Electoral rules, class coalitions and welfare state regimes, or how to explain Esping-Andersen with Stein Rokkan

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It has been recognized since the publication of Esping-Andersen’s *Three Worlds of Welfare Capitalism* that the advanced Western welfare state comes in—at least—three variants: as a Nordic social-democratic regime, a conservative regime on the European continent or as a liberal welfare state regime in the Anglo-Saxon countries. Why exactly welfare states fit into this three-regime typology remains controversial, however. This article presents an argument which provides the three-regime heuristic with a historical foundation. The argument combines insights into the importance of electoral rules for the representation of socio-economic interests (of the lower and middle classes) with insights about the different cleavage structures which left their imprint on the party systems of Western Europe. This article’s central claim is that a majoritarian electoral system leads to a residual-liberal welfare state, whereas in countries with proportional representation, either a red–green coalition between Social Democracy and agrarian parties (Scandinavia) or a red–black coalition between Social Democracy and Christian Democracy (on the European continent) was responsible for the build-up of the Nordic and continental welfare state, respectively.

**Keywords:** welfare state, political economy, religion, varieties of capitalism, democracy

**JEL classification:** H11 structure, scope and performance of government, P16 political economy

1. Introduction

What explains the emergence of different welfare state regimes? I suggest that we might find an answer to this question when analysing the political class coalitions behind the liberal/Anglo-Saxon, the Social Democratic/Nordic and the conservative/continental welfare state regimes (Esping-Andersen, 1990). I take my inspiration from a recent contribution to the literature which has—as I think
convincingly—argued that electoral rules [basically proportional representation (PR) versus plurality] have played a decisive role in the formation of political class coalitions in Western democracies (Iversen and Soskice, 2006). The main aim of my article is to demonstrate that in post-war Europe, within the world of PR electoral systems, two distinct types of party coalitions have emerged and can explain differences in the formation and institutional setup of European welfare state regimes: a ‘red–green’ coalition in the Nordic countries between Social Democratic and agrarian parties, and a ‘red–black’ coalition between Social and Christian Democracy on the European continent, whereas the liberal welfare state in the UK and the U.S. is associated with the majoritarian electoral system and the two-party competition between a centre-right and centre-left party to which it gives rise.

The different political class coalitions behind the Nordic and the continental welfare states point to differences in the cleavage structure between Europe’s north and the continent and to the concomitant differences in the Nordic and continental party systems: besides the basic left–right, labour–capital conflict present in all developed nations, we observe an urban–rural cleavage in the north, ‘particized’ (Stoll, forthcoming) by agrarian parties, and a strong state–church cleavage in the continental countries, particized by parties of religious defence, i.e. Christian Democracy. These differences, in turn, relate to the absence of a religious cleavage in the homogenously Protestant north, in which Lutheran state churches did not feel existentially threatened when the expanding nation state invaded into territory for which the church formerly had claimed exclusive responsibility—in particular, schooling and social welfare (Manow, 2002; Kersbergen and Manow, 2008). This was, of course, very different on the continent, where the nation-state and the Catholic Church waged bitter conflicts in these domains in the last quarter of the nineteenth century and the first quarter of the twentieth. On the other hand, the Scandinavian countries entered the era of mass democratization at an early stage of industrialization, and agrarian interests still played a major economic and, subsequently, a political role as well in those societies.

The article is structured as follows: Section 2 gives a brief review of the debate about the different cross-class coalitions in welfare state formation and growth. In Section 3, I will then highlight the critical difference between the Nordic and the continental party systems: the presence (absence) of agrarian parties in Scandinavia (continental Europe) and the absence (presence) of parties of religious defence in the North (on the continent). I will also briefly sketch some of the welfare state consequences of these different party constellations. Section 4 provides an empirical test of the argument demonstrating the effects which different party families had on welfare state development during the post-war era, from the sixties to the late nineties. Section 5 concludes with a brief discussion of the main implications of my argument.
2. Welfare regimes and political class coalitions

For a long time, differences in welfare state generosity have been explained through cross-country differences in working-class strength. The dominant ‘power resources’ approach in the comparative welfare state literature has argued that the welfare state was a project of ‘the left’, of social democratic parties and unions. Where the left was strong, the welfare state became generous and encompassing; where the left was weak, the welfare state remained residual (see, for a recent summary and defence of this approach, Korpi, 2006). Yet, social democracy only very rarely was able to achieve an electoral majority on its own (Przeworski and Sprague, 1986). The left almost always remained dependent on partners who would join them in their political struggle for more social justice and equality, for workers’ better living conditions, and for the decommodification of labour.

Esping-Andersen, in his seminal contribution to the comparative welfare state literature, therefore contends: ‘the history of political class coalitions [is] the most decisive cause of welfare state variations’ (Esping-Andersen, 1990, p. 1). In the first chapter of his book *Three Worlds of Welfare Capitalism*, Esping-Andersen sets out to provide us with a stylized history of how these political-class coalitions came about. He emphasizes three elements of such an account: the ‘nature of class mobilization (especially of the working class); class political coalition structures; and the historical legacy of regime institutionalization’ (Esping-Andersen, 1990, p. 29). With respect to the first element, the mobilization of the working class, he is quick to add that working-class strength itself does not help explain much of welfare state development: ‘It is a historical fact that welfare state construction has depended on political coalition-building. The structure of class coalitions is much more decisive than are the power resources of any single class’ (p. 30). He then goes on to stress the importance of the pro-welfare state support coalition between Social Democracy and agrarian parties in the Nordic countries, a coalition which was expanded after World War II to include the middle class. Esping-Andersen explains the specific success of Swedish social democracy in building a generous welfare state with its success in broadening political support for a new kind of welfare state that ‘provided benefits tailored to the tastes and expectations of the middle classes’ (p. 31). Without pointing out possible causes, Esping-Andersen goes on to state that in Anglo-Saxon countries, ‘the new middle classes were not wooed from the market to the state’ and that these countries therefore ‘retained the residual welfare state model’ (p. 31). ‘In class terms, the consequence is dualism. The welfare state caters essentially to the working class and the poor. Private insurance and occupational fringe benefits

