

# The Politics of Welfare State Retrenchment: A Literature Review

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## Abstract

Welfare state retrenchment is widely seen as a highly unpopular endeavor and, therefore, as politically difficult to pursue. This assumption has underpinned most of the political science research on this issue, notably Paul Pierson's seminal contributions about the 'new politics of the welfare state'. Yet, the question remains why and under what circumstances cutbacks take place in highly developed welfare states despite these formidable political obstacles. This article reviews the literature on the politics of retrenchment, namely on the impact of socioeconomic problem pressure, political parties, political institutions, welfare state structures and ideas. Most authors agree that socio-economic problems – particularly domestic problems – contribute to an atmosphere of 'permanent austerity' which inspires cutbacks. Moreover, according to most scholars, the extent of retrenchment possible depends on the specific institutional configuration of a political system and the path dependence of existing welfare state structures. The debate on the relevance of political parties and ideas, by contrast, is still far from settled. Further unresolved issues include the nature of the dependent variable in retrenchment studies. Also, the exact motives for cutbacks are theoretically still little understood, as are the political mechanisms through which they are realized. I argue that, because of the nature of these persisting issues, the pluralistic dialogue between different methods and approaches – as well as their combination – remains the most promising way forward in the study of welfare state politics.

## I. Introduction:

In the late 1980s the term 'retrenchment' entered the vocabulary of comparative welfare state research (Brown 1988; Mishra 1990). Of course, the word itself was not new, but its interest for welfare state scholars was sparked by the coming into office of Margaret Thatcher in 1979 and of Ronald Reagan in 1981: both willing to radically cut back the welfare state which, in their view, had become a significant *source* of social and economic problems instead of a solution. To the surprise of many observers, it became clear by the end of the decade that the social policy record of Reagan and Thatcher had not lived up to the high expectations. To be sure there had been some severe cutbacks, yet these did not amount to a complete dismantling of the post-war welfare state. This is what led researchers to look at the underlying political dynamics of these attacks on the welfare state. Moreover, it soon became evident that attempts at retrenchment were by no means confined to the English-speaking world.

It seems rather to be a general recurring theme in the 'post-Golden Age' social policy of the last 30 years. Granted, contemporary welfare state reforms are not exclusively about retrenchment. Some authors have stressed the role of 'new social risks' in stimulating fresh expansionary initiatives (Bonoli 2005; Taylor-Gooby 2004), while others have described current policies more generally as "welfare state restructuring" (Pierson 2001a: 419-427).

Nonetheless, retrenchment remains of particular interest, since it is usually regarded as inherently *unpopular* and hence difficult to pursue. A large body of literature now exists, on the matter of to what extent, why and how welfare state retrenchment is taking place.

## II. The New Politics of the Welfare State

The scholarly debate about the politics of retrenchment intensified in the 1990s, after the publication of Paul Pierson's seminal *Dismantling the Welfare State?* (1994). And the subsequent article 'The New Politics of the Welfare State' (Pierson 1996). In his book, Pierson compares the attempts of conservative governments in the United Kingdom and the United States – two 'most-likely cases' – at cutting back entitlements and weakening the political foundations of the welfare state.

Both attempts largely failed to meet their own expectations. In order to explain the apparent lack of wide-ranging retrenchment – in other words, of welfare state 'resilience' – he develops his theory of the 'new politics of the welfare state'. According to Pierson, theories about the 'old politics' of welfare state expansion; including socio-economic functionalism and class-based power resources theory, fail to account for developments after the end of the 'Golden

Age'. New factors, namely specific institutional configurations, are much more powerful in explaining current trajectories of reform.

This distinction between old and new politics is now widely accepted in the literature – an indication of Pierson's lasting effect on the debate (Green-Pedersen/Haverland 2002; van Kersbergen 2002). Pierson builds his explanation of the welfare state's resilience around two central considerations: the welfare state's enduring popular support and its institutional inertia. On the first count: survey research has shown the persisting popularity of core welfare state benefits and institutions in Western countries.

