RESEARCH NOTE

The effect of public opinion on social policy generosity

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Based on analysis of cross-country and over-time patterns in affluent countries in the late 1980s and the 1990s, Brooks and Manza contend that public opinion is a key cause of social policy generosity. A closer look at the evidence suggests reason for skepticism about this inference.

Keywords: comparative politics, political sociology, public expenditures, redistribution, social policy, welfare state

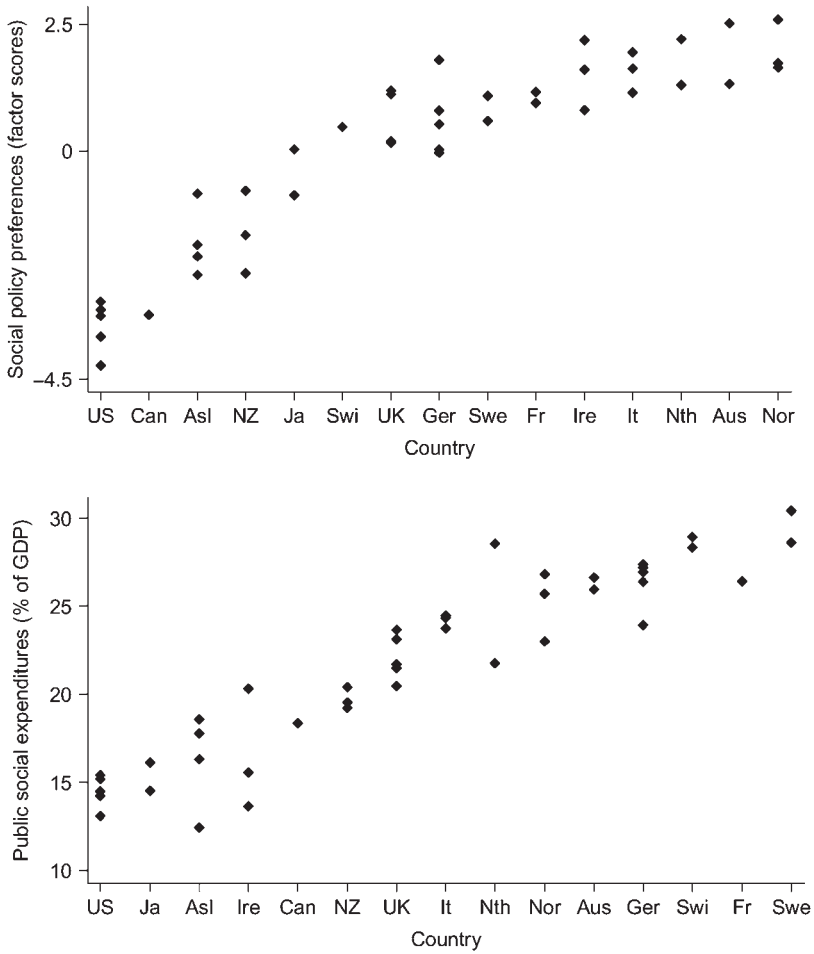**JEL classification:** I38 government policy, provision and effects of welfare programs

Social scientists have explored the determinants of social policy generosity fairly extensively. But relatively few empirical studies, and virtually no comparative analyses, have assessed the influence of public opinion. There is reason to hypothesize such an effect in democratic countries, as policy makers are likely to respond, at least to some extent, to the policy preferences of the citizenry (Page and Shapiro, 1983; Shapiro and Young, 1989; Burstein, 1998).

In a recent article and book, Brooks and Manza (2006, 2007) examine the impact of public support for social policy on social policy generosity. Brooks and Manza conclude that 'mass policy preferences exert a significant influence over welfare state spending' in affluent democratic countries (2006, p. 490). They reach this conclusion based on analysis of 43 observations of social policy preferences and social expenditures in 15 countries from the mid-1980s through the end of the 1990s.[1]

I suspect public opinion about social policy does indeed have some impact on social policy program details and expenditures. But as I suggest in this research note, I do not think this can be inferred from Brooks and Manza's evidence.

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[1]The analyses in Brooks and Manza (2007) have 44 observations for 16 countries.

Note: For data definitions and sources, see the appendix.

