, we do not discuss the coefficients of the other variables; rather, we focus on the theoretically interesting coefficients of the liberalization variable and its coefficient by welfare regimes.

**Figure 1: Liberalization in post-communist and non-post-communist countries**

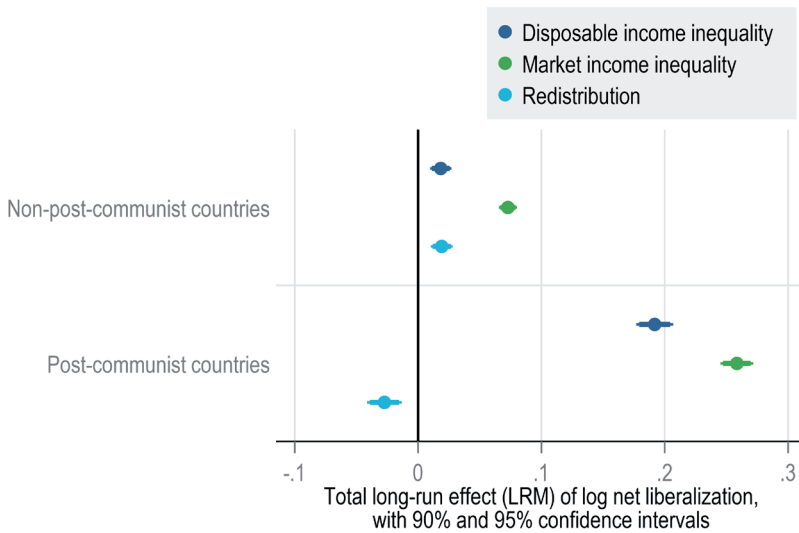


**Figure 2: Liberalization across country groups (non-post-communist countries)**



In a first step, we compared the liberalization effects in seven post-communist countries with those in the other 18 established democracies. The overall finding is that in the West and the East, liberalization increases inequality of both market and disposable income. The effect is most pronounced for market income and less so for disposable income. The latter is a result of public redistribution due to social spending and taxes. In the Central and Eastern European countries, liberalization has increased both market and disposable income, while the coefficient for ‘relative redistribution’ indicates that liberalizing reforms were not accompanied by political effort at muting this increasing inequality; rather, it was even further supported (albeit to a small extent).

**Figure 3: Distributional effects of liberalization (ECM regressions)**

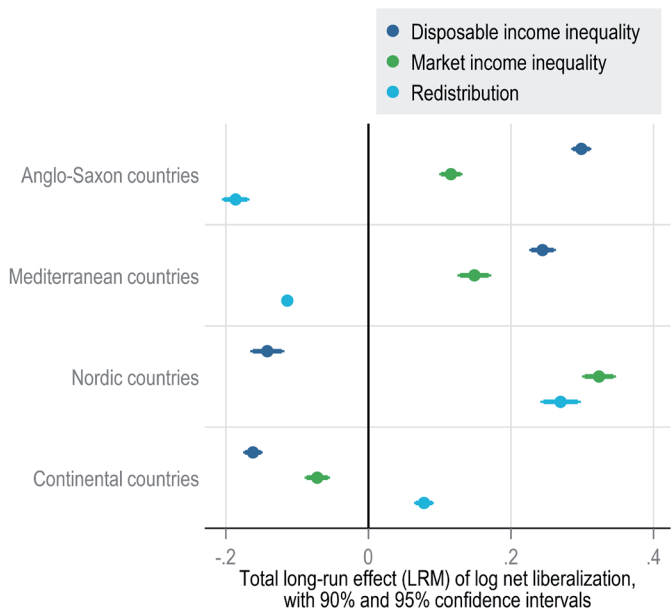


In contrast, in the ‘old’ democracies, liberalization was correlated with strongly increasing market inequality, which met political efforts at redistribution and resulted in a much lesser impact of liberalization on disposable income in the end.

Within the old democracies, our hypotheses, deduced from Kees van Kersbergen’s work, are clearly supported. The pattern in Mediterranean and Anglo-Saxon countries is very similar: Liberal-

ization leads to greater inequality in the market, a strong redistributive effort by the state is absent, and instead, the increasing inequality of market incomes is reinforced by policies that drive rather than dampen the development of inequality in the market.

**Figure 4: Distributional effects of liberalization (ECM regressions)**

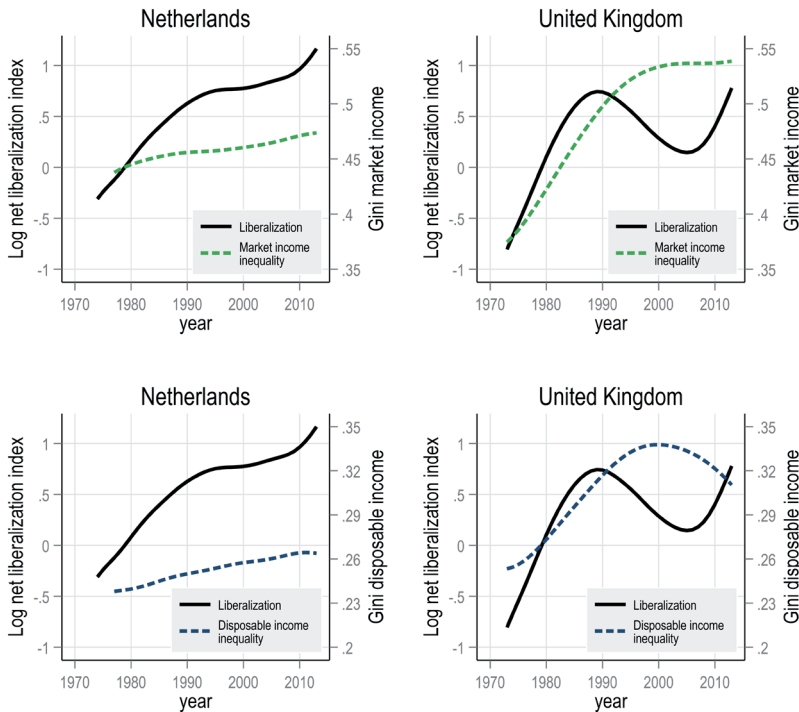


A common feature of Nordic and Continental countries is the counter-intuitive finding that in these countries, liberalizing reforms are systematically combined with policies leading to lower (instead of higher) disposable income inequality. In the Nordic countries, governments empower markets in the process of liberalization but simultaneously develop a huge effort in redistribution, even overcompensating for the effects of liberalizing reforms. This corresponds well to Thelen's (2014) account of the Scandinavian way of liberalization. In the Continental countries, redistributive effort is much smaller; however, liberalization goes together with even lower inequality of market income.

We can illustrate this by studying a particularly influential and significant case in the group of Continental countries: the Netherlands. Figure 5 compares the Netherlands with the UK, an influen-

tial case of the liberal welfare regime. The figure shows that since the 1980s, the Netherlands liberalized to a similar extent as the UK. However, income inequality developed very differently. Market income inequality and disposable income inequality increased substantially over time in the UK but increased only minimally in the Netherlands. Hence, the major effect seems to be that while Continental governments liberalize, certain policy fields and institutions that are highly relevant for income developments (e.g. the system of labor relations) are spared from liberalizing interventions in comparison with other welfare regimes. These are, of course, only assumptions that align well with our broadly based quantitative findings, and further qualitative analysis is needed to show how this Continental pattern of liberalization works.

**Figure 5: Liberalization and inequality in the Netherlands and the UK**





## Conclusion

Based on an encompassing dataset on liberalizing reforms in 25 countries in the period 1973-2013, we showed that liberalization has contributed to increasing income inequality. The post-communist countries are a special case. In particular, this case underlines the erosive effect of liberalization on income inequality. Conforming with Kees van Kersbergen's work, our results indicate that in the Mediterranean and the Anglo-Saxon countries, this erosive potential is unleashed most. In contrast, in the Continental European and Nordic regimes, policies and institutions either constrain market inequality in times of liberalization (Continental countries), or the political system accepts that market inequality increases while simultaneously mustering considerable resources for redistribution (Nordic countries). Both strategies in the end lead to an even (slightly) egalitarian effect of liberalizing reforms on the distribution of disposable incomes – but, of course, only under these regimes.

Here, we do not enter the discussion of the shortcomings of this analysis and the need for further (qualitative) analysis. To us, it is important to show that Kees van Kersbergen's argument still holds when confronted with a new and encompassing dataset.

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## Chapter 13

# Does economic inequality harm democratic quality? No, but yes

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Matilde Tofte Thorsen*

### Introduction

‘Socioeconomic inequality has powerful direct and indirect effects on the quality of democratic governance.’ This quote by Dietrich Rueschemeyer (2004: 84) captures the widely held view that a skewed wealth distribution is negatively associated with democracy. In their widely cited discussion of democratic quality, Larry Diamond and Leonardo Morlino (2004: 27) approach the linkage from a similar point of view and argue that

while democracy does not demand a certain set of substantive social or economic policies, it does in practice presuppose a degree of political equality that is virtually impossible if wealth and status inequalities become too extreme.

These statements have strong roots in the history of political thought. Already Aristotle argued that the middle ground represented by a large middle class is preferable. Too much inequality would lead to instability, unreason, disobedience, and repression of the poor by the rich or vice versa. Jean-Jacques Rousseau envisaged that freedom is only possible when no one is sufficiently rich to buy another and no one sufficiently poor to be for sale, and Alexis de Tocqueville considered social equality as the very foundation for democracy. Finally, Karl Marx argued that ‘bourgeois democracy’ is merely a façade, where the state would ultimately protect the interests of the resourceful elite vis-à-vis the suppressed masses.

The issue continues to figure prominently in academic and public debates. A large number of studies have examined whether economic inequality influences democratic transitions or breakdowns (e.g., Acemoglu and Robinson, 2005; Ansell and Samuels, 2014; Boix,

2003; Houle, 2009; Przeworski et al., 2000) or the general level of democracy, looking at the whole continuum from full autocracies to advanced democracies (Bollen and Jackman, 1985; Knutsen, 2015; Muller, 1995). However, the relationship between economic wealth distribution and the degree of democraticness in countries with free, inclusive elections is underexplored. The question addressed in this chapter is therefore: Is increased economic inequality associated with lower democratic quality?

In our attempt to answer this question, we first make clear what we mean by economic inequality and democratic quality. We then identify theoretical arguments put forward in the more general literature and discuss their relevance for our research question. Subsequently, we employ new datasets from Solt (2020) and V-Dem (Coppedge et al., 2021) to examine the empirical association in a global analysis, spanning the period 1960-2020, based on a series of different specifications, including two-way fixed effects, and alternative inequality and democracy measures.

The results indicate that economic inequality, measured as income inequality, is not a robust predictor of democratic quality understood as the fulfilment of procedural-institutional criteria associated with polyarchy and liberal democracy. This is surprising given the strong arguments in favor of a substantial, negative relationship found in the literature and the fact that many public intellectuals assume the presence of a clear and inauspicious association.

However, we also consider the possibility that economic inequality affects democratic quality understood as *de facto* political equality (cf. Jensen and van Kersbergen, 2016: ch. 9). The findings indicate that income inequality is indeed a robust predictor of the political power distribution as well as electoral turnout.

We conclude that while there is little support for the expectation that economic inequality undermines democracy understood in a procedural-institutional fashion, the principle of political equality seems to be affected by economic disparities.<sup>1</sup>

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1 Kees would be happy about the focus on inequality and popular rule. However, he would be surprised not to see technological innovations as part of the research agenda. Moreover, he might be disappointed that Matilde did not insist on including benevolent dictators, and that Lasse did not insist on assessing feedback loops.

## Conceptualizing economic inequality and democratic quality

Economic inequality concerns the ability of individuals (or families) to maintain a certain standard of living and lifestyle. In an equal society, there is not much deviation from the average individual (or family), meaning that if people are able to make similar choices about how to live their lives, we intuitively consider them as living in an equal society. In contrast, where people face very different prospects, we intuitively consider them as living in an unequal society (Jensen and van Kersbergen, 2016: 36). Our focus is on inequality in income rather than in wealth or land.

Democratic quality concerns the level of democracy within polities that fulfil the minimalist criteria Joseph A. Schumpeter (1942: 269) used to demarcate democracies from non-democracies. This means that we consider a polity democratic when the executive and legislative powers are based on the results of competitive multi-party elections, where the opposition has a meaningful chance of winning. Inspired by Robert A. Dahl (1989), we distinguish between democratic quality understood as the fulfilment of procedural-institutional features on the one hand and as substantive political equality on the other hand.

Regarding the first understanding, we use Dahl's concept of polyarchy, which adds universal suffrage and respect for political liberties (i.e., the freedoms of expression and association) to Schumpeter's criteria. We also run analysis with liberal democracy (see Diamond, 1999) as the dependent variable to capture checks and balances, access to justice, and respect for individual liberties, since these features figure prominently in some theoretical arguments in the literature. Regarding the second understanding, we consider inequalities in the actual political power distribution, including political participation. This perspective reflects Dahl's process criteria, which basically demand that all adult members of society should have equal and effective opportunities to vote, make their views known, achieve enlightened understanding, and choose whether and how matters should be placed on the agenda. Accordingly, 'political inequality occurs when the preferences of some are systematically afforded more weight in the political process than others' (Polacko, 2022: 1).

In this way, our approach suggests that quality of democracy is relevant only in cases that meet the criteria of a baseline concept, i.e., minimalist democracy, but that it can take different values depending on the degree to which thicker understandings are met, i.e., polyarchy, liberal democracy, and substantive political equality (cf. Munck, 2014).

### **Theoretical arguments**

Democracy is not the same as economic (or social) inequality. If this were the case, the relationship would be true by definition. However, they can be intertwined in various ways. While there are structural factors that may link the two, it is also worth considering different societal groups' preferences for democratic quality. We consider the two groups of arguments in turn.

#### *Structural factors*

The well-off have the capabilities to exploit their economic power to skew the political playing field. Limited suffrage, where restrictions referred to property, income, or taxation, was historically a tool often used by the elites to keep the masses from political influence. No countries with competitive elections uphold significant suffrage restrictions for adult citizens anymore. However, economic inequality can also harm the quality of the other dimensions of polyarchy. Larry Diamond (2008: 293) puts forward that 'Blatant inequalities in power and status cumulate into vertical chains of dependency and exploitation, secured by patronage and coercion.'

Following this logic, media freedom is undermined because the rich can use their resources to silence criticism – either by concentrating ownership in their own hands, bribing journalists or judges, or convincing the government to introduce legislation and measures that restrict free speech and alterative information. The elite can indirectly exploit their power through the establishment of a cultural hegemony, where economic resources are used to influence popular opinion via education and media. The impact of resource asymmetries can also more directly support of some ideological objectives over others. One obvious example is imbalanced funding of electoral campaigns or threats by capital owners to move production and finances to other countries if particular policies are put on the polit-

ical agenda. In support of this perspective, a number of studies have demonstrated that parliaments are more responsive to rich constituents (e.g., Persson and Sundell, 2023).

In all parts of society, powerful actors can abuse their resources to undercut the strength, independence, and integrity of democratic actors and institutions. According to Terry Karl (2000, 148), severe economic inequality in Latin America goes hand in hand with a situation where ‘powerful economic and political elites have bent laws to their bidding, enfeebled courts, violated rights, corrupted politicians, and run roughshod over constitutions and contracts.’

Marxist scholars have continuously emphasized these and related problems (e.g., Althusser, 2020; Gramsci, Hoare and Smith, 1971; Luxemburg, 1986; Poulantzas, 1978; Streeck, 2016), but also non-Marxist studies have addressed how economic inequality can translate into political inequality because wealth concentration put elites in a better position to pursue their political goals (e.g., Dahl, 1985; Lindblom, 1977).

It has been argued that increased concentration of wealth makes the stabilizing middle class shrink, and this is problematic because it, according to some scholars, is the principal bearer of democratic ideals (Lipset, 1959). And when the popular demand for democracy declines, the elite supply of democracy is expected to decline as well. Along similar lines of argumentation, inequalities in wealth and income have been linked to social divisions, turmoil, and resentment (see, e.g., Lakoff, 2015; Przeworski, 2019). For example, Robert Reich (2013: 127) has argued that ‘widening income inequality ... gives fodder to demagogues on the extreme left and right.’

Some argue that such trends are driven by decreases in the trust levels of ordinary citizens vis-à-vis fellow citizens, political leaders and parties, as well as public authorities. According to Oren Levin-Waldman (2016, 204; see also Putnam, Leonardi, and Nanetti 1993; Stiglitz 2012; Uslaner 2008), democracy

requires a measure of trust between people, and growing income inequality is said to threaten various groups, mainly those at the bottom, experience political alienation and perceive the system not to be fair. ... social capital is the glue that holds society together. If individuals believe that the economic and political system is unfair, the glue does not work and society does not function well.

A related strand of the literature has repeatedly emphasized economic inequality as a main determinant of populism, polarization, and radicalization; all these phenomena have been said to undermine democratic institutions due to lack of respect for political opponents and willingness to fiddle with the rules of the game. Competitive elections become zero-sum struggles where everything is at stake and no one dares to lose. In extreme cases, the lack of toleration and forbearance (cf. Levitsky and Ziblatt 2018) can even spur violence.

### *Preference for democratic quality*

The arguments suggesting that inequality should reduce democratic quality are intuitively appealing, but there are plausible counter-arguments related to the preferences of different societal groups, which should also be taken into account. Ben Ansell and David Samuels (2018) propose that inequality might not undermine the democratic status of a country because elites are well served by democratic institutions. Democracies generally outperform autocracies in terms of protecting property rights (Knutsen, 2011) and provide a better background for technological development and improvements in human capital (Uberti and Knutsen, 2021). Hence, democracies tend to support a good business climate for the well-off. Even if they have to share a slightly larger share of the pie, the overall pie may grow enough for them to be better off economically.

Meanwhile, the economic elites also benefit from less risk of power abuse that can result in expropriation and undermine physical safety as illustrated by Putin's treatment of oligarchs. As argued by Daniel Ziblatt (2017), most people benefit from making democracy 'safe for elites' due to the many negative impacts, such as loss of freedom and security, following from autocratization. It is therefore not self-evident that the rich have an interest in undermining democracy, even if inequality is increasing.

It is even less evident that the middle class and the poor should have incentives to undermine democracy, even in times of high inequality. Although inequality may spur the emergence of populist leaders who sometimes serve the poor (and reduce democratic quality), there are strong arguments for why the poor – and the middle class – should still support high democratic quality. Simply put, the



reason is that higher democratic quality increases political equality. The people with relatively less income have a stronger political voice in more democratic societies. Thus, even if the poor (and the middle class) are not well off in unequal societies with high democratic quality, there is no reason to expect the situation to be better in less democratic settings (Meltzer and Richard, 1981; Ross, 2006). In light of these arguments, none of the large socioeconomic groups in society should have strong incentives to fight democratic quality, not even when inequality is high. Thus, inequality may not affect democratic quality at all.

Overall, there are theoretical arguments that point in different directions. Hence, an empirical investigation is warranted to assess the average effect of economic inequality on democratic institutions as well as substantive political equality.<sup>2</sup>

### *Empirical strategy and data*

To examine the consequences of economic inequality for democratic quality, we run a series of OLS panel regressions spanning the period 1960-2020 and covering up to 132 democracies. Countries characterized by high and increasing inequality are likely to be different from countries with less pronounced inequality on a range of confounding characteristics. By including country-fixed effects in some of our specifications, we control for such unobservable time-invariant factors. Moreover, year-fixed effects are important, since inequality may also respond to global factors that affect all countries, including the influence of particular ideologies (cf. Piketty, 2020). To make the analysis as transparent as possible and to avoid the risk of post-treatment bias, we present a parsimonious baseline model that only controls for GDP/cap, which is widely recognized as the main standard control in the literature. To measure economic development, we use the latent GDP per capita estimation by Christopher Fariss et al. (2022) due to its wide coverage and based on the presumption that several sources increase reliability.

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<sup>2</sup> Our summaries of already established theoretical arguments rather than the development of a novel coherent framework would not be Kees's cup of tea. Sorry about that!

To measure inequality, we rely on the Standardized World Income Inequality Dataset (SWIID, 9.1) by Solt (2020), which provides income inequality measures from 1960. Specifically, we employ the Gini coefficient for disposable income, which reflects differences in people's standards of living. Given its vast coverage and intuitive interpretation, we consider it the best available measure for our purposes.

