

Pension Inequality and Pension Policy Preferences in Europe:  
Self-Interest, Policy Feedbacks, or None of the Above?

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**Abstract:**

Social transfer programs are thought to generate beneficiary groups who will act politically to defend "their" programs from retrenchment. But very little empirical research has been conducted to either verify or disconfirm the micro-foundations of this hypothesis, which lies at the heart of Pierson's "new politics of the welfare state" thesis as well as many more economic treatments of the subject. This paper tests empirically whether benefiting from pension systems leads individuals to greater support of the pension system status quo, net of other factors. It uses cross-dataset imputation to combine for the first time cross-nationally comparable individual-level data on reliance on public pensions with political attitudes towards pension programs. The hypothesis that public pension systems create policy feedbacks of self-interested beneficiaries supporting further pension spending is not supported in any of twelve European countries.

## Introduction

The "new politics of the welfare state," as articulated in Pierson's highly influential Dismantling the Welfare State? (1994), is at its core a battle between politicians, who seek to avoid blame for cuts in social programs, and self-interested beneficiaries, who seek to avoid such cuts in the first place. The notion that the politics of welfare state reform is fundamentally different from the politics of welfare state growth has been challenged on a variety of grounds.<sup>1</sup> But a great many scholars writing in the post-Pierson era accept readily the idea that welfare states clienteles would, if they could, in fact seek to protect "their" benefits from retrenchment, and hence drive politicians to "blame avoidance" (Weaver 1986; Pierson 1994, 21).<sup>2</sup>

The idea that generous public programs create beneficiary groups who try to punish politicians for cuts to their benefits is clearly plausible at the macro-level: not for nothing did US Congressman Tip O'Neill refer to Social Security as the "third rail -- touch it and you die." But at the micro-level, does being a recipient of public social benefits make one more likely to oppose retrenchment or restructuring in the program(s) from which one benefits? Political scientists have shown remarkably little inclination to test the micro-foundations that allegedly generate the "new politics of the welfare state." This paper submits the hypothesis of *feedback effects based on self-interested beneficiaries* to a systematic, cross-national, empirical evaluation. Data drawn from two cross-national European surveys, the European Community Household Panel (a household income survey) and a Eurobarometer public opinion survey, are used to test

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<sup>1</sup> Challenges are primarily that class actors still matter (Huber and Stephens 2001; Clayton and Puntusson 1998, Korpi and Palme 2003, Allan and Scruggs 2004 among others) or that more attention should be paid to the role of elite actors (Ross 2000, Marier 2005).

<sup>2</sup> Esping-Andersen (1999), Green-Pedersen and Haverland (2002), and Lindbom (2001) all argue that welfare state beneficiaries avoiding cuts are important players in welfare state reform. Béland and Marier () argue that French politicians engage in "protest avoidance" rather than "blame avoidance," but do not challenge the premise that beneficiaries of public programs will react when benefits are threatened. Schmidt 2002 and Dahlstrom [2006], however, do note that politicians may be able to create new *perceptions* of interests among beneficiaries by framing welfare state choices.

empirically the hypothesis that people who benefit significantly from public pensions, in particular, are more likely than those who benefit less to support these policies in the face of proposed retrenchment.

To anticipate, I find that elderly Europeans who derive a large share of their household income from public pensions and related social programs are, in general and other things being equal, no more likely to oppose retrenchment of public pensions than their age-mates who are less dependent on welfare state programs. The micro-foundations underlying the hypothesis that pension systems create policy feedbacks protective of the pension system status quo by directing resources to self-interested beneficiaries does not appear to hold true in any of the twelve European countries included in this study.

### **Self-Interest, Policy Feedbacks and Public Pensions**

A well-developed literature on American public opinion that finds only tenuous connections between self-interest and either policy positions or voting behavior. Some social policies do seem to reflect more-or-less purely self-interested voting behavior. In the United States, for example, elderly voters and those with no children in public schools tend to be less supportive of public financing of education than those whose interests are directly affected.<sup>3</sup> But in many other areas of social policy, previous research has found that "symbolic predispositions" (Sears and Funk 1990) – i.e., political beliefs, ideologies, and partisan commitments -- and *not* beneficiary status, determine public support.<sup>4</sup> The relationship of self-interest to policy

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<sup>3</sup> See eg. Poterba (1997), Cutler, Elmendorf and Zeckhauser (1993), Rubinfeld (1977).

<sup>4</sup> For a useful review of the American literature on self-interest and policy preferences, see Sears and Funk (1990). On school desegregation and busing as a counter-example to school financing, see Hochschild (1984), Green and Cowden (1992), Tedin (1994).

preferences has been similarly scrutinized in the European context.<sup>5</sup> Most relevantly, Peter Taylor-Gooby (1991) has investigated this claim using public opinion data from a variety of European countries, and has found little support for the idea that opposition to retrenchment is determined mainly by interest in welfare state programs, as inferred from age, labor market status, or gender.

Despite empirical evidence that suggests caution, much academic and policy-oriented research on the politics of social policy takes as a given the hypothesized relationship between receipt of social benefits and attitudes towards social programs. Scholars of the welfare state trained in economic methods and outlooks generate highly parsimonious models that posit self-interest derived from either income or risk of unemployment as the key determinant of attitudes towards redistributive social policies (see Meltzer and Richards 1981, Iverson 2005). In accounts such as these, ideologies are often inferred from interests, and institutional structures are relevant only insofar as they generate inequalities in income or risk, or aggregate the preferences derived from income or risk in diverse ways.

Even more richly contextualized studies of the welfare state, though, often assume that the self-interest of welfare state beneficiaries will drive the politics of reform. Esping-Andersen, for example, worries that outmoded social policies will be locked into place by support from the median voter -- who is now a welfare state beneficiary (1999, 184). Kent Weaver writes that “Pension cutbacks are especially risky because losses are perceived as particularly salient by the target group and because, in many countries, the elderly are particularly likely to vote” (2003, 25). The self-interest model also underlies, at least implicitly, much of the policy-oriented literature’s discussion of the difficulties attendant upon pension system reform. A recent

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<sup>5</sup> Lewis-Beck's (1986, 1989) studies of economic voting in Europe and the high degree of variability of public spending in response to demographic pressures in OECD countries (see eg. O'Higgins 1988, Lynch 2001) suggest that the link between self-interest and social policy is no more straightforward in Europe than in the United States.

publication of the International Monetary Fund, for example, titles a figure showing the year in which the projected share of voters over age 50 in the electorate will surpass fifty percent in various countries with the witty caption “The Last Train for Pension Reform Departs in...” (IMF 2004, 165). In these accounts, as in the economics-inspired academic literature, attention focuses on the policy deadweight of self-interested beneficiaries, while the capacity of partisan attachments, political framing, or political mobilization to shape the views and voices of welfare state stakeholders gets shorter shrift.

