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Political parties as drivers of post-crisis social spending in liberal welfare states

Ian P. McManus[1]

Abstract In the aftermath of the global economic crisis, the challenges facing welfare states are unprecedented. While government leaders have been in broad agreement that the severity of the recession called for decisive actions to limit the costs of the crisis, national responses have differed significantly. This article seeks to explain these divergent patterns and answer the critical question: how has the crisis affected the politics of social spending across liberal welfare states? While political conflict over social spending may increase across all countries in the wake of an economic crises, partisanship is expected to have a stronger effect in liberal welfare states, due to weak automatic stabilizer effects and a reliance on discretionary spending. This research tests the effects of political parties on social spending across nine liberal welfare states (Australia, Canada, Ireland, Japan, New Zealand, South Korea, Switzerland, the UK, and the USA) during the pre-crisis (1990–2007) and post-crisis (2008–2013) periods. It also provides in-depth analysis of the USA and the UK, two representative liberal welfare states who adopted highly dissimilar post-crisis social spending. The findings demonstrate that while political parties were not correlated with social spending during the pre-crisis period, after the global economic crisis they were significant in influencing social spending levels. This indicates an important shift in political dynamics across liberal welfare states over time that has not been fully accounted for by the existing literature.

Keywords Global economic crisis · Political parties · Partisanship · Social spending · Liberal welfare states · United Kingdom · United States

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Introduction

In the aftermath of the global economic crisis, the challenges facing welfare states are unprecedented. While government leaders have been in broad agreement that the severity of the recession called for decisive actions to limit the costs of the crisis, national responses have differed significantly. This article seeks to explain these divergent patterns and answer the critical question: how has the crisis affected the politics of social spending across liberal welfare states? While political conflict over social spending may increase across countries in the wake of an economic crises, partisanship is expected to have a stronger effect in liberal welfare states than in other social protection systems. This is due to weak automatic stabilizer effects, which require governments to rely on discretionary spending that is subject to greater political contestation. An analysis of liberal welfare states then is warranted to identify the political variables which influence social spending before and after severe economic shocks.

This research tests the effects of political parties on social spending across nine liberal welfare states (Australia, Canada, Ireland, Japan, New Zealand, South Korea, Switzerland, the UK, and the USA) during the pre-crisis (1990–2007) and post-crisis (2008–2013) periods. The results of this quantitative analysis indicate that while political party control of government was not correlated with social spending during the pre-crisis period, after the global economic crisis this variable became statistically significant, suggesting an important shift in political dynamics. To help verify this phenomenon and identify the causal mechanisms behind this change, this article provides in-depth case study analysis of the United States (USA) and the United Kingdom (UK). As representative cases of liberal welfare states who were effected similarly by the timing, nature, and size of economic shocks, yet whose social spending patterns were highly divergent, they provide a natural experiment to test the partisan effects hypothesis. Whereas, by 2010, the UK began to enact severe welfare retrenchment, the USA maintained its levels of social spending as the crisis continued. Not only have political parties been the key driver of social spending differences between the USA and the UK, but since the onset of the crisis these variables have taken on increased importance. These cases provide valuable insights into the effects of partisanship on social expenditures that relates to broader trends across liberal welfare states.

This article proceeds in five sections. The first section examines the comparative welfare state literature to identify the theorized effects of political parties on social spending and how this relationship is hypothesized to be altered by an economic crisis. This section identifies counterarguments to partisan theories of social spending. It also offers explanations for why the effects of partisanship on social spending are likely to be more pronounced in liberal welfare states. The second section presents the quantitative model and findings. The third section provides an overview of pre-crisis social spending in the USA and the UK, characterized by widespread support for welfare liberalization across political parties. The fourth section analyses the divergent social spending pursued by the USA and the UK after the crisis, highlighting the importance of political parties in influencing social spending. The final section concludes.

Partisan politics and social spending

Theories on the effects of partisan politics on social spending feature prominently in the comparative politics literature (Allan and Scruggs 2004; Bradley et al. 2003; Huber et al. 1993; Finseraas and Vernby 2011; Iversen and Soskice 2006, 2010; Starke 2006; Starke et al. 2014). According to this perspective, right-leaning political parties are typically representative of middle and upper-class interests and less supportive of redistributive measures (Bradley et al. 2003; Iversen and Soskice 2006, 2010). Right-leaning governments, therefore, often favour policies which emphasize balanced budgets and a smaller welfare state (Boix 2000; Iversen and Soskice 2006, 2010). Left-leaning political parties, by contrast, are usually stronger advocates of middle and lower-class interests favouring redistributive policies and higher social spending (Allan and Scruggs 2004; Bradley et al. 2003; Garrett 1998a, b; Hicks and Swank 1992; Huber and Stephens 2001; Korpi and Palme 2003). Social spending, therefore, is highly influenced by left–right political struggles (Iversen and Soskice 2010; Starke 2006, 2014).

The 'New Politics' literature on welfare state retrenchment, however, challenges theories of partisan politics. According to this approach, the path-dependent nature of welfare systems and its popularity have weakened if not eliminated the effects of partisanship on social spending (Pierson 1994, 1996, 2001; see Starke 2006). Social spending cuts are highly unpopular among voters making retrenchment a less desirable policy for parties on the left or right (Boeri et al. 2001; Taylor-Gooby 2001). Rather than embracing retrenchment, governments under fiscal pressure to enact cuts will conceal unpopular cutbacks through 'blame avoidance' strategies. The expansion of social protection has also created strong interest groups, such as pensioner lobbies, which mobilize to resist efforts to cut benefits (Pierson 1994). Finally, deeply entrenched welfare systems create path dependencies that affect policymaking such that new measures tend to reflect those already in place (Bonoli and Palier 2000; Scharpf and Schmidt 2000). Change to the status quo is likely to be incremental, rather than transformative. From this perspective, welfare state institutions, rather than partisan politics, are the key variables to explain social spending patterns.

Another branch of the comparative literature consists of neo-functionalist perspectives, which argue that social expenditures are shaped by domestic and international pressures, rather than political parties and institutional arrangements (Schwartz 2001; Starke 2006). Domestically these pressures include social, economic, and demographic challenges that welfare systems are confronted with, such as ageing populations and a shift towards a post-industrial economy. Internationally, this pressure stems from increased globalization and economic integration between countries, which limits the role of the state in providing social protection (Tanzi 2002; Becker and Jäger 2012; Heyes et al. 2012; Heyes 2013). In other words, international constraints imposed by the globalization of trade and financial markets limit independent state policymaking (Streeck 2011). Indicators such as economic openness, therefore, are theorized to have a negative impact on social expenditures (Garrett and Mitchell 2001).