Figure 1 Social policy generosity by public opinion: pooled data.

Figure 1 shows the bivariate association between Brooks and Manza's measures of public support for social policy generosity and actual social policy generosity (it replicates Figure 2 in their 2006 article and Figure 2.1 in their 2007 book).[2] Public opinion is measured using factor scores from a factor analysis of two items, one measuring the degree to which respondents think it should be the government's responsibility to 'reduce income differences between the rich and poor' and the other measuring the degree to which respondents think it should be the government's responsibility to 'provide a job for everyone who wants one'. Following Brooks and Manza, I refer to this measure as 'social policy preferences'. Social policy generosity is measured as government expenditures on social programs as a share of GDP. I refer to this measure as 'public social expenditures'. The figure suggests a fairly strong positive association.

The association is robust to inclusion of a variety of controls. In their regression analyses (Table 4, p. 487), Brooks and Manza control for some of the most likely sources of spurious association: GDP per capita, unemployment,

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[2]In this paper I set aside concerns about Brooks and Manza's measures of public opinion and social policy generosity.

Note: For data definitions and sources, see the appendix.

Figure 2 Variation between and within countries in public opinion and social policy generosity.

elderly population, women's labour force participation, governmental veto points, left government and Christian Democratic government.

If public support has an impact on social policy generosity, we would expect positive associations between the two variables within countries over time and across countries at a point in time. In any particular country, an increase in public support should produce an increase in program generosity; and in any particular year or set of years, countries with greater public support for generous social policies should have more generous policies.

Brooks and Manza follow what has become standard practice in quantitative macro-comparative analysis in using pooled cross-section time-series regression.

A key advantage of this approach is that it couples information about variation across units (countries) with information about variation over time within units. This advantage, however, can also be a drawback (Griffin *et al.*, 1986; Kittel, 1999; Kenworthy, 2007; Shalev, 2007). A close look at the data suggests that in this instance it produces what may be inaccurate inferences.

The cross-country association

There is reason to question the causal direction that underlies the cross-country association. Cross-nationally comparable public opinion data are available only beginning in the mid-1980s, long after the emergence of substantial cross-country differences in welfare state generosity (Hicks, 1999; Huber and Stephens, 2001). Suppose we observe a strong positive correlation between public opinion and social policy generosity across countries as of the mid-1980s. This could be because in prior periods—the late 1800s, the 1930s, the early post-World War II decades, the 1970s, or perhaps others—differences in public opinion produced differences in welfare state programs and program generosity. But an alternative possibility is that policy makers put in place programs with differing levels of generosity and these led to differing levels of public support (Rothstein, 1998; Albrekt Larsen, 2006; Myles, 2006).[3] In this latter scenario the direction of causality is the reverse of what Brooks and Manza hypothesize. Given the lack of cross-nationally comparable public opinion data prior to the mid-1980s, there is no way to adjudicate between these two hypotheses empirically.

This would not be problematic if there were substantial variation in public support and social policy generosity over time within countries. We could look to see if policy generosity tends to move in tandem with public opinion in most nations. There still would be reason to worry about reverse causality, but we could get some handle on that by observing the time ordering of shifts in public opinion and program generosity within countries and by using knowledge of developments in specific nations to assess the likelihood of a particular causal direction.

Unfortunately, as Figure 2 shows, there is relatively little over-time variation in either of the two variables in Brooks and Manza's data. The first chart in the figure shows all observations for the public opinion measure by country. The second chart does the same for the social policy generosity measure. In both charts, the variation between countries far exceeds that within any particular country.

It is the cross-country association that drives Brooks and Manza's finding of a strong positive association between public opinion and social policy generosity. One way to see this is to look at a scatterplot of country averages for the two

