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THE EFFECTS OF SOCIAL AND POLITICAL OPENNESS ON THE WELFARE STATE IN 18 OECD COUNTRIES, 1970-2000

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ABSTRACT

Studies examining the relationship between globalization and the welfare state tend to focus on the effects of economic dimensions of globalization; the extent to which a country is part of the world market. Globalization also has a social and political dimension and their effects on welfare states – in terms of welfare state effort and generosity – are studied in this paper. Data from the KOF Index of Globalization and the OECD are used to analyze the effects of social and political openness on the welfare states of 18 OECD countries between 1970 and 2000. The analyses show that welfare state effort is not affected by social and political openness and that the level of generosity turns out to be negatively affected by an increase of a country's social and political openness.

TABLE OF CONTENTS

1. INTRODUCTION

Most of the research examining the relationship between globalization and the welfare state focuses on the effects of economic openness; a country's involvement in the world market. There are four contrasting theoretical arguments found in this field of inquiry (Brady, Beckfield & Seeleib-Kaiser, 2005). The first position holds that the welfare state cannot be sustained because of globalization for the reason that countries will no longer be able to maintain high taxes that are required to fund the welfare state under the condition of capital mobility (Bowles & Wagman, 1997). Others argue that that there is a positive relationship between globalization and welfare spending because financially open countries require large welfare state investments to shield off the citizens from external shocks caused by fluctuations on international markets (Katzenstein, 1985; Rodrik, 1998). A third theoretical argument is that welfare states will converge based on the idea that less-developed welfare states will grow due to globalization while on the other hand well-developed welfare states will be reduced as globalization continues (Hicks, 1999). And finally, according to the proponents of a fourth stream of research there is no effect of globalization based on the argument that other factors, such as political institutions and the deindustrialization, are more important for developments of the welfare state (Iversen & Crusack, 2000; Korpi, 2003). The debate on the relationship between globalization and the welfare state is not just a theoretical one. Several studies have investigated this link empirically generating contrasting results and it is therefore not possible to yield definite conclusions from them (Brady, Beckfield & Seeleib-Kaiser, 2005).

This paper will leave the state of affairs concerning the effects of economic openness on the welfare state as it is and aims at extending the literature on globalization and the welfare state in a different direction. The starting point for the research reported in this paper is the observation that the largest share of theoretical and empirical works is devoted to one dimension of globalization: the economic openness of countries, usually measured with imports and exports relative to the level of GDP. Since globalization is a very broad term and refers to the economic as well as social and political processes through which the world becomes increasingly interconnected (Guillén, 2001), it can be argued that examining the effects of economic openness alone will not give a full account of how welfare states are changing due to globalization. To get a more complete picture of the effects of social and political openness they should be theorized and empirically investigated. If social and political openness develop in different rates or directions than economic openness, this may account for some of the contrasting findings in research focusing merely on the economic dimension. Moreover, if the effects of economic, social, and political openness on globalization are different, they should be distinguished from each other. The theories predicting that economic openness does affect the welfare state are centered on the argument that it causes insecurity and vulnerability because of external shocks. Theoretically, this does not have to be the case for social and political openness. Political openness, for instance, does not have to lead to an increase of insecurity, especially when long-term political arrangements are present among trading countries that can be a means to prevent negative effects of economic openness. The goal of this paper is therefore to get a more complete understanding of the relationship between globalization and the welfare state by examining the effects of social and political openness.

Social openness is defined as the cross-border contact between people and refers for instance to communication through the Internet, migration, and cultural exchanges between countries. Political openness refers to the international organizational structures that a country takes part in. The mechanisms through which social and political openness affect the welfare state may differ from the arguments of economic openness. If there are effects of social openness they are likely to work through a change in social structure of countries, for instance when it affects social cohesion, solidarity and the public opinion that are necessary social underpinnings of the welfare state. On the other hand, the effects of political openness will be present through the international agreements among countries. There are only a few studies investigating whether the welfare state is affected by social and political openness. Most of these studies examine one aspect of social or political openness, such as immigration (Borjas, 1999) or one particular international organization like the International Labor Organization (Strang & Chang, 1993). Dreher (2006) offers the only study that uses broader measures of social and political openness taken from the KOF Index of Globalization, examining whether taxes on capital, labor, and consumption are affected by the openness of countries, using broader measures of social and political openness than the previous studies. In this paper, the same data and indicators for openness are used (see Section 4 for the construction of the Index of Globalization).

