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The effects of social and political openness on the welfare state  
in 18 OECD countries

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# The effects of social and political openness on the welfare state in 18 OECD countries

Running head: The effects of social and political openness

Key words: globalisation, social openness, political openness, welfare states, welfare state effort, welfare state generosity

## **Abstract**

Studies examining the relationship between globalisation and the welfare state tend to focus on the effects of economic dimensions of globalisation, the extent to which a country is part of the world market. Globalisation also has a social and political dimension and their effects on welfare states – in terms of social security transfers and generosity – are studied in this article. Data from the *KOF Index of Globalisation*, the *OECD Historical Statistics* and the *Comparative Welfare Entitlements Dataset* 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 social security transfers and generosity have increased less in countries with the highest increase in social openness and that the welfare state is not affected by political openness.

Most of the research examining the relationship between globalisation 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 as globalization increases for the reason that due to mobility of capital countries will no longer be able to maintain high taxes that are required to fund the welfare state (Bowles & Wagman, 1997). Others argue that there is a positive relationship between globalisation 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 in less-developed welfare states will grow due to globalization while on the other hand well-developed welfare states will be reduced as globalisation continues (Hicks, 1999). And finally, according to the proponents of a fourth stream of research there is no effect of globalisation based on the argument that other factors, such as political institutions and the deindustrialization, are more important for changes in the welfare state (Iversen & Crusack, 2000; Korpi, 2003). The debate on the relationship between globalisation and the welfare state is not just a theoretical one and several studies have empirically investigated this link. These studies have generated contrasting results and it is therefore not possible to yield definite conclusions from them (Brady, Beckfield & Seeleib-Kaiser, 2005; Koster, 2007).

This article will leave this state of affairs concerning economic openness as it is and aims at extending the research on globalisation and the welfare state in a different direction. The starting point for the study reported in this article is the observation that the largest share of theoretical and empirical works is devoted to one dimension of globalisation: the economic openness of countries, usually measured with imports and exports relative to the level of

GDP. Since globalisation 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 affected by globalisation. Therefore, the effects of social and political openness need to be theorised 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 the welfare state are different they should be distinguished from each other. The effects from the different forms can also run through different theoretical mechanisms. The theories predicting that economic openness does affect the welfare state are centred 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 article is therefore to get a more complete understanding of the relationship between globalisation and the welfare state by examining the effects of social and political openness.

Social openness is defined as the cross-border contact between people through personal contact, information flows, and cultural exchanges and political openness refers to the international organizational structures that a country takes part in (Dreher, 2006). The mechanisms through which social and political openness affect the welfare state may differ from the arguments of economic openness. Effects of social openness may 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 to date that uses broader measures of social and political openness – taken from the *KOF Index of Globalisation* – examining whether taxes on capital, labour, and consumption are affected by the openness of countries. In this article, the same data and indicators for openness are used.

There are different ways to measure welfare states. The most common approach 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 article, these two different aspects of the welfare state examined by including measures of social security transfers and the generosity of the welfare state. The measures for these two welfare state 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 article 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 globalisation may have on the welfare state. The hypotheses are investigated in Sections 4 and 5. This article closes with a discussion in Section 6.

## **Social and political openness**

The term globalisation 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 globalisation is devoted to discussions about definitions of globalisation and whether today's level of globalisation differs from earlier waves, if there is something going on as globalisation in the first place (Guillén, 2001). These issues concern the big picture of globalisation, for the present article 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 globalisation (Keohane & Nye, 2000; Dreher, 2006). The latter two of these dimensions are investigated in this article.

*Social openness* refers to the cross-border contact between people through personal contact, information flows, and cultural exchanges which have increased thanks to technological developments. International telephone traffic enables personal and business communication without travelling 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 Internet users grew from 246 million in 2000 to over 1 billion persons in 2007 (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 & Smith, 1998). The rapid expansion of the Internet raises questions about its implications for social organization (Wellman & 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 neighbourhood and thus encourage the formation and strengthening of local relationships (Franzen, 2000; Hampton & 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 because 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 per cent (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 environmental issues. 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).



