CHAPTER 35

THE WELFARE STATE IN GLOBAL PERSPECTIVE

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Over the last few decades of the twentieth century, the literature examining cross-national variation in the development of policies of social protection has been one of the most dynamic fields of research in comparative politics. The sustained effort of sociologists, political scientists, and economists to understand the causes and consequences of different welfare states has generated a vast literature that is methodologically eclectic and theoretically vibrant. The accumulation of findings in this literature has fruitfully illuminated one of the most significant achievements of modern states: the ability to protect citizens from poverty in the event of sickness, old age, and unemployment.

Advanced industrialized economies have been at the center of the empirical investigation of policies of social protection. This was a natural starting point, due to the magnitude and importance of the welfare state in these economies, which accounts for as much as 30 to 65 percent of GDP. Based on these cases, the literature developed important insights by noting that social policies clustered in distinct "families of nations" or "worlds of welfare capitalism" (Esping-Andersen 1990; Castles 1993; Huber and Stephens 2001). Nevertheless, important theoretical disagreement continues to exist about the relative importance of different political factors in explaining the diversity of observed policies and their distributional implications.

In this essay, we argue that the most exciting research opportunities in the study of welfare states lie in examining the variation in policies of social protection in developing economies. Scholars of the welfare state need to broaden the scope of their analysis. In recent decades, policies of social protection in many developing economies have experienced a dramatic transformation. Two trends in the evolution of these policies require a systematic explanation. First, welfare states in developing countries have not unilaterally evolved towards a neo-liberal, residualistic model of social protection characterized by limited coverage and a private provision of benefits. While some Latin American countries have partially or fully privatized their old-age insurance programs, other economies—such as those of Taiwan or Korea—have enacted universal social insurance programs granting benefits to all citizens (Wong 2004). Second, we find strong variation across policy areas in the evolution and distributional implications of these policies. In distributional terms, health care policies have been more progressive than have pension policies—an outcome that holds true for policy changes both in Latin America and in East Asia.

These recent changes offer an important challenge to welfare state scholars. Are existing theories, based on the examples of advanced industrial economies, able to explain the recent transformations experienced by welfare states in developing countries? Which explanatory variables fare better than others and, if so, why? If existing explanations cannot account for the puzzling outcomes noted above, what should be the building blocks of explanations that can account for the divergence in social policy trajectories? This essay surveys the major approaches employed in study of the welfare state and evaluates the capacity of these theories to explain the bifurcated trajectory of reform experienced by social policies around the world.

1. Underlying Structural Conditions: Levels of Industrialization and Economic Openness

The earliest studies of the emergence of social policy hypothesized that economic growth and development were key factors accounting for the emergence and expansion of modern welfare states. These processes would lead to rising industrial employment and technological capacity. This in turn, was expected to spur incentives for governments to educate their workforce and protect the aged who were no longer able to serve in industry, which, in turn would lead to higher levels of social spending (Wilensky 1975). Thus, economic development brought new social needs and the capacity to meet those needs, and welfare state development was expected to be a "by-product" of the larger process of modernization (Huber and Stephens 2001).

Quantitative tests of this hypothesis in the case of OECD economies have identified a positive correlation between variables such as the level of industrialization or economic development and aggregate social spending (Wilensky 1975). By contrast, efforts to test this hypothesis in the context of a larger universe of cases that is not only restricted to OCED economies have, so far, generated inconclusive results. The correlation between economic development and measures of aggregate spending or aggregate tax revenues is very weak and often fails to reach statistically significant levels (Adsera and Boix 2002; Mares 2005).

This line of research suggests that the growth in the level of social policy commitments in East Asian economies—such as Taiwan or Korea—is a consequence of the economic development experienced by these economies. The divergence in the trajectories of economic growth between East Asian and Latin American economies over the last few decades has also led to different labor market outcomes. In Latin America, the share of industrial employment as a percentage of total employment remained stable throughout the post-war period. In Asia, by contrast, the share of population employed in industry increased over this period, which increased demands for programs that provided income support to urban industrial workers. This combination of economic growth and labor market developments laid the preconditions for differences in social spending across regions.