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1The Swedish SAP and the Austrian Social Democrats were able to obtain more than 50% of the votes in a single post-war election.
cater to the middle classes’ (p. 31). The continental welfare states, finally, also depended on the support of the middle classes, but due to—again not particularly well explained—‘historical reasons’ (ibid.), the outcome was different. ‘Developed by conservative political forces, these regimes institutionalized a middle-class loyalty to the preservation of both occupationally segregated social-insurance programs and, ultimately, to the political forces that brought them into being’ (Esping-Andersen, 1990, pp. 31–32).

As valuable as the distinction between the three regimes has proved to be for the comparative welfare state literature and as critical as the emphasis on the importance of ‘political class coalitions’ for our understanding of the emergence of different welfare state regimes is, Esping-Andersen’s historical sketch does not provide us with an explanation as to why these groups of countries followed such different institutional trajectories of welfare state development. His account rather ‘comes across as a post-hoc description’ (Iversen, 2006, p. 609), in particular since Esping-Andersen provides no systematic reasons as to why some welfare states were able to include the middle class while others apparently failed to do so.

In a recent paper, Iversen and Soskice (2006) offer us just such an explanation for the emergence of different political class coalitions, the explanation which Esping-Andersen’s narrative lacks. Iversen and Soskice start from the basic observation that in multi-party systems, the left is in power more often, whereas the right more often governs in two-party systems. Why is this so?

At the risk of oversimplification, the Iversen/Soskice argument may be summarized as follows. Iversen and Soskice start from very simple assumptions. Their model comprises three classes—the lower, middle and upper classes—along with a system of (non-regressive) taxation and two possible electoral rules, PR or plurality. Majoritarian electoral rules lead to a two-party system with a centre-right and a centre-left party. The upper class votes right, the lower class votes left, but how does the middle class vote? If the left governs, the middle class has to fear that a left government will tax both the upper and the middle classes for the exclusive benefit of the lower class. If a right party governs, redistribution will be marginal, and the middle and upper classes hardly will be taxed. Therefore, in a two-party system, the middle class has the choice between being taxed while receiving no benefits, or not being taxed while receiving no benefits. Obviously, it would prefer then not to be taxed; subsequently, the middle class more often than not votes for the centre-right.

Under PR, i.e. in a multi-party system, the middle class’s choice seems to be different. Now, a genuine middle-class party can form a coalition with a left party and both can agree and credibly commit to taxing the rich and sharing the revenue. The left will be in government more often in coalitions with middle-class parties, and redistribution will be more extensive. As in Esping-Andersen’s sketch of different welfare state coalitions, Iversen and Soskice develop a
class-coalitional approach, but they identify a much clearer mechanism behind the formation of different class coalitions that either exclude or include the middle class. The authors stress electoral rules as the most important mechanism, electoral rules that lead either to a multi-party system, longer periods of left parties in government and a generous welfare state; or to a two-party system, longer spells of right parties’ government participation and a residual welfare state. In essence, Iversen and Soskice provide us with a highly elegant explanation for the fact that the left more often governs in countries with PR systems (and it is here that the welfare state tends to be bigger and more redistributive), whereas the right more often governs in countries with majoritarian electoral rules—countries in which the welfare state tends to be less generous and more residual (Table 1; Iversen and Soskice, 2006, p. 166).

Yet, ever since Esping-Andersen’s seminal contribution to the comparative welfare state research literature, we have also known that the level of spending per se is not what should interest us most, but rather the profound differences in the institutional setup between the Western welfare states and the varying socioeconomic consequences of their institutional differences. It seems as if Iversen and Soskice, with their distinction between generous and residual welfare states (and the corresponding distinction between PR and plurality rule), focus on levels of spending only, ignoring the profound differences in the way spending is organized and targeted in the advanced political economies. This motivates the question as to whether we can combine the class-coalition model of Iversen and Soskice with the three regimes approach of Esping-Andersen. I claim that we indeed can link them, but only if we take into account the importance of societal cleavage structures, prominent among them the religious cleavage. It is to these cleavages and their political manifestation in the Western European party systems that I would like to turn now.

**Table 1** Electoral systems and the number of years with left and right governments, 1945–1998

<table>
<thead>
<tr>
<th>Electoral system</th>
<th>Government partisanship</th>
<th>Proportion of right governments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Left</td>
<td>Right</td>
</tr>
<tr>
<td>Proportional</td>
<td>342 (8)</td>
<td>120 (1)</td>
</tr>
<tr>
<td>Majoritarian</td>
<td>86 (0)</td>
<td>256 (8)</td>
</tr>
</tbody>
</table>

Source: Iversen and Soskice (2006, p. 166, Table 1).