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[3]Brooks and Manza (2007, pp. 31, 105–106, 149–150) allude to this possibility but do not consider it a problem for their inferences.
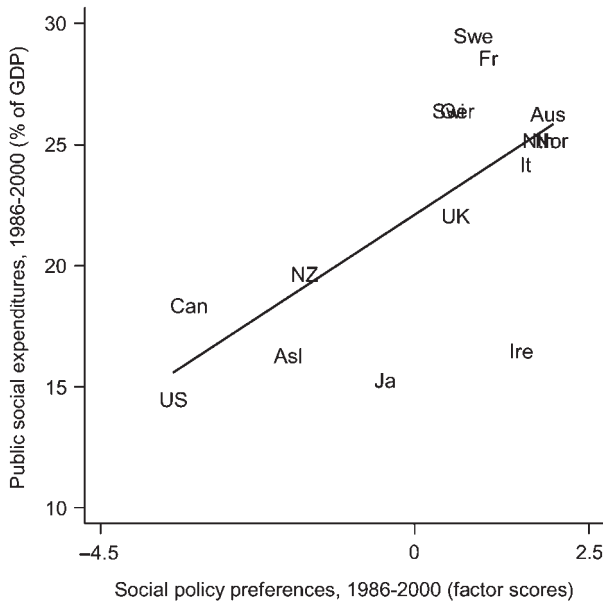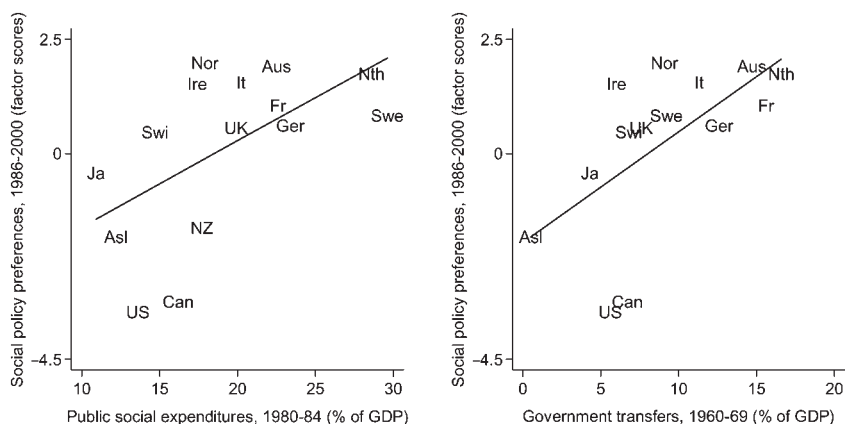
Note: The data are country averages for the one to five years of available data. For data definitions and sources, see the appendix.

Figure 3 Social policy generosity by public opinion: cross-sectional data.

variables. This is shown in Figure 3. The pattern is very similar to that in Figure 1. Indeed, the (OLS) regression coefficient and R^2 for these two plots are almost identical. For the pooled data in Figure 1, the coefficient for social policy prefer-ences is 1.8 and the R^2 is 0.43 ($n = 43$). For the period-average data in Figure 3, the coefficient is 1.9 and the R^2 is 0.45 ($n = 15$).

The worry here is about reverse causality. It could be that countries such as Sweden, Norway and France implemented relatively generous social policies a long time ago, and then these policies were perceived as successful or useful and hence became popular among the citizenry. Because we lack cross-nationally comparable public opinion data for periods prior to the mid-1980s, it is not poss-ible to test this empirically. Brooks and Manza conduct a formal test for endo-geneity (p. 486), but they can only use data that begin in the mid-1980s. Their test suggests that social policy expenditures probably had little or no *short-run* influence on public opinion between the mid-1980s and 2000, but it cannot tell us anything about what happened prior to that period.

If welfare state generosity causes public opinion, rather than the other way around, we would expect to see a strong positive cross-country association between social policy measured at an earlier point in time and public

Note: For data definitions and sources, see the appendix.

Figure 4 Public opinion by social policy generosity: cross-sectional data.

opinion measured more recently. Figure 4 suggests that this is very much what we observe.

The first chart in the figure shows country averages for social policy preferences measured in the years 1986–2000 by social policy expenditures measured in 1980–84. The years 1980–84 are the earliest available in the data set used by Brooks and Manza (the OECD's 'Social Expenditures Database'); they precede the first year of social policy preferences data for all of the countries. The strong positive association in this chart is consistent with the hypothesis that prior levels of welfare state generosity had an impact on public opinion.