A major limitation of studies stressing the "logic of industrialism" is that they do not formulate precise mechanisms linking differences in the underlying structural economic variables and differences in policies of social spending. They also offer no predictions about the type of social policy chosen by countries at different levels of economic development. In other words, the question of why some countries at similar levels of economic development adopt contributory insurance, while others continue to rely on more residual, private-type social policies, remains unanswered. These explanations are also unable to account for the variation across policy areas within the same country. Thus, it is difficult to explain why Korea or Taiwan introduced universalistic protection in the area of health care but much more limited social policy provisions for old age.

A second set of arguments linking broad structural underlying factors and the size of the public sector focuses on the impact of greater economic openness. In a pioneering paper, David Cameron identified a positive relationship between the level of economic openness—measured as the aggregate flows of imports and exports as a percentage of GDP—and the size of the public sector (Cameron 1978). Cameron's initial findings were based on the analysis of eighteen OECD economies during the period between 1960 and 1975. To account for these results, Cameron hypothesized that in open economies, governments enact income supplements or social insurance schemes to compensate workers whose employment or income is threatened by external competition. Other scholars have supplemented these statistical findings with qualitative research on the industrial and social policies pursued by many European economies during the post-war period and have documented how these economies "complemented their pursuit of liberalism in the international economy with a strategy of domestic compensation" (Katzenstein 1985, 47; Ruggie 1982). Geoffrey Garrett and Deborah Mitchell have updated Cameron's initial findings for the period through the mid-1990s and have examined the relationship between other measures of economic openness (such as the openness of financial markets) and the size of the public sector (Garrett and Mitchell 2001).

In recent years, a growing number of studies have begun to question whether the positive relationship between economic openness and the size of the public sector is robust and holds for a larger number of cases. Dani Rodrik demonstrates that the positive relationship between economic openness and the size of the public sector is not a finding that is idiosyncratic to OECD countries only (Rodrik 1997, 1998). However, in contrast to Cameron and Garrett, Rodrik argues that the appropriate measure of the external insecurity caused by trade is not the level of openness, but the volatility in the terms of trade. Rodrik argues and offers some preliminary evidence that volatility in the terms of trade is associated with volatility in income, leading thus to higher demands for social insurance policies that can protect against these adverse shocks. Rodrik argues, however, that openness can also have a contracting effect on the size of the welfare state. Under conditions of high capital mobility, governments are unable to increase taxes on capital to compensate labor, which dampens the rate of growth of the public sector (Rodrik 1997, 90).

While this area of research identifies an important empirical regularity, it suffers from a number of important limitations. The first is the high level of aggregation of the dependent variable. Cameron uses measures of the total revenue of governments, Rodrik uses data on government consumption, and Adsera and Boix use data on current receipts of the central government (Cameron 1978, 1244; Rodrik 1998; Adsera and Boix 2002, 239). These broad measures—lumping together all government expenditures or revenues—do not actually capture the specific expenditures that mitigate the economic dislocations resulting from changes in terms of trade. Rodrik's argument that military expenditures, for instance, or government procurement of capital goods, play an important role in insuring against external risk is very tenuous and begs the question why some governments choose these particular expenditures rather than social expenditures to protect workers against external risk.

Secondly, expenditure-based measures do not capture questions of policy design that are politically salient and distributionally divisive. Gøsta Esping-Andersen succinctly expressed this objection to the use of these measures in many quantitative studies of the welfare state, stating that "expenditures are epiphenomenal to the theoretical substance of the welfare state. It is difficult to imagine that anyone struggled for expenditures per se" (Esping-Andersen 1990, 19–21).

Third, the distribution of the level of expenditures is as important as the level of spending. What matters for the workers that have lost their jobs as a result of economic downturns is not the statistical artifact known as "per capita social policy expenditures" but the actual conditions of their social policy coverage, including the level and stipulations of social policy benefits, the stringency of eligibility criteria, etc. Countries with equal amount of welfare spending often distribute these expenditures unevenly to various subgroups of the population or across social policy programs. Some countries might target very high levels of expenditures to narrow political clienteles, while others may distribute broadly across the entire population. Similarly, the mix between public services and social policy transfers can also vary significantly across countries with similar levels of social policy expenditures. Hence, important information about the distributional implications of many social policies is simply discarded if aggregate expenditure data are used. In recent research, Mares attempts to overcome this exclusive reliance on expenditure-based measures by constructing indices that capture policy differences in the level of insurance coverage and the redistribution of risks in over 100 countries (Mares 2005, 2006b).