Consequently, most retrenchment initiatives are not only deeply unpopular among electorates (Boeri et al. 2001; Taylor-Gooby 2001) but the previous expansion of the welfare state has also produced its own constituency in the form of a number of strong interest groups (e.g. the pensioner lobby) ready to mobilize resistance against any retreat from the status quo (Pierson 1994: 29-30).

On the second: 'history matters' for institutional development (cf. Pierson 2004). More specifically, many institutions – particularly deeply entrenched welfare state institutions – are thought to be afflicted with path dependence. Change is therefore likely to be incremental and to take place only *within* existing structural frameworks.

These conditions constitute the backdrop for any attempts at downsizing. Now enter the actors: *politicians* – conceived not merely as policy-seekers but more importantly as office-seekers also; and *voters* – who are expected to react more strongly to losses (e.g. benefit cutbacks) than to gains (e.g. lower taxes). Add the assumption that, in the case of cutbacks, losses tend to be concentrated on a relatively few – but often well organized – beneficiaries, whereas gains are likely to be more widely dispersed; and one arrives at a constellation presenting formidable difficulties for the advocates of retrenchment.

How then can retrenchment be feasible at all? Pierson argues that the new context leads politicians to refrain from radical and highly visible cuts, to pursue, instead, 'the politics governments use to avoid blame: compensation, obfuscation and division – not that these may always be available to policymakers. From his case studies of Britain and the U.S. Pierson concludes that "retrenchment advocates were able to successfully pursue strategies of obfuscation, division, and compensation only where *institutional structures* and *existing policy designs* were favorable" (Pierson 1994: 50; emphasis added).

If anything clearly follows from Pierson's analysis it is the conclusion that the welfare state is here to stay, at least in the mid-term. Generally, this 'resilience thesis' is now widely acknowledged among welfare state scholars (e.g. Palier 2001). Yet, today, after at least one Decade of research showing the remarkable resilience of welfare states, the scientific puzzle Has gradually shifted from the question as to why welfare states have *not* been dismantled to The question as to why (and how) cutbacks have nonetheless taken place in democratic Political systems. Why should office-oriented politicians introduce unpopular cuts? What Actors are most prone to shrinking the welfare state? And what conditions would make it Easier for them to introduce these kinds of policies?

In my view, the debate about the politics of reform has moved on to a point where the Distinction between 'new' and 'old politics' now seems overly simplistic. After all, it is Possible to combine 'old' and 'new' building blocks (e.g. Kittle / Binger 2003). And there surely is some leeway between the two ends of the continuum, that is, on the one hand, Gøsta Esping-Andersen's assertion that "a theory that seeks to explain welfare-state growth should also be able to understand its retrenchment or decline" (1990: 32) and, on the other hand, Paul Pierson's claim that today's welfare state politics are *fundamentally different* from earlier versions of the same.

### **III. Literature Review**

#### ***Neo-functionalism***

A first strand of research on welfare state development after the Golden Age could be termed 'neo-functionalism'. Put briefly, policy changes have to be seen primarily in the light of socioeconomic change and – both external and internal – 'problem pressure' (see Schwartz 2001). Political-institutional factors are, if anything, intervening variables rather than driving forces.

Probably the most important variant of this school argues that economic globalization leaves only little room for a comprehensive welfare state: "A process of deep economic integration among countries will require a change in the role of the state in pursuing social protection. The end process would be a world where industrial countries will have to do less public spending, will reduce the use of tax expenditures for achieving particular social objectives, and will also have to reduce the role of specific socially-directed regulations" (Tanzi 2002:127).

In this vein, retrenchment appears as the only possible solution unless the process of economic integration is reversed. The question as to what extent this is borne out by the facts has been one of the most contested issues of the last decade in comparative research. The evidence is, at best, mixed. A few studies have demonstrated the negative impact of indicators such as trade openness or capital mobility on social expenditure (e.g. Garrett/Mitchell 2001), but the causal

effects are often quite small, as well as highly contingent on the model specification and on exactly how 'globalization' is measured (Swank 2002; Brady et al. 2004; Kittel/Winner 2005; Plümer et al. 2005).