Partisan politics and crisis

Despite the theoretical significance attributed to partisan politics in some of the literature, examination of the effects of political parties on social spending during times of crisis has been less developed and needs further consideration. There are several reasons why a crisis can affect the politics of social spending. First, a crisis raises social concerns to the forefront of the policymaking agenda, thus acting as a catalyst for welfare state action (Kingdon 1995; Kuipers 2006; Vis and van Kersbergen 2007; Vis et al. 2011; Singer 2011). Second, crises can upset prevailing ideas and policies. For example, the global recession raised serious questions about existing social and economic policies and undermined the pre-crisis neoliberal consensus that had formed across parties (De Grauwe 2008; Obstfeld and Rogoff 2009; Palley 2010; United Nations 2011). This has led to political conflicts over market regulations, social redistribution, and the role of the state in providing effective policy responses (Hemerijck 2013; Starke et al. 2012, 2014; Vis et al. 2011). Finally, crises offer incentives for parties to emphasize political differences and highlight alternative policy positions. Opposition parties may use crises as opportunities to gain electoral success by blaming the policy failures of the previous administration for the economic downturn (Hall 1993).

Under crisis conditions, left-wing parties are expected to view social spending increases more favourably than conservative parties for two reasons. First, left and right parties are expected to respond to the redistributive demands of their traditional core constituencies (Starke et al. 2012, 2014). In the case of left-wing parties, low-income earners make up a large share of their voter base and are the group most at risk during crisis and most likely to benefit from social spending increases (Ahrend et al. 2011). Conservative parties by contrast are expected to favour retrenchment policies and fiscal discipline (Starke et al. 2012, 2014). Second, the post-crisis positions of political parties reflect enduring ideological positions about the role of the state, welfare, and the market. Left-leaning parties are likely to blame 'the market' for the crisis and look to the state for solutions. By contrast, right-wing parties are more likely to identify government regulations or the size of the state as problematic (Starke et al. 2012, 2014). In sum, economic crises elevate social spending concerns on the agenda which may lead to political conflict over appropriate crisis responses.

An alternative hypothesis is that during a crisis we may see greater consensus between parties. In the wake of severe economic shocks, ideological differences may be put aside in favour of technocratic governance and centralized decision-making (see Starke et al. 2014). In this case, we would expect to see a weaker partisan effect on social spending during a crisis (Lipsmeyer 2011). Since most of the population is affected by an economic downturn, including right-leaning voters, conservative parties may tone down rhetoric about the need for a more limited welfare state (Jensen 2011). While some research confirms that partisanship is weaker after crises (Armingeon 2012; Lipsmeyer 2011), others verify the significance of partisan divisions (Cusack et al. 2008; Herwartz and Theilen 2014; McCarty 2012; Starke 2012, 2014). At present, evidence of partisan effects on post-crisis social spending is limited and mixed, requiring further examination.

Crisis and partisanship in liberal welfare states

While economic crises may trigger greater political contestation over social spending, the degree of conflict is mediated in important ways by the welfare state (Starke et al. 2012, 2014). The effects of partisan politics on social spending after a crisis are expected to be higher in liberal welfare states than in other systems. This is due to the smaller role that automatic stabilizers play in offsetting the consequences of economic crisis (Starke et al. 2012, 2014). For example, in the wake of the global financial crisis, automatic stabilizers accounted for only 32% of the income shock in the USA and 35% in the UK compared with an EU average of 38% (Dolls et al. 2009). The income shock absorption from automatic stabilizers was much higher in many Continental and Nordic welfare states, such as Sweden where it was 42% and Germany where it was 48% (Dolls et al. 2009). Similarly, automatic stabilizers only accounted for 34% of the unemployment shock in the USA and 38% in the UK compared with an EU average of 47% (Dolls et al. 2009). For comparison, automatic stabilizers accounted for 62% of the unemployment shock in Germany and an incredible 68% in Sweden (Dolls et al. 2009). Because of the smaller automatic stabilizer response in liberal welfare states, there is a greater reliance on discretionary spending to address the effects of economic downturns, which may be subject to greater political contestation. This creates opportunities for political actors to influence social spending. In this case, political party control of government may have a greater influence on whether a state pursues expansionary social spending or not. Lower levels of social spending, like those found in liberal welfare states, have also been correlated with higher levels of political polarization (Lindqvist and Östling 2010; Swank and Betz 2003).

Variation in post-crisis social spending in liberal welfare states

Similar social spending patterns can be found across liberal welfare states at the start of the global financial crisis. As shown in Fig. 1, each of the nine cases under analysis in this article increased social spending from their pre-crisis 2007 levels at the start of the Great Recession. These common social spending increases can be explained as immediate reactionary responses by national governments and welfare systems to worsening social and economic conditions. However, as the crisis continued there were considerable differences between states as to whether social spending increases were maintained or whether expenditures fell from their peak post-crisis levels. In some countries, such as the USA, social spending levels rose at the start of the crisis and were sustained as the recession wore on. By contrast, in

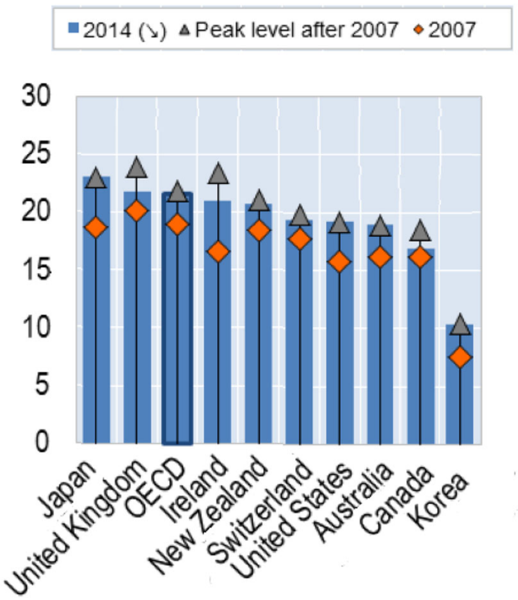


Fig. 1 Public social expenditure as a % of GDP, 2007, peak level after 2007, and 2014. *Source*: OECD (2014)

countries, such as the UK, social spending fell sharply from peak post-crisis levels (see Fig. 1). The USA and the UK, therefore, serve as valuable case studies to understand the broader divergent trends in social spending across liberal welfare states. These cases are notable given that they share considerable social, political, and economic similarities, yet exhibit dissimilar post-crisis social spending trajectories. This variance in social spending over the course of the crisis raises an important empirical puzzle. Namely, what drove this divergence? This puzzle represents an opportunity to test partisan effects theories on social spending and to see whether these effects were altered in the wake of a severe economic crisis.