Can these arguments linking higher economic insecurity and larger welfare states account for the divergent trajectories experienced by welfare states in developing countries during recent decades? In an analysis of the evolution of social spending in fourteen Latin American countries over the period 1973–97, Kaufman and Segura-Ubiergo show that an increase in economic openness was associated with a decline in the level of social policy expenditures (Kaufman and Segura-Ubiergo 2001, 578). By contrast, several studies have argued that the high aggregate shocks experienced by Asian economies during the recent financial crisis contributed to increases in the size of the public sector. While these results are consistent with Rodrik's argument that openness can have a conflicting impact on the size of the public sector, they call for a more nuanced theoretical prediction of the conditions under which one of these effects prevails.

Thus, the recent literature testing the relationship between economic insecurity and larger welfare states marks an important effort to integrate findings across developed and developing countries. Future research in this line should consider the following issues. First, more studies need to test the micro-level implications of these arguments. Is greater exposure to external risk systematically related to higher demands for social spending? How significant is its effect in predicting individual demands for social spending relative to other variables? As discussed above, at this point in the development of the literature the dependent variable is too aggregated. Future studies need to identify the range of policies that represent responses to greater openness and test the relationship between openness and social spending using more precise measures of the dependent variable. Finally, while existing research has only focused on the *demand* for social protection (and how changes in external openness affect this demand), it is also important to examine variation in the ability of policy makers to *supply* different social policies. We will return to an analysis of the variables affecting variation in supply of social protection in a subsequent section of this essay.

2. The Power Resource Perspective

One inherent limitation of explanations stressing broad structural differences across countries is the absence of a political mechanism linking these variables to larger public sectors or social policies characterized by broader levels of coverage and higher levels of redistribution. Beginning in the 1970s, a new direction of research—known as the power resource approach—addressed this inherent limitation. (Esping-Andersen 1985; Korpi and Shalev 1979; Stephens 1979). This perspective attributed divergence in the level of social spending to differences in the balance of power among labor-based organizations and organizations representing conservative political forces. An increase in the organizational capacity of labor-based parties or a decline in the power of employers, due to wars or depressions, was expected to lead to increases in social spending. Skocpol and Amenta concisely summarize the mechanisms through which power resources approaches argue that social policy formulation takes place:

> A high proportion of wage, and eventually salaried, workers become organized into centralized unions, and those unions financially nourish a social democratic or labor party supported by the same workers in their capacities as voters. Given such working-class organizational strength in both the market and political arenas, the supposition is that taxing, spending, and administrative powers of the state can be expanded, shifting class struggles into the political arena, where workers are favored in democracy by their numbers. The model posits that the earlier and more fully the workers become organized into centralized unions and a social democratic party, and the more consistently over time the social democratic party controls the state, the earlier and more "completely" a modern welfare state develops. (Skocpol and Amenta 1986)

Initial efforts to test the predictions of the power resource perspective examined social policy developments in post-war Europe. Esping-Andersen and Korpi argued that the "political and social ghettoization of working class parties" in Germany and Austria, to a degree never experienced in Scandinavia, accounts for important variations in generosity and coverage of social insurance programs across these countries (Esping-Andersen and Korpi 1984, 203). Building on this qualitative research, a range of quantitative studies have identified a positive correlation between a variety of measures of labor strength—from union density to centralization of wage bargaining to the share of seats held by social democratic parties and aggregate social policy expenditures (Huber and Stephens 2001). Power resource scholars have also argued that a strong social democratic presence in government is not just associated with a larger public sector, but with different *types* of welfare states. In an effort to test systematically this idea, Gøsta Esping-Andersen developed an index measuring the amount to which labor policy diminishes a worker's "commodity status" and identified a positive correlation between a measure of the degree of left power and the level of decommodification (Esping-Andersen 1990, 52).

While power resource studies mark an important progress over earlier explanations, this approach suffers from a number of theoretical limitations. First, it makes relatively simplistic assumptions about the interests of workers in social insurance and does not identify sectoral (or individual-level) variables that account for the divergence among different unions or workers over the design of policies of social protection. Secondly, this approach postulates a zero-sum conflict among workers and employers. Workers are assumed to demand new social policies to compensate them for their disadvantaged position in the labor market (Korpi 1983). By contrast, employers are assumed to oppose any expansion of new programs. This assumption of the zero-sum distributional conflict over social policy is built into the very definition of social policy with which power resource scholars operate. As the goal of social policy is to "emancipate workers from market-dependence" through "decommodification," employers are expected to resist all policies that weaken their absolute authority over workers (Esping-Andersen 1990). While the power resource perspective never tests the validity of these assumptions, a new wave of scholarship has demonstrated that employers' opposition to a new social policy cannot be taken for granted and that employers exhibit much greater heterogeneity in their preferences over new social policies.