The policy feedbacks literature complexifies this view considerably. Taken as a whole, this literature finds that institutions are important for politics not only because they confer resources upon a variety of different kinds of actors, but also because they shape the ideas and preferences of actors independently of their resources. Scholars of the welfare state who pay close attention to policy feedbacks have observed policy feedbacks at the “macro-level” of interest groups and state actors (Skocpol 1992, Pierson 1994, Hacker 2002) as well as at the “micro-level” of mass publics. They have identified feedback effects that operate through ideas – the way that policy institutions affect public anxieties about corruption (Skocpol 1992) or recipients’ beliefs about civic duty (Mettler 2005), their own political efficacy (Soss 1999), or the legitimacy of their claims-making (Schneider and Ingram 1993) – as well as through the more tangible resources of time and money that policies may confer on individuals (see Campbell 2003, Mettler 2005).<sup>6</sup>

Many of the works cited above elucidate policy feedback pathways operating at both the macro- and micro-levels of society, and most recognize that both resources and ideas motivate the behavior of individual actors. Similarly, Pierson’s (1994, 1996) explanation for the limited

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<sup>6</sup> Pierson (1993) notes that policy feedback theories *should* take into account both “resource” and “interpretive” effects.

success of welfare state reform initiatives in the US and UK goes well beyond a simple political clash between self-interested beneficiary-voters and blame-avoiding politicians. The most innovative aspect of this work is the focus on how political and policy institutions shape the opportunities for beneficiaries to mobilize, on the one hand, and the ability of politicians to hide their benefit-cutting agendas, on the other. Nevertheless, Pierson's work is quite clear about its micro-foundational assumption that pension beneficiaries will act to protect "their" programs, unless obstacles to political mobilization are thrown in their way by politicians who fear punishment for imposing cuts.

Pierson focuses explicitly on beneficiaries, rather than their organized representatives, as the relevant micro-foundational units. While he cites "extensive networks of organized social support" as the bulwark of social programs' political resiliency, Pierson notes that that "the recipients of various benefits -- pensioners, the disabled and health care consumers" are more "prominent" in the politics of welfare state reform than the "range of public-interest organizations seeking to protect the interests of the unorganized" (Pierson 1994, 30).<sup>7</sup> Beneficiaries are bound to oppose retrenchment (and make attempted welfare state retrenchment perilous for politicians who wish to be re-elected) for two main reasons: first, because losses are concentrated on a specific and well-defined beneficiary population; and second, because of a human propensity to oppose losses more than welcome gains (1994, 18). The "logic of collective action" (Olson 1965) and prospect theory (Kahneman and Tversky 1979) provide sound micro-foundational assumptions for Pierson's macro-level observations. But Pierson does not himself attempt to verify empirically the micro-level implication of these theories: that welfare state beneficiaries (as distinct from the organized interest groups representing them)

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<sup>7</sup> For more on the distinction between beneficiaries and interest groups in the politics of pension reform, see Campbell and Lynch (2000).

actually oppose retrenchment or support the welfare state status quo more than other kinds of people do.

Andrea Campbell's (2003) work on the constituency feedback effects of Social Security old-age pensions in the United States provides empirical confirmation of a causal chain running from receipt of pension benefits to beneficiaries' political behavior in defense of those benefits to politicians' actions to defend public pension programs. Like Pierson, Campbell argues that self-interest is but one element in a complex story of how Social Security contributes to the political mobilization of elderly voters. But self-interest is a crucial part of the story for Campbell, as it is for Pierson. Social Security has prospered, Campbell tells us, because seniors who depend for their livelihood on Social Security benefits participate disproportionately in defense of the program, and convey a strong message to legislators about their opposition to cutbacks.

Campbell's work innovates in its convincing empirical demonstration of a policy feedback working at the micro-level via the conferral of resources in one case, the United States. But this work hardly closes the door on the question. It seems unlikely that the political foundations of welfare state reform politics as documented by Campbell in the United States are identical to those in other (particularly non-Anglo-Saxon) countries. Different types of social programs – more or less fragmented, more or less generous, citizenship-based versus occupationalist, means-tested versus universal – are likely to generate different underlying logics of constituency support (Esping-Andersen 1990, Pierson 1994, Mau 2001, Lynch in press). And ideological, political, and even demographic specificities may make citizens in other countries less likely to be motivated in their welfare state reform preferences by self-interest than by partisan, union, or family attachments. Even if we assume that political behavior has a universal basis in self-interest, what beneficiaries get out of social programs varies across nations, and thus

different kinds of programs might generate constituency-based pressures for reform that differ in their intensity and distribution across the electorate. A cross-national comparison of the influence of benefits on beneficiaries' political behavior surrounding pensions is thus a crucial foundation stone for an empirically verified theory of policy feedback effects.

This paper does not seek to evaluate the plausibility of most of the myriad policy feedback routes that operate in welfare states. Rather, it begins with one pathway, the micro-level, resources pathway, and tests its micro-foundational assumptions outside of the relatively limited set of Anglo-Saxon cases from which it was initially derived. Feedback effects cast at the level of the individual and operating through the mechanisms of resources are, as we have seen, widely recognized even among scholars who use the language of rational self-interest rather than the language of policy feedbacks. This kind of policy feedback depends, in the final instance, on a link between beneficiaries' receipt of income from social programs and their political behavior in defense of these programs. Such a relationship is likely to be most clearly visible in the arena of public pensions, where threatened changes in benefits should be particularly salient for recipients because pensions constitute a relatively large part of many seniors' household income. For this reason, I take attitudes towards proposed changes to pension systems in the early 1990s, close to the beginning of the current wave of pension system reforms in Europe, as the basis for this analysis.

### **Measuring Policy Feedbacks with Political Beliefs?**

The best way to trace a policy feedback mechanism is with detailed data on the political behavior of the targets of public policy, be they bureaucrats, interest groups, or individual citizens. Unfortunately, the data necessary to construct a relationship between use of pension

benefits and political *behavior* of beneficiaries on behalf of these benefits – data equivalent to the Roper surveys utilized by Campbell -- are not available for European countries. For a variety of reasons, surveys of Europeans do not tend to ask detailed questions about political behavior.<sup>8</sup> The most common behavior items on European surveys regard voting, vote choice, and participation in mass protests. These kinds of items are imperfect: they can not tell us why pension beneficiaries cast the votes they report having cast, and, if and when pensioners demonstrate, we do not know whether they have demonstrated around the issue of pension reform or for some other reason. Unfortunately, even these imperfect measures of behavior are not available in many cross-national data sources, including those I use here. With the data available, it is possible only to examine the relationships between reliance on public pensions and *attitudes* towards pension systems.

