The Role of Radical Protest in Labour Market Policy Outcomes:

Domination and (different types of) resistance in comparative political economy

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Abstract. The comparative political economy of labour market policies has witnessed a proliferation of studies claiming to have identified the lack of an underlying convergence upon a neoliberal model. These range from those who focus on the (ideational) contingency of labour market reforms, through institutionalist approaches which claim that a path-dependence exists for different types of labour market policies, to those approaches which highlight the role of resistance in producing variable labour market reform outcomes. The present paper seeks to engage with this debate on the basis of the observation that a number of the claims that have become axiomatic within comparative political economy appear to clash with a number of alternative viewpoints commonly found within radical political economy and radical political theory. From radical political economy, the paper investigates the view that resistance to neoliberalism will face growing pressure to acquiesce over time. From radical political theory, the paper considers the claim that different types of resistance will vary in their relative efficacy, and that those (radical) types which most reject existing hierarchies will be most efficacious over time. The paper seeks to assess, therefore, the validity of a common claim made within radical political theory, that those forms of resistance which are more susceptible to co-optation by dominant actors will, in the long term, ensure the continuation and/or exacerbation of processes of domination, whereas more radical forms of resistance will produce more favourable outcomes for dominated actors.

The paper draws on Scruggs’ Comparative Welfare Entitlements Dataset, which measures the generosity of passive labour market policies, and which is used as a proxy for the extent to which workers are dominated by dominant economic interests within the labour market. This forms the dependent variable for the study. The paper presents panel data analysis of 18 OECD developed economies between 1972 and 2001, exploring the significance of varying types of resistance, including the strength of the social democratic tradition in each country, the level of union density, and World Values Survey data on rates of radical protest. It presents initial evidence suggesting that more radical forms of resistance are more effective in preventing the exacerbation of relations of domination (as measured by the generosity of passive labour market policies). This is used to suggest future avenues for empirical research.
The Role of Radical Protest in Labour Market Policy Outcomes:

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The scale of the protests seven weeks ago took the government by surprise, forcing it to come forward with €2.6bn in extra welfare payments and tax cuts for low income families. …

Mr Sarkozy was forced to backtrack on university reform, one of his flagship modernisation measures, amid fears that a student protest movement led by the far left could turn violent. The concession has worried some business leaders. “The most radical are getting results,” says Maurice Lévy, chief executive of Publicis, the advertising group.

(Ben Hall, ‘Workers pile pressure on Sarkozy’, Financial Times, March 18 2009)

The comparative political economy (CPE) literature dealing with the divergence and/or convergence of national models of capitalism and welfare regimes has largely focused on the extent to which political agency can be exercised within different contemporary political-economic contexts. Types of political agency that have thus far been considered include those of the state, firm, organized labour, and political parties. The types of outcomes that these forms of agency can achieve have typically focused upon welfare state outputs, particularly aggregate expenditure and income replacement rates, both of which can be considered a form of passive labour market policy (PLMP) due to their decommodifying effect upon workers (see Rueda, 2007, pp. 23-7, for a similar definition of passive labour market policies). A wave of literature
published around the 1990s claimed to have identified convergence around a process of welfare retrenchment. These pressures include globalization, European integration, demographic change and/or (post-)industrial restructuring. Subsequent interventions in the literature, however, have convincingly identified sustained differences, and/or divergence, between national welfare state outcomes. This divergence is proclaimed to evince the continued scope for political agency within the contemporary (international) political-economy context (see, for instance, Hay, 2000).