Other authors deny there is any direct damaging impact (Castles 2004) or, on the contrary, find there is even a positive relationship between globalization and the welfare state (Rodrik 1998; Burgoon 2001).<sup>5</sup> It is in any case unclear how far these studies matter for the issue of *retrenchment*, since most of them focus on public expenditure levels and/or dynamics instead of policy change (see the discussion of the 'dependent variable problem' below).

The same holds true when it comes to the various *domestic* pressures on welfare states (Pierson 2001b: 99-104). Among the alleged domestic challenges are low economic growth rates, associated with the expansion of the service sector and reduced productivity growth (Pierson 2001b; Iversen 2001). Other factors cited are changing patterns of paid work, shifting family structures and, above all, mass unemployment (Huber/Stephens 2001).

Finally, the impact of demographic factors – namely the combined impact of population aging and sub-replacement birth-rates – has taken centre stage in the debate about the future of the welfare state (World Bank 1994; Castles 2004, 2005). It is important to note that low economic growth; deindustrialization and so on can have a *positive* impact on social expenditure.

Their impact on retrenchment is therefore likely to be more indirect – particularly through rising fiscal pressure. Domestic as well as external socio-economic shifts can contribute to a general atmosphere of "permanent austerity" (Pierson 2001a) which, in turn, can affect welfare states. Yet, how exactly socio-economic variables matter for the timing and extent of cutbacks is still a moot point. In theory, both downward *and* upward pressures generated by globalization might be at work simultaneously. This would explain the small net effect of globalization on the welfare state that many quantitative studies find (Genschel 2004).

### Conflict Theories

A number of welfare state theories can be subsumed under this label. By this token, social policy is not – or at least, not only – the result of socio-economic shifts but rather of political struggles about distributive decisions. Studies of the expansion of the welfare state have frequently focused on the positive impact of left-wing parties and interest groups – especially trade unions – but have also taken the structures of interest intermediation and class coalitions into account (for overviews see O'Connor/Olsen 1998; Schmidt 1996; van Kersbergen 1995 on the role of Christian democracy).

Then, in the early 1990s, Paul Pierson maintained that under the conditions of the 'new politics of the welfare state' the explanatory relevance of parties and left power resources had faded. This claim came to be one of the most hotly disputed issues of the subsequent 'new politics'-debate. Many authors strongly disagreed with Pierson and tried to show that the 'old politics' still matter and that left power still makes a difference (e.g. Garrett 1998).

Yet, recent research on the post-'Golden Age' partisan effect on social expenditure (levels or dynamics) is again inconclusive, as some scholars find evidence in favour of the 'old politics' thesis (e.g. Garrett 1998; Siegel 2001) and some against it (Swank 2002). Yet others report mixed results (Huber/Stephens 2001; Kittel/Obinger 2003). Note, however, that these studies try to explain expenditure development, which is not necessarily the same as welfare state retrenchment (see below).

With respect to the level of income replacement rates of benefits, the quantitative findings are more in line with the 'old politics' thesis (Korpi/Palme 2003; Allan/Scruggs 2004). Meanwhile qualitative case studies often yield ambiguous results when it comes to the impact of parties – parties seem to matter, but in more subtle ways than before (e.g. Levy 2001).

Even within the 'new politics' camp, political parties have been brought back into the discussion, with authors claiming that parties *do* matter for the post-Golden Age reforms, albeit in an entirely new way. Depending on the specific configuration of party competition in a political system, it may in fact be left-wing governments that are more successful than their right-wing counterparts in cutting back entitlements (Ross 2000; Kitschelt 2001; Green-Pedersen 2002).

The role of trade unions as the main pillar of left-wing power *outside* parliament has been somewhat neglected in cross-national research on retrenchment. In some countries, the social partners have played an important role in negotiated reforms, so-called 'social pacts', which, in some cases, have contained cutbacks in welfare benefits (Ebbinghaus/Hassel 2000, see Siegel 2005 for a sceptical view). However, there is a dearth of more general hypotheses about the preconditions for social pacts in cross-national comparison. The same goes for the role of beneficiary groups. Paul Pierson argued that trade unions have been replaced by new beneficiary organizations such as the American Association of Retired Persons (AARP).

