

Social expenditure and the Political Right: a methodological note

Francis G. CASTLES

Australian National University, Canberra, Australia

This note represents an attempt to bring up to date the analysis of the linkage between party politics and social expenditure which I began in my contribution to *The Impact of Parties* (Castles, 1982). The data examined there included series for the three major components of welfare spending – education, health and public income maintenance expenditure – for a period covering the early 1960s to the mid-1970s. This data-set, assembled by the OECD, was invaluable for disaggregating the main elements of welfare state spending (OECD, 1978), but did not extend far enough into the 1970s to assess the impact of the economic crisis induced by the 1973 oil shock. The conclusion that I arrived at on the basis of these data was that party politics was a major determinant of all components of welfare expenditure in this period and, specifically, that parties of the Right were a serious impediment to social expenditure development, whilst Social Democratic and Centre parties had a rather similar propensity to expand social provision at a time of perceived economic growth.

More recent contributions to the public policy literature have tended to gloss this conclusion by arguing that it is period specific both in respect of the general proposition that parties matter and in regard to my specific interpretation of the role of the political Right. On the basis of an analysis of social security expenditure in the period 1974–79 amongst other variables, Schmidt has concluded that ‘there is no clearcut relationship between the partisan complexion of government and . . . indicators of social and economic performance’ and ‘nor is there much evidence for the view that the size and unity of the ‘parties of the right’ produce clear-cut policy differences’ (Schmidt, 1983, p. 8). Jens Alber in a study covering nearly three decades supports the view that in the 1960s Centre-Right governments tended to increase social security spending markedly less than governments of the Left-centre, but suggests that in the 1970s this tendency disappeared and was, if anything, somewhat reversed (Alber, 1973, p. 169). Finally, Swank and Hicks, in an analysis of the determinants of cash transfer payments expansion, confirm the impact of rightist party control in the period 1960–73, but not for 1973–80, and argue specifically that ‘during the mid- and late 1970s, electoral and ideological factors had no impact upon the scope and direction of income transfer spending’ (Swank and Hicks, 1985). In other words, the general consensus of recent research is that what-

ever the impact of parties in general and of the Right in particular in the 1960s and early 1970s, such linkages are not to be found in the data for the post-oil shock economic crisis.

In this note I shall argue that such a conclusion is somewhat misleading and rests on two basic methodological errors: (1) the failure to consider *both* levels and changes in expenditure, and (2) the failure to attempt even the most minimal disaggregation of social expenditure data. To consider only changes, as do all three sources cited above, is an obvious error when the degree of change over a given period is quite marginal compared with initial levels. Under these circumstances, if the initial level was strongly determined by a structural or slow-changing variable such as the strength of the Right (the correlation between legislative strength of the Right, 1951–60 and 1975–81 is 0.95 – see Appendix below), it is highly probable that it will be strongly statistically related to it at the end of the period, even if change is itself unrelated to that structural variable. Moreover, my theoretical argument is premised on party differences in response to the prospect of an economic surplus, and I would not, therefore, expect such differences to be pronounced at a time of economic crisis. My hypothesis from *The Impact of Parties* would certainly be falsified if the linkage between party differences and the various components of social expenditure diminished appreciably under crisis conditions, but, as we shall see, the evidence concerning levels of expenditure does not support such a supposition.

Disaggregation is crucial because there is no reason to suppose that the major components of spending are determined by similar factors. My previous analysis has shown that in the early 1960s educational expenditure was already clearly inversely linked to the strength of the Right, but that the relationship with health spending was only moderate and with public income maintenance expenditure was quite negligible. But the mid-1970s, the strength of these relationships had all increased considerably and there were statistically significant inverse relationships between the various components of welfare and a variety of measures of right-wing strength. However, the level of explained variance attributable to the impact of the Right varied considerably: the R^2 for education and right-wing parliamentary seats was 0.44; for health it was 0.18 and for income maintenance expenditure 0.19 (see Castles, 1982, p. 63). For total welfare expenditure in the mid-1970s, the R^2 was 0.48. In other words, it matters quite a lot to one's assessment of the impact of parties which component or aggregation of social expenditure is used. In general, theoretical reflection (see Jones, 1985) and existing analysis (see Castles, 1982, p. 75) suggest that there is likely to be a stronger link between items of public consumption expenditure (goods and services purchased by the State) and party ideology than will probably be the case with income transfers. The former are likely to be favoured by reformist parties because they enhance the