In particular, these more recent findings have been drawn upon to uphold the claim that resistance to welfare retrenchment matters: social democratic parties, the organized labour movement, the tradition of universal welfare provisions, and/or the path dependencies that are embedded within a given national model of capitalism all act as a source of resistance to wider pressures for welfare retrenchment. The stronger these identified sources of resistance are within a particular national context, therefore, the more likely that welfare retrenchment pressures can be resisted. Whilst these findings have led to something of a consensus – that the particular theorized source(s) of resistance to retrenchment matter - within the mainstream comparative political economy literature, they nevertheless pose a number of challenges to more radical perspectives on capitalism, the welfare state, and resistance. These points of contestation are used in the present paper to derive an alternative line of investigation into the scope for resistance within contemporary political-economies. Three claims are presented. First, the paper argues that the ‘divergence’ literature is less able to explain welfare outcomes when the convergence effects of capitalism are considered over a longer-term perspective. Most importantly, once economies experience sustained less-than-average growth levels over time, the various resistance factors identified above are outweighed in importance by the commodifying imperatives of capitalist growth. Second, the distinction made in radical political theory between different types of protest and different expectations regarding their respective levels of efficacy illuminate important opportunities for improved predictive capacity in modelling the effect of
resistance in comparative political economy. Most importantly, ‘grassroots’ or ‘bottom-up’ resistance has proven far more effective than the ‘top-down’ types more often considered within the literature. Finally, not only does ‘top-down’ resistance prove less effective than ‘bottom-up’, but the former also hinders the effectiveness of the latter, due to the neutering effect of ‘top-down’ resistance upon those who are being dominated.

Literature review

Convergence and welfare retrenchment

There is an extensive literature detailing the pressure upon national political-economies to converge upon a less generous, less statist, and more liberal model. Thus, according to Huber and Stephens (2001: 219)

Expenditure growth shows a general decline in the 1980s, compared to both the Golden Age and the 1970s. … governments everywhere became very concerned about fiscal imbalances and attempted to deal with them through different combinations of expenditure cuts and tax increases.

Indeed, it is now widely accepted that around the early 1980s the developed economies entered a ‘silver age of permanent austerity’ (Pierson, 1998; Taylor-Gooby, 2002; Ferrera, 2008), in which welfare states were consistently faced with pressure to reduce, or ‘retrench’, expenditure and/or the generosity of existing welfare provisions. Thus, whilst Gatti and Glyn (2006: 307) rightly show how growth in social expenditure actually grew as a proportion of GDP in OECD countries between 1980 and 2001, this has occurred alongside a reduction in welfare generosity (Scruggs, 2006: 361; Montanari et al., 2008: 799). This therefore suggests that we have experienced a rise in the number of people benefiting from passive labour market policies, a
trend which has itself prompted a reduction in those policies’ generosity (albeit one that has failed to dampen net growth in social expenditure). Amongst the causal factors producing this decline in generosity, those which are typically identified in the literature include globalisation, European integration, the transition to a post-Fordist, service-sector oriented, economy, and demographic ageing (Ferrera, 2008: 86-92; Gatti and Glyn, 2006: 302-6). Moreover, and in part as a result of these pressures, government expenditure exceeded revenues for most of the mid-1970s to mid-1990s period, placing strain upon national budgets, which prompted further moves towards welfare retrenchment (Boltho and Glyn, 2006: 415). There would appear to be, therefore, a number of important factors that have produced downward pressure upon welfare expenditure across the developed economies, leading governments to undertake a commitment to ‘permanent austerity’. As a result, a number of observers have noted a narrowing in the scope for political agency to be exercised in the light of necessary welfare reforms. In particular, left governments have ceased to be associated with an expansion of social expenditure, leading to the claim that partisan preferences have ceased to determine welfare outcomes (Huber and Stephens, 2001: 354; see also Pierson, 1996; Castles, 2001).

Further, Hay has convincingly argued that pressures for welfare retrenchment have in large part resulted from a (neoliberal) ideational consensus that has increasingly prevailed amongst developed-world policy makers and political actors. Welfare retrenchment has been the predominant response to pressures arising from the (international) political-economic context, in large part because it fits with this neoliberal consensus, and not necessarily because it is the most effective potential response. Thus, for Hay (2006), ‘the sad irony is that if governments believe the [hyperglobalization] thesis to be true (or, indeed, find it in their interests to present it as true) they will act in a manner consistent with its predictions’. As a result, ‘though the globalization thesis predicts labour-market flexibility (amongst other things), the fact of labour-market flexibilization tells us no more than that the thesis is influential’ (p. 5). Thus, since the initial turn
towards the popularization of neoliberal ideas in the 1970s, welfare state actors have experienced growing ideational pressure for retrenchment.