Notes: The numbers in parentheses indicate the number of countries that have an overweight (more than 50%) of centre-left or centre-right governments during the 1945–1998 period. Whether ‘years in government’ is a good measurement for the effects of electoral rules remains an open question. Since one of the effects of PR in Scandinavia is the frequent occurrence of minority governments, the measure might underestimate the importance of informal party coalitions between left and centre parties. Therefore, vote shares should also be considered when assessing the potential for policy influence of different parties (see also Tables 2 and 3).
3. Cleavage structures, party systems and worlds of welfare: ‘a Rokkanian amendment’

The basic distinction between two-party systems and multi-party systems, between majoritarian and PR electoral rules, which Iversen and Soskice have introduced so elegantly into the comparative welfare state literature, is also the starting point of my extension of their argument. With respect to majoritarian electoral systems, I entirely accept their account: majoritarian electoral rules lead to a two-party system (Neto and Cox, 1997). Confronted with the choice between a centre-left and a centre-right party, the middle class more often votes right than left, fearing that a left government will exclusively cater to the interests of the lower classes. In such a two-party system, there is mainly one societal cleavage present, namely the one dominant in all advanced industrial countries, the left–right or labour–capital cleavage. All other cleavages are absorbed, latent or ‘incorporated’ into this basic cleavage.² This can be exemplified with the fierce conflict between the Anglican High Church and the Protestant dissent in Britain in the last quarter of the nineteenth century regarding the dis-establishment of the Anglican Church. This was the virulent conflict line between the Tories and the Liberal Party (Parry, 1986), but it quickly receded into the background once the Labour Party crowded out the Liberal Party in the last decade of the nineteenth century and the first two decades of the twentieth century. The religious dissent then lost its own strong political representation in the party system and became influential within the two important parties, in particular within the Labour Party—where Nonconformism strongly influenced Labour’s social policy programme (Pelling, 1965; Catterall, 1993). Here the basic mechanism described by Iversen and Soskice applies: plurality leads to a two-party system with a centre-left and a centre-right party, other social cleavages than the basic socio-economic cleavage are absorbed, the middle class more often votes for conservative parties; the welfare state remains residual.

Under PR electoral rules, in contrast, a larger (effective) number of parties (Neto and Cox, 1997) represent more than the one dominant cleavage dimension in advanced industrialized countries, i.e. more than the conventional labour–capital cleavage. Which kind of additional cleavage is represented in the party system depends on the cleavage structure of the country in question. It is here that the distinction between the Nordic and the continental countries and their welfare states gains relevance. In the north of Europe, a religious cleavage did not become politicized and particized because in these homogenously Protestant

²The analysis of the impact of religion does not become irrelevant in this context, however, since it is of interest how the religious cleavage has played out itself within the dominant left–right divide. The role of Christian socialism and Nonconformism within the British Labour Party and the substantial influence of these currents on the social policy programme of Labour are examples.
countries, the ‘national revolution’ (Rokkan) did not give rise to a strong state–church conflict between the Nordic nation states and their Lutheran state churches. ‘All the Nordic countries belong to (and, indeed, collectively constitute) Europe’s sole mono-confessional Protestant region’ (Madeley, 2000, p. 29). The northern Protestant churches as Lutheran state churches, in contrast to the Catholic Church in continental and southern Europe, did not feel fundamentally challenged when the new nation-state started to invade into territory formerly under the exclusive rule of the church (Manow, 2002). In societies where ‘identification between church and state’ was almost ‘total’ (Gustafsson, 2003, p. 51), there was not much reason to protest against the nation state taking over responsibility in the welfare arena or in education.\(^3\) Anti-clericalism never became a strong political current in the Scandinavian countries (Laver and Hunt, 1992).

A cleavage that did become politicized and particized was the cleavage between agrarian and industrial interests. It is in Europe’s north where strong parties of agrarian defence emerged and where they received a substantial share of the votes over the entire post-war period. The Scandinavian countries entered the period of mass democratization with still considerable employment in agriculture. It was therefore in Scandinavia where agrarian parties formed and where they left their imprint on the party system, as a few basic numbers may easily demonstrate. The Finnish Agrarian Union (Malaisliitto), renamed Centre Party in 1965, won between 21 and 24\% of the vote in all elections held between 1945 and 1970. In the 1970s and 1980s, the Centre Party never received less than 17\% of the vote, and in the 1991 general elections, the agrarians even became the biggest party with almost 25\%, 3\% more than the social democrats (Caramani, 2000, pp. 275–289).

Less successful at the ballot box, but still with an impressive electoral record, was the Swedish agrarian party, the Bondeförbunet, renamed Centerpartiet in 1957. It received between 12 and 16\% of all votes in the 1950s and 1960s, and then even increased its vote share substantially in the 1970s, gaining up to 25\% and becoming the second largest party behind the social democrats. In the 1980s and 1990s, the agrarian party then lost much of its former strength. It had a vote share of about 15\% in the early 1980s, which went down to 5\% in the late 1990s. The Norwegian Bondepartiet (since 1961 called Senterpartiet), smaller than its Finnish or Swedish counterparts, received on average 9\% of all votes throughout the 1950s and 1960s, had a vote share of a little more than

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\(^3\)In fact, the notion of separate spheres for church and state was not very well developed: in Sweden, priests were civil servants; as late as 1858, anyone who converted to Catholicism could be exiled. It was only in the late 1920s that parishes had to give up their monopoly on education, and it was only in 1952 (!) that the Swedish state granted full religious freedom as a matter of law. ‘Nobody was henceforth forced to belong to the Church of Sweden against his or her own free will’ (Gustafsson, 2003, p. 55).
10% in the 1970s, and then fell back a bit and remained between 6 and 8% in subsequent elections (with the exception of the 1993 election, in which the agrarian party received 16.7% and became the third largest party in the Storting; Caramani, 2000, pp. 762–775).