To ensure that any results are not caused by idiosyncrasies in the Gini measure, we also run analyses with two additional income inequality measures, i.e., the total income allocated to wages, or 'wage share' from Knutsen (2015, based on INDSTAT2 data) and the share of income going to the top 1% of income earners from the World Top Incomes Database (see appendix for more information about the measures).<sup>3</sup>

To measure polyarchy and liberal democracy, we use V-Dem's Electoral Democracy Index and Liberal Democracy Index, respectively. They are constructed to capture the conceptual features outlined above (Coppedge et al., 2021). To delimit our democratic sample from autocracies, we only include countries that score 4 or above on the ordinal Lexical Index of Electoral Democracy (Skaaning, Bartusevicius and Gerring, 2015), which – in accordance with the Schumpeterian conception – means a country must at least have competitive elections.

Finally, we use two measures to examine whether economic inequality undermines political equality. V-Dem offers an expert-coded measure of 'power distributed by socioeconomic position', i.e., the 'extent to which wealth and income translates into political power' (Coppedge et al., 2021: 204). Another measure of political equality is electoral participation. It is the most vital form of preference articulation, because this is where ordinary citizens get a chance to influence directly the composition of the country's legislative bodies and government (Jensen and van Kersbergen, 2016: 116). We measure electoral turnout as the percentage (%) of the adult voting-age population who cast a vote according to official results (Coppedge et al., 2021: 72).

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3 Please contact the authors for access to the appendix.

Table 1: Income inequality and democracy level

	Electoral democracy (polyarchy)				Liberal democracy			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gini	-0.009*** (0.001)	-0.001 (0.001)	-0.000 (0.002)	-0.000 (0.002)	-0.011*** (0.002)	-0.003 (0.001)	-0.000 (0.002)	-0.000 (0.002)
GDP pc.		0.111*** (0.010)		0.004 (0.030)		0.134*** (0.012)		0.017 (0.039)
N	3377	3321	3377	3321	3377	3321	3377	3321
Countries	130	129	130	129	130	129	130	129
Country F-E	-	-	✓	✓	-	-	✓	✓
Year F-E	-	-	✓	✓	-	-	✓	✓

Notes: Standard errors clustered by country in parentheses. All independent variables lagged one year.

\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

## Results from global panel regressions

### *Income inequality and democracy level*

Column 1 in Table 1 presents the results from a bivariate specification, which shows a significant negative relationship between the Gini coefficient and the polyarchy measure. Column 2 adds a control for GDP per capita, resulting in the relationship no longer being significant. Columns 3 and 4 show the corresponding specification adding country and year fixed effects. These specifications similarly do not reveal a strong association. Columns 5-8 present the results from specifications that employ the measure of liberal democracy. Again, there is a significant relationship in the bivariate model. However, once we control for GDP/cap and/or employ fixed effects, the relationship disappears.

The results are robust to alternative measures of inequality, namely, when we replace the Gini coefficient with the wage share of the total income (low wage share corresponds to high inequality as the well-off also receive income from assets, such as capital and land) or with the top percentile income share measure (see Tables A1 and A2 in the online appendix). We have also run regressions with the Gini measure and longer panels (5, 10, and 20 years) based on the idea that inequality's corrosive effects on democracy take time to accumulate and are only 'released' during major crises (cf. Treisman, 2020). These results are consistent with the main estimates in Table 1 (see Tables A3 and A4 in the appendix).

Overall, the empirical assessment suggests that there is no strong, significant relationship between income inequality on the one hand and democratic quality on the other. However, it is still possible that economic inequality affects substantive political equality.

### *Income inequality and political equality*

Columns 1-4 in Table 2 show the baseline specifications with the measure of power distribution by socioeconomic position. They show a very different picture from the results in Table 1. Now, income inequality is consistently associated with a larger power concentration among the wealthy, regardless of the exact specification. Columns 5-8 repeat the exercise with the measure of electoral turnout

Table 2: Income inequality and political equality

	Power distributed by socio-economic position				Electoral turnout (VAP)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gini	-0.043*** (0.008)	-0.025* (0.010)	-0.029** (0.011)	-0.029** (0.011)	-0.464*** (0.122)	-0.354* (0.151)	-0.900*** (0.247)	-0.905*** (0.248)
GDP pc.		0.285** (0.087)		-0.103 (0.165)		1.465 (1.585)		3.315 (5.003)
N	3379	3323	3379	3323	999	992	999	992
Countries	132	131	132	131	121	120	121	120
Country F-E	-	-	✓	✓	-	-	✓	✓
Year F-E	-	-	✓	✓	-	-	✓	✓

Notes: Standard errors clustered by country in parentheses. All independent variables lagged one year.

\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

and show similar results. This result supports that rising economic inequality does indeed harm the equal weighting of interests.<sup>4</sup>

### Concluding reflections

Our results indicate that, in general, economic inequality does not hurt the quality of democracy understood as the fulfillment of procedural-institutional check lists. This finding questions the dominant perspective in the literature and among the broader public. At least, it suggests that the relationship might be more complex and conditioned by other factors than what is often assumed.

However, our inability to reveal a significant relationship between economic inequality and democratic institutions does not necessarily mean that economic inequality is not at all a problem for democracy. If we focus instead on substantive political equality, economic inequality can still be important for how preferences are formed, who sets the political agenda, and whether each person receives equal weight in the decision-making process. On an individual level, the unequal distribution of resources may decrease the opportunities to participate in the democratic process as equals – or participate at all for that matter. Those lacking in wealth and income might not enjoy the same access to politicians and might have a higher risk of being neglected or discriminated against in processes of implementation. Our supplementary analysis of the relationship between economic inequality and the distribution of political power lends support to this perspective.

So in one way, our findings constitute a serious challenge to widely held assumptions, while they corroborate others. In general, changes in economic inequalities do not translate into improvements or declines in the institutional quality of democracy, but they influence the *de facto* distribution of political power.<sup>5</sup>

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4 At this stage, some (including Kees) would request comparative case studies to corroborate the relationship. However, as Kees knows, this would be a very demanding exercise, so we leave this task for others to pursue.

5 Following Kees's recommendation regarding how not to undermine an entire article or chapter, the conclusion is rid of any potential (methodological) caveat or problem.

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## Chapter 14

# Is responsible political leadership possible in high-speed democratic societies?

*Carsten Jensen and Rune Slothuus*

### Introduction

In her classic book, *The concept of representation*, Hanna F. Pitkin (1967: 224) concludes that in a representative democracy, the representatives ‘must look after the public interest and be responsive to public opinion, except insofar as non-responsiveness can be justified in terms of the public interest.’ Politicians in contemporary democracies still face this dilemma: Elected politicians are expected to, at the same time, pursue policies that represent public opinion (Druckman and Jacobs, 2015) and serve ‘the long-term needs of their people and countries’, even if they have not ‘been articulated as specific demands’ from citizens (Bardi, Bartolini and Trechsel, 2014: 237). As key actors linking citizens and the political system, political parties are expected to pursue policies that are both responsive and responsible; parties are expected both to represent and to govern (Lefkofridi and Nezi, 2020; Mair, 2009).

Perhaps nowhere is the urgency and complexity of this tension between responsiveness and responsibility in contemporary European democracies expressed more clearly than in Kees van Kersbergen’s recent work. Kees has defined a new research agenda around the tension between ever faster moving societal developments and slow-moving democratic decision-making. Ageing populations, changing economic structures and competition, new patterns of immigration, climate change, security threats and, not least, rapid technological advances raise enormous demands for political systems to decide on policies to solve societal problems. At the same time, democratic decision-making takes time to involve citizens and other interests to make the political system responsive to the public’s demands. As Kees writes with Barbara Vis, ‘We live in a high-speed society that is governed by a slow-motion democracy,’ which likely escalates ‘public disenchantment with the democratic political sys-

tem' (van Kersbergen and Vis, 2022: 1). How, and to what extent, are political parties and leaders able to cope with this tension between making policy decisions that are responsible while maintaining sufficient responsiveness to citizens' demands and expectations? This is a question about how parties can close 'representation gaps,' that is, following Pitkin (1967) as quoted above, make citizens see why parties represent them by justifying their policy in terms of the public interest.

In this chapter, we seek to contribute to Kees' fascinating new research agenda by addressing how political parties can close representation gaps. We propose a theoretical framework for analyzing how parties might cope with the tension between being both responsive and responsible as well as an evaluation of this theoretical framework in light of recent empirical work. We outline under what conditions it is possible for political parties and leaders to both communicate with citizens in a responsible manner and pursue responsible policies. We conclude that such responsible political leadership is possible through persuasion.

### **Theoretical framework: How to close 'representation gaps'**

We begin by clarifying key terms. The tension between responsiveness and responsibility was highlighted by Mair (2009). Following Bardi, Bartolini and Trechsel (2014: 237), we define *responsiveness* as 'the tendency, and indeed the normative claim, that political parties and leaders (...) sympathetically respond to the short-term demands of voters, public opinion, interest groups, and the media.' Likewise, we follow their definition of *responsibility* as 'the necessity for those same parties and leaders to take into account (a) the long-term needs of their people and countries, which have not necessarily been articulated as specific demands, and which underlie and go beyond the short-term demands of those same people' as well as (b) the constraint imposed by other audiences, such as 'the international markets (...), and, in the European context in particular, the heavy transnational conditions of constraint that are the result of a common currency and common market' (Bardi, Bartolini and Trechsel, 2014: 237).

Some readers might rightfully wonder if this definition of 'responsibility' is not too functionalistic. Surely, not everybody agrees

on what the proper future policies ought to be, either because of ideological differences or because of legitimate disagreement over the facts. Nor does everybody agree on what constitutes reasonable constraints on policymaking. When is it reasonable to incur public debt to pay for government operations? What is a reasonable level of inequality in capitalist market economies? How much value do we place on the well-being of future generations compared to the present day? Yet, the representation gap does not hinge on there being one objectively correct long-term policy answer to these questions. Rather, it depends on decision-makers' *beliefs* about what is in the public's interest over the long term – and that the necessary policy solutions are at odds with being responsive to voters' short-term preferences.

If political parties' beliefs about citizens' short-term preferences and more long-term considerations of what is in the public interest contradict, how do political parties cope? In Table 1, we present our theoretical framework for answering this question. One distinction is between policy (what parties *do* to solve societal problems) and rhetoric (how parties *present* their policies to the public). Policies and rhetoric can be either responsive (giving citizens what they demand or telling them what they want to hear) or responsible (giving citizens what is in their interest or telling, and ultimately convincing, them *why* the policy is in their interest).

**Table 1: How political parties close 'representation gaps'**

		POLICY	
		Responsive	Responsible
RHETORIC	Responsive	Pandering	Manipulation
	Responsible	Window dressing	Persuasion

There is a long tradition in political science that views political parties as being highly short-term focused, or more precisely: having the eyes firmly fixed on the next election (e.g. Downs, 1957). In the context of Pitkin's dilemma of balancing responsiveness against responsibility, this line of argument comes down clearly on the side of responsiveness. Political parties will not only work hard to deliv-

er the policies favored by their voters (i.e., policy responsiveness) but also advertise their achievements to the public (i.e., rhetorical responsiveness). We label this scenario *pandering*, because the political parties are entirely driven by a wish to please the short-term desires of the voters.

Given the massive societal problems facing political parties in power – an ageing population, rising public costs, uncontrollable immigration flows, climate change – unpopular decisions sometimes need to be made. Even if the political parties, or certainly the office-seeking party elite, might prefer to avoid the difficult issues, activists, interest organizations, or government bureaucrats may nevertheless demand action. In this scenario, political parties may combine responsible policymaking with responsive rhetoric. Such *manipulation* of the electorate is well described in the literature (e.g. Pierson, 1994) and comes with the major advantage that long-term problems are being dealt with, at least to an extent. Yet, the downside clearly is the lack of honest conversation in the public domain about the real trade-offs facing society.

It is not the case, of course, that voters only care about their own pocketbook and current well-being. Many people today are concerned about issues that are long-term and hard to deal with. Most voters want a sound economy, an end to poverty in the less developed world, and strong answers to a changing climate. Yet, voters are also bounded rational. Most voters have little knowledge about the policies that need to be implemented to deal with these major problems and, for that matter, about the policy status quo (Chong, 2013). The problems, moreover, tend to be distant, in sharp contrast to classic ‘short-term issues’ – such as school closures, healthcare waiting lists, surging crime rates – that voters also care about. In this case, it will be tempting for political parties to engage in *window dressing*, that is, exhibit a high degree of rhetorical responsibility and a low degree of policy responsibility. This allows political parties to prioritize the short-term issues on which voters ultimately are most likely to base their vote choice, and at the same time signal that long-term problems are being dealt with.

Each of the three ways of closing the representation gap comes with clear normative downsides. It would appear normatively more desirable if political parties would engage in both policy and rhet-

oric that were responsible. Given the scarce resources available to deal with problems, this, alas, would appear suicidal since it implies downplaying voters' short-term concerns. Yet, such a bleak conclusion assumes that political parties cannot successfully engage in *persuasion*, seeking to explain and convince voters that their responsible policies are in the public interest. As we will illuminate, some research does suggest that persuasion is feasible, at least under some circumstances.

In the rest of the chapter, we address each of the four scenarios in turn. We draw on extant research that allows us to highlight specific elements and questions that are particularly relevant. We end the chapter by discussing our framework in the context of the tension between democracy and problem-solving in high-speed societies.

### **Pandering**

At least since Downs' (1957: 28) dictum that politicians formulate policies to win elections, a key assumption in much political science has been that political parties are vote seeking and myopic. They act this way because they are forced to in a world where also voters are myopic. As observed by Pierson (1994), even political parties that care about making what is deemed the correct, long-term decisions still need to win the next election to be able to do all the right stuff.

Although voters are less one-dimensional than they are sometimes accused of (maybe most prominently by Achen and Bartels, 2016), it is a fundamental insight that voters are not rational. They do not have full – and often only very little – information on the relevant problems or policies (Delli Carpini and Keeter, 1996; Jensen and Zohlnhöfer, 2020). Voters also suffer from several biases, including cherishing short-term over long-term benefits (Jacobs and Matthews, 2012), and pay much more attention to what is done *against* them than what is done *for* them (Weaver, 1986; Soroka, 2014). Promoting some future good (say, less public debt for the grandchildren) at the price of current-day goods (say, reduced pension generosity) will consequently be considered unappealing by many voters.

In this electoral environment, political parties need to operate, and it is not surprising that many authors have converged on the expectation that political parties will *pander* to the voters. A substantial amount of research has studied, for instance, policy respon-

siveness; that is, how governments' policy changes track preferences of the public (Erikson, MacKuen and Stimson, 2002; Soroka and Wlezien, 2010). It is important to note, though, that the behavior of political parties does not have to be a reaction to changing preferences. Political parties can anticipate how voters will respond to a new policy and let this expectation guide policymaking (e.g. Wenzelburger, 2014). It seems plausible that day-to-day politics is severely constrained by gut feelings among political parties of what is electorally feasible and what is not.

Pandering, however, implies not only that political parties take their cue from the voters, but also that they let the voters know about it. Such credit claiming is the bread-and-butter of incumbent governments trying to convince voters give them another turn in office, and research suggests that credit claiming despite voters' inherent negativity bias can work as an electoral strategy (e.g. Grimmer, Messing and Westwood, 2012).

## Manipulation

Although pandering appears like a reasonable default expectation for political scientists adopting a bounded rational perspective on voters, this does not foreclose that responsible policies will ever be implemented. There are, in fact, good reasons to expect that political parties will try to act responsible when it comes to their policy choices – but maintain a rhetorical façade of responsiveness.

Party leaders may, for one thing, be motivated to pursue other objectives than simply vote or office maximization at the next election. Leaders may truly care about what they perceive to be the long-term interests of society, and although they still need to win the upcoming election, such beliefs about what is responsible can guide their actions. The members of the party as well as the backbenchers with little chance of winning a seat in government may also push for responsible policies, forcing the hands of party leaders.

This points to a second path to closing the representational gap: *manipulation*, that is, combining rhetorical responsiveness with policy responsibility. A literature has shown how certain blame avoidance strategies can be employed to this effect (Weaver, 1986; Vis and van Kersbergen, 2007; Vis, 2016).

Blame avoidance strategies vary in the extent to which they seek to hide the fact that a policy reform has even occurred. At one end of the spectrum, authors have argued that political parties can avoid blame for reforms that are well known to the public by engaging in strategic framing. Such framing may emphasize the urgent need for reform to sustain the economy (e.g. Cox, 2001; Green-Pedersen, 2002) or recipients' lack of deservingness (Slothuus, 2007). In this scenario, voters are manipulated to support a reform that they would not support without the specific framing.

At the other end of the spectrum, political parties have been shown to obfuscate reforms (Pierson, 1994; Jensen, 2014; Jensen et al., 2018). This can be done by lowering the visibility of policies and their effects on voters by using highly technical changes that are difficult for voters to comprehend. The logic is that if reforms are presented in a highly convoluted manner, voters will have a hard time deducing whether they are worse off, and if they believe they are, whom to punish.

Manipulation is widely used in politics – and not only because political parties want to implement responsible policies, but also because short-term responsiveness can be tricky if different voter groups want opposing things. Yet assuming that manipulation is used to achieve a greater good down the road that would not otherwise be politically feasible, surely such manipulation is an overall benefit for society?

There are two arguments against manipulation as a viable strategy for political parties. The first argument is practical. Blame avoidance strategies often require that policy reforms are a little less effective than they otherwise might have been, simply because very large reform effects are difficult to hide. The second argument against manipulation is normative. Voters' short-term and long-term interests are equally legitimate, and the logic of manipulation implies that parties speak to short-term interests when they obtain their electoral mandate. In the absence of an open discussion about the long-term needs of society, voters have a reasonable expectation that political parties promote short-term interests. Moreover, few crises with long-term ramifications occur entirely unforeseen, and this justifies that political parties throw whatever promises they made to their voters out the window. The structural problems of



the economy, climate change, severe poverty in the less-developed world, and so on, are well known.

### **Window dressing**

The logic of manipulation, as noted, suggests that political parties can only win elections by catering to the short-term interests of voters. This would seem a simplification. Indeed, much would suggest that many voters care about outcomes that only turn up many years from now (Busemeyer, 2023). Recently, environmental protection and climate change have become major campaign issues in many European democracies, and concerns about fiscal responsibility have always been important for large segments of the electorate. It is, in short, possible to campaign on issues that are not immediately aligned with the short-term interests of voters.

The problems for the political parties do not end there, however. Voters remain bounded rational and, as such, victim to several biases that make it hard for parties to act responsibly. One – very good – reason why voters discount the future is simply that they are more uncertain about policy effects that only occur many years from now than about policy effects that materialize right away (Jacobs and Matthews, 2012). Having only so many resources available, many opt for the safe bet of today rather than the risky bet of tomorrow. This means that political parties that advocate trading off current for future goods have to convince voters that they can deliver; something that is hard to do (though not impossible, see Jacobs and Matthews, 2017).

Voters' well-documented negativity bias amplifies this. Prioritizing the long term often means downplaying investment in the current day. In other words, losses are imposed immediately, but the gains come later. Even assuming that voters are not uncertain about future benefits, the fact that they must give up benefits at all can cause an electoral backlash, because losses weigh more heavily than gains (Weaver, 1986).

An additional observation, dating back all the way to Herbert Simon, is that individuals have a hard time ranking their priorities in a consistent way. Priorities may shift rapidly with the emphasis and framing of the news media and competing elite actors. Therefore, political parties cannot assume that voters who believed, say,

fighting climate change for the next generations was vital when they voted will not punish political parties for introducing policies that hurt their pocketbook today. Cutting public services, reducing the generosity of social benefits, and increasing taxes may be necessary to achieve the long-term goals that the voters want – but still totally unacceptable to the very same voters.

In this situation, political parties can engage in *window dressing*. This way of closing the representational gap implies rhetorical responsibility combined with policy responsiveness. In most European countries, for instance, the mainstream parties have all embraced a pro-environmental profile, nudged on by vocal green parties and activist groups. One may speculate that one reason policy action is frequently trailing rhetorical commitment is exactly that political parties have to take voters' short-term interests into account.

### **Persuasion**

Is there a way of combining responsible policy with responsible rhetoric? *Persuasion* is our answer. The literatures we have discussed so far typically assume that voters' political preferences are fixed, already given, and thus exogenous to politics. This would make it difficult to close representation gaps. Yet, in Pitkin's argument, it should be possible for political parties and leaders to 'justify' their policies 'in terms of the public interest,' making initially unpopular policies justified in the eyes of citizens. This way, political parties might persuade voters and mobilize support for, or at least minimize protest against, policy solutions that political leaders find are in the public interest and hence responsible.