In sum, therefore, since the late-1970s/early-1980s developed economies have experienced heightened economic, fiscal and/or ideological pressure to reduce the generosity of welfare provisions. This has resulted in a generalized downward trend in passive labour market policies.

Divergence and partisan preferences as resistance

Despite this oft-noted generalized trend towards welfare retrenchment and reduction in the generosity of passive labour market policies, a number of more ‘variation-focused’ contributions to the literature have convincingly argued that considerable scope for divergent welfare outcomes continues to exist. In particular, such authors have focused on the impact of both national political-economic contexts and the continued scope for political agency. Thus, the ‘varieties of capitalism’ (VOC) literature claims path dependencies exist within each national context, and that the particular ‘path’ a country is on predisposes its national government and economic actors to undertake a particular response to economic events (including external shocks): ‘change, therefore, is most likely to be path-dependent’ (Hancké et al., 2007: 6). This research suggests that welfare retrenchment is a response of already-liberal market economies and welfare regimes to external economic change (Swank, 2002: 117), and that countries with alternative traditions are likely to respond differently. For instance, Iversen (2005: ch. 5) shows how those ‘welfare production regimes’ which rely more on workers obtaining specific, non-transferable, skills will need greater welfare spending to compensate for the greater risk of unemployment associated with that non-transferability. As a result, welfare expenditure varies across countries according to the extent to which the country can be considered a ‘skill-oriented’ welfare production regime. In response to the downward pressure upon employment and
equality created by the shift to a service-sector economy, therefore, governments in coordinated market economies (especially those with a strong social democratic tradition) have moved towards increased spending on public employment, in contrast with governments in liberal market economies that have moved towards labour market deregulation (Iversen and Wren, 1998; Iversen, 2005: 217). Those scholars focusing upon national varieties of capitalism, therefore, have successfully shown how the national political-economic context mediates the effect of pressures for convergence, to the extent that in those contexts with a tradition of coordination and/or generous welfare provision we should expect continued, and possibly increased, divergence in the light of increased pressures for welfare retrenchment. Indeed, Hay (2006) finds that divergence between the different models of welfare capitalism has actually increased during the period of welfare retrenchment. In countries with a tradition of generous and universal welfare provision, therefore, there remains a sustained commitment to higher welfare provision.

Similarly, a number of scholars have sought to challenge the view that partisan preferences have no impact upon models of capitalism and welfare regimes during the present era of permanent austerity. From this perspective, partisan preferences act as a source of resistance to pressures for welfare retrenchment, even in the era of permanent austerity. Thus, whilst Allan and Scruggs (2004) confirm the claim of Huber and Stephens (2001) that left governments do not produce increased welfare provisions (measured in terms of replacement rates in this case) during the era of permanent austerity, they nevertheless show how right governments produce significantly higher rates of welfare retrenchment. Whilst left parties increase welfare spending during the golden era of welfare expansion, therefore, right parties lower spending during the ‘silver age of permanent austerity’. Moreover, Amable et al. (2006) show how, in measuring structural economic change directly (rather than simply assuming that pressure for retrenchment occurs at a uniform point in time across all countries), there is a clear correlation between the partisan position of the government and the response of that government to economic shocks. Finally,
Korpi and Palme (2003) have shown how there continues to be a correlation between the strength (or ‘power resources’) of organized labour and the national response to pressures for welfare retrenchment.

In sum, there exists a range of literature identifying both convergent pressures arising from the contemporary (international) political-economic context, and also convincingly highlighting the continuation of partisan, ideological or institutional forms of resistance to welfare retrenchment, thereby identifying the continued importance of national context and a role for political agency in determining welfare state outcomes, even during the era of permanent austerity. The key claims made within this literature, therefore, are expressed in figure 1.

The challenge for radical perspectives on capitalism, welfare and resistance: deriving some alternative hypotheses

The central claim of the present paper is that the above findings present a challenge to a number of the central assumptions held by exponents of radical political economy/theory, thereby prompting a fruitful line of further inquiry. In particular, the radical political economy/theory literature presents two key challenges to the findings of the ‘divergence’ literature outlined above.