Thirdly, the power resources approach makes monolithic claims about social democratic parties, which in fact show great variation over time and across countries, and which can even be divided internally. These studies also fail to appreciate the electoral constraints under which these parties operate. However, recent work has argued that the closeness of the political competition and the identity of the challenger of left-wing parties affect both the timing and the character of policy adoption (Kitschelt 2000). Further, social democratic parties have not been univocal in calling for universal protections for all workers. During the formative years of these parties, social policy was an important source of patronage for their constituencies (Shefter 1977). On many occasions in the post-war period, these parties have concentrated their efforts on serving "insiders"—workers with secure employment who constitute the base of the party (Rueda 2005).

Finally, most of this research uses two measures of labor strength—the strength of left-wing parties and the organization of trade unions—interchangeably. However, homogeneity in the preferences and political influence of these actors cannot be assumed. Electoral calculations play an important role for left-wing parties, affecting the incentives of these parties to deliver different mixes of transfers and services. By contrast, the primary concern of unions remains the maximization of the real income of their members; social policy concerns, while important, occupy a subordinate role. In recent years, a number of studies have abandoned these earlier assumptions of substitutability between trade unions and social democratic governments. These studies have begun to examine the bargaining among these actors, the policy trade offs involved in these negotiations, and the conditions under which political exchange between unions and governments around particular social policies is sustainable. As these studies have shown, both the size of pre-existing welfare state commitments and the mix between social services and transfers affect unions' willingness to moderate their wage demands in exchange for social policy transfers (Mares 2004 , 2006b). Unions' incentives to deliver moderate wage settlements decline if the tax burden increases and if the share of social policy services and transfers going to non-union members rises. Moreover, the effect of unions' wage policy on employment outcomes depends on the level of centralization of the wage-bargaining system.

As currently formulated, power resource scholarship offers only limited guidance in understanding the preferences and strategies pursued by labor-based parties in other regions of the world. How do parties trade off ideological concerns and electoral calculations? Given that labor groups are one out of many different constituencies of these parties, what role does social policy play in consolidating these heterogeneous coalitions? The policies pursued by labor-based parties in Latin America, such as the PRI in Mexico or the Peronists in Argentina, do not conform to the predictions of power resources. In the immediate post-war period, these parties rejected proposals for universalistic social policies that were advanced by representatives of their bureaucracy. Instead these parties have targeted benefits to the organized segments of their working-class base. And, as Murillo and Calvo have convincingly demonstrated, the Peronists have pursued electoral strategies premised on the provision of clientelistic private goods for their labor constituencies (Murillo and Calvo 2004).

Thus, the power resource perspective cannot adequately account for the recent changes in policies of social protection around the world. Korea and Taiwan, two countries that lacked strong social democratic parties and large and encompassing trade unions, presided over the introduction of universalistic health insurance (Wong 2004). Secondly, these explanations cannot account for the strong divergence across policy areas that characterizes recent reforms in both Latin America and East Asia—namely the higher redistributive bias of health care reforms. Finally, as Murillo has argued, to understand the strategies of labor-based parties in Latin America during recent decades and the conditions under which the relationship between labor-based parties and trade union movements endured, one needs to look at other variables in addition to the electoral and political strength of the labor party. These variables include the level and nature of electoral competition as well as the competition within trade unions (Murillo 2000, 2001).

3. Cross-Class Alliances

In recent years, a new wave of scholarship examining the evolution of social policies in advanced industrialized economies has provided a forceful critique of both the theoretical assumptions and empirical results of the power resource scholarship. This critique has come in two forms. One set of studies has tried to identify the interests of actors other than workers in social insurance. Other studies have challenged the assumption of a zero-sum conflict between employers and workers over the introduction of a new social policy, and have sought to specify the conditions under which employers support new social policies as well as the broader political factors that facilitate the formation of cross-class alliances.