## **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 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 favour of the welfare state (Lindbeck, 2006). First, it can overcome problems associated with markets for voluntary income insurance, such as advantageous selection, adverse selection, myopia, and free rider behaviour. Second, it enables risk sharing across generations, which is problematic in private arrangements. And, third, it provides possibilities for human capital investments. Arguments against the welfare state are that such systems are costly and run the risk of being less efficient than market solutions. As a result, governments try to strike a balance between public and private provisions.

Welfare states differ between countries and researchers have tried to develop measures to compare these differences across countries. The extensiveness of the welfare state is most commonly used as a means to compare welfare states and focuses on how much money governments spend on welfare provisions, 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 line of research 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 labour 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 extensiveness and the content of welfare state can both be affected by the openness of countries. Since it is possible that the level welfare spending and welfare policies are not

related to each other – 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 article, the effects of economic openness on the welfare state are mainly based on the theoretical arguments that it lead to a race to the bottom or that it increased insecurity among citizens. The effects of social and political openness may run through different mechanisms.

If social openness increases it may lead to cultural integration. This can have positive and negative effects for the welfare state. Cultural exchanges between countries increase the understanding among citizens, for instance because they have common language or 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 imitate best practices from one country, but, on the other hand, there is a chance that the neoliberal ideologies of a minimal welfare state spread across countries and dominate political debates (Swank, 2006). International migration is one important feature of social openness that has received some attention in the literature. Increasing migration can also have contrasting effects on the welfare state. One expectation 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 (Buckley & Brinig, 1997). If this mechanism is at work and large flows of people move into a country, which may be a burden for the welfare state. On the other hand, increasing levels of migration may also mean that the inflow of those people increase existing levels of knowledge and abilities. If that happens it will be a valuable addition to a country's economy and the position of the welfare state is less likely to be threatened or may even improve because of economic growth resulting from increased productivity. 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 and the welfare state are lacking so far in the literature. 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 are channelled through mutual agreements (Dreher, 2006). Political openness may also be positively related to welfare state 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 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 article studies developed welfare states and therefore such treaties may have had a positive effect on welfare spending. As such, a country's involvement in international organizational structures can stabilize their (economic) relationships with other countries and international relations can also increases pressures to meet certain standards. Nevertheless, there is also the possibility that these international relationships affect the welfare state negatively. The increased political interdependence not only stabilized economic relationships, it can be a source of tension between countries. And, if international relationships lead to conflicts between countries, the stabilization effect will disappear. 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*).

## **Method, data and measures**

Data from different sources are combined to test the hypotheses. The *KOF Index of Globalisation* includes information on economic, social and political dimensions of globalisation (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 the welfare state. The final dataset includes 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). Data on welfare state generosity are provided by Scruggs (2004). The overall level of *welfare state generosity* includes information concerning 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 labour 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 scores for generosity are available for all countries between 1971 and 2000, with one exception: the German data for 1971 and 1972 are missing.

### ***Independent variables***

The *KOF Index of Globalisation* measures economic, social and political openness between 1970 and 2004. Scales for openness are created by transforming the measures to a scale with a minimum value of 1 and a maximum value of 100, which are based on the lowest and the highest scores of a variable between 1970 and 2004. Therefore, the value that a country has on a certain moment is relative to the values of other countries and on other years. The variables are weighted using factor analyses including information from all countries and for all years (Dreher, 2006). *Social openness* is measured with data on personal contact,

information flows, and cultural proximity. The scale for *political openness* includes information on membership of international organizations and participation in peace missions of the United Nations. Table 1 provides an overview of the variables that are used to measure social and political openness.