The stabilizing role of capitalist competition? First, some of the central ‘divergence’ arguments rest on the view held within the varieties of capitalism approach that various institutions of coordination (within and between firms, the state, and the labour market) produce a number of
complementarities in certain national contexts which enable (coordinated) capitalist economies to compete within the international economy on the basis of the comparative advantages achieved through that very act of coordination. As a result, pressures producing welfare retrenchment in other (less coordinated) economies can be expected to result in continued, or even increased, forms of coordination within coordinated economies. As Hancké et al. (2007: 6) put it, ‘in CMEs, holders of specific assets (workers with industry-specific skills and investors in co-specific assets) will more often oppose greater market competition and form status quo supporting cross-class coalitions’. The anomaly, from a radical political economy perspective, is that capitalist competition is being presented as a potentially stabilizing force. In contrast, radical political economy (particularly in the Marxist tradition) tends to highlight the disequilibrating, destabilizing, and disruptive effect of capitalist competition. Moreover, the era of welfare retrenchment is marked, for many adopting such a perspective, as a period of intensified international competition (Harvey, 2006; Boyer, 2005; Freeman and Carchedi, 1996; Marx, 1884, 1894).

The claim that certain capitalist economies might be able to respond to intensified competition through greater coordination, therefore, marks a significant point of departure from the assumptions of radical political economy. In particular, whilst coordination might enable certain institutional comparative advantages to be obtained over the short-term, over the longer-term more radical critiques of capitalism view that coordination as a potential obstacle to the relentless pressure to produce and realize profit which is characteristic of capitalism itself. At some point, therefore, we should expect that coordination to become an obstacle to the production/realization of profit, which itself requires (although, paradoxically, is also destabilized by the realization of) as few fetters as possible upon such a process. Thus, once existing opportunities for capitalist growth have been exhausted, the abolition of the regulations themselves begins to represent a new opportunity for innovation and expanded economic
production. At this point, ‘constraints formed to channel growth can become fetters, opening up the question of new forms of overall reproduction’ (Dunford, 2000: 149). As a result, the particular mode of coordination (or, for the regulation school, mode of ‘regulation’), ‘ends up in a structural crisis, largely endogenous’ (Boyer, 2005: 509). Indeed, Harvey argues convincingly that the wider project of neoliberalism (of which welfare retrenchment and the reduction of passive labour market policies can be considered a central part) represented a ‘political project to re-establish the conditions for capital accumulation and to restore the power of economic elites’ (Harvey, 2005: 19). One of the central ways in which this has been achieved is through the commodification of welfare provisions, or ‘the reversion of common property rights won through years of hard class struggle (the right to a state pension, to welfare, to national health care) into the private domain’ (p. 161). In terms of our present concerns, therefore, whilst we can expect divergence in welfare outcomes to be sustainable over the short term, we would nevertheless expect more generous welfare regimes to experience heightened pressure for retrenchment over the longer term, particularly once they are associated with lower levels of capitalist growth. For instance, in the case of Germany, the archetypal coordinated market economy, sustained sluggish growth throughout the 1990s ultimately resulted in moves towards labour market liberalization in the early 2000s (Bailey, forthcoming). Whilst capitalist economies should be able to withstand short-term fluctuations in growth, therefore, radical political economy suggests both that such pressures experienced over a prolonged period of time will be considerably less withstandable and that (despite the possibility that they might facilitate competition in the shorter term) passive labour market policies are increasingly likely to become fetters upon growth over time. On the basis of these observations, the present paper seeks to examine the following hypothesis:
Hypothesis 1: Faced with prolonged international competition, capitalist economies with more generous passive labour market policies will experience growing, and sustained, pressure to compete through welfare retrenchment.