Model

To identify the relationship between political parties and social spending, panel data analysis is used to test the effects of conservative, centre, and liberal[1] party control of government on social spending across liberal welfare states from 1990 until 2013. While social spending has many dimensions, such as unemployment, family, and old age policies, total social spending as a percentage of GDP has been used as a dependent variable as it is an important measure of overall government response to the redistributive effects of crisis. This dependent variable has been commonly used in empirical studies to test the effects of partisanship on welfare (see Kittel and Obinger 2003; Iversen and Soskice 2010; Herwartz and Theilen 2014). Data are included for Australia, Canada, Ireland, Japan, New Zealand, South Korea, Switzerland, the UK,

[1] Coding for conservative, centre, and liberal party control of government are based on the 2013 World Bank Database of Political Institutions (see "Appendix" for more details).

and the USA. These cases were selected based upon a welfare state typology, first established by Esping-Andersen, and are cited in the literature as examples of liberal welfare states[2] (Esping-Andersen 1990, 1999; Bonoli and Kato 2004; Castles and Obinger 2008; Cho 2002; Häusermann and Palier 2008; Ahn and Lee 2012).

This model tests the hypothesis that post-crisis outcomes in overall social spending are influenced by political party control of government, with the expectation that conservative parties will be correlated with greater social spending reductions. The model examines the patterns of government response to the crisis, by estimating the effects of economic shocks on social spending, while differentiating the intervening effects of political and institutional variables on the strength and direction of these outcomes. An interaction variable is included in the model for each independent variable of interest to determine what effect these factors have on social spending in the pre-crisis (1990–2007) and post-crisis[3] (2008–2013) periods. This will provide statistical evidence of the influence of the crisis on social spending dynamics and allow me to test whether the same independent variables are significant in each period.

While this article is concerned with the effects of political parties on social spending, the model accounts for the influence of a range of macroeconomic, EU-level, and country-specific control variables. GDP per capita (gdp_per) is included to test the hypothesis that demand for social spending is income elastic (Wagner' s law) (Iversen and Soskice 2010; Lamartina and Zaghini 2011). Economic openness (econ_open) is included to test the hypothesis that exposure to international markets leads to more demand for social spending (Cameron 1978; Garrett 1998a, b; Rodrik 1999). A female workforce participation variable (female_labor) is included to test the hypotheses that women's labour force participation leads to demands for higher social spending (Huber and Stephens 2000). A variable for the unemployment rate (unemp_pop) helps to control for social spending increases associated with rising unemployment levels (Iversen and Soskice 2010). Two dependent population variables, population under 15 years of age (pop_under_15) and the population over 65 years of age (pop_over_65), control for the effects that the size of non-working population have on social spending demands. Voter turnout (vturn) tests the hypothesis that high turnout is correlated with greater social spending (Kenworthy and Pontusson 2005). A dummy variable for electoral systems has been included to test the effects of proportional representation (PR), mixed, and majoritarian political institutions (pr and mixed) on social spending. The hypothesis is that PR systems promote centre-left coalitions which support more generous social spending (Huber et al. 1993; van Kersbergen 1995; Iversen and Soskice 2006, 2010). Finally, a control variable has been included for EU membership to test the effects of membership

[2] South Korea and Japan have been included in this analysis as variants of liberal welfare states. While a consensus has not been reached within the literature on how to categorize these states, with these countries classified as liberal welfare states, hybrid regimes, or distinct welfare models, due to low levels of government intervention, limited investment in social welfare, and weak automatic stabilizers these cases are valuable for the analysis of post-crisis political party effects.

[3] This research dates the crisis as beginning in 2008 and continuing through to the present. This timeframe marks a departure from earlier social spending patterns as governments began to implement crisis management responses to limit the effects of this event on domestic markets and on the public.

versus non-membership on social spending. For more detailed information about the model specification and variable descriptions see "Appendix".

Findings

The model shows that in the post-crisis timeframe conservative parties are correlated with a significant decrease in social spending across liberal welfare states (See Table 1). While holding all other variables constant, the conservative party variable is associated with a 2.04% decrease in post-crisis social spending. Whereas this conservative party variable held no significant relationship to social spending in the pre-crisis period, it has taken on a high degree of statistical significance since the crisis began. Two important implications concerning the effects of conservative parties on social spending arise from these statistical results. First, this finding provides confirmation of some expectations from the literature, namely that during the post-crisis period conservative party control of government is associated with decreases in social spending. Second, there appears to be important differences in

Table 1 Regression results total social spending (1990–2013)

Variables	govt_ss_total	
	Coefficient	Robust standard error
gdp_per	−0.000000997	0.0000600
econ_open	0.00649	0.0181
female_labor	0.432***	0.0477
unemp_pop	0.588***	0.0932
pop_under_15	0.454*	0.266
pop_over_65	1.243***	0.252
Vturn	0.0482**	0.0243
post_crisis	0.518	0.948
eu_pre-crisis	0.860	1.047
eu_post-crisis	2.572***	0.812
pr_pre-crisis	1.820	1.321
pr_ post-crisis	−0.437	1.062
mixed_pre-crisis	0.866*	0.510
mixed_ post-crisis	1.170	0.748
centre_pre-crisis	1.615	1.068
centre_ post-crisis	−1.984	1.583
right_pre-crisis	0.453	0.686
right_ post-crisis	−2.042**	0.827
_cons	−40.81***	8.405
Observations	214	
Within R^2	0.7601	
Between R^2	0.9829	
Overall R^2	0.9273	

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

the effects of conservative party government control on social spending in the periods before and after the crisis. In many ways, this is an important and surprising finding as it indicates that the economic crisis has altered the relationship between these two variables in ways that have not been fully captured in the existing literature.

The lack of statistical significance of parties pre-crisis may be accounted for by the fact that during this timeframe political differences narrowed as parties on the left and the right adopted similar liberal social spending strategies (Hendrik et al. 2004; Leschke and Jepsen 2012). In other words, as the policy preferences of political parties converged, the influence that any party had on social spending mattered less. However, since the start of the recession considerable divisions have grown between parties over social spending. Parties on the right have been correlated with significantly lower social spending than parties on the left. The result has been renewed statistical significance of political parties on overall social spending levels across liberal welfare states.

The effects of conservative party control of government on social spending since the onset of the crisis can be seen across the cases under analysis (see Fig. 1). While each liberal welfare state adopted counter-cyclical social spending at the start of the crisis, only Canada, Ireland, and the UK, each led by conservative governments, made significant cuts as the crisis wore on. Although the other two cases of conservative led governments, Switzerland and New Zealand, did not see the same levels of social spending cuts they provided the weakest counter-cyclical responses of the countries under review. By contrast, social spending levels, which were elevated at the start of the recession, were maintained over the course of the crisis in governments controlled by left-leaning parties, as in the cases of the USA and Australia. Social spending data and statistical analysis, therefore, highlight the divergent post-crisis social spending patterns between left and right-wing governments. Case study analysis of the USA and UK in the next section will provide further explanations for the lack of pre-crisis political party effect and identify how conservative and liberal party control of government has influenced social spending over the course of the crisis.