In the second chart in Figure 4 the vertical axis remains the same: public opinion averaged over the period 1986–2000. On the horizontal axis I show an alternative measure of social policy generosity, government transfers as a share of GDP, measured at a much earlier point in time: 1960–69. The transfers measure of welfare state generosity is a more restrictive one than social expenditures, as it does not include spending on social services. And data are not available for one of the countries (New Zealand). But the transfers measure is available prior to 1980, and it captures reasonably well the cross-country differences. (Indeed, for a long time this was the standard measure of welfare state effort in comparative research, and Brooks and Manza use it in some of their analyses.) Here too the pattern indicates a strong positive association, suggesting that social policy may have caused public opinion.

My point here is not to indict cross-sectional analysis. There are circumstances in which cross-sectional data are the most appropriate type, and others in which they are not ideal but nevertheless are of considerable use (Jackman, 1985). The problem for this particular cross-sectional analysis is that there is strong reason to

Note: For data definitions and sources, see the appendix.

Figure 5 Social policy generosity by public opinion: pooled data with within-country regression lines.

worry about reverse causality. The positive cross-country association could well be a function of earlier program generosity causing public support, rather than of public support influencing program generosity.

Over-time patterns within countries

If no inference can be drawn from the cross-country pattern because of uncertainty about the direction of causation, what can we learn from over-time developments? We can begin by looking again at a bivariate plot of the pooled data, but this time with a focus on the within-country over-time patterns. Figure 5 does this. It replicates Figure 1 but adds a regression line for each nation.

In only five of the 15 countries do we observe a positive over-time association: Australia, Austria, Italy, Japan and the USA. In eight countries the over-time association is negative: France, Germany, Ireland, the Netherlands, New Zealand, Norway, Sweden and the UK. I leave out two countries, Canada and Switzerland, because only one observation is available for each. These bivariate patterns provide little support for the hypothesis that public support for generous social programs has a positive effect on social policy generosity.

In the countries for which we do not observe a positive bivariate association, however, such an effect might be hidden by one or more 'suppressor' variables. Consider Sweden, for example. The social policy preferences measure increased between 1997 and 1999, suggesting an increase in support for social policy generosity among the Swedish population. But public social expenditures (as a share of GDP) decreased during those two years. Yet perhaps that was because GDP increased particularly rapidly, yielding a decrease in the social policy generosity measure—public social expenditures as a share of GDP—despite no decline in the generosity of the programs. Or perhaps the unemployment rate declined between 1997 and 1999, reducing the number of people eligible for unemployment insurance and/or social assistance and thereby reducing expenditures on these programs. We therefore need multivariate analysis.

Note, though, that the reverse could be true for the countries where we observe the hypothesized positive bivariate association. In some or all of those nations the association might be spurious, produced by one or more variables not controlled for in Figure 5.

The over-time variation can be highlighted in the full pooled data set via a fixed-effects regression. This removes the cross-country variation. I tried a variety of fixed-effects models, using all possible combinations of the social policy preferences variable and the various controls included by Brooks and Manza. In each regression the coefficient for the social policy preferences variable was *negatively* signed—the opposite of the hypothesized effect (not shown here).

It is helpful to examine over-time developments in individual countries (see also Kenworthy and McCall, 2008). Ideally, we would estimate a time-series regression for each country with appropriate control variables. However, there are not enough observations for any of the countries to make that feasible. Indeed, for many of the countries the number of observations is only two or three, due to limited availability of the public opinion data. This leaves little choice but to use a less formal method of case analysis.

Figure 6 shows a time plot for each of the 13 countries that have more than one observation for the public opinion variable. Each includes the public social expenditures data for all available years, rather than only those for which there are public opinion data.