There are different ways to measure welfare states. The most common way is to look at the extensiveness of the welfare state; the level of public spending relative to the GDP of a country. Using such a measure of the welfare state provides information on the level of spending but not on the kind of provisions offered through the welfare state. An example of a more detailed measure that tries to capture this aspect of the welfare state is how generous the welfare state provisions are. In this paper, these two different aspects of the welfare state examined by including measures of social security transfers (the actual level of public spending) and the generosity of the welfare state. The measures for these two welfare state indicators and the indicators of social and political openness are available for a sample of 18 countries for the period between 1970 and 2000.

The remainder of this paper is structured as follows. In Section 2 social and political openness are introduced. Section 3 develops hypotheses regarding the effects that these two dimensions of globalization may have on the welfare state. The hypotheses are investigated in Sections 4 and 5. This paper closes with a discussion in Section 6.

2. SOCIAL AND POLITICAL OPENNESS

The term globalization refers to international flows and interactions and includes a plethora of developments through which the world is becoming a global society consisting of networks in which flows of commodities, services, capital, technology, information, ideas, forms of culture and people cross national boundaries (Castells, 1996; Held, McGrew, Goldblatt & Perraton, 1999). A great deal of the literature on globalization is devoted to discussions about definitions of globalization and whether today's level of globalization differs from earlier waves, if there is something going on as globalization in the first place (Guillén, 2001). These issues concern the big picture of globalization, for the present paper it suffices to take a more modest position assuming that countries differ with respect to their level of openness – the extent to which they take part in worldwide international flows and interactions – with respect to economic, social, and political dimensions of globalization (Keohane & Nye, 2000; Dreher, 2006). The latter two of these dimensions are investigated in this paper.

Social openness refers to the cross-border interactions between people through international telephone traffic, the Internet, international travel and tourism, and migration. International telephone traffic enables personal and business communication without traveling to different parts of the world and has provided the possibility of creating linkages between global organizations and the maintenance of ties between people (Fischer, 1992). The number of people using the Internet grew from 246 million in 2000 to 700 million at the end of 2001 (Castells, 2000). According to recent data, over 1 billion people (16.6 percent of the world population) make use of the Internet (Internet World Stats, 2007). Even more than telephone traffic, the Internet provides possibilities for people to be in contact with each other and create online ties and even virtual communities. These ties can be work-related or can be created when people are socializing informally through the Internet (Kollock and Smith, 1998). The rapid expansion of the Internet raises questions about its implications for social organization (Wellman and Hampton, 1999). On one hand, it is easier to get in contact with people in other parts of the world but on the other hand, there is evidence that computer networks can enhance relations in the home, workplace, and neighborhood and thus encourage the formation and strengthening of local relationships (Franzen, 2000; Hampton and Wellman, 2000). International tourism developed because of rising living standards, longer paid vacations and the improvement of means of transportation. Between 1950 and 1998, receipts from international tourism rose from US$2.1 billion to US$445 billion and the number of international tourist arrivals rose from 25.3 million to 625 million (Milne & Ateljevic, 2001). Another dimension of social openness is migration, which involves cross-border interaction when people move from one country to another. It is estimated that there are currently 192 million people living outside their place of birth, a number that is growing annually by 2.9 percent (International Organization for Migration, 2005).