#### TABLE 1 ABOUT HERE

#### ***Control variables***

Because social security transfers and welfare state generosity may be influenced by other factors than social and political openness, two control variables are added to the analyses that have been used in studies examining the relationship between economic openness and the welfare state. The first one is *GDP per capita*, earlier research showed that this variable is related to social security transfers and generosity (Brady, Beckfield & Seeleib-Kaiser, 2005). The second control variable included in the analyses is *country size* (in squared meters) which may mediate the effect of openness on the welfare state. The reason for this is that both the welfare state and the level of openness are negatively correlated with country size. Therefore, the relationship between openness and the welfare state may be spurious (Alesina & Wacziarg, 1997; Rodrik, 1998).

#### **Analysis**

The dataset consists of panel data and is analyzed using multilevel modelling. 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 such nested data structures. The basis of multilevel modelling is that 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 modelling events (the repeated measures) nested within subjects. Advantages of using multilevel modelling 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 that would otherwise be completely excluded from the analyses (Singer, 1998; Hox, 2000; Peugh & Enders, 2005). In this particular case, developments in welfare state provisions – social security transfers and generosity – 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 modelling allows specifying the covariance structure of the random part of the model. Since the measures are taken from the same unit they 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 is estimated that serves as a base model. In the second step 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

(Model 1). In the final model, the variables social and political openness are added separately in Model 2a and Model 3a. 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 enables to examine the effects of change in openness. Since it is possible that the growth of globalisation has accelerated during the most recent years, two additional models are investigating. In these models the squared root of social and political openness is included to take into account that globalisation may not increase linear but increase faster during the last couple of years (Model 2b and Model 3b).

### **Findings: Descriptive results**

Figure 1 presents the developments in social security transfers and generosity for the 18 countries. Between 1970 and 1994, the mean level of social security transfers increased and after that it declined. The level of generosity has increased between 1971 and 1985 and from then on the mean level of generosity remained stable. Overall, the welfare states have become slightly more generous.

FIGURE 1 ABOUT HERE

The welfare state indicators – social security transfers and generosity – per country are presented in Table 2. Table 2 includes the following information. First, mean levels of social security transfers and generosity for the whole period are provided. Then, the difference is given between the first year and the final year. And thirdly, the mean annual development per year is reported. There are quite some differences between the countries. The mean for social security transfers are 2 to 3 times higher in the Netherlands and Sweden than in Australia and Japan and the mean level of generosity is twice as high in Sweden and New Zealand compared to Japan and the United States. With respect to changes in the welfare state, Table 2



shows that social security transfers have increased the most in Sweden, New Zealand and Finland, these transfers decreased in only two countries: Ireland and the Netherlands. The generosity of the welfare states has increased in all countries, with Germany being the only exception; here the level of generosity has declined between 1971 and 2000. The highest increase in generosity is found in Canada, Ireland and New Zealand.

#### TABLE 2 ABOUT HERE

The graphs in Figure 2 show how the mean level of social and political openness developed between 1970 and 2000. The overall social openness of the 18 countries increased from 1970 to 1995. At that point the curve for social openness shows increasing growth, which is most likely due to the rapid spread of the Internet. The development of political openness differs from that of social openness. Although the mean level of political openness is higher in 2000 compared to 1970, there are also quite some fluctuations within that period. 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 the end of the 1980s the level of political openness goes upwards but not in a straight line.

#### FIGURE 2 ABOUT HERE

Table 3 shows the differences between countries with regard to social and political openness. The mean levels of openness, the levels of openness in 2000 compared to 1970 and the mean annual change in openness are reported. From Table 3 it can be read that countries differ with respect to their level of social and political openness. Besides that, Table 3 shows that all countries has faced an increase in social and political openness but that their growth levels differ. Furthermore, the countries that have a high level of social openness are not necessarily the ones with a high level of political openness. Switzerland and Canada have the highest

level of social openness and the least socially open countries are Finland and Japan. At the same time, Finland is also the country with one of the highest increases in social openness between 1970 and 2000. The level of political openness is high in France and Belgium. New Zealand and Ireland are among the least politically open countries. Nevertheless, looking at the change in political openness, it turns out that the political openness of Ireland has increased more than in other countries.