Even so, for many countries in Continental Europe, this has *not* been the case. Trade unions still appear as the main organized defenders of the central institutions of the welfare state, especially where they are involved in the administration of pension and sickness funds as, for instance, in Germany or France. We still know very little about the

conditions under which particular interest organizations become crucial for the politics of reform, whereas others remain politically marginal.

In sum, the discussion about the relevance of political conflict for cross-national variation in retrenchment is far from over. Despite the discussion about the 'end of class politics' (Evans 1999) and the widespread suspicion that, under the banner of a Third Way, social democratic parties may have transformed into advocates of virtually the same policies as their right-wing counterparts, the 'old politics' approach to welfare state research still seems alive and well.

Even if some of the straightforward 'old' explanations do not hold anymore for the politics of retrenchment, this does not automatically make it an essentially 'apolitical' affair. New actors and new political constellations may have gained explanatory power and theories about political conflicts over the welfare state may have to be recast in more complex ways.

### ***Institutionalism***

In this context, 'institution' usually refers to two things: *political institutions* or the rules of the game of political conflict including the institutions of federalism and bicameralism, judicial review, a powerful president and so on. *Welfare state institutions*, that is, the existing structures of social provision which are frequently described in terms of welfare 'regimes' (Esping-Andersen 1990).

Here, apart from benefit generosity, structural issues such as the degree of universalism and selectivity, the distribution between cash transfers and services, and organizational governance arrangements and financing structures of a welfare state come into play. The effect of *political institutions* on the politics of reform has been fleshed out in much detail in the literature. Depending on the theoretical perspective, however, expectations about the direction of those effects vary a great deal.

This becomes clear with respect to the institutional fragmentation of political systems: In systems with a high degree of vertical and horizontal fragmentation of power, such as the United States or Switzerland, large-scale retrenchment should be less likely, due to the higher number of veto players (Tsebelis 2002) – ie. Individual or collective actors, whose agreement is necessary for a change of the status quo (e.g. a strong upper house),

Westminster-style countries, by contrast, given a high degree of concentration of political power, should provide more room for reform-minded governments. There is empirical evidence that this is indeed the case (Bonoli 2001; Huber/Stephens 2001; Obinger et al. 2005). Yet, some authors add a sceptical note to this hypothesis, based on the idea that political systems which concentrate power also tend to concentrate accountability.

In those countries, dissatisfied voters know very well who they may blame for unpopular cutbacks, which may lead politicians who want to be re-elected to shy away from welfare state retrenchment. In other words, some political systems make 'blame avoidance' more difficult than others (Pierson 1994: 32-36; Pal/Weaver 2003). Conversely, in fragmented systems different actors may be able to either 'share the blame' or 'pass the blame' for cuts between different levels of government.

Therefore, these authors argue, when it comes to determining "governmental capacity for loss imposition" (Pal/Weaver 2003: 294) the 'concentration of power effect' must be empirically weighed against the 'concentration of accountability effect'. A second institutionalist perspective stresses, broadly speaking, policy feedback: in other words, the influence of existing *welfare state institutions* on future developments. There is a wide range of arguments of this type. Inspired by Peter Flora's notion of a "Growth to Limits" of Western welfare states (Flora 1986), some authors have examined whether retrenchment is most likely to take place in the more generous welfare states as found in Continental Europe and Scandinavia.

Yet, albeit plausible, this hypothesis does not get much empirical support. Whereas there still exists a catch-up effect in terms of social expenditure (Kittel/Obinger 2003; Castles 2004), there is no cross-national evidence for the claim that bigger welfare states are more vulnerable to entitlement cuts (Korpi/Palme 2003).

In stark contrast to the Growth to Limits argument, Gøsta Esping-Andersen even argues that retrenchment is *less likely* in those welfare states, not so much because of their size but because of the structure of provision:

The risks of welfare-state backlash depend not on spending, but on the class character of welfare states. Middle-class welfare states, be they social democratic (as in Scandinavia) or corporatist (as in Germany), forge middle-class loyalties. In contrast, the liberal, residualist welfare states found in the United States, Canada and, increasingly, Britain, depend on the loyalties of a numerically weak, and often politically residual, social stratum.