Attitudes towards pension system reform are clearly only weak proxies for eventual political behavior surrounding this issue. It is relatively easy to express support for a program, or a political movement that acts in defense of the program, and more costly to take direct action in a program's defense. Still, at a very minimum, there should be some connection between expressed attitudes towards the pension system and behavior in the voting booth or in the streets: opinion is a necessary, even if not sufficient, condition for behavior. There is also reason to think that public attitudes might be consequential in and of themselves, especially in an era of frequent polling.

However, even this attitude-based test of the political impact of reliance on public

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<sup>8</sup> The range of measurable political behaviors is truncated in comparison with the United States because most election campaigns in Europe are publicly financed and the highly professionalized mass parties that characterize European politics require few volunteers. These features make donating time and money to political campaigns atypical behaviors in the European context, even for high-SES individuals. In addition, the programmatic nature of political competition in many of the countries of Northwestern Europe means that direct contacting of elected officials is unusual, even for "constituency service"-type requests. In the more particularistic politics of Southern Europe, of course, direct contacting is met with considerable opprobrium and thus tends to be underreported even when surveys do ask (Sani 1989).

pensions is more difficult to conduct than one might imagine. Cross-national public opinion surveys contain scant information about household income – information that is crucial to estimating the extent of a respondent’s reliance on welfare state benefits. At the same time, household income surveys that provide detailed information about the types of social benefits received by individuals rarely contain information about social or political attitudes. In order to test the policy feedback model directly at the individual level, and to evaluate the size and direction of such an effect in different national contexts, it is necessary to bring together information on the source of household income and on support for welfare state programs. Before exploring the imputation and estimation techniques I use to bring the necessary data together, though, I specify more precisely the hypotheses to be tested.

## **Hypotheses**

Accumulated wisdom from the comparative study of welfare states suggests that generous, comprehensive social programs enjoy broader political support than targeted programs and those that offer more limited financial assistance (Esping-Andersen 1990, Offe 1991, Skocpol 1991, Taylor-Gooby 1996). The mechanisms that might produce these differences in public support are many, including the stigmatizing effects of means-tested benefits. And other aspects of pension system organization (for example, features that emphasize the notion that pensions are payouts on "contributions") may contribute, to be sure, to the strength of political support for pensions versus other kinds of programs among beneficiaries. The most obvious explanation, however, for why generous pension systems receive more support than less-generous pension systems or other, smaller public programs has to do with the heightened salience of generous benefits. When public benefits are an important source of income, rather

than a marginal one, people are more likely to act to defend these benefits.

The micro-level implication of this macro-level theory is that, *ceteris paribus*, **the more a household relies on public pensions for its income, the more likely it is that a respondent from that household will support the existing pension system and oppose changes that would result in lower benefits.** My analysis seeks to evaluate whether this blanket claim is a realistic one, or whether we need to pay more attention to other conditions that might influence whether a person supports or opposes cuts to social programs. The main alternatives to the basic hypothesis of self-interested behavior in defense of pensions revolve around alternative influences on an individual's level of support for public pensions, which we must include in our analysis as potential confounds:

*Generalized support for the welfare state.* The level of support for the welfare state more generally – support that may derive from longstanding political or ideological beliefs and commitments -- may trump any personal stake that pension recipients feel in pension programs as a result of their entitlements. In practice the causal arrows in the relationships among income from public pensions, support for public pensions, and support for the welfare state more generally could be difficult to disentangle. A more supportive attitude towards the welfare state in general might make the income received from pensions a less important predictor of attitudes towards public pensions, as I just suggested. But receiving generous pension benefits could also make beneficiaries more supportive of both the pension system and the welfare state more generally. In either case, generalized attitudes towards the welfare state as a whole are an important control, even if we have trouble interpreting precisely the relationship between use of old-age benefits, attitudes towards the welfare state in general, and attitudes towards the pension system in particular.

*Other financial resources.* While we expect that the percentage of income supplied by pensions might affect the degree of protectiveness people feel towards the pension system, it might also be the case that individuals' sense of dependence on the pension system is affected by their (actual or perceived) level of resources more generally. People who are, or who feel, poor may be inclined to strongly support preserving the level of public pensions, regardless of how much of their income comes from pensions, because they perceive acutely the importance of a social safety net. Alternatively, people who gain little from the pension system and who are also poor may be more likely to believe that the system is not working well, and should be modified. We need to ask whether income derived from pensions has an effect on attitudes towards pension system retrenchment net of a household's broader economic status.

*Political engagement.* Individuals who benefit from social programs and who are more educated, more politically aware, and more mobilized into politics may be more likely to express support for the welfare state programs they benefit from, and opposition to threatened cuts. Alternatively, highly educated and politicized individuals may be more likely to support cuts in pension programs, even if they benefit from them, when there is a case to be made that over-generous pension programs are unsustainable or crowd out the provision of other important social benefits. The causal pathways may again be difficult to interpret; but it is important to include these kinds of variables as controls in order to determine whether income from pension benefits has any independent effect on attitudes towards these programs.

*Partisanship and Ideology.* Partisan and ideological identifications may also be important influences on attitudes towards social programs. Aggregate-level analyses have shown that the (cumulative) vote shares, seat shares, and/or cabinet shares of Christian democratic and social democratic parties have distinctive effects on pension spending (eg. Williamson and

Pampel 1993), the structure of public pension systems (eg. Esping-Andersen 1990), and pension system retrenchment (eg. Huber and Stephens 2001). Individual-level partisan or ideological preferences may also be related to support for the pension system status quo. The self-interest-based policy feedback hypothesis would be strongly supported, on the other hand, if it were demonstrated that income derived from pensions had an effect on attitudes towards these programs net of partisanship or ideological self-placement.<sup>9</sup>

*National context: norms, institutions, and politics.* Any of the relationships discussed above might also vary cross-nationally due to the different institutional configurations and political traditions that surround the welfare states in different countries. The null-hypothesis is that the relationship between support for pension policies and income from pensions is the same regardless of the national context. It is worth investigating alternative claims. Attitudes towards pension reform among similarly-situated pensioners may depend on institutional features such as means-testing of benefits, flat-rate versus earnings-related benefits, payroll financing versus financing from general revenues, or the degree of fragmentation versus universalism. Attitudes towards pensions may also depend on societal norms about intergenerational resource transfers and the degree of support that pensioners can reasonably expect from, for example, adult children. Features of the policy reform environment in a given country – widespread public consensus that pension spending is too high or that benefits are not generous enough, or longstanding partisan commitments to particular welfare state programs – could also affect the relationship between income from pensions and attitudes towards pensions. For all of these reasons, we should pay close attention to the possibility of cross-national variation in the relationship between receipt of benefits and attitudes towards those benefits.