Let's begin with the countries for which there is a positive over-time association in Figure 5, starting with Australia. The time plot for Australia in Figure 6 suggests a problem—one that is apparent from careful inspection of the four data points in Figure 5. The problem is that the positive association hinges entirely on a single observation, for the year 1999. For the other three years of available data there is no association. Figure 6 reveals that social policy expenditures as a share of GDP increased steadily beginning in 1989. But as best one can tell from the available public opinion data, public support for
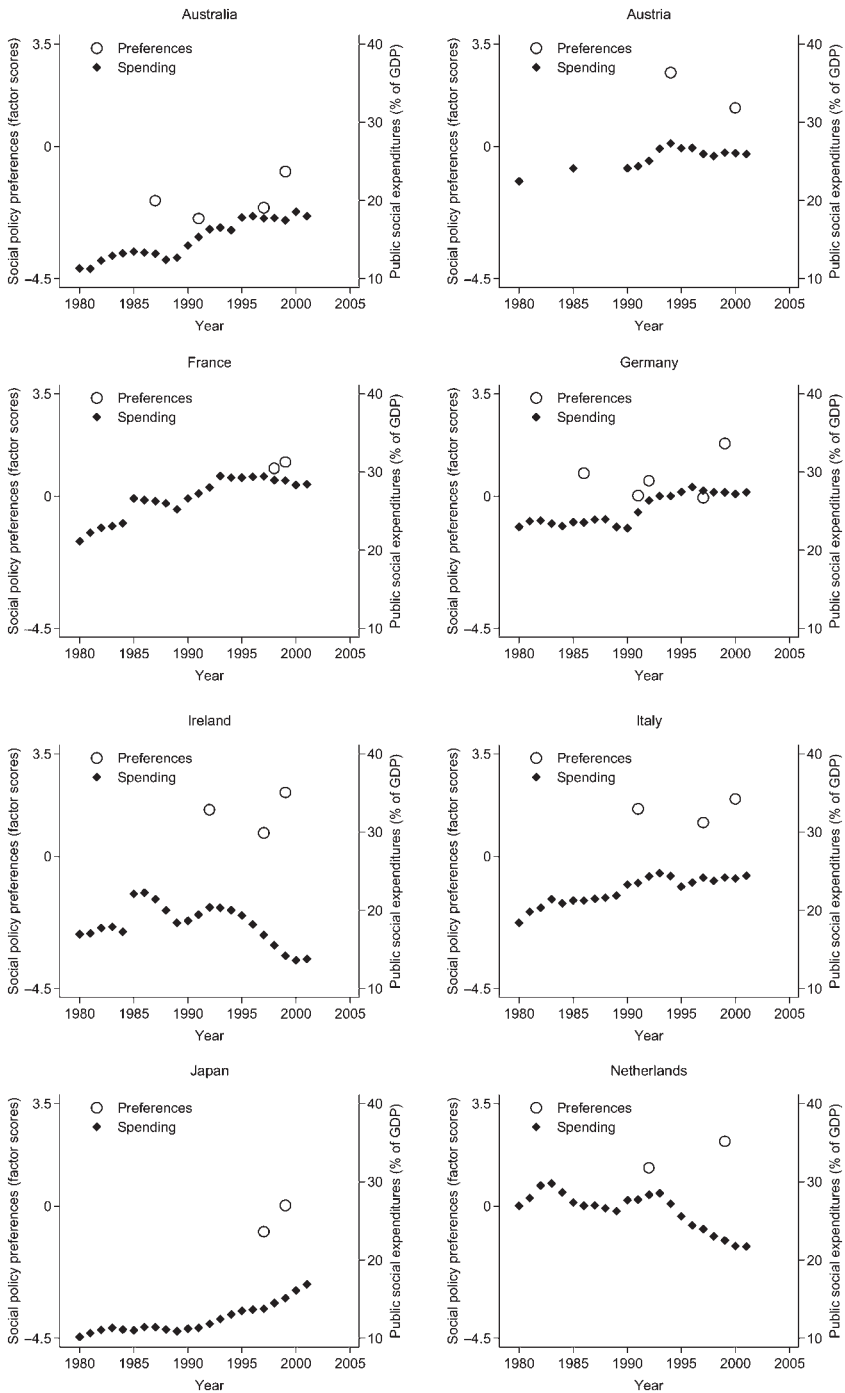
Note: For data definitions and sources, see the appendix.