Political openness refers to a country's involvement in formal international organizational structures (Jacobson, 2000), such as the United Nations (UN), the European Union (EU), and the North Atlantic Treaty Organization (NATO). These international relations between states have moved from customary practices into explicit legal instruments among sovereign states (Simmons, 1998), creating a global network of states and international organizations that influence state policy in many domains, like education and welfare provision (Beckfield, 2003). At the global level, this network of international relations enables countries to come to agreements about issues concerning international security and the environment. At the same time, the involvement of countries at the global political level can spark conflicts over certain issues on which they have to reach agreement. The internal structure of nation states can change as a result of national policies that are affected by the involvement in international organizations, especially if they decrease the sovereignty of individual states (Simmons, 2002).

3. OPENNESS AND THE WELFARE STATE

The welfare state consists of different provisions aimed at insuring people against risks such as poverty and illness. It is a a formal institutional arrangement that brings about solidarity between the citizens of a country in which resources are redistributed through the tax system (Swank, 1998; Gelissen, 2000). There are several arguments in favor of the welfare state. First, it can overcome problems associated with markets for voluntary income insurance, such as advantageous selection, adverse selection, myopia, and free rider behavior. Second, it enables risk sharing across generations, which are problematic in private arrangements. And third, it provides possibilities for human capital investments. With respect to distributional effects, public arrangements are justified with reference to genuine altruism or enlightened self-interest and that it promotes social peace (Lindbeck, 2006). Arguments against the welfare state are that such systems are costly and run the risk of being less efficient than market solutions. Welfare states differ between countries and researchers have tried to develop measures to compare countries to understand these differences. The extensiveness of the welfare state provisions is most commonly used as a means to compare welfare states and focuses on welfare state expenditures relative to the GDP of a country. A different approach tries to capture the specific content of the welfare state policies in a country. This approach is started by Esping-Andersen's categorization of welfare state into liberal, conservative, and social democratic types, that differ with respect to their level of decommodification; the extent to which people depend on the labor market for their individual welfare (Esping-Andersen, 1990). Based on this feature of welfare states, a benefits generosity index for three core welfare state programs – unemployment insurance, sickness cash benefits and retirement pensions – has been developed (Scruggs & Allen, 2006a; 2006b). The extent and the content of welfare state can both be affected by the openness of countries. Since welfare state spending and welfare state policies do not have to be correlated – the actual level of spending can stay the same, while at the same time the system becomes more strict – both aspects of welfare states are taken into account. As was noted in the introduction of this paper, the effects of economic openness on the welfare state are mainly based on the theoretical arguments that it leads to a race to the bottom or that it increases insecurity among citizens. The effects of social and political openness may run through different mechanisms.

Social openness involves cross-border contact between people, for instance through the media, person-to-person communication, and international tourism. If these contacts increase it may lead to cultural integration. This may have positive and negative effects for the welfare state. Cultural exchanges between countries increase the understanding among citizens, for instance because they speak a common language or because they are more aware of each other's culture. As a result, a country can become more attractive for foreign investors, which may improve the economic position of a country (Dreher, 2006). Another possibility is that cultural integration enables the spread of political ideologies. On the one hand, the result can be that other countries can imitate best practices from one country, but, on the other hand, there is a chance that neoliberal ideologies of a minimal welfare state dominate political debates (Swank, 2006). International migration is one important feature of social openness that has received some attention in the literature. Increasing migration may have contrasting effects on the welfare state. One expectation is that a "race for the top" will result from increasing migration, based on the argument that extensive welfare state provisions will work as a magnet on people from poor countries. If this mechanism is at work and large flows of people move into a country, this may be a burden for the welfare state. On the other hand, increasing levels of migration may also mean an inflow of knowledge and abilities which can be a valuable addition to a country's economy. If this is the case, the position of the welfare state is less likely to be threatened or can even improve because of economic growth. The effects of social openness can be positive or negative and therefore two contrasting hypotheses are stated: Welfare states are positively affected by social openness (*Hypothesis 1a*) and welfare states are negatively affected by social openness (*Hypothesis 1b*).