A growing literature suggests that political parties do play a vital role in shaping public opinion through persuasion. As a crucial institutional feature of representative democracy, political parties both help define societal problems and point out policy solutions to them (Leeper and Slothuus, 2014: 131-133). Messages from party leaders influence voters' perceptions and opinions, at least when messages come from the voters' own party (Lenz, 2012; Zaller, 1992).

Some of the most direct evidence on how political party leaders may close representation gaps with arguments and rhetoric comes from a string of recent studies on welfare state issues in Denmark. In one study, messages from a governing party led voters to interpret

current levels of unemployment or public budget deficits as a problem to be dealt with (Bisgaard and Slothuus, 2018). Such changing interpretations of a problem can help justify what political leaders might consider ‘responsible’ policy change that would otherwise be unpopular. Indeed, if a broader coalition of political parties agree on how to define a problem, Bisgaard and Slothuus (2018: 467) conclude, ‘political parties can encourage citizens of different partisan stripes to converge on a common interpretation of reality, hence creating a shared point of departure for debates about policy solutions to societal problems.’

Another study showed that party leaders could directly mobilize voter support for policies that were initially unpopular (Slothuus and Bisgaard, 2021a). When the major governing party suddenly reversed its position on two major welfare issues in Denmark – proposing a 50% reduction in a widely used unemployment insurance program and abolition of a popular early retirement program – voters from this party immediately, and durably, increased their support for cutting welfare. Such opinion change occurred even among voters where the new policy positions of their party went against their previously held views.

As a third example, Slothuus and Bisgaard (2021b) showed that political party leaders might even win public consent for policies that are directly at odds with citizens’ (short-term) self-interest. They found that during a collective bargaining conflict over the salary and work rights for public employees in Denmark – where the self-interest of public employees was strongly mobilized – messages from party leaders led public employees to lower their demands. This success of parties to persuade their voters even when self-interest was clearly at stake revealed ‘a previously underappreciated ability of parties to temper the pursuit of self-interest among citizens with the most extreme policy demands (...). Parties acted by moderating – not fueling – extreme opinion, potentially paving the way for compromise by making citizens’ opinions less extreme’ (Slothuus and Bisgaard, 2021b: 1095).

As these studies suggest, political parties and leaders appear to be able to define problems and justify their policies in ways that win public support, at least sometimes. This elite influence on public opinion is stronger if party leaders can reach a consensus and send

a unified message to voters (Zaller, 1992). Obviously, many questions remain to clarify, such as what types of justifications matter, or how well citizens are able to understand policy issues, before firm normative conclusions can be drawn about how much persuasion improves representation. Still, persuasion seems a viable strategy to close representation gaps in high-speed democratic societies.

### **Discussion: Political representation and problem solving in a high-speed society**

Our point of departure was Kees van Kersbergen's visionary research agenda on how legitimate democratic decision-making is possible when the political system is confronted with ever accelerating problems in a high-speed society. Engaging an aspect of this research agenda, we proposed a theoretical framework for analyzing how political parties and leaders may close 'representation gaps' when there is a tension between making responsible policy decisions and maintaining sufficient responsiveness to citizens' demands and expectations. As our review of recent work suggested, political parties can successfully persuade voters to change their understanding of societal problems and to support policies that were initially unpopular. Political parties need not engage in less desirable behaviors – pandering, manipulation, or window dressing. Rather, it is feasible for leaders of political parties to persuade, allowing them to both pursue responsible policies and use responsible rhetoric.

There are no easy ways to overcome the 'new and worrying dilemma for democratic problem solving' stressed by van Kersbergen and Vis (2022: 1): 'Either the political system speeds up decision making at the cost of (slow) democracy (option 1), or it holds on to slow democracy at the cost of problem solving (option 2).' Yet, our theoretical framework presented in Table 1 highlights the potential of persuasion to lessen this dilemma. Persuasion might make it possible to speed up decision making without losing democratic legitimacy. At least under some conditions, and if they are willing to do so, politicians can engage in responsible rhetoric to help citizens understand and interpret the complex problems facing society. Moreover, political parties' rhetoric might provide arguments and mobilize policy support that can pave the way for responsible policy solutions.

Our conclusion that persuasion may enable political leaders to both govern and represent by justifying their policies to citizens has important implications. Perhaps not least if it reaches politicians who care about being re-elected in the next election. What such politicians believe about how voters respond to their policies matters. As V.O. Key (1966: 6) aptly argued in his book, *The responsible electorate*:

If leaders believe the route to victory is by projection of images and cultivation of styles rather than by advocacy of policies to cope with the problems of the country, they will project images and cultivate styles to the neglect of the substance of politics. They will abdicate their prime function in a democratic system, which amounts, in essence, to the assumption of the risk of trying to persuade us to lift ourselves by our bootstraps.

We have emphasized persuasion as a way to pursue responsible problem solving and to ensure responsiveness. However, we are not blind to the potential normative problems of persuasion for democratic representation, as ‘elected party elites may instill the very opinions to which they respond’ (Druckman, 2014: 477). Still, we find persuasion to be the more appealing option given the very real dilemmas of the representational gap. In a high-speed society, politicians engaging in persuasion may be able to prevent ‘public disenchantment with the democratic political system’ (van Kersbergen and Vis, 2022: 1).

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### **III. ON COOL CONCEPTS AND EU STUFF**



## Chapter 15

# Rereading ‘Quasi-messianism and the disenchantment of politics’

*Ben Crum*

### The rise and fall of modern politics in less than 30 pages

‘Quasi-messianism and the disenchantment of politics’ is the grand title of an under-appreciated article. One explanation for its under-appreciation lies in its schizophrenic character. It is an article that does not dare to speak its name: it is inspired as a philosophy of history but cast in the format of comparative political science. Thirteen years after its publication, I try to (re-)position the article’s argument in the philosophical context in which, in my view, it belongs.

Two claims are at the heart of ‘Quasi-messianism and the disenchantment of politics’ (van Kersbergen, 2010).<sup>1</sup> One is that modern politics has been built on the structure of Christian belief. Modern politics is, in many respects, an extension of the Christian faith, notwithstanding all claims that the state (as the domain of politics) has come to be severed from the church (as the domain of religion). Specifically, modern politics adopted Christianity’s ‘visionary anticipation of a better world’ while moving the focus from the afterlife to the here and now (32).

The second claim is that this religious inspiration of politics is running empty in the present days and that people turn away from politics as a consequence – this is the ‘disenchantment’ that the title refers to. What we witness is ‘the gradual elimination of politics as an instrument of this-worldly salvation’ (34). The upshot of this development is that ‘it is the complete elimination of even the remnants of political religion from democratic political projects and missions that seems to be undermining the very political vigor of the democratic politics of the West’ (35).

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<sup>1</sup> All subsequent references with page numbers only refer to this article (van Kersbergen, 2010).

Ultimately, the process of political disenchantment leaves nothing but a 'void in contemporary democratic societies, an emptiness of collective power' (49). This void may well invite 'anti-political entrepreneurs and hazardous political experiments, including (xenophobic) populism and (utopian) fundamentalism of various sorts' (35). Reluctantly, van Kersbergen is led to the conclusion that the disenchantment of politics puts the future of democracy at risk.

Essentially, then, in less than 30 pages, van Kersbergen captures the rise and fall of modern politics. He highlights how modern politics was born from the transfer of the religious ideal of salvation to the this-worldly domain. With this transfer, modern politics put society on a linear road to progress, breaking the prevalent cyclical conception of history that is inherent to most religions. At the same time, as politics progressed down that road, the distance with its religious roots increased. Disenchantment very much appears as a function of that process.

Apart from its brevity, the parallels with the work of Max Weber (1905) are obvious. Weber is of course the source of the term 'disenchantment' (47). Building on Weber, van Kersbergen defines the disenchantment of politics as 'the gradual elimination of politics as an instrument of this-worldly salvation' (47); it involves 'the gradual disappearance of the enthusiastic belief in the *quest to what promises to overcome the flaws* and the fading of the conviction that the *deliverer of salvation and release* is known and immanent' (47, original emphasis).

The historian Wolfgang Mommsen (2021[1974]) famously characterized Weber's state of mind in post-WWI Germany as 'a liberal in despair'. This characterization also very much comes to mind in reading 'Quasi-messianism and the disenchantment of politics'. The article celebrates the achievement of modern politics while laying bare how its very logic is destined towards a political void, leaving van Kersbergen as our contemporary 'liberal in despair'.

### **A liberal in despair but a reluctant philosopher**

However, such a Weberian reading pushes the argument in a philosophical direction in which the actual article is reluctant to go. Instead, van Kersbergen develops his argument around two social scientific tropes. The first of these involves the four major political

projects that he identifies as having animated the promise of modern politics: nation-state building, democratization, the welfare state, and European integration. Building on the quasi-religions of humanism, nationalism, and Marxism, each of these projects involved a 'diagnosis' of flaws in the world, a 'quest' for interventions that promise to overcome these flaws, and a subsequent state of 'salvation and release' (45). In fact, van Kersbergen claims that it is exactly the remnant of religious vigour that 'aroused political enthusiasm and passion; it led to zealous devotion to leadership (not necessarily a leader), the cause, and the movement' (43). As these projects were felt to be 'worth believing and even participating in' for the prospect of a better world that they offered (40), they were able to unite people behind a common purpose and to extract the mutual concessions needed for that. However, by now, these projects have become exhausted. They are no longer able to inspire. Their achievements 'are neither recalled nor appreciated', and no new political projects are in sight (39).

The second social scientific trope that van Kersbergen develops is that the effect of political enchantment must be understood through the concept of 'allegiance'. Allegiance is the willingness of political subjects to approve their government (regime) and its decisions (41). Notably, in a series of publications (van Kersbergen 2000, 2003; de Vries and van Kersbergen 2007; de Vries 2023, this volume), van Kersbergen has adopted and developed 'allegiance' as a measure for popular sentiment about politics instead of more established concepts such as 'legitimacy' or 'political support'. What distinguishes the concept of allegiance is that it presupposes that citizens' approval of their government directly relies on a generic calculation in which this loyalty is exchanged for a set of tangible rewards and benefits that the government realizes for them. Thus, the concept of allegiance implies that the willingness of citizens to respect and obey the government breaks down once this calculation is no longer perceived to obtain. Building on this logic, van Kersbergen opposes any suggestion to blame the present political malaise on the citizens. The cause of the problem rather lies in the exhaustion of the political projects on offer.

It is exactly at this point that the social scientist takes over from the philosopher. Instead of developing the Weberian suggestion that

disenchantment – as the logical complement of rationalisation – is a historical driving force, with the political projects as its contingent manifestations, as a social scientist, van Kersbergen identifies the four concrete projects as the primary drivers and disenchantment as the result (rather than the cause) of their logic: ‘Disenchantment occurs, because of the failure, the growth beyond limits, the success, and the unintended effects of the projects’ (49).

Of the four mechanisms that he distinguishes here (failure, growth beyond limits, success, and unintended effects), the most prominent one is the argument about the perverse interaction (unintended effects) between the four projects. The main culprit in this context is the (elite) project of European integration, as it emerges as a political response to the market-driven process of internationalization. Logically, European integration directly threatens to undo the achievements of the political project of nation-state building that historically preceded it. While overcoming nationalism may still be a price worth paying from our present point of view, the tensions are more painful once we recognize that European integration also undermines the political projects of democratization and the welfare state, as these have been institutionalized first and foremost in the context of the nation state and the societal conditions in which it is embedded. Here, van Kersbergen echoes insights that can be found in the contemporary work of Peter Mair (2013: Ch. 4) and Fritz Scharpf (2011; 2015). He also comes to share the rather fatalistic tone that characterizes much of the later work of these authors, even if he desperately seeks to identify ‘a gleam of hope’ (51).

### **Taking disenchantment seriously**

The philosophical road not taken at this point is the one in which disenchantment is not reduced to being the effect of the exhaustion of the major political projects but where – in a true Weberian fashion – disenchantment is seen as the overarching historical driving force under the shadow of which the classical political projects were bound to lose their quasi-religious appeal. Such an interpretation is very much suggested if we read the continuum from religion proper to political projects that van Kersbergen sketches (p. 30, Figure 1) from a historical point of view. We can then recognize how the prevalent forms of politics have increasingly shed their religious roots

over time. Thus, disenchantment appears as the inevitable process of rationalization in which ever more transcendental elements are traded away for more instrumental, contemporaneous ones, but where the latter eventually can no longer exist once all elements of the former have been lost. Or, as van Kersbergen (47) puts it, disenchantment ‘concerns the progressive abolition of quasi-messianism in politics and attempts to depict the demise of the transformative *vista* in these political projects as redemption and revelation, and, with it, the loss of the fervent commitment of both the rulers and the ruled’. This suggests that disenchantment is a much more autonomous historical process, of which the major political projects are mere manifestations rather than determining the course of the process.

If we look at the argument from this perspective, the mechanism that comes to the fore is not so much the one that suggests that the big political projects have come to undermine each other or that they have failed or grown behind their limits. It is rather the mechanism that suggests – ‘ironically’, as van Kersbergen (47) puts it – that disenchantment is what is left once the major political projects have been essentially fulfilled, ‘as a result of which they are largely, but erroneously, taken for granted’ (48).

In this idea, there is an echo of Fukuyama’s argument in *The end of history*, where the success of liberal democratic capitalism eventually removes all sense of political heroism and agency. Following Alexandre Kojève, Fukuyama (1992: 311) explains it in this way: ‘If man reaches a society in which he has succeeded in abolishing injustice, his life will come to resemble that of the dog’. In the article that preceded the book, Fukuyama (1989: 18) is very pointed in asserting that this is

a very sad time. The struggle for recognition, the willingness to risk one’s life for a purely abstract goal, the worldwide ideological struggle that called forth daring, courage, imagination, and idealism will be replaced by economic calculation, the endless solving of technical problems, environmental concerns, and the satisfaction of sophisticated consumer demands.

Indeed, such is very much the sentiment of the disenchantment of politics in the absence of major political projects that van Kersbergen sketches.

Despite Fukuyama, history has not stopped. However, the question is if there is a way in which we can envisage the disenchantment of politics to be stopped or, better even, reversed. Can the egg be unscrambled? Can we summon ourselves to commit to political actions that history has robbed of their mysterious allure and the promise of a transcendental quality? Can enchantment be summoned or regained once it has been lost? I guess not. But whether that commits us to the conclusion that the end of democracy is near depends much on how we look at the void that disenchantment leaves behind.

### **Celebrating the void**

Notably, disenchantment is a negative process. It means that something disappears. Thus, van Kersbergen's argument eventually issues in the conclusion 'that the disenchantment of politics causes a political void in contemporary democratic societies, an emptiness of collective power' (49). The notion of a democratic void echoes the analysis that Peter Mair had published four years earlier (Mair 2006) and that would gain general currency in the title of his posthumous book *Ruling the void* (Mair 2013) (without the question mark that was still attached to the article title in 2006). As far as the political diagnosis goes, Mair and van Kersbergen very much overlap. They rely on the same kinds of indicators of the declining allegiance to the traditional institutions of modern party democracy. They share the same reluctance to simply blame the voters, putting a bit more responsibility on politicians, but also recognizing that there is something inevitable and self-sustaining to the process taking place. And they share most of the same fatalism, a fatalism that was even more pronounced in an earlier draft of van Kersbergen's paper that was then still entitled 'The disenchantment of politics':

Politics now seems to have deteriorated into an entirely secularized pragmatic and disengaged practice of professional politicians, administrators, and civil servants, who are submerged in the routine exercise of power over a populace, which is – at best – increasingly indifferent to



any collective project or – worse – more and more engaged in voicing futile protests against a, by now, autistic leadership or – worst – entirely disengaging from democracy and cynically protecting purely private interests (van Kersbergen, n.d. draft, document on file with the author p. 15).

The element that van Kersbergen came to foreground in subsequent drafts is the element that ultimately distinguishes his analysis of that of Mair, namely that he adds a spiritual dimension to this process that prevents party politicians from claiming and sustaining the kind of promises they once made. However, if disenchantment is indeed interpreted as the inevitable accompaniment of rationalizing societies, then it only goes to reinforce the fatalism of the conclusion.

Yet, it very much testifies to his character that van Kersbergen seeks to resist such fatalism. The one ‘gleam of hope’ that he turns to is the *deus ex machina* of a benign and inspiring political leader like, at the time, Barack Obama (35). Echoing Weber again, in turning to charisma, van Kersbergen essentially projects the quasi-messianism that was previously associated with projects – and the political parties and societal movements that carried them forward – on individual political leaders (cf. Schumacher, 2023, this volume). Immediately, however, he adds two qualifications. One is that, beguiled by their personal charisma, it is easy to overestimate such political leaders. Van Kersbergen (40) signals that it is ‘doubtful that [Obama’s] agenda is of the same calibre as the enchanting projects I identify’. In any case, Obama’s promises ‘may have generated expectations that are hard if not impossible to satisfy and are therefore bound to disappointment’ (49). Second, such political leaders are bound to remain rare, and the present political conditions are certainly not conducive to producing them. On the whole, then, he reluctantly concludes that ‘most political enterprises that are filling the democratic void seem to be endangering democracy’ (51).

There is something ironic in that, in his refusal to accept the fatalistic conclusions to which the diagnosis of disenchantment leads him, van Kersbergen turns to the closest of a messianic impersonation that one can think of. Notably, it has become individuals rather than parties that can still, occasionally, call up the kind of

widespread enthusiasm for politics that we wish for but that is often difficult to summon. In recent decades, such enthusiasm may have been summoned by politicians such as Blair, Obama, and Macron – and maybe even, in her later days, Merkel – but, as these examples also show, it has been hard for them to keep their promises and to sustain the popular enthusiasm. In fact, arguably, Obama and Blair only deepened the void, which, then, came to be exploited by Trump and by the Brexit advocates, exactly the kind of malign political forces that van Kersbergen fears. Notably, the same prospect very much looms with Macron, with possibly even more disastrous consequences for France and Europe.

There is another use of the notion of a ‘void’ in political science that van Kersbergen does not reference, namely Claude Lefort’s (1983) idea of modern democracy being essentially organized around an empty space of sovereign power that no single actor can ever claim to fill. From Lefort’s perspective, the democratic void emerges as a political achievement rather than a loss. The empty place very much represents the place that, in pre-democratic times, was occupied by ‘the king’, embodying absolute sovereignty (cf. Kantorowicz, 1957). With the king overturned, the void signifies that no single actor can claim sovereignty over society and that the political process remains inherently indeterminated. Lefort recognizes that this indeterminacy also comes with risks, but such risks are inherent to having an open and free society.

### **Post-secular democracy**

The Dutch historian and writer Geert Mak has written a book with the title *How God disappeared from Jorwerd* (2001 [1996]). This book documents how the demise of the church in the Friesian village stands for ‘the death of the village in late twentieth-century Europe’ (the subtitle of the book). Kees van Kersbergen’s oeuvre can be seen as chronicling ‘how God disappeared from modern politics’, with a special focus on Christian-Democracy as His last torchbearer (van Kersbergen, 1995). God is indeed disappearing from modern-day politics. The process of disenchantment is being completed. In other words, our politics has become ‘post-secular’ (Habermas, 2012), and as rational citizens, we have no other option than to seek the motivation within ourselves rather than to rely on some external

source of enchantment. Chronicling this process is bound to make one nostalgic. However, there is no need for it to turn into fatalism.

On the contrary, extrapolating from Lefort, I would suggest that only after our politics has been fully disenchanted can it become truly democratic. As long as our politics still hinges on some other-worldly promise, we, the people, cannot fully claim it as our own responsibility (cf. Rorty, 1991). For sure, a fully disenchanted politics leaves little space for political heroism or even the projection of it. The realization that neither God, nor Obama, or even ‘Mutti Merkel’, will save us politically may be daunting. But it also means that, ultimately, the people will have to make do with themselves and that each of them shares political responsibility.

A fully disenchanted politics will indeed not invite the grand political ideals of the past, such as the promise of a communist revolution or even an ‘end of history’ in a nicely pacified liberal market democracy (the closest one gets to that is probably in Aarhus). Still, the post-secular certainly need not be devoid of ideals. To a large extent, these ideals are inscribed in the political condition itself in which citizens recognize each other as different but equal (Rorty, 1991) and commit to collaborating on the basis of mutual respect. In socio-economic terms, this ideal may be captured by the value of ‘solidarity’; in political terms, it is all about the maintenance of an active democracy.