The class coalitions in which the three welfare-state regime-types were founded explained not only their past evolution but also their future prospect (Esping-Andersen 1990:33). In fact, Esping-Andersen applies one of the central tenets of power resources theory that cross-class coalitions are the foundation of large universal welfare states to the post expansionary period. There is some empirical evidence to support his claim that the degree of middle-class involvement matters for the possibility of retrenchment (Korpi/Palme 2003; Lindbom/Rothstein 2004; see Pierson 1994 for a skeptical

view). However, as Green-Pedersen points out, during hard economic time's universalism may be quite difficult to defend in public debates (2003).

A particular way of understanding the bearing of existing welfare state structures on the current politics of change is through mechanisms of path dependence (Pierson 1994, 2004; Mahoney 2000). Institutional welfare state arrangements already in place today are often depicted as highly path-dependent, in that distinct policy legacies largely determine both the extent of change and the types of change that may be possible.

The classic example in the welfare state literature is from pension policy: Mature pay-as-you-go pension systems are considered hard to transform into funded schemes because of the so-called double-payment problem. This problem arises because the current working-age generation would have to finance past commitments to current retirees as well as at the same time build up a capital stock for their own retirement. The double-payment problem thus significantly restricts the room for new funded pension instruments in mature systems (Myles/Pierson 2001).

As in the example about pensions, the specifications of the causal mechanisms underpinning the 'reproduction' of the path are crucial for these types of arguments. Furthermore, although path dependence in many cases makes radical reversals less likely the famous 'ratchet effect' it by no means prevents change altogether. Nevertheless change – including welfare state retrenchment will most probably be incremental and take place within the existing institutional framework. Much may thus depend on the specific structural design of welfare state programmes and their degree of 'maturity'.

Another body of literature argues that distinct welfare regimes are prone to exhibit particular inherent (economic) problems and trade-offs, especially with regard to the link See Streeck/Thelen (2005) and Crouch/Farrell (2004) for the types of change which may still be possible between welfare and employment (Esping-Andersen 1999; Scharpf 2000; Scharpf/Schmidt 2000).

In some regimes, these inherent problems may generate pressure for cutbacks. The emphasis on low-wage, low-skill labour in liberal welfare regimes, for instance, puts pressure on welfare benefits and may lead to retrenchment in order to restore work incentives in the low-wage sector (Pierson 2001a). Overall, institutionalism has so far been the most important strand of research in the field of welfare state retrenchment. Yet, even here, disagreement remains, for example, about the importance of universalism for the resilience of welfare states or the causes and the causal mechanisms of path dependence.

### *The Role of Ideas*

A small but growing literature studies the role of ideas for social policy and the politics of retrenchment. Yet, what exactly is meant by 'ideas' and the precise contribution of such variables to the explanation of the success or failure of retrenchment varies widely. In a recent overview of this literature, Daniel Béland defines policy ideas as "specific policy alternatives (for example, personal savings accounts) as well as the organized principles and causal beliefs in which these proposals are embedded (for example, neo-liberalism)" (2005:2).

Three perspectives are particularly important in this literature: agenda-setting, framing and policy learning. Many authors suggest that problem pressure is not – or at least not entirely – exogenous to politics. According to this view, problems are socially constructed and in many cases the definition of a problem in the process of *agenda-setting* is at least as contested an issue as is the search for solutions (Cox 2001; Hay/Rosamond 2002). Most of the time, problem definition can also be traced to more general sets of beliefs or policy paradigms.

Once an issue has entered the agenda, policy alternatives are put forward as solutions to the problem. In many cases, however, not only the policy proposal itself but also the way in which it is presented – the *framing* – matters for its success: "The ability to frame a policy programme in a politically – and culturally – acceptable *and* desirable manner is a key factor that can help explain why some policy alternatives triumph over others and why elected officials decide to 'do something' in the first place" (Béland 2005: 12; see Ross 2000; Green-Pedersen 2002).