Theories about the link between political openness – the involvement in international organizational structures – and the welfare state are lacking. First of all, political openness can have positive effects when political relationships between countries are used to overcome negative effects of economic openness, for instance because competition between them can be channeled through mutual agreements (Dreher, 2006). Political openness may also be positively related to welfare states in a different way. One study investigated the extent to which a particular international organization – the International Labor Organization (ILO) – influenced welfare states, concluding that ILO treaties have widened the gap between developed and less developed welfare states. ILO standards have lead to a higher level of the homogeneity among the welfare states in developed countries and increases in welfare spending. Developing countries are less likely to ratify ILO standards and even if they do, it does not increase their level of spending (Strang & Chang, 1993). This paper studies developed welfare states and therefore such treaties may have had a positive effect on welfare spending. As such, countries involved in international organizational structures can stabilize their (economic) relationships with other countries. Moreover, these international relations can put a pressure on countries to meet certain standards. Nevertheless, there is also the possibility that these international relationships negatively affect the welfare state. The increased political interdependence not only stabilized economic relationships, it can also be a source of tension between countries. Also, the effects of mutual agreements that result from involvement in international organizations like the ILO depend heavily on the goals and opinions of other countries.

Therefore, it is just as well possible that the agreements involve standards below those of the countries with a highly developed welfare state and this may in fact put a downward pressure on the welfare states in these countries. Therefore, also two contrasting hypotheses are stated for the effects of political openness: Welfare states are positively affected by political openness (*Hypothesis 2a*) and welfare states are negatively affected by political openness (*Hypothesis 2b*).

4. Method

Data & measures

Data from different sources are combined to test the hypotheses. *The KOF Index of Globalization* measures economic, social and political dimensions of globalization (Dreher, 2006). The *OECD Historical Statistics* (OECD, 2001) provide data on social security transfers, country size, and GDP per capita. The *Comparative Welfare Entitlements Dataset* (Scruggs, 2004) contains information about the generosity of welfare state provisions. The dataset consist of information about 18 countries – Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, UK, and USA – between 1970 and 2000.

Dependent variables

Two indicators of welfare state are investigated: social security transfers and generosity. *Social security transfers* as a percentage of GDP consists of benefits for sickness, old age, family allowances, social assistance grants, and welfare (OECD, 2001). These data are not complete, the following data points are missing: Canada (1999, 2000), New Zealand (1983-2000), Switzerland (2000), and USA (1998-2000). Measures of *welfare state generosity* are provided by Scruggs (2004). The overall level of welfare state generosity includes data on unemployment insurance, sickness cash benefits, and retirement pensions. Unemployment insurance and sickness cash benefits generosity consist of replacement rates (after tax benefits for single, fully insured 40-year-old individual earning average production worker (APW) wage divided by after tax wage of fully employed APW), qualifying period (weeks of insurance or employment required to qualify for benefit), waiting days (number of days before benefits start), duration of benefit (weeks benefit is payable for fully insured 40-years-old in unemployment), and coverage ratio (percentage of the labor force covered for unemployment insurance). Retirement pensions generosity consists of information on minimum replacement rate (after tax income replacement rate for retiree with no other income or work history), standard replacement rate (after tax replacement rate for person with a history of APW earnings in each of a 45-year working life, taken at normal retirement age), qualifying period (years of insurance or contributions needed to qualify for standard pensions defined above), contribution ratio (employee contribution to pension divided by (employee + employer contribution), taken at the time pension is granted), and coverage and take-up rate (portion of population above retirement age receiving a public pension, including public employees). The generosity scores are computed in correspondence to Esping-Andersen's decommodification index (for detailed information, see Scruggs & Allan, 2006a; 2006b). The score for generosity are available for 18 countries between 1971 and 2000, with one exception: the German data for 1971 and 1972 are missing.