These ideals are certainly not secure. They, and the way they are best interpreted, indefinitely remain at the centre of contestation in all (post-)modern politics. At times, democracy and (international) solidarity may suffer, as they did with Trump and Brexit. Some of our political science colleagues quickly followed up on these events with books about *How democracy ends* (Runciman 2018) and *How democracies die* (Levitsky and Ziblatt, 2018). However, as we know now, 2016 did not mark the beginning of an unstoppable political decline. While the democratic void certainly invites many malign ‘anti-political entrepreneurs and hazardous political experiments’, democratic systems show themselves resilient because of the institutional guardrails that they have in place, the structure of (civil) society and, ultimately, the good sense of many citizens (Crum and Oleart, 2023). It is a prime task for political science to chart the dynamics between these forces and counter-forces.

Ultimately, the lesson here is one of the philosophy of history: we have to abandon the quasi-messianic promise of a linear, progressive trajectory of politics. Our societies are not destined to become ever more democratic and solidaristic, even if that promise may have obtained for a brief spell of time (say, the post-war generation who were born around 1958). That does not imply, however, that the trend inevitably turns into the other direction, in which our societies are bound to become more autocratic and unequal. By its very nature, politics is a stochastic process, without a messiah pulling the strings but only people steering through their ups and downs together – while political scientists take notes.

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# Chapter 16

## On quasi-messianism and the need for enchantment<sup>1</sup>

Gijs Schumacher

### Introduction

Sometimes, we write articles with preliminary ideas and crude analyses that receive a lot of citations. One example is the article I wrote with Kees van Kersbergen on welfare chauvinism (Schumacher and van Kersbergen, 2016). In this chapter, however, I will talk about a completely different category of articles, namely those with great ideas but (almost) no citations. ‘Quasi-messianism and the disenchantment of politics’, published by Kees van Kersbergen in *Politics & Religion* in 2010, is a good example of this second category. I remember Kees telling me about this article in Konstanz. He was a visiting researcher there at some cultural studies excellence institute, and I was visiting him for a few days. I was his PhD student at the time, financed by the so-called dowry scheme – a not very woke label. It was a very special visit. Kees had two huge offices with views of the Rhine and Lake Konstanz. Outside, locals were dressed as colorful chickens and roosters because of carnival. Inside, I witnessed Kees put up a brave fight to stay awake during the weekly seminar in which a cultural studies professor read his article aloud in German, as was the custom there. In this setting, Kees told me about magic, religion, and politics. Admittedly, at the time, I didn’t really get it. He mentioned a lot of big concepts, but back then, I was mostly thinking about regression equations and issues such as panel heteroskedasticity. Yet, the paper stuck with me, I have assigned it in class, and I am personally responsible for 10% of the total number of times the paper has been cited.<sup>2</sup>

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1 I would like to thank Eric Schliesser, Barbara Vis, Bert Bakker, Diamantis Petropoulos Petalas, and Matthijs Rooduijn for comments on an earlier draft.

2 This translates to exactly one citation.

The broader claim of the paper is that ‘we have missed, underestimated, or failed to recognize, to what extent and how, in fact, religious structure and substance have penetrated and influenced conventional democratic politics’ (van Kersbergen, 2010: 32). The more specific claim of the paper is that ‘the progressive abolition of [...] political quasi-messianism in politics [...] is currently causing the widely recognized existential problem of democracy, namely massive political disaffection’ (van Kersbergen, 2010: 32). Contrary to much other research, van Kersbergen puts the blame for political disaffection not on lazy, disinterested, too-rich-to-care citizens nor on electoral institutions but rather on the uninspiring leadership of our times. In particular, he laments the lack of political projects with ‘the visionary anticipation of a better world that is attainable, here and in the distant, yet foreseeable future’ (van Kersbergen, 2010: 32).

Political projects such as the nation state, democracy, the welfare state, and European integration are examples of such quasi-messianistic projects that had ‘a capacity to enchant the political elite and the public alike’ (van Kersbergen, 2010: 32). These projects ‘established and reinforced political allegiance in terms of a beneficial exchange of power/support and (physical, political, social and collective) security and well-being’ (van Kersbergen, 2010: 46).

Why do I like this article so much? I like how it is written, hence the many direct quotes. What is more important than the article’s prose is that \*I think\* this article awakened the at-the-time latent political psychologist in me. The quasi-messianistic projects fulfill specific needs, an argument similar to the political-psychological argument that ideology fulfills specific needs (Jost, Federico and Napier, 2009). In this chapter, I will reinterpret quasi-messianistic projects in the light of the literature on psychological needs and ideology. I will identify *a need for enchantment* and define quasi-messianistic leadership as a type of leadership that taps into this need for enchantment. I will end by reflecting whether we should embrace or steer away from quasi-messianism.

### **Needs, political projects, and ideology**

What did the four quasi-messianistic projects bring? First, the nation-state delivered order and security but also a sense of belonging and identity. Second, democracy brought security as well as inclu-

sion and predictability. Third, the welfare state was responsible for providing social security and freedom from want. Finally, European integration brought security and prosperity through the abolition of war and cutthroat economic competition (van Kersbergen, 2010). In sum, these projects fulfilled very different needs. If you think of Maslow's hierarchy of needs, the quasi-messianistic projects combine low-level needs such as physiological and safety needs with high-level ones such as belonging. I would add that these projects also brought a sense of esteem and pride.

The needs identified here also play a prominent role in political psychology. In political psychology, however, individual needs are not linked to political projects but to ideology. In a review article, Jost, Federico, and Napier (2009) distinguish between epistemic, existential, and relational needs (or motives) that link to ideology. The need for security, for example, can be interpreted as an existential motive for ideology. A large literature identifies threats to security as a motivation to hold or adopt more conservative views on patriotism, gender relations, fairness, stereotyping, and religion (Jost, Federico and Napier, 2009). The need for belonging is a relational need. It can motivate system-justifying behavior – that is, judging the system as fair even though the system does not benefit you. This behavior is motivated by a need to belong to a group and to perceive the group as good and fair. Ideology also fulfills epistemic needs. As an organized belief system, ideology defines society's evils, the causes of these evils, and how they can be addressed. Very similar to religion, ideology fulfills a need for cognitive closure: an understanding of the complexities of the world through a deliberately simplified story. Similar epistemic needs are needs for cognition and evaluation.

An important difference between the political psychology perspective and the quasi-messianism paper is the micro-macro orientation. The political psychology literature is more bottom-up oriented, analyzing how individuals' needs correlate with ideology. This way, it links individuals to specific political parties. The quasi-messianistic projects, however, present a more top-down approach. Rather than different parties with different elites, van Kersbergen (2010) presumes a less pluralist, more consensual elite that broadly supports these projects. There are influences of ideology on how these projects take shape in each country, for example as described in



the variations of the welfare state literature (van Kersbergen, 2019). But this variation is at the country-level, not the party-level. As a final note, perhaps because the quasi-messianistic projects were only contested at the margins, they also fulfilled a need for unity among members of the population.

While there are differences between the two approaches, the psychological needs identified are highly similar. What I propose next is that these psychological needs can be combined to some extent to form a single need, a need for enchantment, that is particularly relevant in quasi-messianistic projects.

### **The need for enchantment**

I define the need for enchantment as a psychological need to be part of a group in which the leadership simultaneously identifies a threat and lays out the road to salvation. It satisfies the needs associated with ideology: The leadership produces a belief system, it identifies a threat to existence, and it sustains the group through interactions. The need for enchantment is the need for a holistic, inspiring mission in which one can believe to the point that it can simplify life, bring order to chaos, and replace stress with calmness. It should connect problems and solutions, causes and consequences, join people, and have the belief that the enchanting agent or organization will bring relief in this world and soon.

Individuals with a high need for enchantment desire a strong and coherent belief system and also care deeply about belonging to a group to experience a sense of unity with like-minded people. The need for cognition and need for affect capture these two aspects to some extent. Arceneaux and Vander Wielen (2017) investigated how people who score high on the need for affect and the need for cognition differ from people scoring lower on one or both dimensions. They find that the former are the most persistent in their beliefs and thereby resistant to counterarguments. They are the true believers, the enchanted ones.

The need for enchantment need not be expressed politically. For ages, religion enchanted people. Today, more likely, people are enchanted by the latest Disney film. Need for enchantment is closely related to the combination of relational, epistemic, and existential needs ideology can fulfill – as identified by Jost, Federico, and Napier

(2009). The difference, however, may be that the need for enchantment is more directed towards a single person – the enchanter, the quasi-messiah, the party leader, the boss, the bringer of salvation.

The need for enchantment can be seen as an individual trait or state. Individuals may vary in the degree to which they can or want to be enchanted. This would then be trait-level need for enchantment, which could possibly be operationalized in a survey context. The environmental circumstances, however, may also stimulate a higher or lower level of enchantment. This is state-level enchantment. A crisis is a typical example of when individuals look out for a single person who will face the threat and bring about a solution. The increase in support for the government at the start of the COVID-19 crisis is a good example of this (de Vries et al., 2021). Despite the rather slow policy response in most European countries, citizens increased their support for the government. Why? A simple act of wishful thinking: By believing your government is taking proper action against the crisis, you reduce your fears about the crisis. Speeches by prime ministers and presidents suddenly became primetime television, with everyone hoping for good news but also hoping for words of inspiration and solidarity. In other words, the people were ready to be enchanted, although not every leader was equally capable of enchanting, and ultimately, a sizeable group of people chose to be enchanted by a wholly different clique of political entrepreneurs.

The need for enchantment can be seen as part of a broader sociological phenomenon. The exchange between the enchanter and the enchanted can be seen as an interaction ritual (Collins, 2004). The enchanter performs ‘on stage’ with speeches, interviews, and tweets, using verbal and nonverbal language. The enchanted absorb, applaud, and adore. This interaction arguably produces emotional energy that reinforces the dynamics between the enchanted and the enchanter. The better the enchanter aligns emotions and symbols, and the stronger the physiological resonance in the enchanted, the more emotional energy is produced (Collins, 2004). Emotional energy can be translated to physiological arousal, but in terms of the direction of emotions, I hypothesize that it produces a range of positive emotions too. This is exactly what is often forgotten when radical-right populist leaders such as Donald Trump are discussed. Their emotional repertoire is seen as primarily negative. Be that as it

may, the response of the audience, the enchanted ones, is also one of relief, hope, and pride. This is because they hear the quasi-messiah. Threats loom, yet salvation is nigh. It is this combination of positive and negative emotions that the successful quasi-messiah employs to maximize the emotional energy of the enchanted. The rejection of the quasi-messiah by the non-believers, the unenchanted ones, only serves to strengthen the cohesion of the in-group, of the enchanted ones.

My claim here is that a need for enchantment exists. Some individuals have a stronger need for this than others do, and some situations stimulate this need for enchantment. The next question, however, is what sort of leader can activate and cultivate the need for enchantment. Van Kersbergen (2010) suggested that Obama may be the type of leader who could start new quasi-messianistic projects and reestablish allegiance, trust, and involvement. But what are the general features of this type of leadership, which I call the quasi-messianistic leader?

### **The quasi-messianistic leader**

Charismatic leadership is the type of leadership closest to what I will define as the quasi-messianistic leader. According to Weber (2004: 34) charismatic leadership can be defined as ‘the extraordinary, personal gift of grace or charisma, that is, the wholly personal devotion to, and personal trust in, the revelations, heroism, or other leadership qualities of an individual.’ Recent scholarship of charisma is rather critical of this definition as it is about the outcomes and effects of such leadership (Antonakis et al., 2016). This only allows for identification of successful charismatic leadership. The goal should rather be to identify the communication of the charismatic leader. As a consequence, Antonakis and co-authors (2016) propose to define charisma as a type of leadership that signals values, beliefs, symbols, and emotions. This way, individuals with such a style can be identified without taking into account whether they have been successful in attracting followers.

While this definition of charismatic leadership has many advantages in terms of research design, it is also remarkably vague. I propose that the quasi-messianistic leader can be defined as a more specific subset of the charismatic leader.

Building on this idea, the quasi-messianistic leader should be defined according to the values, beliefs, symbols, and emotions that are communicated. In terms of beliefs, quasi-messianistic leaders communicate revelations that link existential threats to the route of salvation. They should also symbolize the threat and salvation by their very being. For one, the quasi-messiah should be ready to suffer, to shoulder the weight of the revelation, and withstand the pressure. In terms of emotional appeals, the quasi-messianistic leader mixes fear for the threat with the hope of salvation.

I added that the quasi-messiah should be ready to suffer. A common feature in messianism is not only that the messiah relieves people from suffering and brings salvation; the messiah is also expected and ready to suffer. Think of Jesus Christ, Imam Hussain, or Shabbatai Zvi. Because we are talking about quasi-messianism, it is probably also appropriate in this context to speak of quasi-crucifixion. The quasi-messianistic leader needs to withstand major public criticism and overcome scandals and failures in order to eventually be perceived as the bringer of salvation. The quasi-messianistic leader is perhaps even able to achieve political goals by sacrificing their political career altogether. Such brave and heroic leaders contrast sharply with the average political leader, who, in my opinion, is mostly adept at deploying various strategies to avoid getting the blame for failure.

With this definition, we can define and potentially identify quasi-messianistic leaders regardless of the size of their followership. Like the religious messiahs, there are many quasi-messianistic leaders, but only very few attain a significant followership. Just like Jesus and Mohammad were rare events, so is the rise of the successful quasi-messianistic leader. I will briefly discuss here two challenges in the dynamic between the aspiring leader and the potential followership.

First, the success of the aspiring quasi-messiahs is premised on the promise of emotional contagion – that is, the degree to which emotions transfer from the quasi-messiahs to potential followers. Psychological research has suggested that emotions transfer to audience members due to the mimicry of the emotional expressions of a speaker. Yet, more recent research shows that this is not so easy and that emotional contagion in the political domain is highly de-

pendent on whether the speaker is part of the in-party or out-party of the listener. In particular, this research shows that people have strong negative emotions towards out-party leaders (Bakker, Schumacher and Homan, 2020), especially if they show emotions (Homan, Schumacher and Bakker, 2022). This research shows the importance for quasi-messianistic leaders to be considered part of the in-group.

Second, the threats and the route to salvation that the quasi-messianistic leader offers is caught in a dynamic and dangerous relationship with actual events. The threats and the salvation are prophecies, predictions of future events. Current events are continuously checked against the prophecy. If the events and the prophecy (seem to) align, followership is likely to increase. Problems arise if current events flatly prove the prophecy wrong. Therefore, it seems that there is some benefit to having a somewhat vague and interpretable prophecy, yet at the same time, such a prophecy is unlikely to be very enchanting. Threats do not work if it is highly uncertain that they will come to be. Doom should be upon us soon and for certain. Much more effective than vaguely defined threats is relying on motivated reasoning – that is, the inclination to defend your own beliefs and your in-group (Lodge and Taber, 2013). Leaders can stimulate motivated reasoning among their followers by blaming others for obfuscation. The threat has happened and is evolving, yet no one mentions it because they are in on the plot. The followers are motivated to believe this because it is psychologically easier to do so than to change one's entire worldview. Nevertheless, for motivated reasoning to take place, quasi-messianistic leaders should have already succeeded in swaying people to their side.

## Conclusion

Do the quasi-messianistic projects of van Kersbergen (2010) require a quasi-messianistic leader? Although he expresses some hope that Obama might start a new project, van Kersbergen (2010) does not identify a single leader responsible for starting the quasi-messianistic projects or bringing about a critical juncture. My tentative and unsubstantiated answer is yes; in order to create critical junctures necessary for quasi-messianistic projects, a quasi-messianistic leader is needed. Yet, this is a rare event.

Then do we need quasi-messianistic leadership? Many would argue here that charismatic leadership is dangerous, and perhaps, quasi-messianistic leadership is even more so. These types of leadership are too emotional and thereby open up the risk that the state is hijacked by fundamentalists or crazies. I think this critique is overblown. It rejects the positive role emotions can play (Marcus, 2002). I do see the risk that quasi-messianism can kick-start a spiral of exceeding expectations. Both Obama and Trump can be seen as exhibiting a degree of quasi-messianism. This leads to a sort of bidding war: The looming threats become bigger and the measure of salvation larger. In such a context, losing elections becomes such a dramatic and traumatic event that people of the losing party are willing to defend their salvation with violence. At this stage, this spiral of exceeding expectations is broken by the election of Joe Biden, a rather boring figure incapable of enchanting. There are historical parallels, for example the flamboyant Sarkozy lost against a very boring Hollande. Perhaps too much enchanting sobers up part of the electorate, who turn to more down-to-earth figures (for a similar argument, see Crum (this volume)). Supporting this observation is the fact that there is no increase over time in the emotional arousal in political speech in general (Pipal et al., 2022).

This suggests that quasi-messianism is dynamic. Leaders incapable and unwilling to enchant will eventually be challenged by leaders who seek to enchant. This will remain a rewarding political strategy because it is unlikely that contemporary politics could eradicate the psychological need for enchantment. Such leaders may – temporarily – be able to bring people back to politics, to reengage them. As such, and *contra* Crum (this volume), I believe that the nature of politics is more than ‘people steering through their ups and downs together.’ By defining what the ‘ups’ and ‘downs’ are and who is included in the word ‘together’, the quasi-messiahs can fulfill psychological needs to an extent that politicians inspired by the Habermases and Rortys of this world cannot.

As a final note, my reinterpretation of the quasi-messianism argument from a comparative–political and historical perspective to a political psychology perspective symbolizes my own personal journey. Trained in comparative politics under the guidance of Kees van Kersbergen and Barbara Vis, I turned to political psychology. The

work of Barbara Vis surely contained the seeds of this transition. But it is also the very broad scientific perspective and encouragement of Kees that helped me to locate the scientific niche that enchanted me. Kees once advised me to take a year just to see what other literatures I would find interesting. It took me more than a year, but eventually, I did broaden my scope, and it was the best advice ever.

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## Chapter 17

# Imre Lakatos and the logic of falsification

Bob Lieshout

### Introduction

At the beginning of the 1980s, after I had been confronted with the epistemological nonsense that seemed to guide research in comparative politics (Lijphart's most-similar systems design and Przeworski and Teune's most-different systems design are two glaring examples), I made a first attempt to formulate the rules that empirical scientists should follow in their search for truth (cf. Lieshout, 1983). After that, I taught courses on epistemology for many years. This obliged me to think through this subject matter again and again, with the result that I grew increasingly dissatisfied with my first effort because I had failed to see that Imre Lakatos's methodology of scientific research programmes – by neutralizing Thomas Kuhn's problem of incommensurability – added something essential to Karl Popper's perceptions on the falsification of empirical theories.<sup>1</sup> In my contribution to this *Festschrift* to honour my former colleague and dear friend Kees van Kersbergen, I shall set out the arguments why I believe this to be the case.

### Requirements that a test of an empirical theory must meet

#### *Universal non-existence statements and basic statements*

How should empirical scientists act in a situation where, after they have deduced a prediction from a theory they consider worthy of testing and, subsequently, subjected this prediction to a test, it turns out that the test results do not agree with it? To be able to answer this question, it is well to realize, as Popper emphasized, that state-

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<sup>1</sup> I should admit that by 1974, Popper himself had come to an entirely different conclusion: 'I feel, unfortunately, obliged to warn the reader that Professor Lakatos has ... misunderstood my theory of science; and that the series of long papers in which, in recent years, he has tried to act as a guide to my writings and the history of my ideas is, I am sorry to say, unreliable and misleading' (Popper, 1974: 999).

ments about observable phenomena can never be proved by, or be in contradiction with, observable events. Statements can only be justified or contradicted by other statements (cf. Popper, 1983: 93), or as Lakatos put it: '*no factual proposition can ever be proved from an experiment*'. Propositions can only be derived from other propositions, they cannot be derived from facts' (Lakatos, 1974: 99; emphasis in original). When we accept this point, then we are immediately confronted with the following complication. Assuming that we have subjected a hypothesis derived from a certain theory to a test and have observed that the outcome of this test either confirms or contradicts this hypothesis and want to report this specific observation in a statement, we find that this is impossible. Take the statement 'there exists a black swan'. It is easy to see that this statement is completely unintelligible if we do not have certain theoretical notions about what is involved in 'blackness' and 'swanness'. 'Black' and 'swan' are universals, terms that refer to certain forms of law-like behaviour. This means that every statement describing a specific observation or sense experience transcends that observation or experience. Every statement describing an observation is inescapably theoretical as well.