In Denmark, the agrarian vote was first very much concentrated in the Liberal Party, the Venstre or ‘Agrarian Liberals’ (Johansen, 1986, p. 351), established in 1870 as ‘a derivation of the Bondevennerne, the peasants’ friends’ (Caramani, 2000, p. 204). However, it was not the Venstre, but an offshoot of the Venstre/Liberals, det Radikale Venstre, established in 1905, which became part of the Danish red–green pro-welfare coalition. Whereas the Liberals represented the interests of large farms and were opposing welfare state expansion, the radical liberals defended small-farm interests (Huber and Stephens, 2001, p. 141) created by a land reform in 1920. Over the entire post-war period, the radical liberals gained on average 7.3% of the vote, with particular electoral success in the late 1960s and early 1970s (with almost 15% in 1968). Over time, this party lost much of its agrarian affiliation, since small farms disappeared due to their lack of competitiveness. Like the other Nordic agrarian parties, the Radikale Venstre, in its search for new constituencies, discovered the urban middle classes and thereby helped to broaden the pro-welfare state coalition to include new social strata.

In sum, the distinguishing feature of the Scandinavian party systems is the strong role that agrarian parties have played in them. Over the entire post-war period from 1945 to 1999, agrarian parties in Finland, Norway, Sweden and Denmark gained on average 20.6, 13.9, 8.9 and 7.3% of the vote, respectively.4 No comparable figures can be found in any other European party system except in Switzerland, where the Schweizerische Bauern-, Gewerbe- und Bürgerpartei (since 1971 called the Schweizerische Volkspartei) gained more than 10% of the votes in each election in the post-war period (Caramani, 2004, p. 181).5 In all other European countries, ‘the urban–rural cleavage was incorporated into other party alignments—state–church and left–right in particular—and did not give rise to specific political parties’ (Caramani, 2004, p. 184). Given the strong position of the agrarian parties, it comes as no surprise that almost all accounts of the historical development of the Nordic welfare state stress the importance of red–green coalitions for the formation and the subsequent expansion of the welfare state in Norway, Sweden, Finland and Denmark (Olson, 1986, pp. 5, 75; Esping-Andersen, 1990, p. 30; Huber and Stephens, 2001, for Norway, see pp. 131, 132; for Finland, see pp. 134, 135, 138, cf. Kangas, 1992; for Denmark, 4The Venstre party earned, on average, 18.5% over the entire post-war period (Caramani, 2000).

5The Bauern-, Gewerbe- und Bürgerpartei, however, is much more regionally concentrated and much less nationally dispersed than the Nordic agrarian parties.
see Huber and Stephens, 2001, pp. 141, 142, cf. Nørgaard, 2000). The influence of the agrarian or centre parties was due to their pivotal position within the Scandinavian party systems. When not itself a part of the government coalition, centre parties often tolerated social democratic minority governments in Norway, Sweden and Denmark (Bergman, 2000; Narud and Strøm, 2000; Skjeveland, 2003). Social legislation depended on their consent and therefore was tailored also, but of course not exclusively, to their needs and interests.

In a way, one could say that the place occupied by agrarian parties in the north is occupied by Christian democratic parties on the continent. The German CDU, the Dutch CDA, the Austrian ÖVP, the Belgian CVP/PSC (Christelijke Volkspartij or Parti social-chrétien), the Italian Democrazia Cristiana and the Swiss Christlich-Demokratische Volkspartei are parties with their roots in political Catholicism. They are the offspring of the fierce state–church conflicts in the last quarter of the nineteenth and the first quarter of the twentieth century—in the Belgian case, offspring of the national independence movement of the Catholic southern provinces against the Protestant northern provinces of the Low Countries. In other words, in these countries (which all introduced PR no later than 1919), we also have a relatively high effective number of parties and, subsequently, more than one cleavage is represented in the party system. However, instead of the urban–rural cleavage which was prominent in the religiously homogenous Protestant north, here in the religiously mixed or homogenously Catholic countries (like Belgium, Austria and Italy), the state–church conflict is prominently represented in the party system in addition to the dominant left–right cleavage.

With respect to both vote shares and time in government, the Christian Democratic parties have been dominant (if not hegemonic like the Italian Democrazia Cristiana) in the continental countries. Since Christian Democratic parties combined the religious and large parts of the bourgeois vote, their electoral fate was better than that of the Nordic agrarian parties. Only counting the vote shares of the Catholic parties like the Österreichische Volkspartei, the Christlich-Demokratische Union, the Democrazia Cristiana, the Christen Demokratischer Appèl (and its former member parties like the Katholieke Volkspartij)\(^6\) and the Parti social-chrétien or Christelijke Volkspartij of Belgium and ignoring the Protestant parties in these countries for a moment, it becomes evident that Christian Democracy was much more successful than the agrarian parties in Scandinavia. On average, the Belgian PSC or CVP received 34.9% of the vote in all elections that took place between 1945 and 1999; the German Christlich-Demokratische

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\(^6\)Since the Anti-Revolutionary Party and the Christelijk-Historische Unie were part of the joint Christen Demokratisch Appèl, we can no longer speak of a purely Catholic party after 1975. Numbers from before 1975, however, refer to ‘purely’ Catholic parties, mainly the Katholieke Volkspartij.
Union received an average of 44.2% of the vote during this period; the Katholieke Volkspartij (and later the Appèl) received on average 28.6% of the vote in the same period; the Austrian Volkspartei received 41.5% and the Italian DC received 33.8% of the vote. And if we do not count the elections after the breakdown of the first Italian republic—that is, if we discard the elections after 1992—then this share rises even to 37.9%. The Swiss Christlich-Demokratische Volkspartei won about 20.9% of the vote. At the same time, parties of agrarian defence remained largely absent in continental Europe. The urban–rural cleavage dimension remained latent and was not politicized and particized in the continental welfare states.