reach of the State and to be regarded with anathema by the Right for just that reason. Education and health expenditure fall largely into the former category, whilst public income maintenance expenditure consists of the aggregate of income transfers.

Social expenditure before and during the economic crisis

The disaggregation of categories of social expenditure depends on the existence of a statistically reliable data-set and this now exists in the form of OECD data for education, health, pensions and total social expenditure for the period 1960–81 (OECD, 1985). In the Appendix to this article are reported the values for each of these categories at three time points, 1960, 1974 and 1981, thereby allowing contrasts between the earlier period of economic affluence (1960–74) and the later period of economic crisis (1975–81). In addition, the Appendix reports values of the single independent variable, the parliamentary strength of the Right, used in this exemplary rather than comprehensive analysis.

If we focus analysis on change over the two periods, there would appear to be little reason to demur from the accepted view that whilst the Right may have influenced some components of social expenditure in the earlier period, it ceased to do so from the onset of the oil shock.

But first glances at changes alone can be, as we have already argued, highly deceptive. Take, for instance, educational spending, which appears from

Table 1. Changes in social expenditure 1960–81 and strength of the Right.

Right-wing parliamentary seats	
Increase in Educational Expenditure	
1960–74	1974–81
0.02	–0.06
Increase in Health Expenditure	
1960–74	1974–81
–0.45	–0.24
Increase in Pensions Expenditure	
1960–74	1974–81
–0.72	–0.05
Increase in Total Social Expenditure	
1960–74	1974–81
–0.73	–0.23

Source: *Social Expenditure 1960–1990*.

See Appendix for raw values and operationalisation of independent variable.

Coefficients are Pearson's r .

Table 1 to show the least influence of rightist ideology. The reason for this seeming anomaly lies, surely, in the fact, readily ascertained by examining the degree of impact of the Right on *levels* of educational spending that already by 1960 the Right was a major determinant of educational outcomes and continued to be so throughout the period 1960–81. Table 2 reports the correlations between the parliamentary strength of the Right and levels of the major components and aggregate of social expenditure.

Reading Tables 1 and 2 together it becomes clearly apparent that, with the single exception of pensions expenditure in the latter period, the strength of the Right is a major determinant of all the major components and aggregate of social expenditure both in times of economic prosperity and economic crisis. Education, as already remarked, was already inversely linked to rightist strength and became progressively more so. Health provision in 1960 was unconnected with rightist strength (although there is some evidence of a relationship with Social Democratic parliamentary seats circa 1962, see Castles, 1982, p. 63), but became so by 1974 and stayed so until 1981. Total social expenditure manifests a picture almost identical to that of health: the development of a strong negative relationship with rightist strength in the period of economic affluence and its maintenance at a similar level thereafter. Only pensions, the single largest income transfer programme, departs from the basic pattern, insofar as the very considerable expansion of provision between 1960–74 in those countries in which the Right was least strong was not trans-

Table 2. Levels of social expenditure in 1960, 1974 and 1981 and strength of the Right.

Right-wing parliamentary seats			
Levels of Educational Expenditure			
	1960	1974	1981
	-0.53	-0.64	-0.68
Levels of Health Expenditure			
	1960	1974	1981
	0.03	-0.43	-0.48
Levels of Pension Expenditure			
	1960	1974	1981
	0.16	-0.18	-0.25
Levels of Total Social Expenditure			
	1960	1974	1981
	-0.20	-0.61	-0.69

Source: *Social Expenditure 1960–1990*

See Appendix for raw values and operationalisation of independent variable.