As expected, several control variables were significant confirming some of the hypothesis identified in the literature. Female workforce participation was correlated with a 0.43 increase in social spending. Unemployment rate was correlated with a 0.59 increase. The size of the dependent population over 65 years was correlated with a 1.24 increase in social spending. Voter turnout was associated with a 0.05 increase in social spending. While not statistically significant in the pre-crisis period, EU membership was correlated with a 2.57 increase in social spending. This result may be explained by the high levels of social spending adopted by EU member states during the initial phases of the crisis. Social expenditures in Ireland, for example, rose from 15.8% of GDP in 2007 to 22.4% of GDP by 2010 representing the largest increase of any country under examination (OECD 2017). These national efforts were encouraged by EU institutions at the start of the crisis. In 2008, the European Commission produced the *European Economic Recovery Plan* which offered a framework for coordinated action to restore economic growth, support unemployed workers, and protect socially vulnerable groups (European Commission 2008). In addition, the EU dedicated €200 billion in structural funds, representing 1.5% of overall EU GDP, towards regional recovery efforts (European Commission 2009).

While the significance of EU membership in the model is interesting, there are two important clarifying points to be made about this finding. First, only two of the countries under analysis are EU members, Ireland and the UK. This makes generalization about the broader effects of EU membership on social spending difficult to identify and would require further analysis of additional member states before any conclusions can be drawn. Second, EU membership is included as a control variable to hold the effects of EU institutions and policies constant. Theoretically, the hypothesized effects of EU membership on state spending are important to address. However, more in-depth considerations about the influence of the EU on member state social spending are outside the scope of this paper, but would be worthy of future investigation.

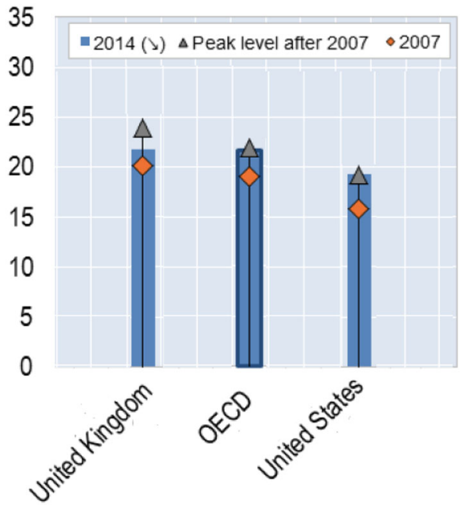
The next section provides an in-depth analysis of the politics of social spending in the USA and UK before and after the global economic crisis. These cases highlight the influence of left–right party politics on post-crisis social spending in liberal welfare states. They are valuable due to similarities in institutions and the timing and size of economic shocks and the divergent social spending pursued by each state. These cases are illustrative of the effects of partisan divisions and the ideological positions of parties on social spending expansion and retrenchment strategies.

Why the USA and UK?

The UK and the USA are important case studies for analysis as both countries share similar market structures and welfare systems and were significantly affected by the Great Recession, yet each state adopted notably different post-crisis social spending. Utilizing a Most Similar Systems Design, a comparison of these cases will help identify why two liberal welfare states pursued such different social spending. From an institutional perspective, the USA and UK are quite similar and often cited as classic examples of liberal welfare states, relying on limited means-tested social programs targeted towards at-risk populations (Esping-Andersen 1990; Pierson 1996, 2001; Häusermann and Palier 2008). However, it is important to note that while the UK welfare state offers lower levels of social support than many of its European counterparts, it offers more generous social protection than the US system (Scruggs et al. 2014). The electoral systems are another point of institutional similarity, as both countries are majoritarian democracies in which politics are dominated by two main political parties (Taylor-Gooby 2001).

In addition to important institutional parallels, both states are significant global economic actors with large financial markets and banking sectors. By the end of 2006, of the top 30 largest banks globally, ten were located within the USA, representing 40% of the total stock market value, and four were in the UK, representing 12% of the total stock market value (Laeven and Valencia 2010). Because of their dominance of international finance, the bank failures which

Fig. 2 Public social expenditure as a % of GDP in the US and UK 2007, peak level after 2007, and 2014. *Source*: OECD (2014)



occurred at the start of the crisis were pronounced for both economies. Between 2006 and 2009, the top 30 banks lost over 52% of their stock market value (Laeven and Valencia 2010). The collapse of international financial markets resulted in a sharp drop in GDP and rising unemployment in both the USA and the UK. Due to the high levels of exposure to global financial markets, the economic shocks faced by each state were similar at the onset of the crisis (Iversen and Soskice 2010).

Given the similarity of the problems faced by both countries at the onset of the crisis, it is surprising that each adopted such dissimilar long-term social spending. While both countries increased social spending at the start of the crisis, by 2010, the newly elected conservative government in the UK began a strategy of sharp social spending cuts. By contrast, the USA maintained high social spending levels throughout the crisis (see Fig. 2).[4] This can be seen not only in terms of overall social spending, but also in per capita expenditures (see Fig. 3). An analysis of these cases will provide evidence of the critical role that political parties played in shaping these divergent social spending patterns.

Pre-crisis social policy convergence

Before examining how political parties shaped social spending in the USA and UK after the global economic crisis, it is important to address a major finding from the statistical analysis, namely the puzzle over why these political variables were insignificant pre-crisis yet became statistically significant after the crisis. To answer this question, it is important to examine the social policy liberalization trends that dominated the pre-crisis period. While political parties are cited in the literature as

[4] It is important to note that while the UK adopted social spending reductions as the crisis continued its spending fell more in line with average OECD spending levels, while the USA remained below the OECD average even although it sustained social spending increases.

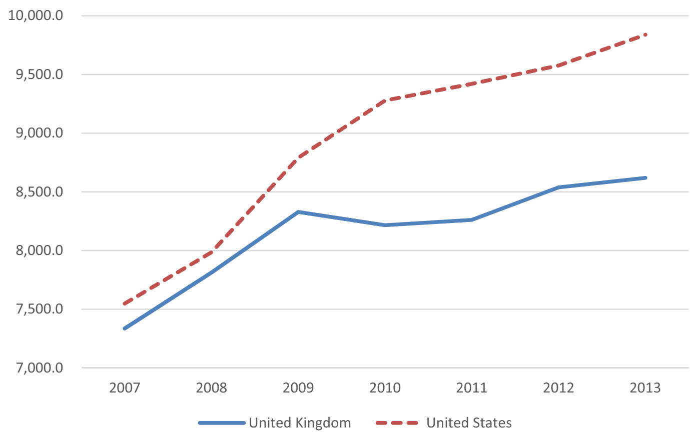


Fig. 3 Social spending per capita (US dollars). *Source*: OECD (2017)

influential in shaping social spending (Huber et al. 1993; Iversen and Soskice 2006, 2010; Starke et al. 2012, 2014), in the two decades prior to the global economic crisis political divisions between parties appear to have narrowed. This is due to prevailing neoliberal policies which became widely accepted across parties in liberal welfare states. As a result, the effects of party differences on social spending levels were minimized during this pre-crisis period. These political dynamics have changed after the crisis, as social spending has been subject to far more contestation and divisions have grown between left and right parties. The next section will provide a nuanced examination of welfare liberalization trends that occurred during this timeframe and the convergence of party positions in the USA and UK.