TABLE 3 ABOUT HERE

### **Analysis**

The results for the effects of social and political openness on social security transfers between 1970 and 2000 are reported in Table 4. Model 1 shows that social security transfers have gone up each year 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 when social and political openness are added. In Model 2a and Model 2b the effects of social openness are investigated. In Model 2a the difference in social openness between the countries and the changes in social openness do not have a significant effect of social security transfers. In Model 2b, investigating the squared root of social openness, it turns out that the level of social openness is not related to social security transfers and that an increase in social openness negatively affects these transfers, suggesting a non-linear trend of social openness. Model 3a and Model 3b of Table 4 show that there are no effects of political openness on social security transfers. It is therefore concluded that both the difference between countries with respect to political openness and the changes that took place in this dimension are not related to the social security transfers in the 18 countries.

TABLE 4 ABOUT HERE

The effects of social and political openness on the generosity of welfare states are examined in Table 5. Model 1 in Table 5 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 and Model 2b show that differences between countries with respect to social openness do not affect the level of generosity but that an increase in social openness is related to less growth in generosity. Model 3a and Model 3b, examining the effects of political openness, show that the level of generosity and changes in generosity cannot be explained by political openness. These analyses lead to the conclusion that the level of generosity has increased less in countries experiencing the largest increase in social openness and that political openness is not related to generosity.

TABLE 5 ABOUT HERE

## **Conclusions**

Most of the theoretical discussions, political debates, and empirical research into the relationship between globalisation and the welfare state have centred on the effects of economic openness. The goal of this article is to extend the analyses of earlier research by including the effects of social and political openness, which are two other main dimensions of globalisation. Studying a sample of 18 countries over a period of 30 years revealed the following: welfare states are not affected by differences in social and political openness between countries, increasing levels of social openness are negatively associated with the welfare state and the welfare state is not affected by changes in political openness. It is important to note that even though increasing levels of social and political openness are negatively related to welfare state generosity, that these results have to be considered in combination with the growth in social security transfers and generosity during the period under study. A more complete conclusion is that social security transfers and generosity have

increased each year but that the countries experiencing the largest increase in social openness have shown less welfare state expansion compared to the less socially open countries.

It is possible that part of these results can be appointed to the measures used in this article. Since these measures include different and possibly contrasting underlying dimensions some of the effects may be singled out. Nevertheless, the measures used in this article are aimed at including the most important of these forms of openness and meant to investigate their effects in general. Nevertheless, since contrasting hypotheses can be formulated for social and political openness, as was done in this article, 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 studies 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, 2007). Coupling the results from these studies of economic openness with those from this study, leads to the more general conclusion that globalisation in general 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 economic, social, and political openness only have minor effects on welfare states, it does allow for bold statements.

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Table 1. Variables measuring social and political openness

<b>Scale</b>	<b>Subscales</b>	<b>Variables</b>	
<b>Social openness</b>	<b>1. Personal contact</b>	Outgoing telephone traffic	
		Transfers (percent of GDP)	
		International tourism	
		Foreign population (percent of total population)	
		International letters (per capita)	
	<b>2. Information flows</b>	Internet hosts (per 1000 people)	
		Internet users (per 1000 people)	
		Cable television (per 1000 people)	
		Trade in newspapers (percent of GDP)	
		Radios (per 1000 people)	
	<b>3. Cultural proximity</b>	Number of McDonald's restaurants (per capita)	
		Number of Ikea (per capita)	
		Trade in books (percent of GDP)	
	<b>Political openness</b>		Embassies in country
			Membership in international organizations
		Participation in U.N. Security Council missions	

Source: Dreher (2006)

Table 2. Social security transfers and generosity.