Independent variables

The KOF Index of Globalization measures economic, social and political openness between 1970 and 2003. For each of the dimensions of openness, a scale is developed that runs from 0 (totally closed) to 10 (totally open). These scales consist of several subscales that are weighted using principal component analysis. *Social openness* is measured with data on (a) personal contact (telephone traffic, international tourism), (b) information flows, and (c) cultural proximity. The scale for *political openness* includes information on (a) the number of embassies in a country, (b) membership in international organizations, and (c) participation in UN Security Council missions (for details see Dreher, 2006).

Control variables

Earlier research has shown that differences in welfare states can be partly explained by a country's size and GDP (Katzenstein, 1985; Rodrik, 1998). To control for these influences, the variables *country size* (area in squared meters) and *GDP per capita* are added to the analyses.

ANALYSES

The dataset consists of panel data on 18 countries for the period between 1970 and 2000. These data are analyzed using multilevel modeling. The basic multilevel model consists of observations at one level that are nested in higher level (for instance citizens within different countries), with a dependent variable at the lowest level and explanatory variables at all levels. The subjects that are nested within the same group may be correlated and the condition of independent measures can be violated. This is for instance the case when the attitudes of citizens are closer to fellow citizens than those living in other countries because of cultural influences and persisting norms. The problem is even more clearly present when explanatory variables at the higher level are added to the analyses. These variables have the same value for each of the citizens in a country (also referred to as the fixed part of the model). Multilevel analysis is developed to deal with nested data structures. The basis of multilevel modeling is that the regression model is broken down in separate regression intercepts and regression coefficients, which are allowed to vary between units (the random part of the model) and that variation between lower and the higher levels of analysis are distinguished (Snijders & Bosker, 1999; Hox, 2000).

The basic multilevel model can be applied to longitudinal data by modeling events (the repeated measures) nested within subjects. Advantages of using multilevel modeling for repeated measures are that it deals with the nested structure of the data and that it is not constrained by missing observations for several points in time without excluding these countries completely from the analyses (Singer, 1998; Hox, 2000; Peugh & Enders, 2005). In this particular case, developments in welfare state provisions – social security transfers and genorisity – and openness are nested within countries; the multilevel model consists of annually changes (Level 1) that can differ within and between countries (Level 2). Multilevel modeling allows specifying the covariance structure of the random part of the model. Since for longitudinal data it holds that the measures are taken from the same unit these measures will be highly correlated with subsequent years. A common way to deal with this is to specify a first-order autoregressive covariance structure (AR1), this structure has homogenous variances and correlations that decline exponentially with distance (Peugh & Enders, 2005).

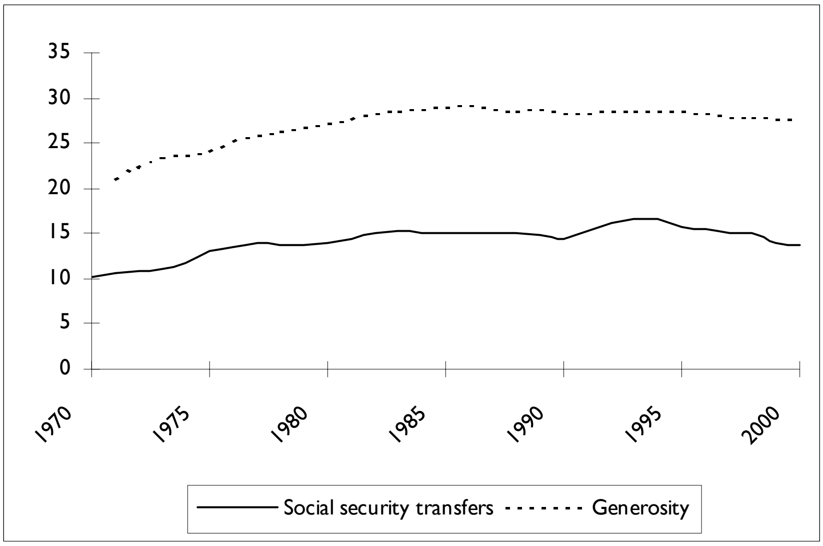
The analyses are performed in different steps. First an empty model (Model 0) is estimated that serves as a base model. In the second step (Model 1) three variables are added, one examining the annually change in welfare states (the variable 'year'), and two control variables; the time-invariant variable 'size of the country' and the annually changing variable 'GDP per capita'. In the final model, the variables social and political openness are added separately (Model 2a and Model 2b). In these models, the direct effect of openness investigates whether the level of openness of a country affects the welfare state and the interaction between time and openness makes it possible to examine the effects of change in openness.