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<sup>9</sup> Increased willingness to support pensioners' parties among those highly dependent on public pensions would be even stronger confirmation, since supporting a pensioners' party would involve breaking away from often quite longstanding attachments to other parties.

## Measures and Model specification

I test for the presence of constituency feedback effects at the individual level in a sample of approximately 3,200 European citizens, all aged 50 and above and either retired from paid work or self-defined housewives.<sup>10,11</sup> Using ordered logit analysis conducted at the national level, I seek to answer a straightforward question: does benefiting from public pensions have a statistically significant effect on the likelihood that an individual will support the pension system status quo and oppose retrenchment, net of other factors discussed above? Measures of the key dependent and independent variables, as well as the controls outlined in the section above, are drawn from two datasets. Eurobarometer 37.1, conducted in 1992, polled citizens on attitudes towards social benefits and the treatment of the elderly in the then twelve member countries of the European Union (Reif and Melich 1994). Wave 1 of the European Community Household Panel, conducted in 1994, contains detailed information on household income both from the market and from a variety of social programs.

*The dependent variables: Indicators of opposition to retrenchment.* Our dependent variable, support for the pension system status quo, is approximated by two separate items drawn from the 1992 Eurobarometer survey.<sup>12</sup> These items tap directly respondents' preference for maintaining pensions as they are currently structured in the face of mounting fiscal problems associated with pay-as-you-go pensions (the percentage of responses in each category pooled

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<sup>10</sup> The statutory retirement age in some European countries is as low as 50, and in many others incentives for early retirement mean that large numbers of pensioners are well below the age at which we classify people as "senior citizens" in the United States.

<sup>11</sup> Unfortunately it is not possible in this dataset to distinguish older housewives who are married to retirees from those married to active workers over the age of 50.

<sup>12</sup> A Eurobarometer survey with a much wider array of useful pension-related questions was conducted in 2001 (Christensen 2003). The pension-related variables have only recently been made available for public use. If and when I regain access to the ECHP I will be able to repeat the analysis reported here on the much higher-quality data in EB 56.1.

over all twelve countries are in parentheses):

LEV [level of pensions]:

Opinions differ about the level of the pension. Which of these comes closest to your opinion?

1. Pensions are too high and should be reduced. (.6%)
2. Pensions are about right. (20.2%)
3. Pensions are too low but they will have to stay at that level because contributions or taxes should not be raised. (27.8%)
4. Pensions are too low and should be increased even if this means raising contributions or taxes. (51.5%)

Higher values of LEV can be interpreted as implying greater support for the pension system status quo than lower values.<sup>13</sup>

PYG [pay-as-you-go financing]:

Those who are now working have a duty to ensure, through the contributions or taxes they pay, that elderly people have a decent standard of living.

1. Disagree strongly (2.7%)
2. Disagree slightly (7.8%)
3. Agree slightly (40.5%)
4. Agree strongly (49.0%)

Higher levels of PYG indicate greater opposition to proposals, floated frequently in the 1990s, to transform pay-as-you-go public pension systems into fully funded systems with a tighter link between individual contributions and individual benefits.<sup>14</sup> Separate ordered logit models are estimated for these two different measures of support for the pension system status quo.

*Key independent variables: "benefit" from public pensions.* What explains the degree of support for the public pension system? In the basic constituency feedback model I seek to test, the main independent variable of interest is the percent of household income derived from social benefits, a variable that is imputed for Eurobarometer respondents using data drawn from the

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<sup>13</sup> This variable is clearly problematic both because of the double-barreled nature of the question and the heavy skew. Unfortunately it is the only indicator in this Eurobarometer survey of attitudes towards changing the level of pension benefits.

<sup>14</sup> Again, this item is problematically skewed. The real lesson from this Eurobarometer may be that if you ask the question in the right way, almost everyone will support the pension system status quo, regardless of his/her actual reliance on it. This is not surprising, since we know that most retrenchment initiatives are deeply unpopular among electorates (Boeri *et al.* 2001; Taylor-Gooby 2001).

European Community Household Panel (for discussion of the imputation technique, see below).

I consider benefits from all social programs, rather than from public pensions alone, because in many countries access to and the level of other benefits like family allowances or housing subsidies are linked to the type of pension a person receives. Counting only income from pensions would substantially underestimate the value of social benefits entitlements explicitly linked to old age, especially for low-income individuals, in many national contexts.

Unemployment benefits, work-related disability pensions, and other benefits accruing only to individuals active in the labor market are of course excluded.<sup>15</sup>

Respondents were also asked about the adequacy of the pensions they currently receive (very inadequate, somewhat inadequate, just about adequate, or completely adequate).<sup>16</sup> Despite the shortcomings of this indicator, the self-interest based constituency feedback theory would still predict a positive relationship between perceived pension adequacy and support for the pension system status quo: more intensive "use" of pensions or benefit from the pension system should lead to more support for the status quo. Note, however, how the predictions of the self-interest model become less intuitive as we operationalize the concepts of interest. Individuals who, net of other factors, perceive their pensions to be more adequate may actually be more willing to see cuts to their benefits, because cuts would seem to hurt less. The ordered logit models estimated here include both measures of "benefit" from public pensions: predicted income from social benefits, and perceived adequacy of one's own pension income. Thus, the

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<sup>15</sup> To be certain that the results are not affected by including income from other social programs in addition to pensions, the analysis could easily be replicated using income from pensions alone. Unfortunately, I cannot do that until I can again gain access to the ECHP data, which requires extensive research permissions and travel to an ECHP-authorized research center in Europe.

<sup>16</sup> As an indicator of a respondent's use of public pensions, and thus her "susceptibility" to a self-interest based policy feedback effect, this item leaves much to be desired. Note that this question takes into account earnings from both public and private pensions, and so where the latter are large relative to the former (eg. Britain, Ireland, the Netherlands), responses do not reflect respondents' reliance on public pensions per se. Furthermore, the perceived adequacy of pensions received is not the same as the amount of benefit actually gained.

effects of perceived adequacy should be interpreted net of the effects of the actual level of public pension benefits received.

The remainder of the independent variables in the model tap into factors other than reliance on pension benefits that might affect attitudes towards the pension system.

*Support for the welfare state as a whole* is measured using responses to two Eurobarometer questions about the welfare state. The question wording reflects the European use of “social security” to represent a broad range of social benefits including unemployment insurance, social assistance, day care, family allowances, health care, occupational injury insurance, etc., in addition to public pensions:

**ACHIEVE:**

Social security is a major achievement of modern society. The government should make sure that nobody is left deprived when unemployed, poor, ill, disabled, etc. [4-point disagree-agree scale.]