In his study of the historical origin of social insurance in five European nations, Peter Baldwin has provided a forceful critique of the thesis linking social democratic strength and the origin of universalistic programs (Baldwin 1990). He finds that in Denmark and Sweden, universalistic, tax-financed social policies were not introduced in the post-war period, but at the turn of the twentieth century, before social democratic parties enjoyed an overwhelming political advantage. During this period, the strongest promoters of universalistic programs were political parties representing farmers and the middle classes, such as the Venstre in Denmark or the Swedish Agrarian Party. Universalistic programs were appealing to these actors for a number of reasons. They shifted the tax burden to a broader population, lowering the non-wage labor costs of many agrarian small producers. Given that the labor force in agriculture was extremely heterogeneous, including both smallholders and wage earners, this made the tax-financed, universalistic option much more attractive than a contributory policy.

This empirical challenge to the power resource perspective has important theoretical implications. Baldwin identifies other variables, in addition to class position, that shape the preferences of different actors towards social insurance. In this account of social policy development, the important political battles over the introduction of a new social policy are not fought between a perpetually disadvantaged proletariat and its capital-holding political opponents. As Baldwin points out,

> although they intersect and often coincide, the actors who do battles over social policy and social classes in the more general sense are, in fact, two distinct entities . . . Because the secondary redistribution undertaken by social insurance reapportions the cost of misfortune most immediately according to actuarial criteria, and not in line with the social distinctions that are important in the primary economic distribution, such actors have been first and foremost risk categories that translate only indirectly and variably into the usual definitions of class and social groups. (Baldwin 1990, 11–12)

In this account, two additional variables predict the salient cleavages over the introduction of a new social policy: the incidence of risk and the "capacity of a group for self-reliance" (which is in turn determined by the demographic outlook and economic prospects of a group). Baldwin predicts that groups characterized by a high incidence of risk and a low capacity for self-reliance will favor redistributive forms of insurance, such as contributory social insurance or universalistic social policies. In contrast, groups characterized by a low incidence of risks and a high capacity of self-reliance favor policies with narrower scope and they are often capable (and willing) to administer these policies.

By specifying the sources of others' interest in social insurance, this theoretical perspective offers important tools for the understanding of distributional conflicts over social policy in economies with weak labor movements. The gradual extension of social insurance in Korea and Taiwan—from a policy covering initially a very small number of workers in large firms to a universalistic health insurance that merged all insurance funds—posed important distributional conflicts between those sectors that were already covered by insurance and the new groups that were seeking access (Lin 1997). The relative risk profile between social policy insiders and outsiders was an important predictor of the demands formulated by these groups during the policy-making process. If sectors that already had access to insurance had a favorable risk profile as compared to groups that were not covered, they were more likely to oppose the expansion of the policy or to demand compensation from the state in the form of a subsidy or lower insurance contributions. By contrast, "insiders" were more likely to favor an extension of social insurance if "outsiders" had a favorable risk profile.

A second critique of the power resource perspective has challenged the assumption of a zero-sum conflict among employers and workers over the introduction of a new social policy, or what Peter Swenson calls the "equivalency premise of fixed class interests"

(Swenson 2002, 9). As a new range of studies have pointed out, this assumption does not fit the historical record well. Employers have not monolithically opposed the introduction of a new social policy nor have they only favored private social policies, administered by firms. In many historical circumstances, key sectors of the business community have favored social policies characterized by broad coverage and a wide redistribution of risks. These examples raise two sets of questions. The first is one of preferences. What are sources of business interest in social insurance? What factors explain the variation in the social policy preferences of firms? Second, once the preferences of employers were correctly identified, these studies have provided new insights for the process of bargaining over the introduction of new social policy and the political coalitions formed during this process.

Under what conditions are profit-maximizing firms interested in social policies? What does social policy mean to firms? What are the institutional advantages offered by these policies to employers and under what conditions do these benefits outweigh the "costs" imposed by social policies on firms, which come in the form of insurance contributions or labor market regulations which might hinder firms' ability to deploy labor flexibly? The new employer-centered literature has offered several answers to these puzzles. One set of explanations has focused on employers' labor market needs. Policies with earnings-related benefits that offer relatively higher benefits to high-skilled workers as opposed to low-skilled workers reduce the incentives of these workers to accept jobs that do not correspond to their skill qualifications. In this context, social policies are "instruments of skill retention" (Mares 2003, 2005). Other studies have linked employers' support for social insurance to their efforts to influence the competition in product markets with other firms (Swenson 2002).