Social policy liberalization (1990s–2000s)

The 1990s marked notable welfare spending reductions across many states as governments began to respond to the challenges of labour market transitions, the shift towards a post-industrial economy, and demographic changes. The linkages that exist between domestic economic practices and welfare state policies depend greatly on social and economic context (Häusermann and Palier 2008). During the 1990s, this context changed drastically due to increased globalization and the rise of neoliberal ideas. A focus on the importance of international markets and competition began to challenge the scope and capacity of welfare states (Scharpf and Schmidt 2000; Begg et al. 2008). Neoliberal policies promoted by organizations, such as the IMF and World Bank, became ascendant as governments adopted policies emphasizing price stabilization, fiscal discipline, privatization, deregulation, and lowered state spending (Rodrik, 2011). Inspired by neoliberal orthodoxy, influential reports, such as the 1994 *OECD Jobs Study,* concluded that generous welfare states were, in part, to blame for the lack of competitiveness and low levels of growth seen in some countries (OECD 1994, 1997). The dominance of neoliberalism was evident in the kinds of welfare reforms that were implemented across states during this time (Scharpf 2002). With the aim of promoting competition and efficiency, many welfare benefits were cut, eligibility requirements tightened, and social spending was decreased (Hemerijck 2013).

Pre-crisis political support for liberalization

During the 1990s and 2000s, in the USA and UK, there was considerable convergence of the policy positions of parties on the left and right in support of neoliberal reforms (Taylor-Gooby 2001, 2004). In the case of the UK, growing support for neoliberal policies played a role in social policy debates and led to an effective political consensus. After a considerable electoral defeat in 1992, the UK Labour Party began to rethink its historical commitments to a large public sector, high tax rates, and generous social benefits viewing these policies as no longer financially sustainable or electorally viable (Taylor-Gooby 2001). By the 1997 general election, the Labour Party's approach to welfare was more in line with the Conservative Party's position, that social policies must support economic competitiveness, rather than promote social equality. This new neoliberal position was prominent in the Labour Party's 1994 *Commission on Social Justice* report as well as its 1997 general election manifesto (Labour Party 1994, 1997).

By the mid-1990s, the New Labour[5] party, under the leadership of Tony Blair, became strong advocates of 'Third Way' policies which emphasized social investment strategies to reconcile welfare with a liberal market approach. 'Third Way' advocates argued that social and economic policies can be mutually reinforcing and that measures, such as workforce activation, could increase productivity and growth (Hemerijck 2013). In short, the New Labour party wanted to transform the welfare state from a passive benefit provider to an active labour market promoter.

Once in office, beginning in 1997, New Labour pursued many of the policies of the previous Conservative government, including fiscal restraint, welfare retrenchment, and the introduction of market-based social policies, such as the partial privatization of pensions (Taylor-Gooby 2001; Hodson and Mabbett 2009). Under New Labour, the UK welfare state was reoriented to replace passive welfare benefits with workforce activation (Häusermann and Palier 2008). This labour market activation strategy was supported by both conservative and liberal parties as the best means to promote competitiveness. While disagreements persisted over issues such as minimum wage and the extent of means-tested programs, in many respects these differences were a matter of degree, rather than ideological differences (Taylor-Gooby 2001).

Similar support for welfare liberalization can be found across political parties in the USA during this time. Much like the rise of New Labour in the UK, the 1990s saw the ascendance of the New Democrats in US politics, under the leadership of President Bill Clinton. Unlike the Democratic platform of the past, New Democrats embraced neoliberal beliefs that many social programs undercut competitiveness,

[5] New Labour refers to a period from 1994–2010 in which the British Labour Party was led by Tony Blair and then by Gordon Brown. This period is notable for the shift in the social and economic policy position of the party in favour of social investment 'Third Way' strategies, which emphasized workforce activation and the need to reconcile social welfare with a liberal market approach.

hindered growth, and created unsustainable deficits (Swank 2002). To address these concerns, New Democrats adopted welfare reforms which included retrenchment, a shift towards social investment, and a greater reliance on market forces to provide social goods (DeLong and Eichengreen 2002; Wheatherford and McDonnell 1996).

Signalling his commitment to liberal welfare reforms, Clinton ran for President on a platform that vowed to, 'end welfare as we know it' (NY Times 1996; Swank 2002). To this end, in 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) into law, heralding in a new era of workforce activation and a move away from passive social assistance (Thelen 2014). PRWORA reflected the guiding principles of the New Democrats, which emphasized 'opportunity and responsibility' by aiding the unemployed in the form of job search support and short-term training, while at the same time limiting the time that entitlements could be received (Wheatherford and McDonnell 1996; Stoesz 2002; Thelen 2014). Under PRWORA the Aid to Families with Dependent Children (AFDC) program was replaced by Temporary Assistance for Needy Families (TANF). Whereas AFDC required states to provide social assistance to all eligible individuals, TANF removed all legal entitlements to welfare and introduced strict limits and work requirements for recipients (Lafer 2002; Schuldes 2012; Stoesz 2002; Thelen 2014).

The liberal social reforms adopted by Democrats in the 1990s brought them more in line with Republicans, resulting in reduced political conflict over social spending (Stoesz 1996, 2002). In several telling comments to the press, President Clinton spoke directly to this depoliticization of welfare. During the adoption ceremony of PRWORA, President Clinton announced that, 'After I sign my name to this bill, welfare will no longer be a political issue' (NY Times 1996). The President went on to state that, 'the two parties cannot attack each other over [welfare reform]' and he expressed hope that the partisan conflict over social spending would be eliminated (NY Times 1996).

The 2000s marked the return of the conservative Republican Party to power in the White House, under the leadership of George W. Bush. Long favouring welfare retrenchment and limited government intervention, Republicans expanded upon social policy liberalization adopted by Democrats. This included strict limits on welfare benefits and additional workforce requirements for social support (NY Times 2000). Under the guise of 'compassionate conservatism', the Bush administration sought to further reduce the role of the government in providing social support seeking to encourage the privatization of welfare. To this end, Republicans called for an US$8 billion plan for private organizations to take up social responsibilities (NY Times 2000).

Overall, during the 1990s and 2000s there was a significant shift in the UK and USA towards welfare state retrenchment and the introduction of liberal policies into the social sphere (Hemerijck et al. 2009). Political parties on the left and the right began to pursue policies which emphasized the importance of market-based social strategies, while disavowing the passive social policies of the past (Swank 2002; Lee and McBride 2007; McCarty 2012). Due to the convergence of policy positions of liberal and conservative parties, debates over social spending became less contentious (Stoesz 1996, 2002; Taylor-Gooby 2001; Swank 2002). The widespread acceptance of neoliberal policies across parties in liberal welfare states helps to explain the lack of statistical significance that political parties had on social spending during this timeframe.