1. Disagree strongly (1.2%)
2. Disagree slightly (3.5%)
3. Agree slightly (24.4%)
4. Agree strongly (70.9%)

**BROAD:**

The government must continue to provide everyone with a broad range of social security benefits even if this means increasing taxes or other contributions. [4-point disagree-agree scale.]

1. Disagree strongly (6.9%)
2. Disagree slightly (18.2%)
3. Agree slightly (35.9%)
4. Agree strongly (39.0%)

The *other financial resources* available to households beyond social benefits are captured by two variables: the quartile in the national income distribution where the household income falls; and respondents’ self-rated standard of living (very poor, poor, just getting along, average, comfortable, very comfortable, rich).

The level of *political engagement* is approximated by four measures: age at the completion of education, the frequency of political discussions, the frequency of media use, and whether or not there is a union member in the respondent's household. Unions have been in the forefront of discussions about pension system reform in Europe, and I expect households with union members to be more closely attuned to these debates than non-union households.

*Political partisanship.* Partisan loyalties are difficult to reconstruct from this Eurobarometer, which did not ask any questions about vote choice or party identification. However, questions on left-right self-placement and subjective social class provide some insight into respondents' likely partisan commitments. The degree of religious faith can also be used as a proxy for party identification in Germany and the Netherlands.<sup>17</sup>

*Politics and Institutions.* To capture the impact of country-specific features of the pension system's organization and the political environment surrounding pension reform, I estimate the ordered logit models separately for each country. Similarly, separate models are run for four different welfare state types. This analysis borrows from Esping-Andersen's (1990) and Ferrera's (1996) typologies to group countries according to key attributes of the pension system. Liberal welfare states (in our sample Great Britain and Ireland) have limited public pension systems with relatively uniformly low benefit levels, and eligibility for these benefits may be subject to a means-test. Southern European welfare states (Italy, Spain, Portugal, Greece) are distinguished by segmented occupationalist pension systems that reward the highest earners in the core labor force handsomely, but offer more meager benefits to those whose attachments to the formal labor market were weaker during their working lives. Pension systems in Conservative-corporatist welfare states (France, Belgium, Luxembourg, West Germany) are

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<sup>17</sup> Frequency of church attendance, which is not available, would be a better measure of religiosity for Italy, the third of the strongly Christian Democratic countries.

similar to those in the Southern European family, but are more generous towards low- and middle-income earners. Social Democratic welfare states (Denmark, East Germany<sup>18</sup>), like the Liberal countries, offer flat-rate public pensions to all elderly citizens regardless of their former attachment to the workforce. But compared to the Liberal family, benefits are much more generous, and truly universal (i.e. not means-tested). These systems may also provide public occupationally-linked benefits to supplement the basic pension. To summarize, both average generosity and the size of the populations covered by public pension schemes increase as one moves from the Liberal to the Southern European to the Conservative-Corporatist to the Social Democratic welfare state family.

Finally, the models include controls for age (with a top category of 85-and-over), sex, and health status (a dummy variable coded 1 for individuals with a long-term illness or disability).

### **Getting the data together: imputing the key independent variable**

The two-stage auxiliary instrumental variable approach described in Franklin (1989) makes it possible to estimate statistical models on a dataset composed of real observations on the dependent (opinion) variables and most control variables, and imputed values for the key causal variable, percentage of household income derived from social benefits. The European Community Household Panel (ECHP) contains information on household income from social benefits; the Eurobarometer does not. But both datasets contain a number of variables that can be used to predict household income from social benefits.

In the first stage of the 2SAIV procedure, I use ECHP data to estimate a model in which

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<sup>18</sup> In 1992, only three years after re-unification, the East German pension system was closer to the Social Democratic model than to the Conservative-Corporatist pension system in the West. The results of estimation by welfare state type remain unchanged, however, when East Germany is coded as Conservative-Corporatist.

social income as a percent of household income is predicted by the shared variables:

$$\text{SOCIN} = z_2\gamma + \varepsilon$$

where SOCIN is income from social benefits as a percentage of household income,  $z_2$  is a vector of the shared variables, with  $\gamma$  the vector of coefficients on these shared variables. SOCIN and  $z_2$  are both observed;  $\gamma$  is estimated. The shared variables in  $z_2$  are age, sex, a disability dummy, marital status, household size, number of children in household, labor market status, housing tenure, and possession of a television, VCR, and/or second home. The model is estimated separately for each individual country in the survey, with sample sizes ranging from 490 (Luxembourg) to 2002 (East Germany). Separate regressions for each country in the sample yield r-squared statistics ranging from .41 (the Netherlands) to .69 (Denmark, Italy, and Great Britain); eight of the twelve are above .6. The statistical significance of individual coefficients varies in the single-country regressions, but most variables except age and sex are significant in most countries.

After estimating coefficients on the shared variables, I import the coefficients into the Eurobarometer dataset. I then apply these coefficients to the Eurobarometer versions of the shared variables in order to generate a “predicted” value for the social income variable for each country:

$$\text{PRSOCIN} = z_1\gamma .$$

In this equation,  $\gamma$  is the vector of coefficients estimated from the ECHP dataset,  $z_1$  is a vector of the shared variables (the same variables as in  $z_2$  above), and PRSOCIN is the predicted value of income from social benefits as a percentage of household income, derived from applying the coefficients to the shared variables in the Eurobarometer dataset. In this step,  $z_1$  and  $\gamma$  are observed; PRSOCIN is estimated.

PRSOCIN can then be used as an independent variable in further analysis using Eurobarometer data – the second stage of 2SAIV -- making appropriate adjustments to the standard errors (see Franklin 1989). The critical assumption underlying the 2SAIV approach is that the two datasets are samples drawn from the same population, which implies that the coefficients ( $\gamma$ s) and the variances of the error terms are the same across the two datasets. In our case, Wave 1 of the ECHP, conducted in 1994, and Eurobarometer 37.1, conducted in April-May 1992, draw from substantially the same population of households living in countries of the European Union, and thus are appropriate for 2SAIV estimation.

## **Results**

Results of the ordered logit analysis, using values of predicted social income as a percentage of household income (PRSOCIN) imputed with 2SAIV, are summarized in Table 1. Net of other factors, PRSOCIN significantly affects the predicted probability of opposition to retrenchment of the level of public pensions in only two of the twelve EU countries in our study, Ireland and Spain. In both of these countries, the predictive power of PRSOCIN is weak, and in the wrong direction: those who depend most on the public pension system are the least likely to oppose retrenchments in the level of the pension. The self-assessed adequacy of a respondent's own pension, net of the household's actual reliance on those pensions, is a better predictor of opposition to cutting benefit levels. Again, however, the direction of the relationship is opposite that predicted by the constituency feedback model. Individuals who benefit more from pensions – those with more "adequate" pensions – are significantly *less* likely to oppose cuts in benefit levels, not more. The ordered logit analysis did not pick up any effect at all of PRSOCIN on the likelihood that an individual would oppose altering the PAYGO nature of public pensions. And

only in the Netherlands does perceived adequacy of one's own pensions seem to produce the predicted increase in support for the pension system status quo.