A strand of research on *policy learning* deals with the ability and difficulties of different countries to learn – from their own failures as well as from other, more successful countries (Palier 2001). Countries like Denmark and the Netherlands are frequently identified as good learners and Germany usually takes the role of the 'bad pupil'; but the reasons for this variance in learning ability, are much less clear. Institutional conditions, problem pressure and interest group structure have all been cited in this respect (Hemerijck/van Kersbergen 1999).

Ideational approaches are often presented as a cure to institutionalism's inability (or at any rate its difficulty) in explaining policy change. Rather than providing a competing theoretical account to institutionalism, however, ideas are mostly seen as a complementary variable. Fiona Ross, for instance, combines her framing argument with an analysis of party constellations (2000). Similarly, Vivien Schmidt adds to institutionalist studies by comparing discourse dynamics in what she calls "multi-actor" and "single-actor" political systems (2003).

In short, the research programme on the politics of welfare state retrenchment is now highly differentiated and can therefore no longer be neatly divided into two separate camps – ‘old politics’ versus ‘new politics’. Instead, increasing attention is now being paid to the specific effects (and non-effects) of central independent variables, notably socio-economic problem pressure, partisan ideology, interest group structure, the existing welfare state regime, political institutions and ideas – as well as to possible interactions among those factors.

The different approaches are, of course, mostly complementary – only some being mutually exclusive (e.g. Pierson’s view of partisan politics as opposed to the ‘old politics’ view). I argue that this is because the different hypothesis often focus on analytically distinct levels. Three levels can be distinguished on which most explanations of retrenchment are, at least implicitly, situated. In the language of detective fiction, these are the *motives* for retrenchment (e.g. partisan ideology), the (political) *means* by which cutbacks are introduced (e.g. strategies of blame avoidance), and the *opportunities* reform-minded actors are able to use (e.g. the structure of the political system).

### Some Persistent Issues

#### The Dependent Variable

Studies of retrenchment differ at a very fundamental level: that of the dependent variable (see Green-Pedersen 2004). What should be regarded as welfare state retrenchment and what should not? Ultimately, the choice of the dependent variable for the study of retrenchment reflects the researcher’s underlying understanding of what constitutes the welfare state. Yet, Jochen Clasen uses the same terms but in a different way (2000, Schwartz (2001).

In most cases, this question remains implicit, probably because of the difficulty of a precise definition – Richard Titmuss famously called the welfare state an “indefinable abstraction” (1968: 124) and even today, a shared definition does not exist. Should services such as health care and education be included? Or even the broader political economy as in ‘Keynesian welfare states’? Apart from these questions about the breadth of the object of study, there are a number of choices about operationalization and measurement to be made.

‘Welfare effort’ – i.e. social expenditure as a proportion of gross domestic product (GDP) – was a key indicator in many quantitative studies of welfare state expansion and crisis but it is seen with suspicion by a number of scholars. Gøsta Esping-Andersen, for example, supports the claim that “expenditures are epiphenomenal to the theoretical substance of welfare states” (1990: 19). Although not all researchers take such an extreme position, most would probably agree that expenditure figures should be used with care and, ideally, with some knowledge of the local context (Castles 1994).

When studying policy change – including retrenchment – cross-nationally, expenditure data should therefore be complemented by additional quantitative (e.g. replacement rates) or qualitative (e.g. benefit conditionality) measures. Moreover, change in welfare effort often reflects changing demand for benefits (e.g. rising unemployment) and changes in the denominator (i.e. GDP) rather than real cutbacks or an expansion of programmes. Therefore, expenditure analysis must always control for these factors.

Beyond the question of qualitative or quantitative data, studies of retrenchment in particular differ between, on the one hand, those with a focus on broad institutional characteristics of the welfare state (Lindbom 2001) and, on the other, more micro-level approaches which, for instance, try to assess changes in levels of entitlements and retrenchment initiatives (Green- Pedersen 2002).