Post-crisis social policy divergence

Whereas before the crisis there was a widespread neoliberal belief that government efforts to address social issues were inefficient and hindered economic growth, in the wake of the global economic crisis government leaders were in broad agreement that the severity of recession called for decisive actions on behalf of states to limit its costs (OECD 2010). In the USA and UK, counter-cyclical stimulus responses included considerable social spending increases (European Commission 2008). These costly government interventions represented a clear break from earlier neoliberal strategies, which favoured limited government involvement. Although both states saw the need to increase social spending at the start of the crisis, by 2010 we see considerable divergence. While social expenditures in the USA remained high over the course of the crisis, beginning in 2010 the UK adopted sharp social spending cuts (Economist 2013; OECD 2009; ILO 2011). This divergence signalled serious left-right political divisions over social spending and a break from the pre-crisis period defined by political consensus over the need for a more limited welfare state (Farnsworth and Irving 2011).

Social spending differences between the UK and the USA have largely been defined by the governing coalitions in each country. The 2008 elections in the USA saw the victory of Democratic President Barack Obama who ran on a platform that emphasized higher government spending to encourage economic growth, promote job creation, and increase social support (NY Times 2012). By contrast, the 2010 national elections in the UK saw the success of the Conservative Party, under the leadership of David Cameron, whose political platform stressed the need for fiscal discipline and welfare reductions (NY Times 2010a). As the next section will explore, the new political leadership that emerged after the crisis in the USA and UK played a critical role in defining the long-term social spending of each state.

US social spending recovery strategies

As the consequences of the financial crash worsened, US government leaders came under pressure to provide a strong stimulus response to limit the effects of the crisis. In January 2008, a US$152 billion stimulus package was introduced by the conservative Bush administration (Congressional Budget Office 2008). While this response indicated a departure from pre-crisis policies emphasizing limited government intervention, the centrepiece of the legislation was a reliance on tax cuts, rather than social spending increases, to address the distributional effects of the crisis. In other words, despite a commitment to stimulus, Republican efforts to address the crisis relied on strategies informed by neoliberal orthodoxy. Although Democrats supported stimulus, many opposed the Bush administration’s reliance on tax relief and argued that the package should include increased social spending (McCarty 2012).

This critique of Bush stimulus measures indicated a growing left-right divide between parties over how best to respond to the crisis which would play out in the 2008 electoral cycle. As the elections grew closer, Democrats emphasized the need for a second round of stimulus, a position that faced opposition from Republicans (NY Times 2009; McCarty 2012). During the 2008 campaign, Republican presidential candidate John McCain ran on a platform which argued that any stimulus plan should extend and make permanent the Bush tax cuts (The Week 2013). Senator McCain also proposed freezing domestic spending and introducing nearly US$100 billion in unspecified spending cuts a year to balance the budget by 2013 (NY Times 2008). By contrast candidate Barack Obama, and his fellow Democrats, argued for further stimulus and increased social spending to support low-income populations, the unemployed, and struggling homeowners (McCarty 2012).

The electoral success of the Democrats in 2008 represented a strengthening of the left in the USA and resulted in the adoption of generous social spending (Béland and Wadden 2011; Farnsworth and Irving 2011). The US stimulus package, adopted in 2009, was the largest of any OECD country worth approximately US$840 billion (OECD 2009; ILO 2011; Congressional Budget Office 2012; Recovery.gov). Key measures of this package included an expansion of unemployment benefits, healthcare, and other social support. Entitlement programs made up US$261.2 billion of the stimulus spending, which included funding for Medicaid/Medicare, family services, and job training programs (Recovery.gov). This package was markedly different in size and composition than Republican proposals. It is unsurprising, therefore, that the stimulus faced widespread resistance from Republicans only passing with a narrow margin. In fact, the measure passed without support from a single Republican Member of Congress (McCarty 2012).

In contrast to the liberal policies of the previous decades, the US stimulus was informed by Keynesian macroeconomic theories. This approach argues that during times of recession governments should increase public spending to boost domestic demand and provide social support to stimulate recovery (IMF 2014). While some OECD countries, witnessing a modest return to growth and concerned with rising debts and deficits, began to cut social spending, this was not the case in the USA. Democrats continued their support for social spending over the course of the crisis and worried that sudden austerity would undermine economic gains (Economist 2013). In contrast to Republicans who favoured social spending cuts, Democrats argued that not only would such actions lead to economic stagnation, but that stimulus would be far more cost effective in the long run. Research by Larry Summers, one of the chief architects of the US stimulus package, and Brad DeLong, argued that by offsetting the costs of prolonged unemployment, stimulus social spending would effectively pay for itself (2012). DeLong and Summers' research further suggested that caution needs to be exercised regarding the speed of fiscal consolidation, as too rapid a pace could have negative effects on growth and employment (Delong and Summers 2012).

Although in favour of introducing a second major stimulus package in 2010, due to a midterm election loss that saw Democrats lose their majority in Congress and nearly lose control of the Senate, the Obama administration faced considerable political resistance from the right. Instead, the administration focused on targeted social spending. However, even these measures faced resistance from Republicans, signalling greater party conflict over social spending. For example, a Democratic proposal which allocated US$57 billion to extend unemployment benefits was filibustered by Republicans in the Senate for several weeks before passing (NY Times 2010b; McCarty 2012). Similar relief measures for low-income and unemployed workers were only agreed to by Republicans after concessions were made by Democrats to extend the Bush era tax cuts for two years (McCarty 2012). Despite conservative resistance, Democrats continued to pursue more generous social spending. For example, in 2010, the Obama administration passed legislation which reduced employee contribution requirements to Social Security by two per cent (NY Times 2010b; McCarty). US social spending dynamics highlighted the significant effects that left–right party had on the size, scope, and content of the measures introduced, with conservatives favouring a limited government response, greater austerity, and reliance on market-based policies, such as tax cuts over social spending increases (Faricy 2015).

The influence of left-leaning Democratic leadership in the USA was not only correlated with extensive and sustained social spending, but allowed for the introduction of one of the most sweeping social welfare expansions in recent American history (Béland and Wadden 2011). Soon after his inauguration in 2008, President Obama made clear that reforming America's health care system would be one of his key legislative priorities. To this end, the adoption of the Patient Protection and Affordable Care Act (PPACA) in 2010 represents one of the most substantial overhauls to the American healthcare system since the introduction of Medicare and Medicaid in the mid-1960s. PPACA represents a significant expansion to the American welfare system with an estimated cost of US$1.2 trillion from 2016 through 2025 (Obamacare Facts 2015). The goal of the program is to reduce the costs, increase the quality, and expand access to healthcare for all American citizens. As in the case of the 2009 stimulus bill, the Affordable Care Act passed without any support from House Republicans signalling a high degree of partisan divide over social spending and the role of the government in providing welfare support (Washington Post 2010; Forbes 2014). The sustained social spending response of the USA after the global financial crisis was influenced by left-leaning government leadership. This was strongly opposed by Republicans indicating a growing left-right political divide domestically. The response of the US government was in sharp contrast to that of the UK, which emphasized austerity and social spending reductions.