Incorporating Baldwin's earlier findings, these studies have shown that the relative risk profile shapes not just the social policy preferences of workers but also those of employers. The history of the introduction of social policy legislation presents numerous examples of distributional conflicts among employers between firms in high- and low-risk sectors. Firms in industries facing a high incidence of workplace accidents have favored the introduction of compulsory accident insurance policies. By contrast, these proposals were strongly opposed by employers in industries with lower incidence of accidents. Firms in industries facing high risk of unemployment have favored policies requiring unified insurance contributions. By contrast, these proposals were opposed by industries with a low incidence of unemployment. We see similar distributional dynamics at work in the evolution of early retirement policies in recent years. Firms with relatively elderly workers have made intensive use of options presented by existing policies to shed elderly workers (Mares 2003).

The recent business-centered literature has made important progress in identifying the sources of variation in business preferences over various social policy outcomes. The strongest predictors of the variation in the social policy preferences of firms are firm size, skill composition of the workforce, level of competition in product markets, and relative risk profile of the firm. While this literature successfully debunks the assumption of monolithic business opposition to a new social policy, it also pays more attention to strategic considerations of various actors during the bargaining process over the introduction of a new policy. An important theme underpinning this literature is that of "strategic alliances," coalitions of various actors that are formed on the second-best preference of these players. In some cases, game-theoretic analysis is employed to specify how other factors of the political environment—such as changes in the political composition of parliament—affect the strategic calculations of both unions and employers and their willingness to support policies that are their "second-best" choice (Mares 2001, 2005).

Can these business-centered explanations help us account for the variation in the trajectory of social policy reforms experienced by various countries around the world in recent decades? A strong finding of this literature is that business support for social policies is linked to the skill intensity of the workforce. Thus, it follows that in many developing countries where firms rely on low-wage labor, employers are less likely to play a proactive role supporting compulsory social insurance policies. One expects to find, however, pockets of business support for social policies in East Asian economies, where the development of a skilled workforce was a precondition of the economic development experienced by these countries (Haggard and Kaufman 2006). Business-centered approaches to social policy development are likely to have the greatest explanatory power in accounting for developments in this region. A number of authors have begun to examine the role played by employers in the development of the Korean welfare state and during recent policy changes (Yang 2004). Other comparative research that examines the introduction of unemployment insurance in East Asia during recent decades is trying to probe whether differences in the skill intensity of firms predict firms' support for these policies (Choung 2006; Song 2006).

4. State-Centered Approaches

Explanations stressing either the political resources of labor movements or cross-class alliances assigned only a tangential role to the interests and strategies pursued by state bureaucrats. For some scholars, bureaucrats mattered only "in the interstices of indifference," in other words, after other powerful societal actors had reached a consensus on the design of a new program (Baldwin 1990). For other researchers, bureaucrats were assumed to be perfect agents of their political principals. In this intellectual context, Skocpol and Evans's admonition to "bring the state back in" opened up a promising avenue of research (Evans, Rueschemeyer, and Skocpol 1985). The contribution of this literature is twofold. First, it formulates a set of explanations about the sources of policy preferences of bureaucrats. Secondly, it investigates the impact of state structures and existing policies on subsequent policy developments.

Where do the preferences of bureaucracies for different social policies come from? What factors explain this variation? A number of studies located the source of state preferences in bureaucratic actors' experience with previous policies. Margaret Weir and Theda Skocpol's analysis of the introduction of Keynesian policies in Great Britain, Sweden, and the United States provides an illustration of this logic (Weir and Skocpol 1985). Weir and Skocpol seek to explain why Britain did not introduce Keynesian macroeconomic policies during the Great Depression, despite levels of labor and trade union strength that were comparable to those in Sweden. Similarly to Sweden, the United States also adopted policies relying on automatic adjustments in public spending to manage the employment shocks of the Depression. Weir and Skocpol attribute this divergence in policy to the experience of past policies. They argue that the experience of British policy makers with a more limited policy of unemployment insurance (introduced in 1911) led to the reluctance of British civil servants to experiment with large public scale programs that were the centerpiece of a Keynesian revival. By contrast, Swedish and US bureaucrats lacked a similar legacy and were open to a more dramatic policy shift, embracing a greater increase in expenditures on public works programs.