	Mean transfers	Overall change in transfers, 1970-2000	Annual change in transfers, 1970-2000	Mean generosity	Overall change in generosity, 1971-2000	Annual change in generosity, 1971-2000
Australia	7.34	5.40	0.18	19.40	3.00	0.10
Austria	18.17	3.40	0.11	27.17	3.90	0.13
Belgium	16.77	3.60	0.12	30.94	7.80	0.27
Canada	10.74	5.80	0.21	23.85	11.90	0.41
Denmark	16.65	5.50	0.18	35.62	6.80	0.23
Finland	14.78	9.60	0.32	30.78	7.90	0.27
France	17.57	3.20	0.11	29.46	4.80	0.17
Germany	17.14	6.10	0.20	28.71	-1.20	-0.04
Ireland	12.95	-1.10	-0.04	21.91	11.30	0.39
Italy	15.86	4.30	0.14	21.36	8.80	0.30
Japan	9.10	5.40	0.18	17.23	9.40	0.32
Netherlands	22.12	-4.90	-0.16	34.90	4.30	0.15
New Zealand	13.10	4.20	0.35	37.91	10.10	0.35
Norway	14.35	1.70	0.06	25.53	2.90	0.10
Sweden	18.48	7.30	0.24	41.09	2.10	0.07
Switzerland	12.21	3.70	0.13	26.63	1.90	0.07
United Kingdom	13.02	4.40	0.15	18.76	7.60	0.26
United States	11.28	5.00	0.19	18.35	7.00	0.24
Mean	14.54	4.03	0.15	27.20	6.13	0.21

Sources: OECD Historical Statistics and Comparative Welfare Entitlements Dataset.

Table 3. Social and political openness, 1970–2000.

	Mean social openness	Overall change in social openness,	Annual change in social openness	Mean political openness	Overall change in political openness	Annual change in political openness
Australia	69.94	49.43	1.65	85.97	9.58	0.32
Austria	64.27	45.12	1.50	73.05	18.56	0.62
Belgium	68.95	35.03	1.17	90.66	6.44	0.21
Canada	77.21	27.99	0.93	88.86	11.17	0.37
Denmark	70.49	33.62	1.12	85.40	5.68	0.19
Finland	51.86	49.24	1.64	80.70	11.89	0.40
France	60.05	45.02	1.50	91.31	13.16	0.44
Germany	67.36	44.43	1.48	77.00	27.13	0.90
Ireland	61.07	26.66	0.89	57.87	33.76	1.13
Italy	45.32	41.97	1.40	90.16	6.71	0.22
Japan	39.48	31.28	1.04	68.79	31.16	1.04
Netherlands	72.67	45.00	1.50	84.54	6.72	0.22
New Zealand	53.12	36.68	1.22	48.50	6.87	0.23
Norway	65.95	31.27	1.04	77.15	6.28	0.21
Sweden	70.65	38.10	1.27	89.97	13.38	0.45
Switzerland	78.87	33.44	1.11	78.54	6.81	0.23
United Kingdom	62.33	48.86	1.63	87.77	9.91	0.33
United States	60.97	35.44	1.18	86.22	11.2	0.37
Mean	63.36	38.81	1.29	80.14	13.13	0.44

Source: KOF Index of Globalisation

Table 4. Social security transfers, 1970-2000.

	Model 1	Model 2a	Model 2b	Model 3a	Model 3b
Year (Y)	0.31** (0.04)	0.34** (0.06)	0.34** (0.06)	0.29** (0.04)	0.29** (0.04)
Country size (log)	-0.94* (0.44)	-0.90* (0.41)	-0.97* (0.41)	-0.91* (0.43)	-0.92* (0.43)
GDP per capita	-2.37** (0.37)	-2.00** (0.37)	-1.97** (0.37)	-2.28** (0.37)	-2.27** (0.37)
Social openness (S)		-0.09 (1.24)			
(Y)*(SO)		-0.12 (0.07)			
Social openness squared (SO-sq)			-0.08 (4.01)		
(Y)*(SO-sq)			-0.41 <sup>†</sup> (0.22)		
Political openness (PO)				0.31 (0.25)	
(Y)*(PO)				-0.04 (0.02)	
Political openness squared (PO-sq)					1.07 (0.84)
(Y)*(PO-sq)					-0.12 (0.08)
Intercept	13.06** (0.77)	14.30** (0.82)	14.44** (0.82)	13.07** (0.82)	13.34** (0.78)
-2loglikelihood	1451.40	1428.49	1427.16	1448.93	1448.67
Deviance	59.36**	22.91**	24.24**	2.47	2.73
AR1 (rho)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)