5. Findings

Descriptive results

Figure 1 presents the developments in the welfare state indicator social security transfers and generosity for the 18 countries. Between 1970 and 1994 social security transfers have increased and have declined afterwards. In the same period, the level of generosity has increased until 1985 and remained stable from then on.

FIGURE 1
Social security transfers and generosity, 1970-2000



The welfare state indicators – social security transfers and generosity – per country are presented in Table 1. Mean levels of social security transfers and generosity for the whole period are provided. The columns named 'change in change in social security transfers' and 'change in generosity' present the difference between 1970 and 2000. The welfare states of the countries show quite some differences with respect to these indicators. It is also noteworthy that social security transfers have gone up in all the countries. The same holds for the generosity of the welfare state, with one exception: the generosity of the German welfare state decreased in 2000 compared to 1970. The countries where social security transfers are high are the Netherlands and Sweden and the lowest levels are found in Australia and Japan. Switzerland and Ireland show the highest increase in social security transfers. Sweden and New Zealand are the most generous welfare states and the least generous provisions are found in Japan and the United States. The level of generosity has increased the most in Canada and Ireland. In Germany the level of generosity has decreased and Switzerland shows the lowest increases.

TABLE 1
Social security transfers and generosity, 1970-2000

	Mean transfers	Change in transfers	Mean generosity	Change in generosity
Australia	7.10	5.60	19.40	3.00
Austria	17.58	6.00	27.17	3.90
Belgium	16.23	8.50	30.94	7.80
Canada	10.37	12.50	23.85	11.90
Denmark	16.11	11.20	35.62	6.80
Finland	14.30	13.10	30.78	7.90
France	17.01	9.10	29.46	4.80
Germany	16.58	2.40	28.71	-1.20
Ireland	12.53	13.60	21.91	11.30
Italy	15.35	9.20	21.36	8.80
Japan	8.81	9.40	17.23	9.40
Netherlands	22.37	6.60	34.90	4.30
New Zealand	13.08	12.30	37.91	10.10
Norway	13.89	8.60	25.53	2.90
Sweden	17.88	11.30	41.09	2.10
Switzerland	11.80	14.10	26.63	1.90
United Kingdom	12.60	8.50	18.76	7.60
United States	10.87	8.80	18.35	7.00
Mean	14.14	9.49	27.20	6.13

The graphs in Figure 2 show how the mean level of social and political openness across the 18 countries developed between 1970 and 2000. Social openness turns out to be relatively stable for more than twenty years. After 1993 the level of social openness increases steeply. Overall, the level of political openness also increased but the pattern of this line is quite irregular. In the seventies, countries became more politically open but in the beginning of the eighties the political openness drops to the level of 1970. From 1985 the level of political openness goes upwards but not in a straight line.