Other explanations for the variation in the policy preferences of bureaucrats stress ideational factors and the access to different policy ideas (Hall 1989, 1993). In Heclo's famous formulation, "state officials not only power (or whatever the verb form of that approach might be), they also puzzle" (Heclo 1974, 305). Drawing on insights from cognitive psychology, a number of scholars argue that these ideational changes are not driven by rational cost–benefit calculations of the best available alternatives. Cognitive shortcuts matter. Policy makers do not balance all relevant information, but place excessive importance on facts that are immediately available and generalize from a narrow set of observations (Weyland 2005, forthcoming). Weyland uses these insights to account for the rapid diffusion of the Chilean model of pension privatization across the world. His findings provide an account for some of the empirical regularities associated with the process of privatization—namely the simultaneous adoption of one model by contiguous countries and the gradual leveling in the number of countries adopting a change. This pattern is not exclusive to the diffusion of the recent model of pension privatization, but also applies to the earlier adoption of contributory insurance policies by most Latin American countries during the immediate post-war years and the diffusion of contributory insurance policies in Europe after Bismarck's pioneering legislation.

State-centered approaches provide important tools for the understanding of processes of social policy reform in many developing countries. Due to the weakness of trade unions, employer associations, and other societal actors in many economies, bureaucracies as agenda setters exert tremendous influence in the policy-making process (Shmuthkalin 2006). Nevertheless, these explanations have important short-comings. While some predict continuity in preferences (due to experience with past policies), others predict very rapid change (due to bureaucrats' reliance on cognitive shortcuts); very few studies offer predictions about the set of factors that make continuity or change more or less likely. In an early seminal paper, Hall has argued that clear breaks with past policies and practices—labeled, following a Kuhnian metaphor, "third-order" policy change—is likely to be a process driven by factors external to the bureaucracy (Hall 1993). However, to date, no study has tested this insight systematically, and Weyland's recent work finds examples of dramatic changes adopted by isolated bureaucracies. Finally, almost no study has produced a set of generalizable conditions about the relative importance of the shifts in the preferences of bureacracies in explaining the adoption of new policies. In many Latin American countries, numerous proposals to privatize put forward by bureaucrats were defeated. Thus, a fuller explanation that provides more precise predictions about the timing and content of reforms requires a richer characterization of the dynamics of the policy-making process—one that incorporates other actors in addition to bureaucrats and that specifies the constraints placed by these actors on the choices of bureaucrats.

A different line of research in this literature has explored the conditions under which existing social policies have an independent causal impact on subsequent political development. Pierson's study of policy retrenchment in the UK and the USA provides an important illustration of the logic of "policy feedback" (Pierson 1994). In these countries, two right-wing politicians—Ronald Reagan and Margaret Thatcher—were engaged in a sustained effort to dismantle existing policies of income support. Their success, however, varied systematically across policy areas. As Pierson argues, differences in policy design—which affected the ability of politicians to hide unpopular measures—explain variation in policy retrenchment. Building on Pierson's initial findings, a number of other studies have begun to explore more systematically the mechanisms by which "policies create politics" (Pierson 1994, 2001, 2004; Campbell 2002, 2003). These studies have demonstrated that previous policies have an impact on the strength and mobilization of interest groups, on voter participation rates, and on the ability of policy entrepreneurs to help latent groups overcome collective action problems. In addition, a large number of studies have shown how the design of welfare states has consequences for a variety of labor market outcomes, including labor force participation rates of women and participation of the elderly in the labor market (Esping-Andersen 1990; Scharpf and Schmidt 2000).

These studies contain several insights for the study of social policy reforms in developing countries. In these contexts too, differences in the design of existing policies have affected both the preferences and the relative bargaining power of different actors during the reform process. In several economies—such as those of Argentina or Taiwan—industrial or craft unions play an important role in administering social policies. This feature of policy design has affected the preferences of these players, increasing their opposition to proposals that attempted to shift their policy responsibilities to the state. Policy makers have often relied on the threat to remove these policy responsibilities from the hands of unions, in an effort to elicit their compliance with other changes in policy, such as privatization of the pension system. Thus, while this feature of policy design has strengthened unions on some dimensions—serving as an important source of patronage—it has also weakened unions during the bargaining process, contributing to unions' acquiescence on other policy dimensions.