Sources: KOF Index of Globalisation, OECD Historical Statistics and Comparative Welfare Entitlements Dataset

Empty model: -2loglikelihood = 1510.76; Df = 20.68; Intercept = 12.81 (0.87)

<sup>†</sup> p < .10; \* p < .05; \*\* p < .01

Table 5. Generosity, 1971–2000.

	Model 1	Model 2a	Model 2b	Model 3a	Model 3b
Year (Y)	0.23** (0.06)	0.22** (0.07)	0.22** (0.07)	0.23** (0.06)	0.23** (0.06)
Country size (log)	-1.80* (0.76)	-1.79* (0.76)	-1.79* (0.76)	-1.80* (0.75)	-1.80* (0.76)
GDP per capita	-0.21 (0.52)	-0.04 (0.51)	-0.02 (0.51)	-0.21 (0.52)	-0.21 (0.52)
Social openness (SO)		-0.01 (0.02)			
(Y)*(SO)		-0.01** (0.00)			
Social openness squared (SO-sq)			-0.14 (0.31)		
(Y)*(SO-sq)			-0.11** (0.03)		
Political openness (PO)				-0.00 (0.02)	
(Y)*(PO)				-0.00 (0.00)	
Political openness squared (PO-sq)					-0.08 (0.27)
(Y)*(PO-sq)					-0.01 (0.03)
Intercept	25.19** (1.34)	26.80** (1.39)	26.77** (1.39)	25.26** (1.34)	25.25** (1.34)
-2loglikelihood	1812.91	1795.76	1796.34	1812.51	1812.59
Deviance	23.32**	17.15**	16.57**	0.40	0.32
AR1 (rho)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)

Sources: KOF Index of Globalisation, OECD Historical Statistics and Comparative Welfare Entitlements Dataset

Empty model: -2loglikelihood = 1836.23; Df = 18.69; Intercept = 25.06 (1.63)

† p < .10; \* p < .05; \*\* p < .01

Figure 1. Mean social security transfers and mean generosity, 1970-2000.

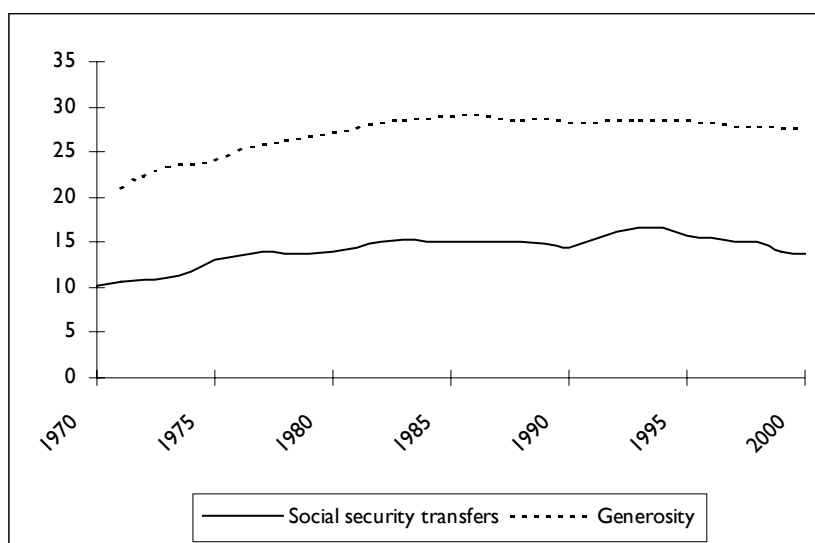


Figure 2. Mean social openness and mean political openness, 1970-2000.