The strongest way in which an empirical theory can be tested is to test statements belonging to that theory's empirical content. These have the form of universal non-existence statements. They forbid certain conceivable states of events to exist. A rather obvious example in view of the above is the statement 'there does not exist a non-white swan', which is the negation of the universal statement 'all swans are white'. This is the strongest possible test because one single observation of a counter example ('there exists a non-white swan') can set a process in motion that can lead to a theory's refutation.

In case our efforts at refutation do lead to the observation of a non-white swan, then we must record this observation in what Popper called a 'basic statement', which has the form of a 'singular existential statement' ('there exists a non-white swan in time-region *k*'). A basic statement must fulfil two criteria, a formal and a material one. The formal criterion is that the basic statement can be in contradiction with a universal statement. This can be done by simply omitting from the basic statement 'any reference to any individual

space-time region' (Popper, 1980: 102). We then get the purely existential statement, 'there exists a non-white swan', which is in contradiction with the universal non-existence statement, 'there does not exist a non-white swan'. A basic statement must also meet the *material* criterion that the event recorded in the basic statement must be 'observable'; 'that is to say, basic statements must be testable, inter-subjectively, by "observation"' (Popper, 1980: 102). The statement, 'I saw a non-white swan in my garden yesterday' does not satisfy this material requirement, although it describes an event that occurred in an 'individual region of space and time' (Popper, 1980: 103). It must be possible for others to subject the statement to tests, to check whether it is true, and this is clearly not the case with this statement. 'Stray basic statements' are therefore not admissible. We should only accept basic statements that result from our attempts to refute the theory.

A weaker form of testing concerns the testing of statements that belong to the logical content of the theory, the class of statements about observable phenomena permitted by the theory. These statements have the character of probability statements: the probability that a certain event '(e)' will occur given '(c)' equals  $r$ , where ( $0 < r < 1$ ). These are weaker tests because, strictly speaking, these types of statements cannot be refuted. No matter how many observations to the contrary we have collected and reported in basic statements, the probability statement can always be upheld. Accordingly, there is a fundamental asymmetry between universal non-existence statements and probability statements as far as their possible contribution to the growth of knowledge is concerned. This asymmetry cannot be remedied by the formulation of certain rejection rules prior to testing these statements.

### *Decisions, decisions, and even more decisions*

It will be clear that there are no automatisms in the process of subjecting universal non-existence statements derived from a certain theory to tests and reporting the results of these tests in a basic statement. All the time, the scientists concerned must make decisions: whether the test is severe enough, whether it has been properly devised and executed, what precisely has been observed, as well as whether to accept the singular existence statement in which the

observation has been reported as a basic statement. '[T]hus it is *decisions* which settle the fate of theories' (Popper, 1980: 108). In this connection, I wish to point out that decisions belong to what Popper called 'world 2', the 'world of subjective experiences (such as thought processes)' (Popper, 1982: 181) and draw attention to Kuhn's observation that the choice of a certain paradigm as opposed to another can never be 'unequivocally settled by logic and experiment alone' (Kuhn, 1970: 94). Many a critic of Kuhn, Lakatos not the least among them, has claimed that this statement shows that Kuhn opened the floodgates to irrationalism by turning theory choice into something like a 'mystical conversion' (Lakatos, 1974: 93). In my view, this is reading far too much in something that should be a matter of course, seeing that decisions belong to world 2. As Kuhn observed in his 'Reflections on my critics', 'to say that, in matters of theory-choice, the force of logic and observation cannot in principle be compelling is neither to discard logic and observation nor to suggest that there are not good reasons for favouring one theory over another' (Kuhn, 1974: 234). Our attempts to test a theory as severely as possible and the results these tests produce provide arguments as to whether to accept or reject a certain theory, but these arguments can never compel us to accept them. We can always *decide*, for whatever reason, valid or invalid, to do another test to suspend our judgment. Arguments can never absolve us from our responsibility for our decisions. Arguments belong to a different world, Popper's world 3: 'the world of the products of the human mind, such as stories, explanatory myths, tools, scientific theories (whether true or false), scientific problems, social institutions, and works of art' (Popper and Eccles, 1981: 38). They can therefore motivate us to take a certain decision, provide us with reasons to do so, but they do not determine it: 'it is always we who decide' (Popper, 1971: 233).

### **The conditions that must be met before an empirical scientist can decide an empirical theory should be considered falsified**

#### *Naive methodological falsificationism*

It is expected from empirical scientists that they are prepared to take risks, that they subject their conjectures to the severest tests possible, and that, if it turns out that their conjectures contradict reality, they are prepared to reject these conjectures, however much the

invention of these conjectures has demanded of their intellectual capacities. This dare-devil attitude agrees with Popper's claim that scientific honesty demands that 'anyone who advocates the empirical-scientific character of a theory [...] must be able to specify under what conditions he would be prepared to regard it as falsified, i.e. he should be able to describe at least some potential falsifiers' (Popper, 1983: xxi). All this seems to indicate that in a situation where a singular existence statement, after having been subjected to vigorous tests, is accepted as a basic statement and the theory is consequently confronted with an anomaly or a counterexample, scientists should consider this theory to be falsified and begin to search for a new and better one. But this would be going too fast, considering that every empirical theory, even very successful ones like Newton's gravitational theory, is 'submerged in an ocean of "anomalies" (or, if you wish, "counterexamples")' (Lakatos, 1974: 133). If we adopted this 'naive methodological falsificationist' (Lakatos, 1974: 116) position, then scientific progress would become impossible. Every empirical theory would instantly be falsified. This implies that the fact that counterexamples or anomalies have been found in no way obliges scientists to consider a theory as falsified and to stop working on it. On the contrary, 'the scientist who pauses to examine every anomaly he notes will seldom get significant work done' (Kuhn, 1970: 82).

### *Sophisticated methodological falsificationism*

There is yet another reason why the dare-devil attitude of the naive methodological falsificationist must be rejected. It can lead to the refutation of empirical theories that are in fact true. We should realize that after naive methodological falsificationists have decided to accept a basic statement, they have yet to take two other types of decisions before they can decide that a theory has been falsified. The first follows from the perception that in case we have decided that a universal non-existence statement is in contradiction with certain observable events, strictly speaking, the whole of our knowledge is in doubt. This is the famous Duhem-Quine thesis, after the French physicist Pierre Duhem, who was the first to see that we can never test a single statement in isolation but only a whole group of theories, and the American philosopher Willard Quine, who radicalized this understanding. Duhem originally wrote the following:

In sum, the physicist can never subject an isolated hypothesis to experimental test, but only a whole group of hypotheses; when the experiment is in disagreement with his predictions, what he learns is that at least one of the hypotheses constituting this group is unacceptable and ought to be modified; but the experiment does not designate which one should be changed. (Duhem, 1982: 187).

Quine went even further in claiming that it is not a group of theories but the whole of science that is 'the unit of empirical significance' (Quine, 1951: 39). '[S]tatements about the external world face the tribunal of sense experience not individually but only as a corporate body' (Quine, 1951: 38). A universal non-existence statement may be in contradiction to a singular existence statement for an infinite number of reasons, for example, because the theories with the help of which we built the instruments that enabled us to make our observations are wrong. This also implies that 'given sufficient imagination, any theory ... can be permanently saved from "refutation" by some suitable adjustment in the background knowledge in which it is embedded' (Lakatos, 1974: 184), and it therefore becomes impossible to falsify it. It appears that the motor of the scientific enterprise, the refutation of conjectures, has come to a grinding halt. Should we despair? I should think not because, precisely in its most radical interpretation, the Duhem-Quine thesis turns out to be equivalent to and just as profound as the statement that 'everything is connected with everything else'. It may be true, but it does not help us at all if we wish to find out why things are as they are. If we believe in the scientific enterprise, in the possibility that we can get nearer and nearer to the truth, then we must put aside as much as possible of our knowledge as 'unproblematic background knowledge' (Popper, 1968: 238). The more we decide to put into the category of unproblematic background knowledge, the easier it becomes to regard a counterexample as posing a problem for a specific theory.

The second type of decision the naive methodological falsificationist must make follows from the following consideration. Every empirical theory contains a non-specified universal non-existence statement, or *ceteris paribus* clause, to the effect that no other relevant cause is at work anywhere in the universe. This implies that in case an empirical scientist decides to accept a certain basic state-

ment, the theory need not be in danger, because he or she can always decide that this *ceteris paribus* clause was wrong and that, in fact, another cause is at work, one that can explain why the original hypothesis turned out to be false, but one the scientist until then had not taken into consideration. This point is nicely illustrated by Lakatos's 'imaginary story' about the behaviour of a 'Newtonian physicist' who is confronted with 'a case of planetary misbehaviour'. This physicist calculates the path of a newly discovered planet *p* but finds that the planet deviates from that path. Does this lead the physicist to the decision that the theory must be regarded as refuted? 'No. He suggests that there must be a hitherto unknown planet *p'* which perturbs the path of *p*' (Lakatos, 1974: 100). Planet *p'*, however, is not found. 'Does our scientist abandon Newton's theory and his idea of a perturbing planet? No. He suggests that a cloud of cosmic dust hides the planet from us' (Lakatos, 1974: 101), and so on, and so on.

Every time the naive methodological falsificationist decides to accept a basic statement that contradicts a hypothesis derived from the theory under test, he or she also faces the decision whether to accept the *ceteris paribus* clause or not. If he or she does so, which means that he or she accepts that no other relevant cause is at work in the universe, then he or she must regard the theory as falsified. But how is the *ceteris paribus* clause to be tested? How can he or she establish that there is no other relevant cause at work in the universe? Obviously, he or she cannot, and this means that in case the naive methodological falsificationist decides to accept the *ceteris paribus* clause, he or she runs the risk of considering a theory to be falsified and to stop working on it, while in fact, the theory is true. As far as Lakatos is concerned, this is an unacceptable risk. Inspired by Kuhn, Lakatos therefore proposes three criteria a new theory must meet before we accept that an older one is falsified, freeing us from having to take the dangerous decision whether to accept the *ceteris paribus* clause or not.

In *The structure of scientific revolutions*, Kuhn observed that

the act of judgment that leads scientists to reject a previously accepted theory is always based upon more than a comparison of that theory with the World. The decision to reject one paradigm is always simultaneously the decision to accept another, and the judgment leading to

that decision involves the comparison of both paradigms with nature and with each other (Kuhn, 1970: 77).

Tacitly accepting Kuhn's point, Lakatos sets out his sophisticated methodological falsificationist position and stipulates that we shall only consider a theory  $T_1$  to be falsified by a theory  $T_2$  if and only if  $T_2$  fulfils three conditions (Lakatos, 1974: 116).

The first condition is that  $T_2$  explains the previous *success* of  $T_1$  (my emphasis). To speak of the 'success' of a theory, I consider a major innovation, evidently meant to neutralize Kuhn's observations on the 'incommensurability' of two competing paradigms. According to Kuhn, it would be a mistake to believe that Newton's theory can be translated on a one-on-one basis into Einstein's theory of general relativity so that Newton's laws become 'a limiting case of Einstein's' (Kuhn, 1970: 102). This applies to all paradigm shifts: 'within the new paradigm, old terms, concepts, and experiments fall into new relationships one with the other. The inevitable result is what we must call, though the term is not quite right, a misunderstanding between the two competing schools' (Kuhn, 1970: 149). The terms used in the old paradigm cannot be translated into the terms of the new paradigm without a loss of meaning. Adherents of different paradigms are 'members of different language communities' (Kuhn, 1970: 175). It is in this sense that two competing paradigms are incommensurable. The adherents of different paradigms are unable to communicate fully. Because they do not acknowledge a common higher standard, it becomes impossible for them to compare these paradigms to establish which one of them is nearer to the truth. Lakatos gets around this difficulty by not requiring that theories are subjected to a point-by-point comparison of their content but that they are compared with respect to their empirical success, and if  $T_2$  is able to explain the successes of  $T_1$ , this is a sound first indication that  $T_2$  may be better than  $T_1$ .

Lakatos's second condition states that  $T_2$  must also have excess empirical content over  $T_1$ , by which Lakatos means that  $T_2$  'predicts *novel* facts, that is, facts improbable in the light of, or even forbidden' by  $T_1$  ( $T_2$  must be 'theoretically progressive'). This is precisely what Einstein's theory did compare to Newton's with respect to the degree of the bending of starlight by the sun. But this still does not



suffice. Before we can decide that  $T_1$  has been falsified by  $T_2$ , that theory must fulfil yet another condition, which is that a part of this excess content has been corroborated ( $T_2$  must also be 'empirically progressive'). This is exactly what the Eddington expedition in the summer of 1919 provided. Its observations showed that the light of the stars near the sun was deflected in agreement with Einstein's gravitation law.

Popper, who almost fifty years later related how impressed he was by Einstein's triumph – 'We all ... were thrilled with the result of Eddington's eclipse observations which in 1919 brought the first important *confirmation* of Einstein's theory of gravitation' (Popper, 1968: 34; my emphasis), realized that the growth of knowledge cannot occur by 'conjectures and refutations' alone and that confirmations must play a vital role, too. Confirmations should, however, 'count only if they are the result of *risky predictions*' and if they are '*the result of a genuine test of the theory*' (Popper, 1968: 36; emphasis in original), which certainly applies to Einstein's theory of general relativity.

### *Negative and positive heuristic*

Most empirical scientists work within a scientific research programme, a series of theories with a common hard core consisting of a principle of explanation and certain crucial assumptions. These 'normal' scientists will continue to work in this programme until a rival arrives on the scene that is superior in the sense that it fulfils the three conditions formulated above. Does this imply, as Kuhn has suggested time and again, that the best thing a scientist can do if he or she wishes to contribute to the growth of knowledge is to become a normal scientist? Kuhn admits that 'the areas investigated by normal science are, of course, minuscule; the enterprise now under discussion has drastically restricted vision'. But he emphasizes that 'those restrictions, born from confidence in a paradigm, turn out to be essential to the development of science' (Kuhn, 1970: 24). This greatly worried Feyerabend and made him wonder: 'are we here presented with *methodological prescriptions* which tell the scientist how to proceed; or are we given a *description*, void of any evaluative element, of those activities which are generally called "scientific"?' (Feyerabend, 1974: 198). Kuhn replied that Feyerabend was 'right in

claiming that my work repeatedly makes normative claims' (Kuhn, 1974: 233), the most important of which was that 'scientists should behave essentially as they do [as normal scientists; BL] if their concern is to improve scientific knowledge' (Kuhn, 1974: 237). This was precisely Feyerabend's nightmare:

more than one social scientist has pointed out to me that now at last he had learned how to turn his field into a "science" – by which of course he meant that he had learned how to *improve* it. The recipe, according to these people, is to restrict criticism, to reduce the number of comprehensive theories to one, and to create a normal science that has this one theory as paradigm' (Feyerabend, 1974: 198).

This Kuhnian ambiguity is also present in Lakatos's essay, where the latter stated that 'for the sophisticated falsificationist a theory is "acceptable" or "scientific" only if it has corroborated excess empirical content over its predecessor' (Lakatos, 1974: 116). This position is, however, untenable. In empirical science, everything turns on (competing) principles of explanation. There is nothing that forbids the empirical scientist to invent new principles of explanation and to develop theories based on them (provided that no contradictory statements can be derived from these theories and that they are formulated in strictly universal terms). This is just as 'acceptable' or 'scientific' (if not more arduous and unrewarding) as working in a scientific research programme. Besides, where should the rivals of an established scientific research programme come from that are indispensable for their eventual falsification and the growth of knowledge if there were no 'revolutionary' scientists, scientists who are prepared to think outside the confines of a scientific research programme?

How do scientists working in a scientific research programme make progress? Not by continually questioning the validity of the hard core of this programme. This is what Lakatos called the 'negative heuristic' of the research programme (Lakatos, 1974: 133 and 135). Scientists working in the programme should not be concerned with establishing whether the hard core is true or not – whether they do this out of ignorance or because they have realized that questioning the hard core will only lead to an infinite regress. What they are

doing is thinking through the hard core's implications and using their 'ingenuity to articulate or even invent "auxiliary hypotheses", which form a *protective belt* around this core' (Lakatos, 1974: 133; emphasis in original), and it is these hypotheses that are subjected to tests.

Scientists working in a scientific research programme make progress by deriving new predictions from the hard core and subsequently testing these predictions. In this, they are led by the 'positive heuristic' of the programme (Lakatos, 1974: 135). This positive heuristic tells the scientist not to be discouraged by the 'ocean of anomalies' the programme is submerged in. The positive heuristic thus 'accounts for the *relative autonomy of theoretical science*' and encourages scientists to forge ahead 'with almost complete disregard of "refutations"' (Lakatos, 1974: 137; emphasis in original).

## Conclusion

Lakatos's 'methodology of scientific research programmes' provides the rules that should guide empirical scientists in their decision whether a certain theory should be considered to be falsified or not. In this manner, Lakatos demonstrated that the search for truth, the unending quest for a deeper and deeper understanding of the (social) world, is not an illusionary project. At the same time, it cannot be denied that – under the influence of Kuhn's incommensurability thesis, Feyerabend's conclusion that 'the numerous deviations from the straight path of rationality which we observe in actual science may well be *necessary*' (Feyerabend 1974: 219; emphasis in original), or the Duhem-Quine thesis – countless scientists have despaired of the scientific enterprise and decided that the growth of knowledge is a myth, and subsequently have taken refuge in irrationalism or language games. I believe such feelings of despair are wholly unwarranted. In this conclusion, I shall very briefly address Kuhn's and Feyerabend's objections. As I have already rejected the Duhem-Quine thesis in Section 3.2, I shall not pay any further attention to it here.

With respect to Kuhn's 'incommensurability thesis', it should be noted that Kuhn admitted in his 'Reflections on my critics' that not too radical conclusions should be drawn from his argument. All he meant to say was that translations between languages or theories

at times can be very difficult, that a perfect translation does not exist, and that any ‘translation manual inevitably embodies a theory’ (Kuhn, 1974: 269), which does not sound particularly worrisome to one who accepts the approach I have adopted here. Moreover, the thesis has lost its force in view of Lakatos’s ingenious wording of the first condition that a theory  $T_y$  must meet before it can be said that it has falsified theory  $T_x$ .

Feyerabend’s criticism was inspired by the work of Kuhn. Kuhn claimed to have discovered as ‘an historian of science’ that ‘much scientific behaviour, including that of the very greatest scientists, persistently violated accepted methodological canons’ and felt compelled to ask ‘why those failures to conform did not seem at all to inhibit the success of the enterprise’ (Kuhn, 1974: 236). Picking up this point, Feyerabend argued that the standards developed by Lakatos were no more than a ‘*verbal ornament* ... a memorial to happier times when it was still thought possible to run a complex and often catastrophic business like science by following a few simple and “rational” rules’ (Feyerabend, 1974: 215; emphasis in original). I believe that Kuhn and Feyerabend are correct in claiming that famous scientists have regularly behaved in ways that deviate from Lakatos’s standards but that the conclusion that Feyerabend draws from this, namely, that these are thus irrelevant ornaments, is completely mistaken. It is the fate of every normative theory prescribing how people, in this case empirical scientists, ought to behave that these prescriptions need not agree with their actual behaviour. The only thing that counts with respect to the validity of a normative theory like Lakatos’s is that it is consistent, that no contradictory statements (prescriptions) can be deduced from it, and I believe that it passes this test.

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## Chapter 18

# Pension funds and the European Union: Anatomy of an encounter

*Markus Haverland*

### Introduction

The nation state is the prime locus for social protection, social services, and redistribution (Daly, 2019). EU budgets for interpersonal redistribution pale in comparison to national ones (Schmidt, 2021). The Stability and Growth Pact puts limits on public debt, and member states are subject to the EU system of socio-economic governance. But compliance with the pact and the economic governance recommendations have been weak, at best (Efsthathiou and Wolff, 2018). The EU has limited leverage in this area, except for domestic adjustment pressures for some member states after the 2008 financial crisis caused by bail-out conditionalities, and, potentially, through the linkage of country-specific recommendations to the recently adopted Recovery and Resilience Facility (Heins and de la Porte, 2015; Vanhercke and Verdun 2022). Direct legislative social policy powers are typically linked to the internal market. Yet, even despite new areas entering in the last two decades, such as poverty and social inclusion, the system is ‘lacking in depths, focusing on a range of areas around a core that looks hollow when compared to member state policies’ (Daly, 2019: 2). The factors that hold back the development of an EU welfare state are well understood and include the variety of national welfare regimes with their legacies and vested interests (Esping-Andersen, 1990); the electoral incentives, in particular for social democratic and Christian democratic parties, to keep competencies of the generally popular social policies on the national level (van Kersbergen and Verbeek, 1997); and the high institutional threshold of unanimity among member states to transfer new competencies to the EU level, providing each of them with a veto.