FIGURE 2
Social and political openness, 1970-2000

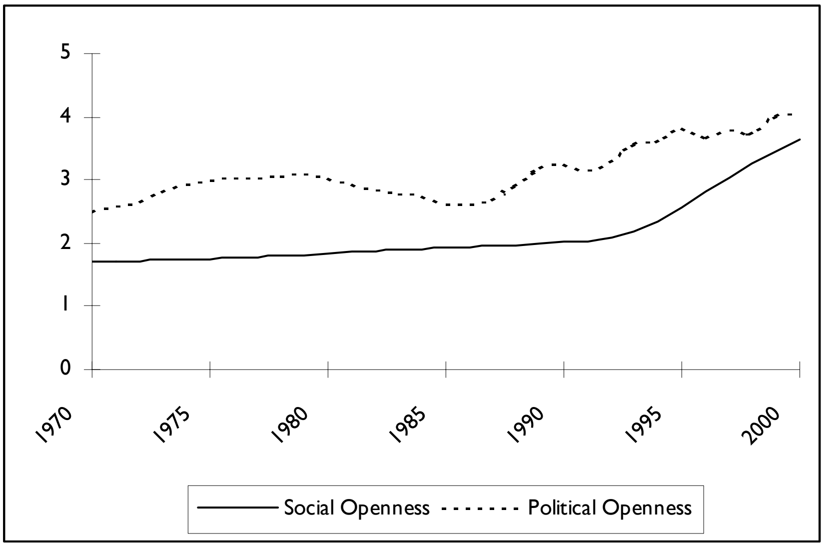


Table 2 shows the differences between countries with regard to social and political openness. Again, the mean levels between 1970 and 2000 and the change in that period are reported. From Table 2 it can be read that countries differ with respect to their level of social and political openness and their growth levels. The United Stated and Canada have the highest level of social openness. The least open countries are Italy and Belgium. Social openness has increased the most in Sweden and New Zealand. The countries with the lowest level of social openness – Italy and Belgium – are also the countries with the lowest level of growth in social openness. The level of political openness is high in France and the United States. New Zealand and Ireland are among the least politically open countries. Political openness has increased most strongly in Canada and the United States. The countries that have the lowest level of growth in political openness are Switzerland and the Netherlands.

TABLE 2
Social and political openness, 1970-2000

	Mean social openness	Change in social openness	Mean political openness	Change in political openness
Australia	2.93	2.36	2.25	1.21
Austria	1.77	1.97	3.46	2.07
Belgium	1.30	1.16	3.92	1.71
Canada	3.41	2.02	3.80	2.54
Denmark	1.81	2.14	3.11	1.39
Finland	1.90	2.14	2.87	1.27
France	1.52	1.48	4.09	2.36
Germany	1.67	1.51	3.61	1.72
Ireland	1.47	1.67	2.04	2.32
Italy	0.93	1.00	3.61	1.59
Japan	2.14	2.41	2.68	1.28
Netherlands	1.85	1.78	2.96	0.49
New Zealand	2.76	2.50	1.57	0.71
Norway	1.92	2.19	2.69	0.95
Sweden	2.42	2.59	3.54	2.29
Switzerland	2.37	1.94	2.59	0.41
United Kingdom	1.99	1.63	3.72	1.67
United States	4.21	2.38	3.91	2.46
Mean	2.13	1.94	3.13	1.58

EMPIRICAL RESULTS

The results for the effects of social and political openness on social security transfers between 1970 and 2000 are reported in Table 3. Model 1 shows that social security transfers have gone up in that period. Country size and GDP per capita have a negative effect on social security transfers. These effects remain basically the same in the other models. In Model 2a the effects of social openness are investigated. The difference in social openness between the countries and the changes in social openness do not have a significant effect of social security transfers. There are also no effects of political openness on social security transfers, as is shown in Model 2b of Table 3. It is therefore concluded that both the difference in social and political openness as well as the changes in these dimensions of openness are not related to social security transfers in the 18 countries.

TABLE 3
Social security transfers, 1970-2000

	Model 0	Model 1	Model 2a	Model 2b
Year (Y)		0.31**	0.34**	0.29**
		(0.04)	(0.06)	(0.04)
Country size (log)		-0.94*	-0.90*	-0.91*
		(0.44)	(0.41)	(0.43)
GDP per capita		-2.37**	-2.00**	-2.28**
		(0.37)	(0.37)	(0.37)
Social openness			-0.09	
			(1.24)	
(Y)*(S)			-0.12	
			(0.07)	
Political openness (P)				0.31
				(0.25)
(Y)*(P)				-0.04
				(0.02)
Intercept	12.81**	13.06**	14.30**	13.07**
	(0.87)	(0.77)	(0.82)	(0.82)
-2loglikelihood	1510.76	1451.40	1428.49	1448.93
Deviance		59.36**	22.91**	2.47
(Df)		(6.23)	(9.15)	(1.80)
AR1 (rho)		0.97**	0.97**	0.97**
		(0.01)	(0.01)	(0.01)