To be clear, there have been and still are religious parties in the Nordic countries—the most important and most successful in terms of the percentage of votes being the Norwegian Kristelig Folkeparti, founded in 1933. (The Finnish Christian League, Suomen Kristillinen Liitto, was founded in 1958, the Swedish Kristen Demokratisk Samling in 1964 and the Danish Kristeligt Folkeparti in 1970.) There has also been at least one moderately successful agrarian party in continental Europe, namely the Swiss Bauern-, Gewerbe- and Bürgerpartei (see above). However, these parties remained marginal and did not exert any substantial influence on post-war welfare state development, either in Europe’s north or on the continent. As Caramani has stated in his seminal account of the historical formation of European party systems, the basic socio-economic left–right divide had an enormously homogenizing influence on European party systems: ‘Territorial structures of the vote in European party systems are very similar with regard to the liberal, conservative, social democratic, and – to a lesser extent – communist and green party families [...]. European party systems differ from each other because of the “deviating” patterns on the three dimensions for the defence of agrarian interests, the defence of regional specificities and religious differentiation – in particular that of Catholic populations in religiously mixed nations’ (Caramani, 2004, p. 191). This basic dimension of variation between the Nordic and the continental party systems becomes apparent once we compare the electoral fate and the varying record of government participation of agrarian parties and of parties of religious defence in Europe’s north and on the continent (Tables 2 and 3).

What this suggests is that the Nordic and the continental welfare states were indeed products of two different kinds of party coalitions, and that these party coalitions themselves relate back to differences in the underlying cleavage structures. The social democratic generous welfare states which we find in the Nordic countries are the result of a coalition between social democratic parties and parties of agrarian defence. On the European continent, in turn, we find welfare states that are the product of a coalition between Social and Christian Democracy; in some countries where the left has been divided into a socialist
Table 2  Average vote share of agrarian parties and parties of ‘religious defence’ in all post-war elections, 1945–1999 (11 Western European countries)

<table>
<thead>
<tr>
<th></th>
<th>Scandinavia(^a)</th>
<th>Continental Europe(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrarian parties</td>
<td>15.46</td>
<td>1.65</td>
</tr>
<tr>
<td>Parties of religious defence</td>
<td>2.98</td>
<td>30.13(^c)</td>
</tr>
<tr>
<td>Social Democracy</td>
<td>36.66</td>
<td>28.82(^d)</td>
</tr>
</tbody>
</table>

Source: Vote shares were calculated on the basis of Caramani (2000); parties are classified following the Comparative Manifesto Project (Budge et al., 2001).

Notes: \(^a\)Sweden (17), Norway (14), Denmark (22), Finland (15). \(^b\)The Netherlands (16), Belgium (17), Germany (14), France (14), Austria (16), Switzerland (13), Italy (14); number of elections in parentheses.  
\(^c\)34% without France; almost 35% if only Italy’s first republic is taken into account.  
\(^d\)32.72% if France and Italy are not taken into account.

Table 3  Average years in government for agrarian, social-democratic and Christian Democratic parties, 1945–1999 (11 Western European countries)

<table>
<thead>
<tr>
<th></th>
<th>Scandinavia(^a)</th>
<th>Continental Europe(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrarian parties</td>
<td>18.2(^c)</td>
<td>2.1</td>
</tr>
<tr>
<td>Parties of religious defence</td>
<td>6.4</td>
<td>43.5</td>
</tr>
<tr>
<td>Social Democracy</td>
<td>44.7</td>
<td>34.3</td>
</tr>
</tbody>
</table>

Source: Government participation was calculated on the basis of Woldendorp et al. (2000), the EJPR political data book and Taglarsson (http://www.kolumbus.fi/taglarsson).

Notes: \(^a\)^bCountries as given in Table 2.  
\(^c\)The Venstre has been coded as a liberal party, Det Radikale Venstre as an agrarian party; I have counted only one agrarian party per government, so, for instance, the Finnish Agrarian Union and the Swedish People’s Party, which are both classified as agrarian parties in the CMP, have been counted only once if they both were part of the government in Finland at the same time. I thank Holger Döring for invaluable assistance in data collection and data analysis.

and communist party with the latter banned from governmental power for most of the post-war period (as in Italy or France\(^7\)), the welfare state was a product of Christian Democratic hegemony rather than the result of a

\(^7\)France—at first sight—neither seems to fit the Iversen/Soskice hypothesis (as a country with a majoritarian electoral system that nonetheless developed a generous, redistributive welfare state) nor my extension of it (France lacks a Christian Democratic party, although the French state–church conflict was particularly intense; nonetheless, France has developed an almost ‘classical’ Bismarckian, conservative welfare state regime). However, closer inspection reveals that the important phase of French post-war welfare state building happened during the fourth Republic, under PR and with a strong Christian Democratic party, the Mouvement Republican Populaire (MRP), which proved to be a central influence for the French social policy up until the mid-1960s (for a detailed account of the French case, see Manow and Palier, 2008).
red–black coalition.\textsuperscript{8} Liberal, residual welfare states, however, are to be found in countries with a majoritarian electoral system in which only one political cleavage dimension is present (exemplary case: the UK).

I propose here, in other words, a Rokkanian extension of the Iversen and Soskice explanation for different welfare state class coalitions (Kersbergen and Manow, 2008), emphasizing the importance of societal cleavage structures for the emergence of different party systems which then allowed or did not allow for different political class coalitions. I claim that this extension enables us to explain which type of middle-class party has entered into a coalition with social democracy, an insight which will also allow us to explain the type of welfare state to which these party–political class coalitions have led. With this Rokkanian extension, I emphasize the importance of the party–political class coalitions in the post-WWII period for European welfare state development, since it was during this period that the mature welfare states of the West became differentiated, and it was in this period that stable coalition patterns within relatively stable party systems (under rather fixed electoral rules) emerged. While this is not meant to deny the importance of early welfare state legislation in the last quarter of the nineteenth and the first quarter of the twentieth century for the later institutional trajectories of the Western welfare state, and while I also do not want to ignore the influence of political Catholicism and of agrarian parties on social policy during the interwar period or the early instances of red–green coalitions in the 1920s and 1930s, I contend that the process of institutional differentiation of the three regime types happened only in the post-war period. It is in this context that the emergence of distinct party coalitions representing different political class coalitions became crucial for European welfare state development.