However, national preferences for keeping the status quo, or at least autonomy, might conflict with supranational actors’ attempts

of harmonization. This contribution lays out such an encounter, an initiative by the EU Commission that, if successful, would have had large welfare consequences for countries such as the Netherlands and the UK. This failed initiative is still worth presenting as an example of how well vested interests in national welfare states can defend against intrusion when the stakes are high.

The focus is on pensions, occupational pensions in particular. As Esping-Anderson wrote in his classic *Three worlds of welfare capitalism*, a study on pensions may 'appear somewhat narrow and pedestrian' (1990: 79), but as he has emphasized, pensions account for a considerable share of the GDP and 'constitute a central link between work and leisure, between earned income and redistribution, between individualism and solidarity, [and] between the cash nexus and social rights' (1990: 80). The contribution further zooms in on something that might look particularly pedestrian at first sight: solvency margins for pension funds. The solvency margin denotes the amount of capital a pension fund is obliged to hold against unforeseen events. The higher the margins the higher the income security for scheme members. At the same time, increasing margins or keeping them at the same level in adverse circumstances implies higher contributions by sponsors (companies) and scheme members (workers) and, hence, lower net salaries and potentially less profits and/or less investments and less economic growth.

In the remainder of the contribution, I will first sketch out the cross-national diversity of pension systems and the variety in the importance of occupational pensions and pension funds therein. I will then outline the Commission's motivation to include harmonized solvency requirements for pension funds in planned revisions of the existing pension funds directive (IORP), and finally, I will describe which groups mobilized and how effectively vested interests were able to put this issue off the agenda for the revision of the directive, even before the Commission adopted its official proposal for the revised directive (IORP II) in 2013.

### **Diversity of pension systems**

Esping-Andersen (1990) distinguishes between (a) state-dominated, status-maintaining, and earnings-related social insurance systems, (b) universalistic state-dominated systems, and (c) residual

systems. Since his research, the universalistic systems have made quite a transformation, at least in their financing structure, as the state-sponsored universal flat-rate schemes (first pillar) did not keep up with the retirement income needs for the better well off and, hence, created an incentive for supplementary occupational pensions (second pillar) that, in contrast to the first-pillar pensions, were mostly capital market funded (Bonoli, 2003; Myles and Pierson, 2001). In this financing system, contributions by sponsors (companies) and scheme members are invested into assets, and benefits are paid out of the interests the investments generate and the selling of assets. In Denmark, the Netherlands, and Sweden, these occupational pensions are quasi-mandatory and based on collective, typically sector-wide, agreements, which leads to coverage rates above 90% among employees (OECD, 2023). In addition to providing income security after retirement, these arrangements also cover risks such as longevity and often also disability, becoming a surviving dependent, and interrupted careers (Haverland, 2011; Mabbett, 2009). Flat-rate pensions in the UK and Ireland also created incentives for occupational pensions. They typically took the form of company schemes and to a lesser extent covered additional social risks. Coverage rates are about 50% (OECD, 2023). The earnings-related character of the state-dominated social insurance systems provided less incentive for occupational pensions. However, retrenchment in this pillar in Germany led to an increasing importance for company schemes as well as for some sector schemes, governed jointly by employers and employees. This led to a coverage rate of roughly 50% among employees (OECD, 2023), although only a part of these schemes are capital funded. Other countries that belong to this regime type, such as Italy and Spain, largely rely on the first pillar (Pavolini and Seeleib-Kaiser, 2018).

The cross-national variation in incentives for creating and joining occupational pensions also translates in the variation of the importance of pension funds for income maintenance and the size of their assets. Concerning the latter, in the Netherlands and the UK, pension fund assets (more than) equal the countries' GDP. Figures in the period of this analysis are 161% for the Netherlands and 99% for the UK. Other countries with significant pension funds are Denmark (49%), Finland (46%), Ireland (59%), and Sweden (67%),



while countries with earning-related first-pillar pensions, such as Germany, Italy, and Spain, trail with less than 10% (OECD, 2015).

### **Enter the European Commission: Occupational pensions and the single market**

The massive number of assets that pension funds have acquired implies that pension funds are not only a vehicle for income security for the elderly and for the pooling of social risks, but also formidable institutional investors and, hence, Janus-faced. It is particular the latter feature that drew the attention of the European Commission with its core mission to create and safeguard the internal market. This mission includes, but is not limited to, the free movement of (financial) services and capital. In line with its 'financial face', pension fund regulation became an issue for DG Internal Market and, later, the newly created DG Financial Markets, rather than the relevant social division, the DG Social Affairs. From the DG Internal Market perspective, pension funds are yet another type of financial institutions, which should be subject to financial internal market regulations in a similar vein as banks, investment funds, and (life) insurance companies.

Since at least the 1990s, the European Commission has aimed at creating a single market for occupational pensions. To improve the free movement of capital, the Commission sought to harmonize rules regarding pension funds investment behaviour, in particular, removing national barriers to investment. However, it was not until 2003 that the EU adopted the IORP directive, stipulating minimum standards for the operation and supervision of pension funds and for their investment policies. The directive was largely based on the least common denominator of national preferences and, therefore, had no significant effect on national welfare systems (Haverland, 2007; Hennessy, 2014).

The 2008 financial crisis provided a new impetus for regulation and an emphasis on increasing financial stability, making sure that financial institutions have sufficient capital to cover their risks and to meet their obligations also in adverse circumstances. The EU updated capital requirements for banks and investment firms in 2013 (CRD-IV package) and for insurances through the Solvency II directive (2009), amended by the Omnibus II directive (2014).

Although pension funds had no part in the financial crisis, they suffered from its effects. In an environment of crumbling stock markets and low interest rates, the value of pension fund assets dropped significantly, by 20% in 2008 alone, threatening their solvency and, hence, their ability to fulfil their commitments to scheme members.

The protection of scheme members was an important argument for the Commission to revise the existing pension fund directive. The template for the proposed solvency provisions as outlined in the Commission's Green Paper on pensions was provided by the then just adopted Solvency II directive (European Commission, 2010). Solvency II was informed by the Basel II rules of capital requirements for banks and has made the solvency rules for insurance, including life insurance, more stringent. In technical terms, Solvency II stipulated that (life) insurances should have enough capital that, with 99.5% confidence, the value of the assets would exceed the value of the liabilities over one year.

Hence, the Commission likened occupational pensions to insurances and aimed to impose the same relatively strict solvency standards on pension funds as they have on insurance companies. The strict standards were not only motivated by protecting the members of pension schemes, but also more generally to instill public trust in capital market pensions as part of the envisaged Capital Markets Union (CMU). The Commission wanted to decrease the reliance on bank-based finance, and strong(er) pension funds are an important element in that respect. In addition, the level playing field with other financial providers, in particular, life insurance companies, was also part of the argumentation (European Commission, 2010).

At the time of the proposal, the (accounting) rules calculating the solvency margin and the procedures to restore the solvency were determined nationally. For example, the Dutch regulator, the Dutch Central Bank, required a confidence level of only 97.5% (Koningrijk der Nederlanden, 2006). An increase to 99.5% would have meant higher capital requirements, which would imply more contributions by sponsors (companies) and scheme members, increasing security to scheme members but negatively influencing companies' profits, scheme members' net salaries, and economic growth.

## The EU meets national vested interests

Strict and harmonized solvency margins in line with Solvency II became the core element of the Commission proposal to revise the IORP directive. Given the heterogeneity of national pension systems, it comes to no surprise that the proposed directive would have a differential impact on national systems, and the vested interests and stakes involved. Generally, member states with only a small occupational pension pillar, such as the welfare states of Southern, Central, and Eastern Europe, were only marginally affected. Also, occupational pension arrangements that are not capital funded at all, such as those financed through book reserves (as present in many German and Austrian schemes), fell outside the scope of this type of regulation. In addition, capital-funded pension arrangements where benefit levels purely depend on market performance, so-called defined contribution (DC) schemes, were not affected. Hence, the proposed regulation affects those arrangements that actually promise a certain level of benefits, so-called defined benefits (DB). Scheme members accrue entitlements, and the sponsors of the pension funds are responsible for a pre-defined benefit, typically calculated as a ratio of the final or average salary. These pension funds must have a sufficient solvency margin to make sure that the entitlements can be honoured. Countries with mature DB systems include the the UK, Ireland and to a very significant extent, the Netherlands, though the 2023 pension reform puts this country on a path towards a DC systems (Cumbo 2023). The proposed directive also indirectly affects a member state such as France because life insurance companies are the most prominent vehicles of occupational pensions in this member state. These companies fall under the Solvency II directive; hence, they must obey to relatively strict solvency standards and, therefore, might have a competitive disadvantage if laxer rules are adopted for pension funds.

While financial regulation often stays in the confines of venues populated by government and Commission officials and interest group representatives, the link to the welfare state makes pension fund regulation a potentially salient topic for the public. Hence, the Commission's ideas occasionally received media attention in the most affected member states, and in a particularly negative way. Already the announcement in the Commission's 2010 Green Paper on

Pensions that the solvency requirements for insurance companies would be a good starting point for discussing solvency requirements for pensions led to media outcries. The British tabloid and Euro-sceptic Daily Mail ran two stories. One had the headline, 'EU 'puts final nail in coffin' of our gold-plated pensions', arguing that the proposals would increase the costs of running defined benefit schemes by up to 90% (Grover, 2010).

As a next step in the policy process, the European Commission tasked the relevant financial regulator, the European Insurance and Pension Authority (EIOPA), with providing advice, who in turn set out two rounds of consultation with interest groups. The strong mobilization of interest groups skeptical of, if not outright opposing, a harmonized approach to solvency requirements was evident from the beginning (EIOPA, 2011; 2012). The consultation was dominated by interest groups from member states that have mature defined benefit schemes. Looking at the second, more comprehensive consultation, 94 of the 138 contributions by interest groups that have origins in a specific country rather than at the EU level stemmed from just three of the then 27 member states, Germany, the UK, and the Netherlands. Within these countries, those groups mobilized that have a strong vested interests in keeping their national systems.

### **Pension funds**

Pension funds and their sponsors and scheme members were the dominant actors. The mobilization pattern neatly reflected the nature of the existing national arrangements. As occupational pensions in the UK are typically organized on the company level, not only the pension funds (i.e., trustees) were well represented, but also many large companies who sponsor these funds, including, for instance, British Petrol, British Telecom, and Tesco. The mobilization pattern of Dutch interest groups largely reflected the dominance of sector-wide schemes and the co-administration of employer organizations and employees' organizations. The sector-wide pension funds were well represented through their federation and three important sector-wide schemes. The major Dutch bipartite corporatist forum (Stichting van der Arbeid) submitted a contribution, as did the Dutch trade union federation and no less than six trade unions, together covering almost all Dutch trade union members.

It is interesting to note that quite some contributions came from Germany. Although the pension funds sector is relatively small, many large German companies do have capital-funded defined benefit systems. The two major national associations for occupational pensions took part. Besides that, the peak association of German employers (BDA) wrote a contribution as well as the federal employer association of the chemical sector and the metal and electrical engineering industry. In addition, large employers were also well represented on the company level, with entries by BASF, Bayer, Bosch, Deutsche Post, MAN, RWE, and Siemens. For some companies, the associated company pension funds wrote contributions as well.

The pension funds, their sponsors (employers), and the organizations representing the scheme members (trade unions) were all very skeptical about the need for a new directive. Regardless of the member state they came from, they stressed the unique character of occupational pensions as social rather than financial institutions, emphasizing in this context the unique set up, such as the sponsor-trustee relation (e.g., UK) and the involvement of the social partners (e.g., NL), and emphasized the cross-national diversity sustained by its links to national social and labor law, which, according to them, limits harmonization. While being opposed to harmonization in general, they also strongly objected to follow the lead of Solvency II, since, according to them, occupational pensions are too different from life insurance products (e.g., *aba in EIOPA*, 2011: 13).

### **The insurance industry**

Insurance companies compete with pension funds as they also provide occupational pensions as well as individual (third-pillar) retirement saving products. As stated above, insurance companies are an important vehicle for occupational pensions in France, and French mobilization patterns reflected this. With two associations of insurance companies and six individual companies, the degree of mobilization of the French insurance sector almost equaled the mobilization of the insurance sector of all other European member states combined. However, compared to the pension fund interests, the insurance sector was much less represented.

As the insurance industry must comply with relatively strict solvency requirements established by the Solvency II directive, this

sector sought a system for pension funds that was as close as possible to the Solvency II regime to create a level playing field and to allow insurance companies to play a larger role in the pensions market. Accordingly, they framed an occupational pension product as just another financial product and the organization offering it as just another financial institution. For instance, the European peak association of the national insurance industry associations (CEA) ‘strongly supports the application of the “same risks, same rules, same capital” principle to all financial institutions providing occupational pension products’ and argued that ‘Solvency II should serve as a benchmark for the regulatory treatment of all financial institutions offering occupational pension products, including pension funds’ (EIOPA, 2011: 34). The Pan-European Insurance Forum (PEIF), which is comprised of the CEOs of major European insurance companies, also stressed the similarities between different providers and emphasized that the same rules should apply ‘to prevent the opportunity of regulatory arbitrage’ (EIOPA, 2011: 65-66).

### **Other financial services**

In addition to pension funds and insurance companies, investment and asset management firms were also present. Rather than seeing pension funds as competitors that should be subject to strict regulation (as the insurance industry argued), the asset management firms shared the pension funds interest in preventing strong solvency requirements. BlackRock, the world’s largest asset management firm, argued that ‘the proposed measures do not take into account the different mechanisms that already exist in a number of Member States’, that the ‘administrative burden and financial costs would also impact significantly investment performance’, and that ‘the application of solvency II to pension funds would discourage pension schemes to invest in equities making it harder for European companies to raise capital’ (EIOPA, 2012a: 69-70).

This position reflects the economic relationship between both industries. As pension funds have matured over the last decades, they increasingly search for relatively more risky investments to secure the high returns on their investments needed to match their liabilities. For doing so, they increasingly rely on the specialized expertise of the asset management industry (Engelen, 2003).

## Dead on arrival

The consultations demonstrated a considerable opposition by most interest groups to the Commission's plan to harmonize the solvency requirements for pension funds. However, in its advice to the Commission, EIOPA stuck to its idea. It kept the philosophy of Solvency II but proposed a new method, the Holistic Balance Sheet, which, in the view of EIOPA, would allow to take the specific character of pension funds and the national diversity into account (EIOPA, 2012b). In the 2012 Commission's white paper entitled 'Adequate, Safe and Sustainable Pensions', published just one day after EIOPA's advice, the Commission sided with EIOPA and announced that it would present a legislative proposal for a revised IORP directive and explicitly stated the aim to 'maintain a level playing field with Solvency II ...' (European Commission 2012: 17).

This insistence by the Commission did not go unnoticed by national media. The widely-read German tabloid *Bild* wrote, 'Eurokraten fordern mehr Eigenkapital – bis zu 45 Milliarden Zusatzkosten. Machen EU-Pläne deutsche Betriebs-Renten platt?' (Martens, 2012). Representatives of pension funds and their sponsors were also not pleased with this decision. Some particularly powerful actors resorted to outside lobbying. The chair of the German Employer Association of the Chemicals Industry, for example, wrote an op-ed for *Bild* entitled 'Stoppt den Angriff der EU auf unsere Betriebsrenten!' (Voscherau, 2012). The British tabloid and Eurosceptic *Daily Mail* ran a number of articles in which representatives of British pension funds were quoted with harsh critique of the Commission's plans.

The impact of the Commission's ideas for solvency standards became very concrete and specific in the quantitative impact study (QIS) that EIOPA carried out in 2013. QIS are obligatory prior to legislative proposals in the context of the EUs 'Better Regulation' framework. The QIS for the Commission's holistic balance sheet approach revealed serious underfunding of DB schemes in Ireland, The Netherlands, and the UK. In other words, other things being equal, if this approach would be included in the directive, then pension schemes in many member states would have to either increase contributions (by companies and/or employees) or reduce benefits to the extent possible in DB systems to regain solvency. Applied to the UK, while its defined benefit system was £300bn short of capital



according to the British regulator's calculations, the HBS approach would, in a worst-case scenario, result in a shortage of £450bn (IPE, 2013a). This is about £12,500 more per person who accrues (or has accrued) entitlements in the system or draws a pension out of it. The results of the impact assessment were greeted by the Daily Mail with the headline 'Brussels red tape would blow a £150bn hole in UK pension funds' (Salmon, 2013).

The preferences of the member state governments of countries that run large DB occupational pension systems were aligned with those of their pension funds. This coalition of member state governments consisted of the British, Belgian, German, Irish, and Dutch governments and were close to convincing another member state to oppose solvency requirements (IPE, 2013b). If such a proposal would have been tabled by the Commission, these countries would have been able to form a blocking minority in the Council.

Considering the opposition of these member state governments, powerful domestic vested interests, and the potential of public politicization through unfavorable media coverage, the Commission decided to not include provisions for pension fund solvency in the official proposal for the directive published in 2013. At the same time, the Commission still wanted to do at least something 'to leave a legacy' (IPE, 2013b) and, hence, focused on two other elements: pension fund governance and transparency issues. In a press release, the UK minister for pensions, Walsh, welcomed the decision to drop solvency requirements and stated rather undiplomatically that he hoped that the Commissioner might 'eventually abandon his damaging and reckless plan altogether' (UK Department of Work and Pensions, 2013).

The IORP II directive was finally agreed on in 2016, carefully delaying the official confirmation until a week after the British membership referendum (IPE, 2016). Solvency requirements have not been reintroduced during the legislative process. Several attempts by the Commission to introduce solvency requirements 'through the back door' by including provisions that would task the Commission (and *de facto* EIOPA) with developing those on the basis of delegated acts were met with fierce opposition by governments and interest groups (IPE, 2014). Member states were so wary of EU involvement



that the IORP II directive became the only financial service directive in this period without any delegated acts.

## Conclusion

This contribution laid out an encounter between national welfare states and the European Commission's attempt to harmonize regulation affecting some of those welfare states. It demonstrates that national heterogeneity translates into a differential potential impact of EU harmonization on national welfare systems. Domestic vested interests most affected are mobilized as result and forcefully defend their positions. Member state governments side with their domestic interest groups, and the link of financial regulatory issues to welfare issues make them potentially publicly salient. This combined force has been a formidable obstacle to EU-wide harmonization, at least in this case.

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## Chapter 19

# Connecting EU social policy and climate/energy policy during ongoing crises? The case of energy poverty

*Sabina Stiller and Minna van Gerven*

### Introduction

Within the impressive range of Kees van Kersbergen's scholarly work, he also analysed the nexus between national politics and EU social policy. A more recent piece (with Bertjan Verbeek) analysed the notion of subsidiarity affecting EU politics and governance because 'it allows for continuous negotiation over its practical use' (van Kersbergen and Verbeek, 2020: 1). We both have a background in comparative welfare research, inspired by Kees and other Nijmegen colleagues, and 10 years ago, we explored Europeanization mechanisms in welfare state reforms (Stiller and van Gerven, 2012).

In this contribution, we turn to an example of EU politics that is heavily influenced by the ongoing battle about subsidiarity between EU member states, the European Commission and the European Parliament. Specifically, we focus on two policy domains in the EU, social policy and energy/climate policy, in which policy coordination has evolved over time through soft governance instruments rather than by 'hard' EU legislation. Since the first open method of coordination (OMC) in 2000 in social policy areas, energy and climate policy have turned successively into focal sectors for policy coordination through a 'hardened' version of the OMC during the late 2010s (van Gerven and Stiller, forthcoming). Both policy sectors have become increasingly intertwined in the European Green Deal (EGD) strategy for the transition to a decarbonized economy by 2050.