† p < .10; * p < .05; ** p < .01

The effects of social and political openness on the generosity of welfare states are examined in Table 4. Model 1 shows that there has been an annually increase in generosity and that larger countries are less generous compared to smaller ones. GDP per capita does not affect the level of generosity. Model 2a shows that there is no effect of the level of social openness on generosity but that the change in social capital is negatively related to generosity. The same pattern is observed in Model 2b, investigating the effects of political openness. In this model, change in political openness also has a negative effect on generosity. These analyses lead to the conclusion that the differences with respect to social and political openness are not related to generosity and that changes in social and political openness decrease the level of generosity.

TABLE 4
Generosity. 1970-2000

	Model 0	Model 1	Model 2a	Model 2b
Year (Y)		0.23**	0.26**	0.25**
		(0.06)	(0.09)	(0.06)
Country size (log)		-1.80*	-1.70*	-1.72*
		(0.76)	(0.75)	(0.75)
GDP per capita		-0.21	-0.22	-0.18
		(0.52)	(0.46)	(0.51)
Social openness			0.46	
			(1.54)	
(Y)*(S)			-0.18†	
			(0.09)	
Political openness (P)				-0.16
				(0.34)
(Y)*(P)				-0.08*
				(0.03)
Intercept	25.06**	25.19**	27.06**	25.93**
	(1.63)	(1.34)	(1.57)	(1.35)
-2loglikelihood	1836.23	1812.91	1791.89	1802.13
Deviance		23.32**	21.02**	10.78**
(Df)		(1.28)	(4.99)	(1.05)
AR1 (rho)		0.98**	0.98**	0.98**
		(0.01)	(0.01)	(0.01)

† p < .10; * p < .05; ** p < .01

6. CONCLUSIONS

Most of the theoretical discussions, political debates, and empirical research into the relationship between globalization and the welfare state have centered on the effects of economic openness. The goal of this paper is to extend the analyses in earlier research by including the effects of social and political openness, which are two other important dimensions of globalization. Studying a sample of 18 countries over a period of 30 years revealed that social security transfers are not affected by social and political openness and that the generosity of welfare state is slightly negatively related to changes in social and political openness but that the countries with a higher level of openness do not have a different welfare state than the more closed countries. It is important to note that, even though increasing levels of social and political openness are negatively related to welfare state generosity, these results have to be considered in combination with the growth in generosity over period under study. A more complete conclusion is that the level of generosity has grown each year but in countries that experiencing the largest increase in social and political openness generosity has dropped to some extent.

Based on these outcomes it can be concluded that the welfare state is not strongly related to the social and political openness of a country, at least not as it was measured here. It is possible that part of these results can be appointed to the measures used in this paper. Especially the measure of social openness includes many different and possibly contrasting dimensions. Nevertheless, the measures used in this paper are aimed at including the most important forms of openness and constructed to investigate their effects in general. However, since contrasting hypotheses can be formulated for social and political openness, there is a chance that positive and negative effects are at work that are not captured with these general measures. Therefore, future studies are required to investigate the effects of disaggregated indicators of social and political openness.

Putting the issues of measuring openness aside, the findings concerning social and political openness are in line with those from the studies investigating economic openness. After a series of investigations trying to show the effects of economic openness, no convincing evidence has been found that welfare state are either positively or negatively affected by it (Koster, 2006). Coupling the results from these studies of economic openness with those from this study, leads to the more general conclusion that globalization does not have the drastic and negative effects that are sometimes put forward as if they are firmly based on theory and empirical findings. If the effects of economic, social, and political openness are indeed mixed and have minor effects on welfare states, it does not allow for bold statements.

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