Coefficients are Pearson's *r*.

lated into a strong and lasting structural relationship between party politics and the extent of provision.¹

The main purpose of this note has not been substantive, which is why I have merely reported correlations with a single independent variable used for exemplary illustration. I leave to others the pleasure of working through the new OECD data-set in a more meticulous and detailed manner. My real objective was methodological: to show just how misleading analysis can be which fails to examine both levels and changes in policy outcomes and how necessary it is to disaggregate the components of social expenditure.

Note

1. Since pensions typically account for more than half of total income transfers, it is not surprising that Swank and Hicks looked in vain for a relationship between rightist strength and their preferred measure of welfare state outcomes in the period of economic crisis. But the atypicality of this component of social expenditure is precisely a reason for not preferring to use such a measure in isolation. Social security expenditure, used by both Schmidt and Alber, does manifest a strong relationship between rightist strength and levels of expenditure circa 1980. Using ILO data from the latest edition of *The Cost of Social Security* (1985), the correlation with right-wing parliamentary seats is no less than -0.69 .

Appendix A: Changes in social expenditure as percentage of GDP

Country	Education 1960-1974	Education 1974-1981	Health 1960-1974	Health 1974-1981	Pensions 1960-1974	Pensions 1974-1981	Total Social 1960-1974	Total Social 1974-1981
Australia	3.2	-0.2	1.8	0.6	1.1	1.2	6.3	2.3
Austria	1.1	0.7	0.7	1.1	1.9	2.3	4.4	5.4
Belgium	2.4	1.5	1.2	1.4	-	2.0	11.6	8.6
Canada	2.9	0.1	2.8	0.3	0.8	0.9	7.9	1.5
Denmark	4.0	-0.3	2.6	0.1	2.9	0.6	-	2.6
Finland	0.1	-0.5	2.2	0.8	3.5	2.0	6.4	4.1
France	3.7	-0.1	2.2	1.8	3.2	2.7	8.7	5.3
Germany	2.7	0.1	2.9	0.5	2.1	0.7	8.2	2.8
Ireland	2.7	1.2	3.0	2.2	1.3	1.3	9.2	7.5
Italy	0.9	1.8	2.6	0.2	3.5	4.1	7.2	5.1
Japan	0.7	0.3	2.4	1.0	0.6	2.7	4.7	4.8
Netherlands	2.5	-0.3	4.1	1.3	4.5	3.3	17.5	2.4
NZ	1.6	0.2	0.7	0.8	0.2	2.7	2.4	4.2
Norway	2.7	-0.4	3.0	0.6	5.0	0.1	13.4	2.0
Sweden	1.1	0.9	3.5	1.9	3.4	3.9	11.3	6.7
Switzerland	2.2	0.2	1.7	1.2	4.2	0.9	8.8	3.2
UK	2.4	-0.3	1.3	0.7	2.2	1.0	7.0	2.8
USA	2.3	-0.4	2.0	0.9	2.3	0.9	7.8	2.1

Source: Calculated from *Social Expenditure 1960-1990*.