What is important in this context is (i) the absence of a strong religious cleavage in the Scandinavian countries (due to religious homogeneity plus the very close relation between the nation-state and the Lutheran state churches) and (ii) the fact that the urban–rural cleavage itself, which was particized in Scandinavia, was largely a socio-economic cleavage. Put differently, the strong state–church conflict on the European continent, along with the Christian Democratic parties of religious defence which have been its heritage, introduced the representation of a clearly non-economic cleavage into the party systems of

\textsuperscript{8}This, in itself, must be largely explained with reference to the religious cleavage. In particular, in those countries in which the Catholic Church remained very close to the old, anti-democratic system, radical anti-clericalism emerged as an influential political current. The fierce conflict between the Catholic Church and the republican left was a precondition for the radicalization of the left and for the emergence of communist parties (which then weakened the left in the post-war era). And the fierce confrontation between the right and the radical left was primarily a confrontation over religious issues, not one of class politics.
continental Europe. The advent of agrarian parties in the party systems of Scandinavia, in contrast, reflects specific economic interests in these late industrializing countries with a strong employment share of the primary sector during the era of mass democratization. In the terms of the Rokkan/Lipset cleavage theory: whereas the conflict between workers and owners caused by the Industrial Revolution proved to be ‘more uniformly divisive’ for all European party systems, these party systems differ between the Nordic and the continental countries in that the industrial revolution gave birth to parties reflecting the conflict between the primary and secondary sector in Scandinavia, whereas the national revolution gave birth to—predominantly—Christian Democratic parties on the continent reflecting the conflict between the Catholic church and the emerging nation-state (Bartolini and Mair, 1990, pp. 55–67; Ferrera, 2005, pp. 16–28; Figure 1). I contend that this goes a long way in explaining how each kind of welfare state addressed economic issues, in particular issues of sectoral change.

How have different party coalitions politically ‘produced’ different welfare regimes? This is not the place to go into much historical detail, but the reasons for some systematic regime differences are evident: agrarian parties in the North, for instance, were against the income differentiated social benefits which Social Democrats favoured (Johansen, 1986; Olson, 1986). They preferred more universalist, flat-rate benefits. Many small landholders could not look back at long histories of steady income and therefore feared that they would actually be unable to benefit from welfare entitlements which were financed with contribution-related benefit levels (Baldwin, 1990, pp. 55–94). Instead, agrarian parties were in favour of financing the welfare state through (indirect) taxation because this promised to shift ‘the expense of meeting risk from the most

![Figure 1](image-url)  
Figure 1 Cleavage structures and welfare states.
progressively assessed levies of the day – the direct land taxes they [the agrarians] paid to underwrite the poor-relief system – to the consumption habits of their urban political opponents’ (Baldwin, 1990, p. 64; see also Luebbert, 1991, pp. 267–268; Nørgaard, 2000). Christian democratic parties, on the other hand, which mobilized workers as did their social democratic counterparts, had no reason to object to differentiated contributions and entitlements. Quite on the contrary, since contributions limit redistribution, they offered a compromise between middle-class and lower-class interests, both represented in Christian Democratic parties. Other important differences concern the integration of the churches into the continental welfare states in the provision of social services (hospitals, old-age homes, kindergartens, etc.) when compared with state provision of these services in the Nordic countries.

Red–green coalitions had already formed in the interwar period and foreshadowed the post-war pro-welfare compromises between Social Democrats and agrarian parties in the Scandinavian countries. A good example of the nature of the deals struck between workers and peasants is the Danish Kanslergade agreement of 1933 between the Social Democrats, the Agrarian Liberals and the peasant organizations, which combined protectionism with state subsidies for farmers and active labour market policies (Luebbert, 1991, p. 268). Similar agreements were reached in Norway and in Sweden in 1935 and 1933, respectively (ibid.). After the war, Social Democrats in the formative period of Scandinavian welfare state development were able to build upon this political-institutional heritage, often with explicit, sometimes with tacit support from agrarian parties. In continental Europe, Christian Democrats built the welfare state in close cooperation with Social Democrats in countries like Germany, the Netherlands, Belgium and Austria, or, conversely, largely on their own in those countries in which the left was weak due to an internal fragmentation between a reformist social democratic and a radical communist wing of the worker movement (as in Italy and France; see Footnotes 9 and 10). Although some of the political coalitions that came to form the mature Western welfare states of the second half of the twentieth century date back to the interwar period, I contend that the most important period for welfare state formation and growth were the decades after WW II in which Social Democrats, Christian Democrats and agrarian parties built encompassing systems of social protection.

My argument has several implications, but in the following section, I will focus only on one of them, namely the implication for the question as to how to measure a political party’s influence on welfare state development. I argue that prominent empirical studies in the field should be recognized as having ‘omitted variable bias’ because they have neglected the importance of agrarian parties and have not adequately accounted for the (frequent) occurrence of
minority governments. Yet, accounting in our econometric specifications for both—the role of agrarian parties and of minority governments—will significantly alter previous findings, as I will show in the following section.