UK social spending recovery strategies

In reaction to the economic crisis, the ruling Labour government decided to move forward with its 2007 social spending plans, based on the assumption of steady growth, fearing that cuts would prolong the recession and deepen its effects (Hills 2011; Lupton et al. 2013). While GDP declined, social spending rose to more than

30% of GDP from 2008 through 2010, the highest it had been in nearly 30 years (Lupton et al. 2013). An important aspect of the 'fiscal stimulus' response of the Labour government is that much of the counter-cyclical welfare support came through the continuation of previously planned real increases in social spending, rather than the adoption of special additional measures (Lupton et al. 2013). Therefore, it is important to analyse total social spending, rather than just stimulus packages, to understand the full scope of the UK government's response to the recession. By increasing social spending in real terms, as well as other areas of public spending, the Labour government allowed deficits to rise an issue that would come to the forefront as the crisis wore on (MacLeavy 2011).

The success of the Conservative Party in the 2010 UK national election, which resulted in the formation of a coalition government with the Liberal Democrats,[6] had a profound impact as social spending became a primary target of budget cuts. A major focus of the Conservative legislative agenda was to introduce some of the most significant cuts to the British welfare system since the end of World War II (NY Times 2010a; Lupton et al. 2013). The Conservative Chancellor of the Exchequer George Osbourne emphasized the centrality of social spending cuts to lowering the deficit describing welfare reductions as, "a key component of successful fiscal consolidation" (HM Treasury 2010, p. 6). Nearly two-thirds of cuts adopted by the Conservative led coalition government were directed at social spending (van Kersbergen et al. 2014). Reductions in social assistance for women, children, the poor, and unemployed were particularly severe (Taylor-Gooby 2013; van Kersbergen et al. 2014). Accounting for nearly one-third of Britain's annual budget, the Cameron administration aimed to reduce welfare spending by about US$30 billion from 2010 to 2014, representing around 10% of government outlays (NY Times 2010a). In October 2010, Chancellor Osborne unveiled a series of major cuts, including a £7 billion (US$11 billion) reduction in welfare spending (Gardiner et al. 2010). This was in addition to £11 billion (US$17 billion) in welfare cuts that were outlined in an emergency budget earlier that June as part of a social reform package (Gardiner et al. 2010). While agreeing to reductions in 2010, many Liberal Democrats were opposed to the size of these cuts (Ellison 2016). This emphasizes that the coalition government's austerity drive was driven largely by Conservative party leadership. Conservative policies led to benefit reductions, restrictions in eligibility, and the elimination of some social programs all together (Lupton et al. 2015).

While all three of the main political parties in the UK (Conservative, Labour, and Liberal Democrat) agreed on the need to cut the budget deficit in their 2010 election platforms, the Conservative party's position was striking in terms of the timing, scale, and scope of cuts. Labour and the Liberal Democrats argued that if implemented too early cuts to social spending could harm economic recovery, whereas the Tories argued for immediate reductions (UK Women's Budget Group 2010; Ellison 2016). The 2010 Conservative budget proposed a ratio of spending cuts to tax increases of 4 to 1 (UK Women's Budget Group 2010; Lupton et al. 2015). By comparison, the Liberal Democrats proposed a ratio of spending cuts to

[6] Although working in a coalition government with the Liberal Democrats, the strategy to implement rapid and extensive social spending cuts lay primarily with the Conservative Party (Ellison 2016).

tax increases of 2.5 to 1 and Labour proposed a 2 to 1 ratio (UK Women's Budget Group 2010). These differences in party positions highlight the degree to which Conservatives prioritized social spending cuts compared to the more modest positions of the Liberal Democrats and Labour Party (Ellison 2016). The exceptional scale and speed of cuts to the welfare state and the composition of reforms, such as the 2012 Welfare Reform Act,[7] introduced by the Conservative led government was largely ideological reflecting a neoliberal vision of a smaller welfare state and increased individual responsibility (Taylor-Gooby 2012; Lupton et al. 2015). Favouring a more liberal approach to welfare, Conservatives identified Labour's social spending initiatives, such as those aimed at tackling child poverty and improving social mobility, as costly and wasteful (Ellison 2016). This highlights a growing divide between political parties in the UK over social spending (Taylor-Gooby 2013). The adoption of sharp social spending cuts in 2010 reflects this division as Conservative plans for welfare reductions went far beyond proposals by the Liberal Democrats or Labour to address the deficit.

The decision of the UK government to pursue major social spending retrenchment reflected the power of the Conservative Party domestically and stood in clear contrast to Democratic strategies in the USA. The difference in these approaches was made clear in a statement in 2010 by President Obama to Prime Minister Cameron and other European leaders warning that premature cuts in government spending and social welfare could create further economic instability and potentially lead to a double-dip global recession (NY Times 2010c). Indicating his contrasting perspective, Prime Minister Cameron in a speech to world leaders at the 2011 World Economic Forum meeting in Davos Switzerland stated that, 'Those who argue that dealing with our deficit and promoting growth are somehow alternatives are wrong. You cannot put off the first in order to promote the second' (Cameron 2011). The Cameron administration discounted the argument that government spending is needed to fight the crisis and continued its insistence on fiscal reductions to address rising debt, ensure good credit ratings, and lower borrowing costs which would facilitate a private sector-led recovery (Economist 2010; EUCE 2013). Prime Minister Cameron also pursued a 'Big Society' approach which emphasized the role that individuals, communities, and volunteer groups, rather than government, should play in providing social support (BBC 2010; Cameron 2010). This position reflects the neoliberal consensus held by the Conservative party that government intervention should be limited and that social welfare should be driven by the private sector.

Whereas the USA maintained social spending increases throughout the crisis, the UK took a different tack enacting drastic welfare retrenchment. This social spending reduction continued throughout his tenure, as Prime Minister Cameron outlined further welfare cuts after winning the 2015 election. With its return to power, Conservatives moved forward with their plans to impose £12 billion (US$19 billion) in further cuts to the British welfare budget by 2018 (Osborne 2014; Conservative

[7] The Welfare Reform Act, which the Conservative led government introduced in 2012, replaced several means-tested benefits with a Universal Credit and the introduction of a maximum on the amount of benefits a recipient can receive (Van Kersbergen et al. 2014). The Act also increased work incentives and allowed for a greater role for the private sector in welfare provisions (Taylor-Gooby 2013).