[Table 1 about here]

These results overturn the common assumption that people who benefit from social programs are particularly protective of those programs. Unsurprisingly, the degree of support for the welfare state more generally is a significant predictor of attitudes towards the pension system in many countries. Respondents' evaluation of their standard of living also affects their support for the pension system, with subjectively well-off respondents less likely to express a high degree of opposition to retrenchment of public pensions. But after controlling for demographic variables, household resources, political orientations (including the propensity to support the welfare state in general), and the degree of political engagement, there is only the weakest evidence for a significant and systematic relationship between the benefit individual Europeans receive from the pension system and their propensity to oppose retrenchment of public pension programs.

These results resonate with the large literature suggesting that self-interest is not in fact the strongest predictor of support for most public policies. On the other hand, they run counter to so much of the recent received wisdom on policy feedbacks that it is necessary to think carefully about potential flaws in the analysis. One possibility is that the expected relationship between beneficiary status and political behavior in defense of benefits does exist, but that the attitudinal indicators are simply too weak a proxy for political behavior to pick up any effects of beneficiary status. If this were true, it would mean that self-interest around social programs is

not reflected in expressed opinions, but rather appears only when we look directly at political behavior. This proposition is testable, but with a caveat. As discussed above, the range of measurable political behaviors that is common in Europe is notably more limited than in the US. Whereas Campbell (2003), for example, makes use of measures of campaign giving and forms of citizen contacting such as letter writing, these behaviors are not typical in Europe, and are rarely measured in surveys. Future research should look into the relationships not only between income from social programs and attitudes towards these programs, as in this paper, but also investigate the strength of the relationship between attitudes and the more limited number of political behaviors (vote choice, participation in demonstrations or protests) that are relevant in a European context.

Faulty measures of income might also make it difficult to detect a relationship between materially benefiting from social programs and attitudes towards those programs. In this paper, income from public social benefits as a percentage of household income is the primary measure of reliance on pensions. For reasons discussed above, I believe this is the best measure for this analysis. However, the structure of the ECHP survey does make it possible to measure income from public pensions alone, without add-on benefits for dependents, low income, or housing allowances. This should clearly be done in the next iteration of this research, but must await a second round of access to the tightly-controlled ECHP micro-data file. The predicted social income measure asks to what degree a respondent's household depends on social benefits for income. But it could be argued that an absolute measure of social benefits income – something like the percentile of the pension income distribution in which a respondent's household falls -- better captures the concept of "benefiting" from social programs that the policy feedback literature relies upon. Again, constructing this alternative measure must await access to the

ECHP micro-data.

A final potential explanation for the lack of a statistically significant effect of income from benefits on attitudes towards these benefits is if the statistical procedures used in the analysis inefficient in their use of information. The 2SAIV procedure could introduce inefficiency in two ways. If the matching variables used in the first-stage equations are, taken together, only weak predictors of social income, then standard errors on any coefficient estimated on the imputed variable will be inflated. In this case, there does not seem to be much cause for concern.

Problems with the Eurobarometer do cause a substantial loss of power, though. Roughly one quarter of the respondents did not report household income, a variable that is used as a control in this analysis. Small effective sample sizes once the sample is subdivided into countries and once observations are deleted for missing data should make us cautious about concluding too much from the results presented in Table 1. The multiple imputation (MI) procedure described in King et al. (2001) and implemented in the Amelia software program (Honaker et al. 2001) can be used to impute missing values for key variables and estimate logit models that are more efficient (and also less biased). Imputation of the missing values for household income is unproblematic. Note, for example, that the ECHP and most other household income surveys routinely impute missing income data.

Applying MI and 2SAIV to the same original data and estimating the same model as before confirms the main findings of the analysis performed without MI.<sup>19</sup> The inefficiency and possible bias produced by the high degree of missingness in the data prior to imputation with MI do not, then, appear to explain the lack of support in the initial results for the constituency

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<sup>19</sup> The 2SAIV procedure is applied five times, to the  $m=5$  datasets produced during multiple imputation. Standard errors for PRSOCIN are bootstrapped and combined across datasets as per King et al.'s (2001) MI procedure.

feedback model. Let us turn now to a closer examination of the results using both 2SAIV and MI, presented in Table 2.

### **Results with multiple imputation**

The main finding of the new analysis using MI replicates the main finding of the analysis without MI: the key measure of income from public pensions has no statistically significant effect on the likelihood that a respondent will oppose retrenchment of either the level or the pay-as-you-go structure of public pensions in any of the countries in our study.<sup>20</sup> And perceived adequacy of pensions, holding the actual importance of pensions in the household economy constant, is strongly but *negatively* associated with opposition to cutting pensions in all countries. That is, the better one perceives one's pension to be, the less likely one is to oppose cuts. Both of these findings contradict the constituency feedback model, which holds that individuals who depend on public pensions for their income and those who believe that they benefit from the pension system should defend the pension system status quo and oppose retrenchment.

[Table 2 about here]

This analysis brings into question the micro-foundational premise upon which much theorizing about the "new politics" of welfare state reform is based: that receiving social benefits, at least social benefits of a non-stigmatized nature like pensions, will lead individuals to political attitudes (and eventually behavior) in defense of "their" programs. The expected relationship

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<sup>20</sup> In the East German sample the coefficient on PRSOCIN was just shy of the significance at the .05 level. In no other country sample did it approach this level of statistical significance.

between beneficiary status and political attitudes does not show up in this analysis. But responses to the pension reform questions indicate that large numbers of Europeans do in fact want to preserve their pension systems as they are. If constituency feedback effects are not the source of such attitudes, what is? Individual-level factors? Features of the political environment in a given country? Aspects of the pension system?

The data assembled here, which contain little information about politics per se, do not allow us to say much about this question. But we can see that the most consistently significant predictor of attitudes towards pension system reform, apart from the perceived adequacy of an individual's own pension, is one's attitude towards the welfare state in general. Across most countries in our sample, the belief that the welfare state should continue to play an important role in society, even if it means paying more in taxes, is strongly associated with opposition to retrenchment of pension benefits. Similarly, the belief that the welfare state is a major achievement of society and should continue to provide a broad range of benefits is strongly associated with support for the pay-as-you-go pension model in most of the country subsamples. This association between support for the welfare state in general and support for pensions in particular is unsurprising, although, as noted above, the direction of any causal relationship is difficult to determine.