4. **How to tell which parties mattered for the development of the post-war welfare state?**

One of the more sophisticated contributions to the discussion of how one should measure partisan effects on welfare state development can be found in Huber and Stephens’s excellent study ‘Crisis and Development of the Welfare State’ (2001; but see also Franzese, 2002). After a lengthy discussion of various ways of accounting for party influence, Huber and Stephens argue in favour of a cumulative cabinet share-index which measures cumulative years in government per party (type) weighted for every year with the party’s parliamentary strength. This parliamentary strength in turn is measured as the ratio between the party’s parliamentary seats and the total number of parliamentary seats of all governing parties (Huber and Stephens, 2001, p. 53). Huber and Stephens argue: ‘it is clear that one would not hypothesize that it was only the partisan cabinet share the year before or the average of the previous few years that should determine the level of expenditures or employment in a given year, but the rather the cumulative cabinet share over a long period of time’ (Huber and Stephens, 2001, p. 61). In particular, the authors claim that their measure accounts for the long-term shifts in societal power relations caused by longer periods of either conservative or left rule via mechanisms like policy ratchet effects, adaptive preference formation of those whose interests are not represented in government or via ‘ideological hegemony’ (Huber and Stephens, 2001, pp. 28–31).

After measuring the cumulative cabinet share of certain types of parties (e.g. Social Democracy or Christian Democracy), Huber and Stephens come to the central conclusion of their study:

> *the dominant political coloring* of the incumbent government – social democratic, Christian democratic, or secular center right – over the three or four decades after the war is the most important determinant of the kind of welfare state that a given country had in the early 1980s; its generosity, the structure of its transfer payments, and the type and volume of services it offered. (Huber and Stephens, 2001, p. 1, emphasis added)

This, however, appears to be a controversial finding. Given the predominance of coalition governments (due to PR) in those Nordic and continental countries which have built generous welfare states in the post-war era, and given the necessity of forging broader welfare state coalitions between the working and middle classes, it is hard to see how ‘the dominant political coloring’ of a government alone should
have been the most important determinant for welfare state development. In particular, in the light of the importance that almost all accounts of Scandinavian welfare state development have ascribed to agrarian parties (Olson, 1986, pp. 5, 75; Esping-Andersen, 1990, p. 30; Huber and Stephens, 2001, for Norway, see pp. 131, 132, for Finland pp. 134, 135, 138, for Denmark pp. 141, 142), omitting them from econometric analysis is hard to justify. We therefore must not restrict the analysis to the major party families of Social Democracy, Christian Democracy and the secular right, but rather should include agrarian parties in our analysis.

This leads to my next point. The Huber/Stephens measure, which counts parliamentary seat shares of governing parties, tends to substantially overestimate the impact of Social Democracy, since it does not account for minority governments. Minority governments have been in power much more frequently in Scandinavia than elsewhere (Strøm, 1984). Among Scandinavian minority governments, those led by Social Democrats dominate, many of them tolerated by agrarian parties. This has been true especially for the early formative period of welfare state building, in the 1950s and the 1960s. For instance, in Denmark, the Social Liberals (det Radikale Venstre) tolerated Social Democratic governments until 1968, when not taking part in government directly. In Sweden, the agrarians tolerated Social Democratic minority governments at least until 1960 (after which the communist party often provided the seats that were needed for a parliamentary majority). In the case of a Social Democratic minority government, Huber and Stephens code the policy impact of Social Democracy as 1. However, it is hard to believe that a Social democratic minority government tolerated by an agrarian party would have been able to enact social policies without any consideration of agrarian interests.

But what happens if we do account for the impact of agrarian parties and for the influence of those parties tolerating a government but not participating in it? In order to provide an answer to this question while at the same time seeing to it that my results can be compared with previous studies, I follow the design of Huber and Stephens as closely as possible (Huber and Stephens, 2001), basing my analysis on their Comparative Welfare State Dataset and applying their

9Strøm has calculated that their share of all governments for the period 1945–1982 was 87% in Denmark, 30% in Finland, and 56 and 53% in Norway and Sweden, respectively (on average for all four Scandinavian countries 57%), whereas this number is only about 30% for the other 11 countries in his 15-country sample.

10"In the period from 1953 to 1964 […] the Social Liberal Party […] was always considered the median centre party […] which would have to switch sides for a non-socialist government to form'. Yet, the Social Liberals ‘arguably wanted to continue the social-liberal cooperation from the 1930s with the Social Democratic Party… It consistently chose to point to the Social Democrats who then formed government’ (Skjæveland, 2003, p. 73). The same holds true for Sweden, at least until 1960.
econometric model. In only two respects do I deviate from their design: (i) I include cumulative cabinet shares for agrarian parties; and (ii) I count tolerating parties among those in government and therefore re-calculate seat shares for minority governments. The empirical analysis undertaken here does not have the ambition of identifying the major determinants of post-war welfare state development in the OECD world. I therefore leave aside questions concerning the adequacy of the choice of the dependent and independent variables in the Huber/Stephens model. My aim is a much more limited one. The following analysis simply intends to substantiate the point that agrarian parties were important for welfare state development, that they therefore should be included in our analyses and that their inclusion weakens the influence of the Social Democratic cumulative cabinet share coefficient.

Table 4 reports the results of a pooled analysis that follows in its econometric design Huber and Stephens (2001), i.e. I report panel-corrected standard errors and include a correction for first-order autocorrelation. Owing to the limited availability of data, I analyse 12 countries over the period from 1960 to 2000 (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden and the UK). I include all the variables from the Huber/Stephens study11 and apply the authors’ transformations (in particular, cumulative averages for Strikes, %Aged, Voter turnout and Female labour force participation, the interaction of the centred variables for Left and Female labour force participation; Huber and Stephens, 2001, pp. 50–57). Just like Huber and Stephens, I also report results for three different independent variables, Government expenditure, Government revenue and Social security transfers (all as percentages of GDP; Huber and Stephens, p. 52 and Table 3.3, pp. 72–73). I also closely follow the original study in reporting one additional regression specification for each dependent variable, with the lagged dependent variable (lag time five years) included as an independent variable (Huber and Stephens, 2001, p. 60; Table 3).