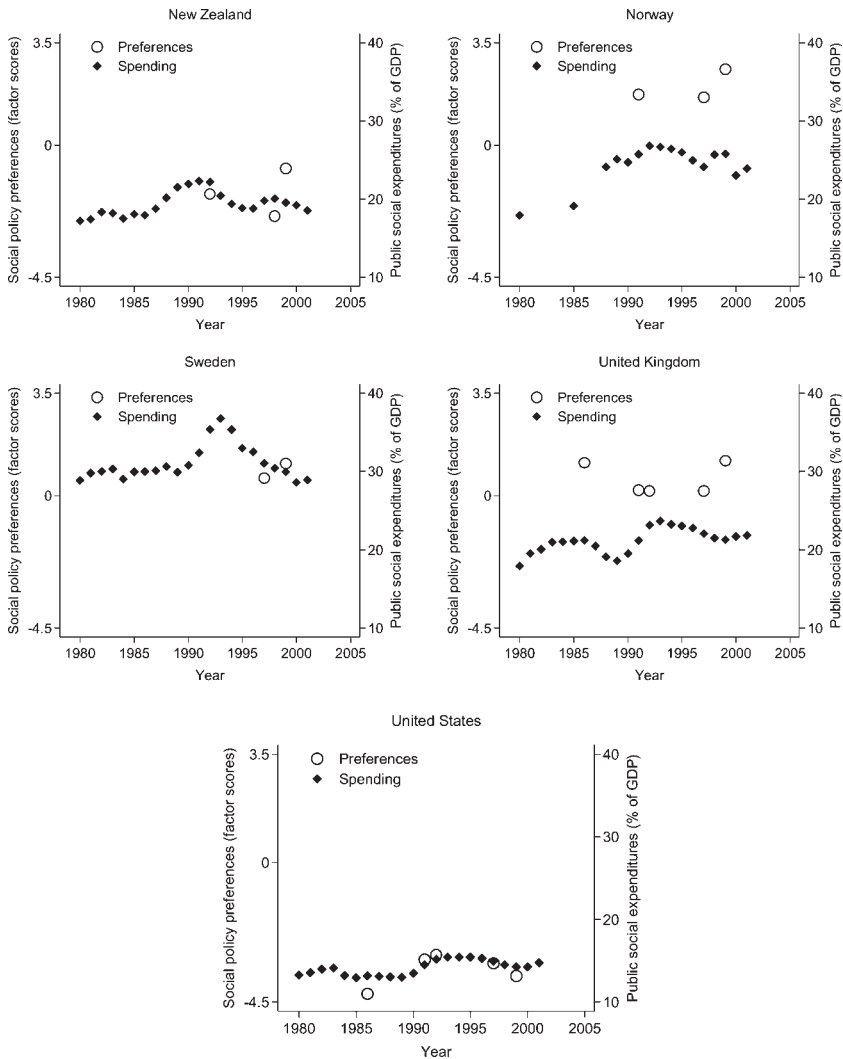**Figure 6** Social policy generosity and public opinion: time plots for each country.

Figure 6 Continued.

generous social programs was flat from 1986 to 1997. Only in 1999 did it jump appreciably, long after actual policy generosity had begun to increase.

The over-time pattern in Austria can plausibly be interpreted as supporting the hypothesized positive effect of public support on social policy generosity. The social policy preferences score fell between 1994 and 2000, and so too did public social expenditures as a share of GDP. On the other hand, the decline in the public opinion measure was rather large compared to that in social policy expenditures, suggesting a limited degree of responsiveness.

For Italy the bivariate association in Figure 5 is positive, but only barely; the regression line is nearly flat. As the chart in Figure 6 indicates, both variables were essentially flat during the years for which data are available. This could indicate that program generosity is determined by public opinion. But because many other factors were likely flat during those years too, it is difficult to be confident.

In Japan both variables increased between 1997 and 1999. However, public social expenditures had been increasing since the late 1980s, so it could well be that public opinion was following, rather than influencing, program generosity.

The USA is the country for which the over-time pattern offers perhaps the most compelling indication of an impact of public support on welfare state generosity. Data are available for five years, and the trends in the social policy preferences scores track fairly closely with those in public social expenditures as a share of GDP. Yet there is reason for skepticism. First, here too movement in the public opinion measure appears to follow, rather than lead, movement in the spending variable. Second, the trends in the public social expenditures measure are largely a function of public spending on health care. The most notable rise occurs from 1989 to 1993. If this were driven to a significant degree by a rise in public support for government provision of health care, it is puzzling why the Clinton administration's proposed health care reform was so decisively rejected in 1993–94.