In addition to these generalized attitudes towards the welfare state, other features of the political environment also seem to matter for how individuals translate their personal experiences with social programs into political attitudes. Support for the pay-as-you-go status quo, in particular, seems to be linked to characteristics that are strongly related to partisanship or political engagement in a number of countries (left-right self-placement in Great Britain, subjective social class and media exposure in Spain, religiosity and education in Germany,

subjective social class in the Netherlands).<sup>21</sup>

A major alternative to these individual-level explanations is that the structure of welfare state institutions profoundly conditions individuals' responses to proposed reforms. We can subdivide our sample into welfare state "families" (liberal, social democratic, Conservative-corporatist and Southern European) in order to evaluate whether the relationships between beneficiary status and attitudes towards pensions varies across different kinds of welfare states with different kinds of pension systems. Results are summarized in Table 3.

[Table 3 about here]

In most respects, the different families of welfare states appear quite similar. Self-assessed adequacy of one's own pension predicts an increased tolerance for cuts to benefit levels, and recognition of the welfare state as a major achievement of society is associated with support for pay-as-you-go pensions, in all four welfare state types. A willingness to increase taxes in order to maintain a broad array of welfare state benefits is also associated with support for the pension system status quo in all four welfare state types. There are, in fact, few divergences of note between the different welfare state groupings.<sup>22</sup> Income from social programs is a statistically significant predictor of support for maintaining benefit levels only in the Conservative-Corporatist welfare states, but even here the effect is minimal. Figure 1 shows

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<sup>21</sup> One should keep in mind, of course, that the increased efficiency of estimation that MI provides (since cases are not lost to listwise deletion) means that estimates of even modest effects are more likely to be statistically significant than in the analysis without MI. This is true despite the fact that the MI procedure takes into account the added uncertainty that working with imputed data implies. Hence, interpretation of the results requires going beyond signs and significance to examine the predicted probabilities of attitudinal categories under conditions that are of interest. Given the large number of countries and variables involved, it is impossible to undertake here a systematic exposition of all results, but they are available from the author upon request.

<sup>22</sup> One difference that does emerge is that in the social democratic welfare states alone, subjective social class and education level are significant predictors of pension attitudes. Whether this is because of the association of class and education with labor market and hence pension status, or with political awareness/mobilization is unclear.

predicted probabilities for LEV=1 (the level of the pensions is too high and should be cut) and LEV=4 (pension benefits are too low and should be increased even if that means raising taxes or contributions) over the 10<sup>th</sup> through 90<sup>th</sup> percentiles of the distribution of PRSOCIN, with all other variables held at their means. Keeping in mind the 95 percent confidence intervals for the predicted probabilities, values for even the extreme categories of the dependent variable are indistinguishable between respondents in the 10<sup>th</sup> and 90<sup>th</sup> percentile of the distribution of PRSOCIN.

[Figure 1 about here]

If the lack of correspondence between use of benefits and attitudes towards benefits calls into question the micro-level, interest-based constituency feedback hypothesis, the lack of correspondence between welfare state regime type and sources of support for the welfare state is equally surprising from the standpoint of the comparative political economy literature. We are left with the evidently strong, but largely unexplored, relationship between how individuals perceive the welfare state as a whole, how they perceive the adequacy of their own benefits, and their visions of the appropriate future for costly public pension systems. Unraveling the complex interactions among these attitudinal variables is a task for further research.

## **Conclusion**

2SAIV estimation without multiple imputation reveals, among retired Europeans and housewives aged 50 and older, no significant effect of income from social security benefits on attitudes towards the public pension system. In fact, older people who feel their pensions to be

the most adequate are *less* supportive of the pension system than people who stand to lose less from retrenchment. The analyses performed here do not support the theorized constituency feedback effect in which self-interest drives beneficiaries of social programs to become political supporters of those programs.

These results are surprising. They overturn something that has in the last ten years become an oft-repeated, if under-unexamined, assumption in the political science literature about the political dynamics of welfare state reform: that retrenchment in mature welfare states is difficult because beneficiaries of generous programs fiercely defend the status quo. Opinion leaders in the policy sphere, too, assert the “dangers” of ageing populations for fiscal restraint and intergenerational equity because they assume that beneficiaries of the most generous welfare benefits – pensions – will demand an ever-larger share of the pie. The findings presented here suggest that elderly voters who receive a large share of their income from generous public pensions may not be much more inclined to oppose pension retrenchment than anyone else. Attitudes towards the welfare state in general and perceptions of individual economic well-being both appear to be more important determinants of support for public pensions than actual income from these programs. And the influence of larger-scale structures and processes – the organization of welfare state programs, and to an even greater extent national-level politics surrounding debates about welfare reform – may generate cross-national differences in the micro-logic of support for the welfare state.

This paper constitutes a trial application of 2SAIV and MI techniques to ECHP and Eurobarometer data. Further work is still necessary on several fronts before conclusive tests of the this particular interest-based constituency feedback hypothesis can be performed. As indicated, the most immediate next steps should be to test for the robustness of multiple

specifications of the income measure, and, as soon as the data become publicly available, to replicate the analysis using data from Eurobarometer 56.1's impressive battery of pension-related questions. 2SAIV and MI techniques should also be applied substituting political behavior items for attitudinal variables if an appropriate cross-nationally comparable survey of behaviors can be found. Finally, a more thorough analysis taking advantage of the cross-national nature of these data should be undertaken. Only then can we begin to assess systematically how differences in welfare state institutions and political contexts may shape the articulation of constituency feedback effects.

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Table 1: Significance and signs of ordered logit coefficients

Country	Fra		Bel		Neth		W Ger		E Ger		Ita	
	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG
<i>Dependent Variable (see p.14)</i>												
<i>Valid N</i>	82	82	106	101	82	81	107	107	161	160	92	100
% of HH income from social bens.												
Perceived pension adequacy			--		--	++	-		--		--	
HH income (quartile)							-					
Subj. living standard		--			-							+
Subj. social class				-								
Education												
Media use												
Freq. of political discussions		++										
Union member in HH												
Left-Right self-placement					--							
Religiosity							-					
Disabled dummy												
Broad WS even if raise taxes			++				++	+	++	-		
WS major achievement		++		++				++	--			

Country	Den		Ire		Gr Brit		Gre*		Spa		Por	
	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG
<i>Dependent Variable (see p.14)</i>												
<i>Valid N</i>	116	115	38	37	117	113	87	81	61	56	80	83
% of HH income from social bens.			-						-			
Perceived pension adequacy	-								-			
HH income (quartile)									-			
Subj. living standard	--				--							
Subj. social class												
Education	--									+		
Media use												
Freq. of political discussions												
Union member in HH												
Left-Right self-placement												
Religiosity												
Disabled dummy												
Broad WS even if raise taxes												+
WS major achievement												