Table 4 reports a strong and stable positive impact of agrarian parties on welfare state development in post-war Europe. This finding is robust over various model specifications; in particular, the coefficient for agrarian parties remains significant with the inclusion of a lagged dependent variable. I could find no evidence for structural breaks in the data. Table 4 therefore provides strong empirical support for the contention that the failure to include a

11Namely, Left cabinet share, Christian Democratic cabinet share, constitutional structure, female labour force participation, Left*female (interaction term between Social Democratic governance and female labour force participation), voter turnout, share of those older than 65 as a percentage of the total population, strikes, authoritarian legacy, GDP per capita, consumer price index, unemployment, military spending, foreign direct investment and trade openness.
### Table 4  Regressions of government expenditure, revenue and social security transfers, 1960–2000

<table>
<thead>
<tr>
<th></th>
<th>Government expenditure</th>
<th>Government revenue</th>
<th>Social security transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable, lagged (5 years)</td>
<td>0.257 (0.000)***</td>
<td>0.410 (0.000)***</td>
<td>0.301 (0.000)***</td>
</tr>
<tr>
<td>Social Democracy</td>
<td>0.328 (0.005)***</td>
<td>0.263 (0.004)***</td>
<td>0.378 (0.000)***</td>
</tr>
<tr>
<td>Christian Democracy</td>
<td>0.385 (0.009)***</td>
<td>0.212 (0.078)*</td>
<td>0.065 (0.598)</td>
</tr>
<tr>
<td>Agrarian parties</td>
<td>0.646 (0.004)***</td>
<td>0.343 (0.043)**</td>
<td>0.691 (0.002)***</td>
</tr>
<tr>
<td>Constitutional structure</td>
<td>−1.582 (0.003)***</td>
<td>−1.246 (0.005)***</td>
<td>0.348 (0.428)</td>
</tr>
<tr>
<td>Female labour force participation</td>
<td>0.115 (0.578)</td>
<td>0.156 (0.338)</td>
<td>−0.248 (0.184)</td>
</tr>
<tr>
<td>Left*female</td>
<td>0.046 (0.314)</td>
<td>−0.008 (0.838)</td>
<td>0.011 (0.776)</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>0.217 (0.203)</td>
<td>0.312 (0.011)**</td>
<td>0.137 (0.295)</td>
</tr>
<tr>
<td>%Aged</td>
<td>194.119 (0.005)***</td>
<td>73.423 (0.120)</td>
<td>104.093 (0.125)</td>
</tr>
<tr>
<td>Strikes</td>
<td>−0.784 (0.182)</td>
<td>−1.496 (0.015)**</td>
<td>−0.942 (0.069)*</td>
</tr>
<tr>
<td>Authoritarian legacy</td>
<td>−0.240 (0.853)</td>
<td>−0.004 (0.997)</td>
<td>−1.033 (0.299)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>−0.000 (0.146)</td>
<td>−0.000 (0.717)</td>
<td>0.000 (0.329)</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>0.020 (0.705)</td>
<td>0.032 (0.605)</td>
<td>0.059 (0.132)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.842 (0.000)***</td>
<td>0.932 (0.000)***</td>
<td>0.286 (0.003)***</td>
</tr>
<tr>
<td>Military spending</td>
<td>1.421 (0.007)***</td>
<td>1.880 (0.000)***</td>
<td>0.387 (0.362)</td>
</tr>
<tr>
<td>Foreign direct investment out</td>
<td>−0.114 (0.158)</td>
<td>−0.154 (0.096)*</td>
<td>0.028 (0.678)</td>
</tr>
<tr>
<td>Trade openess</td>
<td>−0.004 (0.862)</td>
<td>0.009 (0.603)</td>
<td>−0.012 (0.523)</td>
</tr>
<tr>
<td>Constant</td>
<td>−11.261 (0.435)</td>
<td>−21.372 (0.032)***</td>
<td>15.630 (0.175)</td>
</tr>
<tr>
<td>Observations</td>
<td>325</td>
<td>319</td>
<td>328</td>
</tr>
<tr>
<td>Number of groups</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Common ρ</td>
<td>0.88</td>
<td>0.75</td>
<td>0.88</td>
</tr>
</tbody>
</table>

*p-values in parentheses.

*Significant at 10%; **significant at 5%; ***significant at 1%.
measure for the policy impact of agrarian parties leads to omitted variable bias. The effect of left parties’ government participation proved to be especially strong in the cases of government expenditure and revenue. In the light of the ‘transfer heavy, service lean’ profile of the continental conservative welfare state, it is not all that surprising that Christian Democracy is apparently a good predictor of the strength of social security transfers, whereas the coefficient for Social Democracy remains insignificant here. I will not discuss in any detail those other determinants of welfare state growth that were included in the Huber/Stephens study and in my replication of it, since my aim here is a very limited one, namely to substantiate empirically the claim that parties of agrarian defence were important for Nordic welfare state development.

5. Conclusion

This paper presented a new argument on how different political class coalitions gave rise to different types of welfare state regimes in Western Europe. I have highlighted the importance of the interaction between electoral rules and societal cleavage structures. There is a striking isomorphism between Europe’s worlds of welfare and Europe’s differently structured party systems. As I have argued, this is not due to chance. If we account for the different societal cleavage structures when analysing the effect of electoral rules (via party systems) on types of political class coalitions (Iversen and Soskice, 2006), we need to recall that a state–church conflict was absent in the North of Europe, but marked on the continent, whereas it was the urban–rural, first sector–second sector cleavage that proved decisive for the Nordic party systems but failed to manifest itself on the continent. Out of this constellation, two distinct party–political class coalitions emerged, a red–green coalition in Scandinavia, and a red–black coalition in continental Europe.

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