Explanations stressing "policy feedbacks" also provide some building blocks for the explanation of the striking divergence in the trajectory of pension and health policies during the last two decades. A large number of countries in Latin America or Eastern Europe have enacted reforms that have increased the role of the second, private pillar of old-age protection, which often lowered the access of low-income sectors to benefits. By contrast, health insurance reforms have been characterized by explicit increases in the social policy expenditures targeted at the poor. Even countries with high levels of income inequality—such as Bolivia, Peru, or Columbia—have presided over the introduction of a number of programs that have subsidized health benefits for the destitute and that have increased expenditures on basic care. Differences in policy design between pensions and health care have affected distributional conflicts over the introduction of these policies and might account for the divergence in outcomes. Two differences in policy design are salient. The first is the magnitude of their public good externalities. Public health programs—such as immunization programs—generate important externalities even for groups that might be, in economic terms, net contributors to the program. This lessens the distributional conflict and increases the willingness of high-income groups to accept an increase in the amount of benefits targeted to the poor. The second important difference in policy design across pensions and health care is a difference in their time horizons. In the case of health care, today's contributions guarantee immediate access to benefits, but the lag is much longer in the case of pensions. This is also expected to affect divergence in the level of support, and hence the intensity of the distributional conflict, over the expansion of these programs. As we examine the evolution of social policies in developing countries we need to look not just at the variation in policy design but also at variation in policy implementation. Two dimensions of enforcement or implementation exert influence over subsequent changes in policy. Weakness in tax collection—which is predominantly but not exclusively a consequence of weak administrative resources of social security administrations—affects the financial sustainability of various programs. This overall weakness in state enforcement is likely to increase the attractiveness of privatization as a policy option. Yet states vary not just in their aggregate tax capacity, but also in the evenness of their tax collection. Collection of social policy contributions varies widely across different income groups. In many developing countries, social security administrations lack information about the income of small shopkeepers or other groups with precarious employment and often apply different criteria in determining the social insurance contributions of different occupations. These distributional biases in policy implementation affect the beliefs about the "fairness" of the existing social policy of other sectors and their preference over a mix of private and public benefits. Incorporating this logic, Mares has argued that differences in policy implementation affect the composition of the political coalitions supporting different policies. Observing uneven enforcement of social policies, groups that might otherwise benefit from the expansion of social insurance withdraw their support for redistributive social policies (Mares 2005, 2006b).

In sum, approaches focusing on variation in the preferences of bureaucratic officials and policy feedbacks add important elements to our understanding of the dynamics of social policy reform in recent years. They provide tools that allow us to understand both cross-regional variation and the variation across policy areas. In developing countries, the predictions of these theories have been, so far, tested with aggregate data only. Future research will have to supplement these initial findings with more detailed narratives of the bargaining process. This will allow us to test some of the predictions of strategic defection of different sectors given differential enforcement of previous policies. Finally, individual survey data—measuring not just individual support for aggregate social spending but individual attitudes towards different mixes of private and public benefits—are needed to illuminate the variation in coalitional support for different policies.

5. Conclusion

We began this essay by nothing important strengths of the comparative literature on welfare states: its methodological eclecticism and cumulative character. The existing literature has provided important insights for our understanding of a very consequential political outcome: measures to protect workers and disadvantaged members of society through temporary or permanent economic difficulties.

Two decades ago, in a review of the field, Skocpol and Amenta called for analysts to "become unequivocally *historical* in their orientation" (Skocpol and Amenta 1986, 152, italics in original). The vast literature produced during the last two decades has followed this exhortation. Careful historical research—that has contextualized the preferences of key actors, but has also paid close attention to the political consequences of existing institutional configurations—has generated important insights for our understanding of the origin and consequences of social policy programs. The literature on comparative welfare states has been central to the "historical institutionalist" agenda of research and has contributed vastly to broader theoretical debates about processes of institutional change and transformation (Streeck and Thelen 2005).

In this essay, we have argued that the time has come for research on social policy to become unequivocally *comparative* in its orientation. Our understanding of variation in social policies outside of OECD economics still resembles a sixteenth-century map, with vast areas of uncharted territories. Mapping out and explaining this variation should be the goal of welfare state scholars during future decades.

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