++ or -- : significant at .01 level

+ or - : significant at .05 level

\*models did not converge

Table 2: Significance and signs of ordered logit coefficients with multiple imputation

<b>Country</b>	<b>Fra</b>		<b>Bel</b>		<b>Neth</b>		<b>W Ger</b>		<b>E Ger</b>		<b>Ita</b>	
<i>Dependent Variable (see p.14)</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>
<i>Valid N</i>	232		278		261		254		275		300	
% of HH income from social bens.												
Perceived pension adequacy	-		--		--		--		--		--	
HH income (quartile)			+									
Subj. living standard					--				--			
Subj. social class						+						
Education								++				
Media use												
Freq. of political discussions												
Union member in HH												
Left-Right self-placement					-							
Religiosity								++				
Disabled dummy				-		+						
Broad WS even if raise taxes	+		++			++	++		++		+	
WS major achievement				++				++		+		+

<b>Country</b>	<b>Den</b>		<b>Ire</b>		<b>Gr Brit</b>		<b>Gre</b>		<b>Spa</b>		<b>Por</b>	
<i>Valid N</i>	190		226		259		279		267		240	
<i>Dependent Variable (see p.14)</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>	<i>LEV</i>	<i>PYG</i>
% of HH income from social bens.												
Perceived pension adequacy	--		--		--				--		--	
HH income (quartile)												
Subj. living standard	--				--							-
Subj. social class									+			
Education												
Media use	+								+			
Freq. of political discussions												
Union member in HH									-			
Left-Right self-placement						-						
Religiosity												
Disabled dummy												
Broad WS even if raise taxes				++	++				++	++	+	++
WS major achievement		++		+				++		+		++

++ or -- : significant at .01 level

+ or - : significant at .05 level

\*model did not converge

Table 3: Significance and signs of ordered logit coefficients with multiple imputation

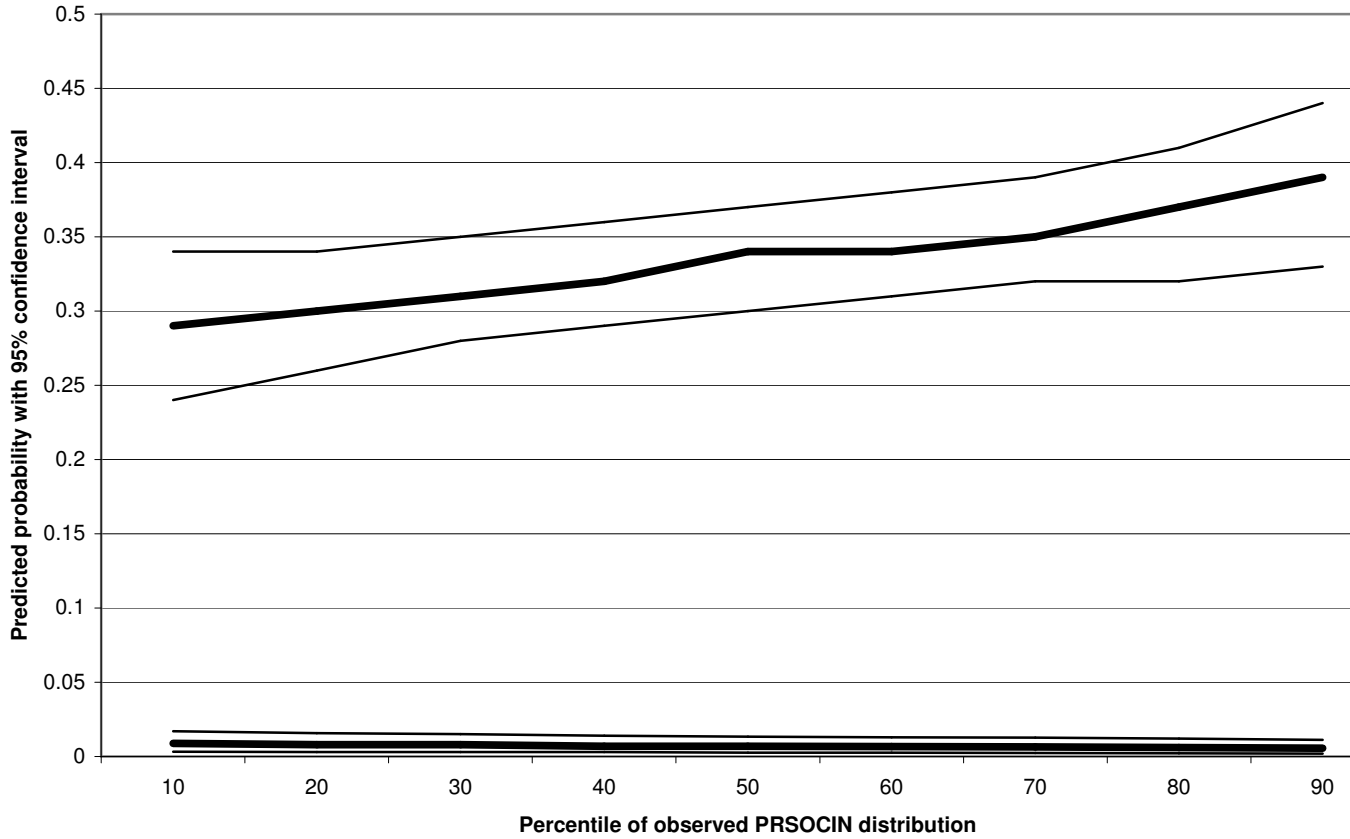
WS Type	Liberal		Southern European		Conservative-Corporatist		Social Democratic	
	LEV	PYG	LEV	PYG	LEV	PYG	LEV	PYG
<i>Dependent Variable (see p.14)</i>								
<i>Valid N</i>	484		1084		892		726	
% of HH income from social bens.					+			
Perceived pension adequacy	--	-	--		--		--	
HH income (quartile)								
Subj. living standard	--						--	
Subj. social class								++
Education							++	
Media use								
Freq. of political discussions								
Union member in HH								
Left-Right self-placement								
Religiosity								
Disabled dummy								
Broad WS even if raise taxes	++	++	++	++	++		++	++
WS major achievement	+	+		++		++		++

(Country dummies also included)

++ or -- : significant at .01 level

+ or - : significant at .05 level

Figure 1: Predicted probabilities of opposition to benefit retrenchment (LEV=1 and LEV=4) in Conservative-Corporatist welfare States, by level of PRSOCIN.



All other variables in model set at means.  
 Levels and confidence intervals estimated with Monte Carlo simulations using Clarify 2.1 (Tomz et al. 2003).