Appendix B: Levels of social expenditure as percentage of GDP

Country	Educ 1960	Educ 1974	Educ 1981	Heal 1960	Heal 1974	Heal 1981	Pens 1960	Pens 1974	Pens 1981	Total ¹ 1960	Total 1974	Total 1981
Australia	2.8	6.0	5.8	2.4	4.2	4.8	3.4	4.5	5.7	10.2	16.5	18.8
Austria	2.0	3.1	3.8	2.9	3.6	4.7	9.6	11.5	13.8	17.9	22.3	27.7
Belgium	4.4	6.8	8.3	2.7	3.9	5.3	—	7.1	9.1	17.4	29.0	37.6 ⁴
Canada	3.0	5.9	6.0	2.4	5.2	5.5	2.8	3.6	4.5	12.1	20.0	21.5
Denmark	4.0 ⁵	8.0	7.7 ¹	3.2	5.8	5.9	4.6	7.5	8.1	—	30.7	33.3 ¹
Finland	6.6	6.7	6.2	2.2	4.4	5.2	3.3	6.8	8.8	15.4	21.8	25.9
France	2.1 ⁵	5.8 ²	5.7	2.5	4.7	6.5	5.9	9.1	11.8	15.5 ⁵	24.2 ²	29.5
Germany	2.4	5.1	5.2	3.1	6.0	6.5	9.8	11.9	12.6	20.5	28.7	31.5
Ireland	3.0	5.7	6.9	3.0	6.0	8.2	2.5	3.8	5.1	11.7	20.9	28.4
Italy	3.7	4.6	6.4	3.2	5.8	6.0	5.5	9.0	13.1	16.8	24.0	29.1
Japan	4.0	4.7	5.0	1.3	3.7	4.7	1.4	2.0	4.7	8.0	12.7	17.5
Netherlands	4.5	7.0	6.7	1.3	5.4	6.7	5.2	9.7	13.0	16.2	33.7	36.1
NZ	2.7	4.3	4.5	3.3	4.0	4.8	4.4	4.6	7.3	13.0	15.4	19.6
Norway	3.8	6.5	6.1	2.8	5.8	6.4	2.8	7.8	7.9	11.7	25.1	27.1
Sweden	4.6	5.7	6.6	3.4	6.9	8.8	4.4	7.8	11.7	15.4	26.7	33.4
Switzerland	3.1	5.3	5.5 ¹	2.5	4.2	5.4 ¹	2.3	6.5	7.4	8.0	16.8	20.0 ¹
UK	3.6	6.0	5.7	3.4	4.7	5.4	4.1	6.3	7.3	13.9	20.9	23.7
USA	3.6	5.9	5.5	1.3	3.3	4.2	4.2	6.5	7.4	10.9	18.7	20.8

Source: Calculated from Social Expenditure 1960-1990.

Notes: ¹ Data from Public Expenditure Trends, 1978.² 1979³ 1975⁴ Total Social Expenditure includes Education, Health, Pensions plus unemployment compensation, sickness, maternity, disablement and child benefits together with other social assistance and services.⁵ 1980⁵ Added education expenditure from Public Expenditure Trends, 1978.

Appendix C: Annual average right-wing parliamentary seats

Country	1951-60	1960-74	1975-81
Australia	58%	56%	65%
Austria	47	50	43
Belgium	11	17	16
Canada	35	38	37
Denmark	17	18	10
Finland	13	16	20
France	21	56	34
Germany	47	49	47
Ireland	30	35	33
Italy	47	43	42
Japan	50	60	52
Netherlands	10	12	17
NZ	56	53	55
Norway	18	19	24
Sweden	15	14	17
Switzerland	24	23	23
UK	53	49	47
USA	54	46	50

Classification of parties of Right as in Castles, 1982, p. 59 and definition as on pp. 58-60 (see also footnote 15).

References

- Alber, J. (1983). 'Some Causes of Social Security Expenditure Development in Western Europe 1949-1977' in Martin Loney *et al.*, (eds.), *Social Policy and Social Welfare*, Open University Press: Milton Keynes.
- Castles, F.G. (1982). 'The Impact of Parties on Public Expenditure' in F.G. Castles (ed.), *The Impact of Parties: Politics and Policies in Democratic Capitalist States*, London: Sage Publications.
- Jones, C. (1985). 'Types of Welfare Capitalism', *Government and Opposition*, Vol. 20, No. 3.
- OECD (1978). *Public Expenditure Trends*, Paris.
- OECD (1985). *Social Expenditure 1960-1990*, Paris.
- Schmidt, M. (1983). 'The Welfare State and the Economy in Periods of Economic Crisis', *European Journal of Political Research*, No. 1.
- Swank, D.H. & Hicks, A. (1985). 'The Determinants and Redistributive Impacts of Welfare State Spending in the Advanced Capitalist Democracies, 1960-1980' in N.J. Vig & S.E. Schier (eds.), *Political Economy in Western Democracies*, New York: Holmes & Meier.