With the 2022 Russian aggression in Ukraine and the ensuing repercussions for the EU economy and energy markets, the need for coordination across these two domains increases. Already before the war in Ukraine, energy poverty was associated with major EU flag-

ship initiatives: the European Pillar of Social Rights (EPSR), which promotes equal opportunities and access to the labour market, fair working conditions, social protection and inclusion; and the EGD, which aims for a ‘just and inclusive transition to a sustainable future for EU citizens’. The latter means that EU funding should support those who cannot afford investments in sustainable housing and mobility during the costly task of energy transition.

The ensuing crisis regarding energy prices and security leads us to ask: In what ways have social policy and energy/climate policy become intertwined in EU politics concerning the ‘case’ of energy poverty? A 2020 EU Commission recommendation defined energy poverty as ‘a situation in which households are unable to access essential energy services’, including several indicators, e.g., the inability to keep homes adequately warm, arrears on utility bills, and a high share of income spent on energy bills. However, as of mid-2022, no binding EU-level definition existed, which complicates measurement and monitoring, and Eurostat does not systematically monitor the proposed indicator set. Energy poverty has multiple causes, including low income, high energy expenses, and poor energy efficiency in buildings (European Parliamentary Research Service, 2022). In late 2021, on average 8% of EU citizens were affected by energy poverty (20% in Bulgaria, Lithuania and Cyprus; 17% in Portugal and Greece) (Eurostat, 2021). This indicates a grave problem, although with considerable differences between countries.

We assess efforts by EU actors (Commission, Parliament, Council) to connect Social Europe and the EGD as well as ongoing EU initiatives to secure energy supplies, control energy prices and encourage businesses and consumers to save energy. In particular, we analyse agenda-setting and policy-making efforts to tackle energy poverty, which contribute, in the long run, to a ‘just and inclusive transition’, thereby illustrating how social and energy/climate policy become more connected. Due to space limitations, our data includes recent EU agenda-setting documents and supplementary documentation such as press statements and research reports. Our analysis indicates that despite the need to handle multiple challenges, energy poverty has entered the EU’s (legislative) agenda gradually and indirectly in the period 2020-2022, serving the goals of both the EPSR and the EGD. This process was catalysed by the energy

crisis and relies in part on soft governance instruments in the face of member states' subsidiarity claims.

### **Latest steps in EU social policy coordination, the European Green Deal and energy policy**

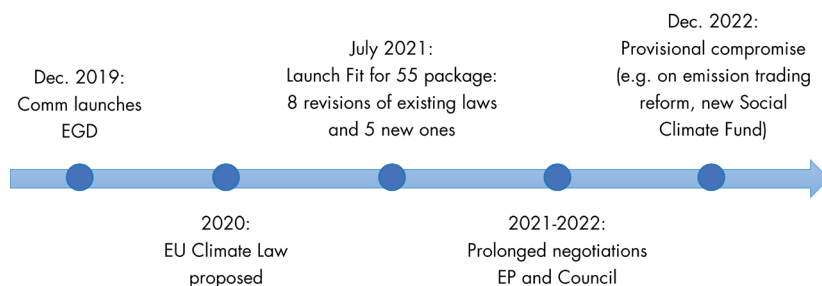
The ESPR, formulated in 2017, includes 20 key principles guiding 'towards a strong social Europe that is fair, inclusive and full of opportunity in the 21st century'. The Commission advocated more action to 'help build fairer and more well-functioning labour markets and good welfare systems for the benefit of all Europeans' (European Commission, n.d.). Principle 19 declares energy an essential and universal service, i.e., citizens have a right to adequate shelter and dignified and healthy accommodation. Principle 20 stipulates access to essential services, including energy. Moreover, principles 13 and 14 on social protection and minimum assistance are closely related to (energy) poverty, as they are also crucial in achieving EU 2030 targets to reduce poverty by at least 15 million persons. Although not binding, the principles offer a unique opportunity for an integrated EU approach to energy poverty through EU-driven policymaking in these areas in the National Recovery and Resilience Plans (NRRPs) submitted by member states for EU funding.

With the EPSR Action Plan (2021), the Commission set out concrete initiatives to be implemented jointly by EU institutions, national, regional and local authorities, social partners, and civil society (European Commission, n.d.). The European Council's Porto Declaration affirmed the political will underlying the EPSR, stressing poverty-related issues, 'fighting social exclusion and tackling poverty, taking on the objective of fighting child poverty and addressing the risks of exclusion for particularly vulnerable social groups such as the long-term unemployed, the elderly, persons with disabilities and the homeless' (European Council, 2021).

As for energy/climate policy, the 2019 EGD concerns an encompassing regulatory agenda and a new growth strategy of the EU, comprising 50 actions to be achieved by 2050. The green transition is supposed to break with an economic model based on fossil fuels while 'leaving no one behind'. Its ambition is to 'bring all EU policies in line with the climate neutrality pledge' (Eckert, 2021: 81). The EU's latest comprehensive initiative under the EGD is the Fit for 55 pack-

age for transition to a carbon-free economy in 2050-2055 (Council of the EU/European Council, 2022c) (see Figure 1).

**Figure 1: Steps in implementing the European Green Deal:  
The Commission's Fit for 55 package**



As for energy policy, the Commission proposed the REPowerEU plan in May 2022 in reaction to the Russian invasion of Ukraine. It seeks to reduce EU dependence on Russian fossil fuels, fast-forward the green transition and increase the resilience of the overall energy system. REPowerEU modifies the Recovery and Resilience Facility (RRF) regulation and other legislation, amending finance investments and diversifying energy supplies, reducing fuel dependency. RRF is linked to NextGeneration EU, the EU's recovery plan from the Covid-19 crisis, and addresses challenges and opportunities of the green and digital transitions (European Parliament, n.d.). Chapters are added to existing member state recovery and resilience plans (RRPs) for new reforms and investments, ensuring synergies and complementarity between RRF-funded measures and national and other EU funding. The legislation to implement REPowerEU aims to make the RRF the strategic framework for accelerating independence from fossil fuels and mitigating socio-economic costs and impacts during the transition (Council of the EU/European Council, 2022b). This scan of the latest EU policy action on EPSR, the EGD and energy policy helps to understand EU actors' actions in relation to energy poverty, as we discuss next.

## **Energy poverty and the EU: How to connect the energy transition to enhanced social rights?**

Energy poverty is not a new concept in EU debates, but it reached policy agendas only in the 2010s. With increasing concerns about a sustainable energy transition, the EU has sought to define the problem of energy poverty and to achieve a mutually accepted set of criteria to assess and address energy poverty in member states to steer their actions vis-à-vis climate change objectives. First, it was largely framed by the necessity to manage risks relating to energy markets and, more broadly, to extend the internal market. The first Electricity Directive explicitly mentioned energy poverty (2009/72/EC), calling on member states to develop national action plans or other appropriate frameworks to tackle it and to ‘define vulnerable customers’. Similar references were found in the 2009 Gas Directive. Thereby, the EU forcefully ‘obliged’ member states to protect low-income citizens through adequate safeguards, including e.g. redistributive welfare benefits, prohibiting disconnection of gas and electricity in critical times, and supporting energy efficiency improvements (EPRS, 2022). As part of the Clean Energy package, the revised Electricity Directive (2019) obliged member states to assess the number of energy-poor households and the Commission to provide guidance by defining indicators. Equally part of the Clean Energy package, the revised Energy Efficiency Directive (2012/27/EU) and its amendment (2018/2002) requested member states to guarantee energy-poor households a share of energy efficiency measures. Next, the 2018 governance regulation required member states to assess energy-poor households in national energy and climate plans and to outline national measures and actions to mitigate such poverty in the long-term.

### *Slow progress on the national level*

Despite these growing ambitions, research on energy poverty shows that most EU countries fail to provide a clear definition, specific targets, measures and resources to address energy poverty (ODYS-SEE-MURE, 2021). The fundamental issue behind low member state activity may be that energy poverty has not been a major problem in many countries, at least until the war in Ukraine. For instance, in Northern Europe, traditionally very few households are unable to



heat their homes. Therefore, concern has been low, and national social security institutions have handled the issue without undesirable intervention from the EU.

In many European countries, energy poverty does not figure in legislative frameworks and political narratives but is predominantly addressed by social policies, including instruments like social assistance, welfare benefits or cash support via subsidizing energy bills or home renovations. However, social policy measures tend to provide short-term relief to households and possibly mask the urgency to take further action. Such policies may also fail to solve the root causes of energy poverty, including low income, high share of energy expenses relative to income or poorly insulated homes.

However, the ambitious objectives of the EGD, with its broader understanding of a ‘green and just’ transition, have brought political urgency to the matter. A briefing for the EP on energy poverty highlights difficulties policymakers face due to subsidiarity, i.e., limited EU legislative competencies, but ending on an optimistic note:

While social-policy options fall mainly in the Member States’ responsibility, the EU can propose measures linked to its energy policy, which is a shared competence between the Member States and the EU. Several EU policy measures to tackle energy poverty are already underway, and this area is likely to be strengthened in the future (EPRS, 2022).

### *EU Commission: Agenda-setting amidst various crises*

Moving on from the overview of actions to counter energy poverty to the results of our content analysis, we surveyed the intentions of the van der Leyen Commission since the start of the EGD in agenda-setting in three State of the Union speeches (SoU, 2020-2022) and four work programmes (WP, 2020-2023).<sup>1</sup> In recent years, the Commission’s work has been heavily influenced by the Covid-19 pandemic, by subsequent efforts to support economic recovery (2020-2022) and, finally, by the economic and social consequences of the war in Ukraine (2022-today). Despite these multiple challenges, over the period 2020-2022 (including WP 2023 published in the autumn of 2022), we found that energy poverty has become part of the legislative agenda gradually (and indirectly).

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<sup>1</sup> Detailed results are available on request.

- 2020: No agenda-setting on energy poverty, SoU responds to the pandemic.
- 2021: Broadening concern about improving social rights (EPSR implementation) and about reinforcing just transition by substantial funding.
- 2022: WP does not yet reflect changes in focus due to the Ukrainian war, concern for energy crisis and social consequences in SoU.
- 2023: (WP autumn 2022): Concern for consequences of the energy crisis, ongoing Council crisis policymaking during autumn 2022.

In the following, we focus on the role of EU actors in a few recent legislative and policy efforts that relate to the EGD theme of ‘just transition’. All these efforts imply further action on energy poverty, although they may not be labelled as such.

#### *EU climate action: Fit for 55 and the Social Climate Fund*

With the Commission’s proposal for the Social Climate Fund (SCF) (and other financial investments), the EU tries to integrate green transition and social cohesion and inclusion more deeply in the EU agenda. The fund incorporates social concerns, such as growing attention to energy poverty. Like other EU financial instruments, funding is conditional on member states achieving milestones and targets set by the Commission related to reducing the number of vulnerable households. Progress reports on implementation will include detailed data on households in energy poverty and member states’ progress in reducing their numbers. The June 2022 EP amendments to the Commission’s proposal on the SCF do not indicate a standard EU-level definition of energy poverty. However, agreeing on the proposal has been a rocky path. A compromise between the Council and the EP was hindered by political deadlock on other elements in the overall Fit for 55 package, especially on the reform of the European Union’s emission trading system (Council of the EU/ European Council, 2022c). The provisional agreement of December 2022 includes €86.7 billion to help the most vulnerable Europeans, starting in 2026, national social climate plans to address energy and transport poverty, and co-financed investments in energy efficien-

cy, decarbonization and sustainable transport. Co-rapporteur Casa expressed content with EP amendments: ‘with this agreement (...) we are the closest we have ever been to ensuring that the climate transition will be fairer and more socially inclusive. In the pipeline are billions available to member states to invest in the energy needs of millions of households and small businesses’ (European Parliament, 2022b).

Until the fund comes into existence, EU countries may apply for additional funds through an amended recovery and resilience plan (RRP). After the formal adoption of a recent compromise between the EP and the Council (December 2022), member states will be required to include measures to save energy, produce clean energy and diversify energy supplies (see REPowerEU plan). The EP pushed for amendments to ensure these support investments to tackle energy poverty for vulnerable households, SMEs and micro-enterprises. In addition, the new rules cover most measures retroactively from 1 February 2022 (European Parliament, 2022a). Notably, the EP repeatedly pushed for amendments to Commission proposals to go even further on tackling energy poverty.

Crucially, the compromise on Fit for 55 shows that progress in new EU funding to address energy poverty has been subject to political issue trading within the wide-ranging topics of the package. While Council and Commission held opposing positions, the EP emerged as a consistent advocate for energy-poor households.

### *Council emergency measures in response to energy crises*

Concerning attention to the social consequences of rising inflation and energy prices, the ongoing war in Ukraine has arguably been a game changer in 2022. Here, the active role of the European Council as well as the Energy Council calls attention. As early as March 2022, the former noted the negative impact of increasing energy costs on citizens (European Council conclusions, 24-25 March 2022). Another EU-level actor, the European Economic and Social Committee, demanded a more integrated approach against climate change. Its March 2022 opinion called for a reassessment of the Commission’s Fit for 55 proposals to ‘improve the capacity to deal with energy price volatility and problems following from emergencies, including war’. It highlighted that social justice and energy poverty must

be addressed in the ongoing process of energy transition (European Economic and Social Committee, 2022). In May 2022, the EU Energy Council pondered common action to guarantee affordable EU energy supply. Yet, expecting higher energy costs, the Commission and the Council intensified common action on energy policy while safeguarding social imperatives like energy poverty to keep national economies going.

Under rising pressure, EU countries adopted an emergency regulation to address high energy prices and help the most affected citizens and businesses in October 2022. The new rules are exceptional and apply from December 2022 thru 2023. Main emergency measures include reducing electricity use, capping revenues of electricity producers and securing a solidarity contribution from fossil fuel businesses. Reducing electricity consumption is expected to have a positive effect on electricity prices in the EU and consequently on consumers' energy bills. Moreover, the regulation allows member states to collect funds from surplus profits of the energy sector, redistributing them to the most vulnerable people and companies and thus providing direct support to those struggling to pay their bills (Council of the EU/European Council, 2022a). In the same month, energy poverty received extra attention when the Czech Council presidency organized a high-level conference 'Tackling energy poverty: EU approach & sharing best practices' (Eurofound, 2022).

Council policymaking continued when EU energy ministers in principle agreed in November 2022 on a Council regulation to enhance solidarity across member states through better coordination of gas purchases, exchange of gas across borders and reliable price benchmarks (Council of the EU, 2022). Finally, the outgoing Czech presidency reached political agreement amongst member states on a temporary gas price-correction mechanism by mid-December (Council of the EU/European Council, 2022a).

#### *EU action on adequate minimum income within limits of subsidiarity*

Similar to already described efforts for relief from high energy prices, the debate on EU coordination of a minimum income has gained momentum. In the fall of 2022, the Commission proposed a Council recommendation to define an adequate minimum income to secure

active participation (European Commission, 2022b) following principle 14 of the EPSR (on minimum income), which asks member states to achieve minimum income levels for members by 2030. The Council approved this recommendation in January 2023. Importantly, it indirectly addresses energy poverty as heating, cooling, lighting and energy to power household appliances are essential to ensure a decent standard of living and wellbeing. With soaring energy prices due to the Ukrainian war, access to energy and energy costs have become undeniable social risks that affect people's lives and worsen poverty and social exclusion. As the Commission states: 'Robust social safety nets can help to mitigate the risk of energy poverty (...) minimum income support plays an important role here, as it can be specifically targeted to help the most vulnerable households and (...) should be accompanied by continued access to essential services such as energy and transport' (European Commission, 2022c). Meanwhile, the EP keeps pushing for adoption of binding measures, following a resolution of its employment committee. In March 2023, the plenary adopted a resolution calling on the Commission to present a directive that would legally oblige member states to make sure minimum income schemes are adequate, including an EU-level definition of 'adequate' (EZA, 2023).

Summing up, analysing major EU actors' roles in working for a 'just and inclusive transition' has taught us three lessons. First, not all actors wanted to go equally far in financing and/or obliging member states, with the EP pushing the most. Second, the Council (ministers and heads of state) acted speedily in the face of intensifying crisis pressure. Third, the Commission's choice of policy instrument on minimum income demonstrates that the Council blocks hard legislation, although the EP's resolution recently reminded all actors of its preference for hard legislation, given ongoing inflation pressure and related difficulties of an increasing group of citizens to make ends meet.

## Conclusion

We have shown how social policy and energy/climate policy became interwoven in EU politics around the concept of energy poverty in light of the 2022 energy crisis. A number of initiatives (2020-2022) advanced EU social policy coordination under the EPSR, along with

legislation implementing the European Green Deal. EU political compromises on initiatives like REPowerEU (on energy supplies, energy prices and energy savings), the Social Climate Fund (on long-term co-financing of national measures) and the Council's recommendation on minimum income (January 2023) aim to counter energy poverty. Once in force, these measures will help alleviate energy poverty alongside national efforts to support vulnerable citizens.

In the medium term, how realistic is a new dimension of EU social policy coordination that differs from national protection of citizens against social risks? And will the EGD's promise of 'just transition' open up possibilities to extend Social Europe to social protection, which has long been an exclusive competence of EU member states? With EPSR implementation still in progress, including the objective to reduce poverty by 15 million in 2030 (European Commission, 2022a), there have been hopeful signs. Yet, the consequences of the war in Ukraine and inflation driven by higher energy prices are countering this objective. Research for the Commission shows that increased inflation has likely reinforced material and social deprivation, absolute poverty and energy poverty, widening existing social inequalities within the EU (Joint Research Centre, 2022).

Depending on the final adoption and implementation of the Fit for 55 package, including the Social Climate Fund (and ongoing discussions between EU institutions), a dimension in European social policy that firmly recognises energy poverty is likely to be strengthened, albeit via the backdoor of climate policy as we demonstrated. At the same time, as long as social policy remains an essentially national competence, member state efforts to support vulnerable citizens in 2023 and beyond are going to diverge, leading to differences in progress among countries. Yet, the road taken by the European Council towards more EU energy coordination on supply and prices should help them prevent the worst hardship (also in CEEC countries where energy poverty is currently highest), although it does not guarantee short-term progress in reducing energy poverty. Ultimately, many risks remain, as the war in Ukraine, at the time of writing, is ongoing, and as long as EU countries keep up (and possibly step up) their financial engagement to support Ukraine, economic prospects and national budgetary possibilities for anti-poverty measures are

uncertain. Our educated guess is that energy poverty will stay on EU institutional agendas, not least due to the energy crisis. It is in 'just transition' measures that EU soft governance instruments likely come into play as subsidiarity raises its head, and member states in the Council stress their competence in social policy.

Yet, not missing a good crisis, the Commission and the Parliament will keep pushing for more decisive action by member states and potentially make them re-discuss matters strongly considered as national competency. In this way, Kees' observation on continuing negotiations about subsidiarity (van Kersbergen and Verbeek, 2020) still holds. Subsidiarity remains an integral part of European governance on the rocky road to a decarbonized EU in 2050.

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## Chapter 20

### On how Brexit solidified support for the EU

Catherine E. de Vries

#### Introduction

On 23 June 2016, the British population voted to leave the EU. The decision sent shockwaves through the political establishment in London, Brussels and beyond. Immediately after the vote, the pound fell sharply, as uncertainty among investors about Britain's economic future started to grow, and political uncertainty started to capture Westminster. After the Brexit vote and the ensuing economic and political turmoil facing the United Kingdom (UK), experts pointed to a possible silver lining for the European integration process: Brexit could spark further integration among the remaining 27 member states (EU-27), especially in light of geopolitical tensions between Russia, China and the West. The decade before the Brexit vote, the European Union (EU) was characterized by political paralysis following the Eurozone crisis and rapid influx of Syrian refugees and other migrants in 2015, the EU's approach to Brexit, the aftermath of COVID-19, and the start of the War in Ukraine. The question thus is whether Brexit was a unifying moment for Europe.

I aim to shed light on this question by examining how Brexit has affected public opinion in EU-27. I do so by relying on the *eupinions* survey data that I have collected together with the Bertelsmann Foundation (de Vries and Hoffmann, 2016a, 2016b). The data allows me to track opinions about European integration within the EU-27 pre- and post-Brexit (de Vries, 2017, 2018; Walter, 2021; Jurado, León and Walter, 2022). Drawing on van Kersbergen's (2000, 2003; see also Crum in this volume) claim that political allegiance to the EU originates in the public's primary allegiance to the nation-state (see also de Vries and van Kersbergen, 2007), I argue that Brexit provides citizens in the EU-27 with information about how EU institutions improve their national political elites' ability to provide security and well-being. In other words, due to the political and economic costs associated with Brexit, at least in the immediate aftermath, citizens

in the EU-27 are able to benchmark the degree to which their national well-being and security are the result of their country being a member of the EU (de Vries, 2018).