Here the focus is often on *events* at different points in time, as opposed to the evolution of structures of social provision over time. A number of recent quantitative studies have taken up this distinction by explaining welfare cutbacks in terms of event history analysis (Korpi/Palme 2003; Hicks 1999: ch. 7). This ‘event perspective’ has the advantage that retrenchment is studied as a discrete policy change, traceable to intentional decisions by political actors. However, more subtle long-term shifts may be thus being overlooked (Hacker 2004).

10 Jacob Hacker also criticizes the retrenchment literature for neglecting the outcomes of policies: “We should be interested not only in the structure of policies, but also in their effects – not only in rules governing benefits or eligibility, that is, but also in the outcomes that those rules produce as they are actually carried out by front-line policy actors in the context of other sources of social protection and shifting social conditions” (Hacker 2004:249). Here, he echoes earlier criticisms by Clayton and Pontusson (1998).

One further problem – already pointed out by Pierson (1994: 14) – is that cutbacks may not be visible in the short term but only after a long phase-in period: for instance, changes in the pension formula with no effect on current recipients but large effects on benefits (and aggregate pension expenditure) further down the road (Hinrichs/Kangas 2003). That is why, in the study of cutbacks, a focus on current expenditure figures (and also on current replacement rates) can lead to ‘conceptual short-termism’ and misleading conclusions about the real extent of retrenchment. Despite obvious problems in comparability, additional *qualitative* assessments of the overall effect of legislative changes are therefore crucial.

In short, even though there may not be one best measure of welfare retrenchment, the problems of the dependent variable have to be addressed by researchers and they have to be aware of the limitations of each of the available options.

### *Actors' Orientations and Motives*

A second set of problems concerns actors' motives for retrenchment and, more fundamentally, their overall goals of action – two issues that remain implicit in many studies. Typically, scholars examine the difficulties or opportunities for cutbacks but tend to neglect the question as to why politicians want to introduce retrenchment in the first place. Why not wait and see, particularly since retrenchment is unpopular? One obvious reason may be ideological. Secular conservative and market-liberal politicians simply do not like a large welfare state.

In *Dismantling the Welfare State?*, Paul Pierson had good reasons to assume that Reagan and Thatcher had a clear motive, since both did not hide their aversion to the existing welfare state. But what about centrist or even left-wing parties? It is unclear to what extent economic crises provide even social democratic policymakers with a motive for scaling down entitlements. In contrast, problem pressure can also be considered an *opportunity* for blame avoidance rather than a genuine motive:

“Moments of budgetary crisis may open opportunities for reform. Advocates of retrenchment will try to exploit such moments to present reforms as an effort to save the welfare state rather than destroy it, framing the issue in this manner may allow governments to avoid widespread blame for program cutbacks” (Pierson 1996: 177). But what, then, is the underlying motivation for cutbacks? This part of the puzzle is still little understood.

The issue of actors' orientations is closely related, but more general. Paul Pierson regards politicians generally as both policy and office-oriented and this causes a trade-off when it comes to unpopular policies: “Retrenchment advocates [...] confront a clash between their policy preferences and their electoral ambitions” (Pierson 1996: 146). Yet, in Pierson's ‘politics of blame avoidance’, office-orientation ultimately trumps the pursuit of policies.

Politicians will only go ahead with unpopular policies when the risk of electoral retribution is reasonably small. The opposite is true for many of the veto player approaches, focused on veto players' policy preferences, which are frequently applied to the politics of welfare state reform (cf. Ganghof 2004). Within this framework, an anti-welfare state government will simply go ahead with its plans unless it is checked by powerful and dissenting veto players.

Of course, the theoretical problem of ‘policy vs. office (and votes)’ is not unique to the study of welfare state reforms (see Müller/Strøm 1999). I argue, however, that unpopular retrenchment policies provide something like a hard case because the trade-off between office and policies is likely to be particularly intense. How, then, do individual parties and party politicians resolve these conflicts? What are the conditions under which particular goals are prioritized? What role do individual politicians, party competition, the structure of party organization etc. play (see Müller/Strøm 1999)? This theoretical element has so far not been further elaborated.