Party 2015; Guardian 2015a). These policies included a reduction in the household welfare benefit cap from £26,000 (US$41,000) to £23,000 (US$36,000) (Guardian 2015b; Mirror 2015). To achieve this 2018 target, the Conservative Party will need to significantly increase the pace of welfare cuts, indicating further social spending decreases overtime, rather than a slowdown of retrenchment (Guardian 2015b). The response of the UK stands in sharp contrast to that of the USA and is indicative of the increased influence of left-right politics on social spending across liberal welfare states.

Conclusion

The effects of political parties on social spending have been widely discussed in comparative welfare state literature. However, research into the effects of parties in the aftermath of economic crisis has been inconclusive requiring further analysis. Findings from this research support claims that in the wake of severe economic shocks left-right political dynamics play an important role shaping social spending across liberal welfare states. This can be seen clearly in the case of the USA and the UK. While the US government adopted substantial increases in social spending and implemented one of the most significant expansions of the American healthcare system in decades, the UK undertook a series of extensive welfare state reductions. To put these social spending patterns into perspective, however, it is important to recognize that the UK welfare system is more generous than in the USA and that the relative starting point for social support in each state was different at the start of the crisis (Scruggs et al. 2014). This said, important social spending differences have emerged between both states since the onset of the crisis. Politics is at the heart of what is driving these divergent social spending patterns. Left-leaning Democratic leadership in the USA emphasized the importance of sustained social spending to support recovery and protect citizens. By contrast, the Conservative led coalition in the UK eschewed this approach in favour of strategies which rely on fiscal consolidation and deep welfare state cuts. These differences between conservative and liberal party positions in the UK and USA highlight a larger debate that has occurred in the wake of the crisis. This debate has centred on the role of the welfare state in supporting recovery and the extent and timing of fiscal discipline needed, placing advocates of immediate austerity against supporters of sustained social spending and incremental long-term budgetary cuts.

This research highlights the significance of left–right party politics on social spending across liberal welfare states after the Great Recession. This finding indicates that an important shift has occurred from the pre-crisis period in which political parties held no such influence over social spending. Whereas neoliberal policy recommendations were widely accepted across parties in liberal welfare states in the two decades before the crisis, the crisis has given rise to sharp political debates over social spending. The ideological belief that government intervention into markets only leads to greater inefficiencies, lowered growth, and worse social outcomes has been subject to far more scrutiny and debate post-crisis. As a result, politics have become increasingly important in the post-crisis period in influencing social spending.

This final point provides an important insight that has not been fully accounted for by existing studies. Whereas the literature correctly identifies a negative relationship between conservative party control of government and social spending, it has not addressed when and under what conditions these effects hold true. The assumption is that political party effects are constant and will hold up over time, however much of this research deals with macroeconomic conditions prior to the crisis, which does not account for the disruptive effect that the global recession had across liberal welfare states. This research indicates that during the relative economic stability before the crisis, dominant neoliberal ideas became widely accepted across the political spectrum resulting in more muted partisan conflict over social spending. Thus, political party variables were not statistically significant during the pre-crisis timeframe (see Table 1). However, the severity of the economic crisis has reignited left-right political divisions over social spending. As a result, differences in political party control of government have had a considerable effect on social spending patterns across liberal welfare states in the post-crisis period. This is evident in the statistically significant and negative effect that conservative party presence has had on social spending since the start of the crisis (see Table 1). As this research indicates, politics have played a vital role in shaping social spending patterns in liberal welfare states in the post-crisis period and may continue to drive social spending in the years to come.

Appendix

The estimating equation for the quantitative model is:

$$\begin{aligned} Si,t = {} & (1 + \beta^{\mathrm{CR}} * \mathrm{CR} + \beta^{\mathrm{C}} * C + \beta^{\mathrm{PR}} * \mathrm{PR} + + \beta^{M} * M + \beta^{\mathrm{EU}} * \mathrm{EU}) * (\Sigma\delta t * Dt) \\ & + \Sigma y^{k} X^{k} i,t + \lambda + \alpha i + \varepsilon i,t \end{aligned}$$

$Si,\ t = S$ refers to government spending in some policy area, i indexes countries, t time period, $k = k$ a set of control variables (Xi,t), $Dt =$ Annual time dummy variable used to signify common economic shocks, CR = conservative party, C = centre party, PR = proportional representation, $M =$ mixed electoral system, EU = EU membership, $\beta =$ the key parameters are the betas because they capture the extent to which political-institutional differences mediate the effects of common unobserved shocks on spending. For example, if there are no institutional effects, then $\beta^{\mathrm{PR}} = \beta^{\mathrm{CR}} = 0$ and policies are entirely a function of the control variables plus the set of time and country-specific effects. $\alpha i =$ unobserved case specific effects, $\varepsilon i,t =$ unobserved random error term.

The model in this analysis uses random-effects panel data which permits individual effects to be measured across countries and over time, differentiating the direction and strengths of the effects of political variables before and after economic shocks. Robust standard errors are used to account for heteroskedasticity and autocorrelation. Several factors contribute to the use of a random-effects model.

Table 2 Independent variable descriptions

Independent variable	Description	Source
GDP per capita (US$)	This measures real gross domestic product divided by the population of the country	OECD
Economic openness	This is the sum of national exports and imports divided by output	OECD
Female labour participation	This is the number of women active in the labour market as a percentage of the total labour force	ILO
Unemployment (as share of population)	This is the number of unemployed people as a percentage of the total labour force	OECD
Population under 15 as % of population	This is the number of people aged less than 15 expressed as a ratio of the total population	OECD
Population over 65 as % of population	This is the number of people aged greater than 65 expressed as a ratio of the total population	OECD
Voter turnout (%)	This measures the total number of votes cast (valid or invalid) in the most recent election divided by the number of registered voters	Brady et al. (2014)
Post-crisis	This test for the effects of a structural break between the pre- (1997–2007) and post-crisis (2008–2013) periods	IMF (2013)
EU membership	This is a dummy measurement, with 0 denoting a non-EU country and 1 denoting an EU member country	European Commission
Electoral system (majoritarian/PR/ mixed)	This includes three dummy variables: Majoritarian, PR, and mixed	Bormann and Golder (2013)
Government composition (right, left, centre)	Party social and economic policy positions, coded using the following criteria: Right: for parties defined as conservative, Christian democratic, or right-wing. Left: for parties defined as communist, socialist, social democratic, or left-wing. Centre: for parties defined as centrist or when party position can best be described as centrist	World Bank (2013)

First, the dataset includes matched time-year country units, which do not fit standard OLS analysis. Second, many of the independent variables, such as EU membership and electoral system, are time invariant, eliminating the option of fixed-effects modelling. A Hausman test was run to test the appropriateness of using a random-effects model versus a fixed-effects alternative. Hence, random-effects modelling becomes the optimal choice for this panel data analysis (Stock and Watson 2011) (Table 2).

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