This contribution documents three main findings.<sup>1</sup> First, support for EU membership was higher immediately after the Brexit vote than before. Although I cannot make causal claims about a 'Brexit effect' per se as the data is not based on a panel, these findings seem to suggest that as the uncertainty of leaving manifested itself, the status quo of membership started to look more favorable. Second, this increase in support for EU membership after Brexit is especially pronounced among those who think that Brexit will have negative consequences for the UK. Third, while support for remaining in the EU has increased after Brexit, this does not necessarily mean that people wish to see deeper political and economic integration in the future. Hence, the long-term effects of Brexit on public opinion in the EU-27 will remain a topical issue for students of European integration for years to come.

### **Double allegiance and Brexit**

There is a long and established literature on support for the EU (Hobolt and de Vries, 2016). Despite the breadth and scope of this literature, the question why people do or do not support EU institutions essentially boils down to a classic question why people support any type of political system in the first place (van Kersbergen 2000, 2003). Put differently, under what conditions and to what extent do publics (the ruled) accept and support decisions and actions by their governments (the rulers) that affect their well-being and security beyond their direct control? The social contract between ruled and rulers is in large part about benefits. Security and well-being are the major sources of benefits for national publics offered by a government, and citizens in return offer their support to political institutions. Van Kersbergen (2000, 2003) has introduced the term 'allegiance' to denote the relationship between rulers and the ruled. Allegiance is defined as the willingness of a national public to approve of and support its government's decisions in return for a more or less immediate and straightforward reward or benefit to which the public feels entitled based on its approval and support.

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1 Parts of this contribution are based on de Vries (2017).

Political allegiance to a supranational institution, like the EU, originates in the public's primary allegiance to the nation-state (de Vries and van Kersbergen 2007). Support for the EU constitutes a form of 'double allegiance', which can be defined as the extent to which supranational institutions allow national political elites to provide political, social, psychological and economic security and well-being (van Kersbergen 2000; see also Schumacher in this volume). Support for the EU tends to be low and fragile when people feel that membership hampers their national political elites' capacity to provide political, sociopsychological and socioeconomic security and well-being. In this case, the EU is seen as jeopardizing their interests and their sense of national identity, reinforcing feelings of socioeconomic, sociopsychological and political insecurity, which, in turn, corrode the 'double' allegiance on which EU support depends. The reverse relationship also holds. Support for the EU is high when people find that membership allows their national political elites to provide more political, sociopsychological and socioeconomic security and well-being.

Linking this reasoning to Brexit leads to the following question: How might Brexit affect double allegiance? Following the notion of double allegiance, public opinion about the EU is best understood in relative rather than absolute terms. It develops in close communication with people's evaluations of how well their nation-state is doing. Does the EU increase my country's ability to prosper? Will my country to do better on its own? Public opinion about the EU is thus a comparison of the benefits of current membership and those associated with non-membership (de Vries, 2018). While it is normally very difficult to benchmark how much EU membership helps national political elites provide political, sociopsychological and socioeconomic security and well-being, Brexit gave people information about the potential benefits of EU membership. When Brexit is associated with economic and political costs and uncertainty, it makes membership look more beneficial, and support for the EU should increase as a result, and vice versa.

### **The Brexit vote and public attitudes towards the EU**

Did uncertainty about the British position after the vote increase support for remaining in the EU in other member states? To exam-

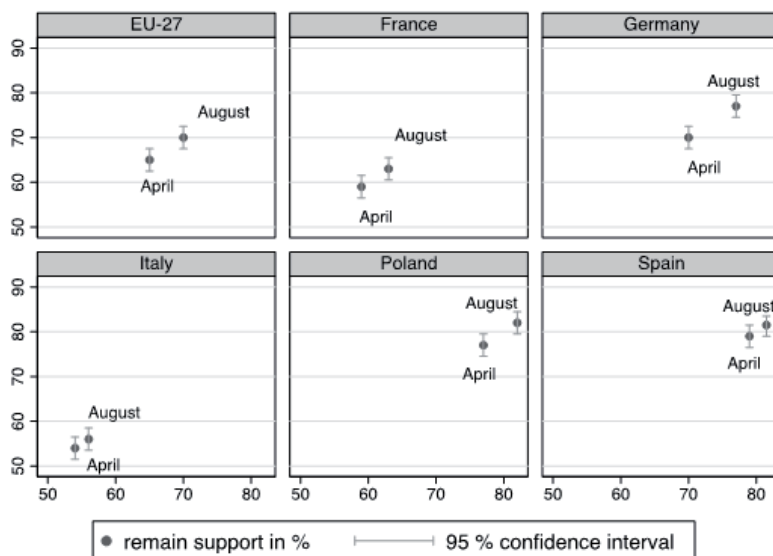
ine the extent to which the economic and political uncertainty that manifested itself immediately following the Brexit vote in newspaper reporting and public commentary affected public opinion about the EU, I rely on two waves of eupinions surveys (de Vries and Hoffmann, 2016a, 2016b). eupinions is a bi-annual survey of public sentiment towards the EU and national political systems in the EU as whole as well as in the six most populous member states (France, Great Britain<sup>2</sup>, Germany, Italy, Poland and Spain). In 2016, two waves of the eupinions survey were conducted, one before the Brexit vote in April and one in August. In both waves, we asked a little over 12,000 respondents whether they would vote ‘remain’ or ‘leave’ the EU if a membership referendum were held today. Since I am interested in support for remaining in the EU pre- and post-Brexit in the EU-27, Figure 1 displays the percentage of those intending to vote remain excluding Great Britain plus percentages in the five largest member states, namely France, Germany, Italy, Poland and Spain, where we conducted more in-depth studies. Note that I am not able to identify a Brexit effect causally, as the surveys are not fielded to a panel where the same group of people is asked the question twice. Thus, there is no way of ruling out that factors other than Brexit might have played a role. That said, the data is unique in the sense that I am able to gauge membership support in hypothetical membership referenda across the EU as a whole and within selected member states.

Figure 1 shows that overall support for remaining in the EU is slightly higher in August than in April of 2016. The increase is statistically significant for the EU-27 as well as Germany and Poland. The largest jump in support for remaining in the EU is recorded in Germany with 8%. Interestingly, Figure 1 shows that support for remaining in the EU is overall quite high at 70% or higher in the EU-27, Germany, Poland and Spain. In comparison, support is much lower in France and Italy. In Italy where support for remaining hovers between 50 and 55%, the EU, especially the euro, is a highly divisive issue. Especially the Five Star Movement has criticized what they call an inefficient European bureaucracy and heartless austeri-

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2 In the remainder of the contribution, I will refer to Great Britain rather than the United Kingdom. The public opinion data sources I use do not always include Northern Ireland, and to be consistent, I rely on data from Great Britain only.

**Figure 1: Comparing support for remaining in the EU before and after Brexit**

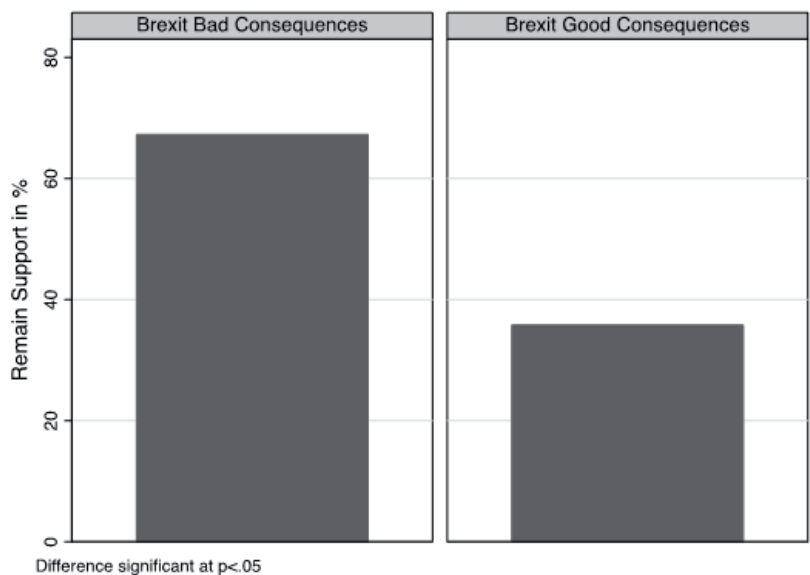


Note: The dots represent the percentage of people who would vote for their country to remain in the EU if a membership referendum were held today in the April and August waves of the eupinions survey with 95% confidence intervals.

ty during the Eurozone crisis by the so-called Troika (the European Union, the European Central Bank and the International Monetary Fund). Although a referendum on the EU or euro membership is unlikely given the Italian constitutional arrangements, these findings suggest that the outcome of such a vote would be highly uncertain. However, since 2016, public opinion about the EU has been much more positive in Italy.

The findings presented in Figure 1 provide some support for the idea that the uncertainty following Brexit might have lowered people's perceptions of how viable it would be for their country to be outside the EU and therefore increased support for membership. Figure 2 provides further support for this interpretation. It plots the support for remaining in the EU for two sets of people: those who think Brexit will have negative consequences for Britain (close to 70%), and those who think that it will have positive consequences (38%).

**Figure 2: Comparing support for remaining in the EU of those who think consequences of Brexit will be good or bad for Britain, EU-27**



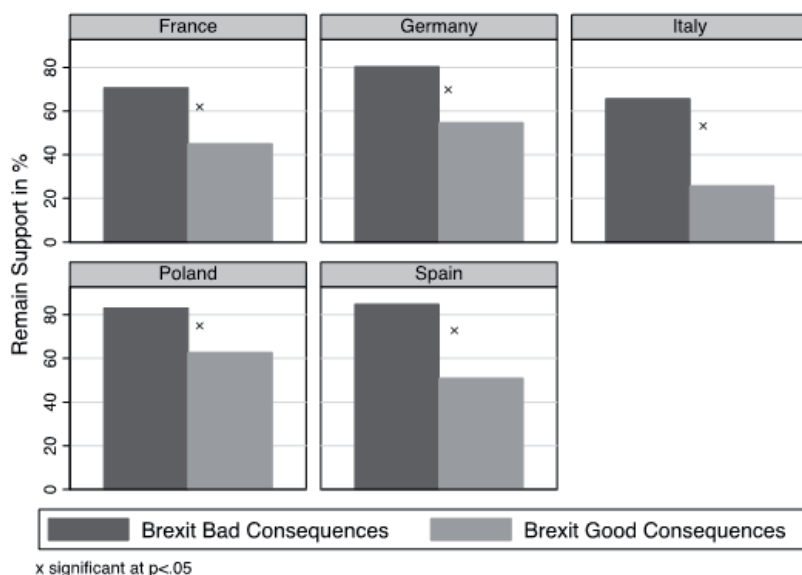
Note: The bars represent the percentage who would vote for their country to remain in the EU if a membership referendum were held today of those who think that the consequences of Brexit will be bad or good for Britain respectively based on the August wave of the eupinions survey. The difference in remain support between both groups is statistically significant at a  $p < .05$  level (two-tailed).

Figure 3 displays the same information split by the five largest EU member states. The figure shows the same pattern as in the EU-27 with highest remain support among those who think that Brexit will have negative consequences. The differences are most pronounced in Italy and Spain. They are still considerable and statistically significant in France, Germany and Poland but overall somewhat smaller.

Do these effects persist in a multivariate analysis when I control for a host of other variables like gender, education, age, residency, unemployment, subjective class perception as well as people’s views about the politicians and number of foreigners in their country?<sup>3</sup>

<sup>3</sup> Specifically, I use the questions ‘What is your view on the competence of politicians in your country?’ (‘not at all competent’ or ‘overall compe-

**Figure 3: Comparing support for remaining in the EU of those who think consequences of Brexit will be good or bad for Britain**

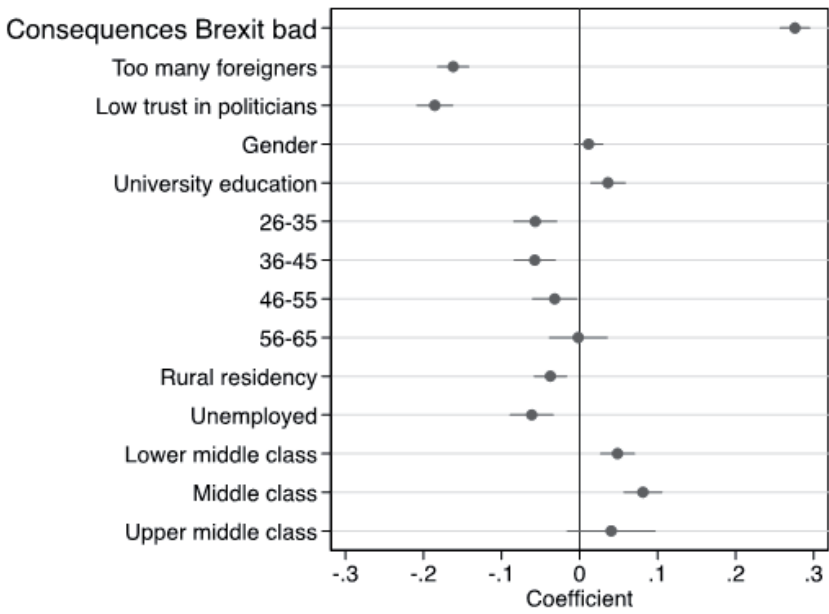


Note: The bars represent the percentage who would vote for their country to remain in the EU if a membership referendum were held today of those who think that the consequences of Brexit will be bad or good for Britain respectively based on the August wave of the eupinions survey. The crosses indicate that the difference in remain support between both groups are statistically significant at a  $p < .05$  level (two-tailed).

These controls at least in part tap into the economic interest, national identity and cues explanations outlined earlier. Figure 4 displays the coefficients of a linear probability model where vote intention in a hypothetical EU membership referendum is the dependent variable. All variables are dummy variables coded between 0 minimum value and 1 maximum value to ease comparison. In order for an effect to be statistically significant, the coefficient represented by the grey dot and the 95% confidence intervals represented by the grey line should not fall on or cross the black solid line at the zero point on the x-axis.

tent') and 'What is your view on the number of foreigners in your country? ('about right' or 'too many').

**Figure 4: Predicting support for remaining in the EU**



Note: The dots represent the coefficients of linear probability model where vote intention in a hypothetical EU membership referendum is the dependent variable. The lines represent the 95% confidence intervals. Country dummies were included in the analysis but are not shown here. The data is based on the August wave of the eupinions survey.

Figure 4 suggests that if people think that Brexit will have negative consequences for Britain, the likelihood of voting for remaining in the EU increases substantially. This effect remains statistically and substantially significant even if we control for other factors such as skills levels, age or people’s views about the politicians or number of foreigners in their country. In fact, the effect of people’s expectations about the consequences of Brexit is larger than any other factor included in the model. When it comes to the controls, we find that as people become more suspicious of politicians or the number of foreigners in their country, the likelihood of voting to remain decreases, while having a university education, being female or middle class increases it. Finally, being older, unemployed or living in a rural area decreases support for remaining. Interestingly, the factors that decrease or increase the likelihood of voting to remain among the



EU-27 are similar to those reported for voting behaviour in the Brexit referendum (Clarke, Goodwin and Whiteley, 2017; Hobolt, 2016).

### **Long-term effects of Brexit on public attitudes towards the EU**

Taken together, these findings suggest that the outcome of the Brexit vote and the subsequent political and economic uncertainty sent a powerful signal to people in the EU-27 about the potential costs and benefits of exit. The British decision to leave the EU provides people with more information about the benefits of EU membership for their national political elites' ability to secure economic, political and social well-being. The data presented thus far is from 2016 and suggests that Brexit largely set a negative precedent for leaving. Yet, how has public opinion in the EU-27 developed since then?

Table 1 below shows the development of attitudes towards the EU, support for remaining in the EU and for more political and economic integration, between the August 2016 and the December 2022 eupinions wave. Of course, many things have happened in the last six years, such as the COVID pandemic and the war in Ukraine, but these events are generally, like Brexit, associated with more support for the EU (de Vries, 2022). The table shows two important things. First, support for remaining in the EU has solidified since the aftermath of the Brexit referendum, i.e., it increased straight after Brexit, as demonstrated in the previous section, has remained high and even increased in Spain (by 7%) and Italy (by 12%). Second, while support for remaining in the EU solidified since Brexit, this did not necessarily translate into preferences for see deeper political and economic integration in Europe in the future. While only 53% of Europeans want more integration, this masks considerable cross-country variation. Support for more political and economic integration is high in Italy and Spain (68%) but low in the Netherlands (37%) and France (38%). In some countries, e.g., the Netherlands and Poland, support for more integration increased post-Brexit (6% and 10% respectively), while it decreased in Germany, France and Italy (by 7% and 3% respectively).

Table 1: Attitudes towards the EU, EU-27 between August 2016 and December 2022

	Remain in the EU			More political and economic integration		
	August 2016	December 2022	Difference	August 2016	December 2022	Difference
EU-27	70	74	4	51	53	3
France	63	69	6	41	38	-3
Germany	77	76	-1	57	50	-7
Italy	56	68	12	71	68	-3
Netherlands	63	63	0	31	37	6
Poland	82	86	4	46	56	10
Spain	79	86	7	67	68	1

## Concluding remarks

Although experts had already pointed out prior to the Brexit referendum that outcomes of EU referendums are notoriously hard to predict, the outcome of the vote was a shock for many. The polls leading up to the referendum predicted a small lead for the Remain side, but as the results of the referendum started pouring in from around the country, a different picture started to emerge. The polls got it wrong. 51.9% of the British people voted for their country to leave. The outcome of the vote is of historical importance. One of the six largest members of the EU in terms of population turned its back on Europe, demonstrating that exit is a possibility. This contribution suggests that by setting a precedent for exit, the Brexit vote is likely to cast a long shadow on public opinion about the EU in the remaining 27 member states.

The results presented here suggest that support for EU membership has increased after Brexit. Although I do not have panel data and therefore cannot rule out that other factors than Brexit were important in this change, these findings support the idea that the political and economic uncertainty immediately following the vote made EU membership look more favourable and the prospect of leaving less so. This supports the notion that Brexit provided people with information about the potential benefits of EU membership, thus increasing people's double allegiance to the EU. Second, the findings suggest that an increase in support for EU membership after Brexit is especially pronounced among those who think that Brexit will have negative consequences for the UK. This fits the interpretation that when Brexit is perceived as setting a bad precedent because of the negative political and economic consequences, support for remaining in the EU should increase in the other member states. It also underscores the notion that double allegiance drives support for the EU, i.e., people support the EU when they think that membership increases their national political elites' ability to secure economic, political and social security and well-being (de Vries and van Kersbergen, 2007). What is interesting, however, is that this increased allegiance does not necessarily translate into people preferring deeper political and economic integration in the future.

What could these results mean for the future of the EU? Two things seem important to highlight. First, they suggest that it will

be crucial for the EU-27 and the national governments to make sure that the British example does not set a positive precedent for leaving. So far, Brexit is seen by much of the European public as a mistake, but how will this develop in the future? When in the long term the UK is able to mitigate the economic and political fallout of Brexit, or the EU-27 seem to be worse off politically and economically, this might have grave consequences for the support for leaving the EU in other countries. The data suggests that Brexit has become a deterrent for leaving, at least until now, but the question is for how long.

Second, while support for remaining has solidified in the EU-27 since Brexit, this does not necessarily lead to an impetus for more European solutions. High support for remaining does not necessarily go hand in hand with support for further integrative steps. In addition, the deep structural problems that the EU faces are still there and fuel potential conflict between EU member states. Public opinion about the European project is very diverse (de Vries, 2018), in part because the Eurozone crisis, the COVID-19 pandemic and the energy crisis have exacerbated the structural imbalances. A rift in people's policy demands has emerged within the EU. Some sceptics, especially in the North-Western region, demand less intra-EU migration, while others, most notably Southern, Central and Eastern European member states, want further economic investment and employment programmes. It seems hard to come up with policy proposals that could satisfy both constituencies simultaneously, especially in the short run. These differences in opinion have not disappeared in the wake of the Next Generation EU response to the pandemic that crossed the Rubicon of debt mutualization in the EU. Given this heterogeneity in policy demands, a one-size-fits-all approach to Europeans weaknesses is likely to be unsuccessful. The EU will need to find a way to deal with this diversity, and relying on a boost in support for the EU following Brexit will not be not enough.

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