### *The Means of Retrenchment*

A number of means have been added to Pierson's initial three strategies of blame avoidance (i.e. obfuscation, division and compensation). Scholars have emphasized the importance of framing (Ross 2000) and the justification of cutbacks (Green-Pedersen 2002) for the success of retrenchment initiatives. Moreover, Levy (1999) points out a number of ways in which especially left-wing governments can achieve cutbacks by ‘turning vice into virtue’; for instance by targeting cuts to more privileged constituencies and by combining reductions with a ‘progressive’ restructuring of elements of the welfare state already considered inefficient.

From a retrenchment perspective, even tripartite social pacts (Ebbinghaus/Hassel 2000) can be regarded as means of retrenchment. The important point is that, overall, the ‘means’ of retrenchment often have a rather ambiguous status for the explanation of retrenchment. Are they necessary conditions? Must all retrenchment policies go through the needle's eye of blame avoidance? And, more generally, can certain ‘means’ *explain* cutbacks at all? There are good reasons for skepticism.

First, some governments apparently ignore the significance of blame avoidance (see Pierson seems to regard the use of those strategies indeed as a necessary condition: “The contemporary politics of the welfare state is the politics of blame avoidance. Governments confronting the electoral imperatives of modern democracy will undertake retrenchment *only when they discover ways to minimize the political costs involved*” (1996: 179).)

Secondly, the ‘means of retrenchment’ are often linked to more fundamental variables (including some of the ‘motives’ or ‘opportunities’). The causes of social pacts, for instance, may be found in the structure of industrial relations or the state of the economy; the possibility of obfuscation may be linked to the complexity of a social insurance system and so on.

It would therefore be more useful to assign the 'means' of welfare state retrenchment more explicitly to the analytical category of 'causal mechanisms' (cf. Mayntz 2004). The search for (often micro-level) causal mechanisms is by no means less valuable than the search for causal effects. In fact, the search for mechanisms is perhaps one of the most promising areas of further research in the field (van Kersbergen 2002).

### IV. Conclusion

Has there been any progress at all in the study of retrenchment since the early 1990s? Do we now have better answers to the questions asked in the introduction to this essay? I think we do. First of all, there is now a great awareness of the possibilities and limitations of measuring retrenchment. Both case study research and more recent cross-national studies of changes in replacement rates (Korpi/Palme 2003; Allan/Scruggs 2004) have seriously challenged the view that welfare states are largely 'resilient' to attacks. Since the 1970s, sometimes extensive cutbacks have been introduced that rarely show up in expenditure analyses, yet there is also a great deal of cross-national variation in retrenchment.

Regarding the explanation of retrenchment, the dust has not yet settled on some fronts. Thanks to Paul Pierson's seminal research, there is now a consensus that these policies are unpopular and that the 'politics of blame avoidance' are a powerful causal mechanism which helps us understand its political dynamics. Moreover, students of welfare state politics would probably agree that, on balance, a large number of veto players tends to inhibit not only the expansion of benefits but also their radical curtailment.

Problem pressure is acknowledged as one of the major forces motivating retrenchment, although the impact of domestic pressure seems to overshadow the influence of economic globalization, despite the great attention given to external challenges in the public debate. Much less consensus has emerged on the timing of cuts and the impact of the partisan complexion of government. Are the 'old politics' still at work today, as Korpi and Palme (2003) would suggest? Or have partisan politics entirely changed their meaning, as in Ross or Green-Pedersen? Perhaps the emerging literature on ideational approaches can help complement institutionalist studies? Most probably, the study of retrenchment will remain pluralistic, both in theoretical and in empirical terms.

A promising way forward would be to continue on two fronts. *First*, there is still a need for good descriptions and good measurements of the real extent of retrenchment – in cross national, cross-sectional and inter-temporal perspective.

*Second*, explanatory accounts could be improved by highlighting the motives for retrenchment and the causal mechanisms of retrenchment politics. Interestingly, the first avenue calls for more comparative – perhaps quantitative – data and less idiosyncratic case study work; whereas for the second task, case studies would seem a much better prospect than large-N macro-studies. My guess would be that the study of welfare state retrenchment will continue to be inspired by large-N quantitative work, studies of a single or a handful of well-selected cases – and, hopefully, the combination thereof.

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