What about the countries for which we observe a negative over-time association between public opinion and social policy generosity? In a few, this pattern is attributable to other factors. For example, public support for social program generosity trended slightly downward in Germany whereas public expenditures increased sharply after 1991. The latter was due largely to unification with the East, which led to a surge in spending on unemployment compensation, active labour market programs, health care and pensions. In Sweden, public support increased between 1997 and 1999 whereas public social expenditures decreased. The latter was produced mainly by a fall in unemployment, which reduced spending on unemployment compensation and active labour market policies. Yet even taking these factors into account, it is hard to find evidence in any of these nations to support the notion that public opinion has had a sizeable positive effect on social program generosity.

Welfare state persistence: if not public opinion, then what?

Brooks and Manza aim to explain not only cross-country and over-time variation in social policy generosity, but also the fact that there has been little retrenchment in welfare states in the past several decades. As many observers have noted, this development is puzzling. Unionization has decreased and unions have fragmented. Left parties have enjoyed less electoral success, and many have shifted their

policy aims towards the centre. Neoliberal ideology has been more influential. Perhaps most important, globalization exerts pressure for reduced taxation. These developments offer good reason to predict reductions in social policy generosity. Yet in most affluent nations such reductions have been minimal, and often cuts in some programs have been offset by increased spending on others.

Following Paul Pierson (1996), Brooks and Manza argue that in the face of these pressures, public opinion has acted as a brake on policy makers' inclination to push for social policy retrenchment. As a result, we observe little or no change in welfare state generosity.

I have suggested here that Brooks and Manza's evidence offers little support for an inference that public opinion has been a key determinant of variation in social policy generosity. Across countries the two are strongly correlated, but the causal direction is unclear. The data suggest no association between the two over time within countries.

Even if I am correct, however, this does not rule out the possibility that public opinion has been an influential obstacle to welfare state cuts. If we step back from the over-time data shown in Figure 6, we can describe both public opinion and social policy generosity as holding constant during the 1980s and 1990s. Yes, there was some movement, but the broad picture for both is one of stasis rather than change. Perhaps, then, unchanged levels of public support for social programs led to unchanged levels of welfare state effort.

Other than public opinion, what might have helped to block welfare state cutbacks? Is there, in other words, a plausible alternative story of developments during this period? I believe there is.

One possibility is the interests of public-sector employees. Social programs must be administered and implemented. Along with the rise of the welfare state came an expansion of public employment. Public employees tend to be unionized, and they tend to vote. Policy makers aiming to reduce social policy expenditures risk incurring the wrath of this key segment of the working and voting population. That risk is heightened in the kind of high-unemployment environment that existed in a number of rich countries in the 1980s and 1990s.

Second, while some economic, social and political developments have pressed in favour of reducing welfare state effort, others have pushed in favour of expansion. Population aging leads to increased spending on pensions and health care even in the absence of changes in program rules. As just noted, unemployment in many countries was higher in the eighties and nineties than in previous decades, resulting in greater expenditures on unemployment compensation and social assistance. And continued movement of women into the labour force generates pressure for an expansion of services that facilitate work–family balance, such as child care and paid parental leave.

It may be these pressures, rather than public opinion, that has produced persistence in social policy generosity.

Conclusion

It is eminently reasonable to hypothesize an effect of public opinion on the generosity of social programs in rich democratic countries. Brooks and Manza (2006, 2007) examine data covering the late 1980s and the 1990s and conclude that public opinion has had a strong impact. But a closer look at the evidence invites skepticism. The empirical case for public opinion's influence remains to be made.

Acknowledgments

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Appendix: data definitions and sources

Public social expenditures

Government social expenditures as a share of GDP. Source: Author's calculations from data in OECD (2004).

Social policy preferences

Factor scores from a factor analysis of two items, one measuring the degree to which respondents think it should be the government's responsibility to 'reduce income differences between the rich and poor' and the other measuring the degree to which respondents think it should be the government's responsibility to 'provide a job for everyone who wants one'. Source: Brooks and Manza (2006, 2007), using data from the International Social Survey Programme. Data were provided to the author by Clem Brooks and Jeff Manza.