Indeed, summary evidence suggests that both coordinated market economies and those with more generous welfare provisions have experienced slower rates of growth during the neoliberal period, and that those economies have undergone a greater degree of welfare retrenchment. Thus, figures 2 and 3 highlight the slower rates of cumulative growth in both more coordinated economies and more generous welfare regimes. Likewise, figures 4 and 5 show how welfare retrenchment has been sharper in those more coordinated/generous countries. Rather than assessing the impact of annual growth rates upon welfare generosity (as is common within such studies), therefore, the present paper seeks to assess the impact of sustained slower rates of growth, by measuring divergence between the cumulative growth rate of each country and the average cumulative growth rate for the OECD-18 countries in the study. This measure should therefore be able to more accurately estimate the impact of sustained lower rates of growth over longer periods of time, and the pressure they have produced to reduce the generosity of passive labour market policies. Once we control for the sustained pressure of capitalist growth, therefore, we should also be able to more accurately assess the efficacy (or otherwise) of the mechanisms of resistance to this pressure that are typically identified within the comparative political economy literature.
The effectiveness of 'top-down' resistance? As already noted, in identifying potential agents of resistance, the ‘divergence’ literature looks predominantly to states, political parties and trade unions (for a notable, but often overlooked exception, see Fording, 1997). However, these institutions have also been the focus of a range of critiques amongst contemporary radical political theorists. In particular, the ‘hierarchical’, ‘vertical’, or ‘top-down’ nature of these forms of political resistance have been criticised for both the disempowering effect they have upon the grassroots ‘base’ of those political organizations, and the way in which they create an organizational ‘elite’ that has incentives which differ from those of their ‘base’. Such ‘top-down’ forms of resistance, therefore, risk de-activating (and therefore neutering the capacity for resistance of) the individuals who constitute the organizations’ ‘base’, and whose interests the organization ostensibly exists to represent. In particular, a ‘base’ that consistently defers responsibility for action to its organizational elite acts to reduce the capacity for that base to act autonomously or independently, thereby creating a dependence upon the expertise and authority of an elite which unavoidably has alternative interests and motives to those of the base. Most notably, organizational elites ultimately seek to reproduce those ‘top-down’ organizations (and the hierarchical relationships which constitute them), as these organizations are the elites’ means to achieve influence, status and authority. We should expect organizational elites within ‘top-down’ organizations, therefore, to seek the perpetuation of deference amongst their base, and to resist an attempt by that base to seek its own activation (particularly to the extent that any potential activation threatens the reproduction of the hierarchical organization itself). From this perspective, therefore, whilst state traditions, left-leaning political parties and/or trade unions might produce effective resistance to pressures for welfare retrenchment, this occurs despite the actions of the state, party and/or union elites (see Bailey, forthcoming, for a more thorough
statement along these lines). We should expect, therefore, the effectiveness of modes of resistance to be inversely related to the degree to which they are expressed in a ‘top-down’ form. Summarizing this view, May (1994: 48) states that, ‘in order for liberation to occur, individuals and groups must retain their power; they cannot cede it without risking the loss of the goal for which all political struggles occur: empowerment’ (May, 1994: 48). Similarly, for Tormey, this is a view in which, ‘every act of representation is seen as a limitation on the subject’s becoming’ (2006, p. 144).

Similarly, in the sense that a state-tradition of coordination and/or welfare generosity is viewed within the CPE literature as a source of resistance to pressures for competitive restructuring and welfare retrenchment, we might also consider this counter-intuitive from a radical political theory perspective. Indeed, to a greater extent than political parties and trade unions, the state itself can be conceptualised as seeking to dampen resistance, enforce obedience and deference, and thereby sustain relations of domination and passivity towards the experience of domination (Holloway, 2005; Day, 2005; Newman, 2004; Agamben, 1998; Deleuze and Guattari, 1984, 1988). For instance, in their characteristically idiosyncratic language, Deleuze and Guattari claim that the key role of the state is to ensure that desire and individuals are regulated and constrained:

If it is true that the function of the modern State is the regulation of the decoded, deterritorialized flows, one of the principal aspects of this function consists in reterritorializing, so as to prevent the decoded flows from breaking loose at all the edges of the social axiomatic (Deleuze and Guattari, 1984: 258).

From this perspective, therefore, the idea that the state itself might act as a source of resistance sits uncomfortably alongside the view that it is the state itself which acts to perpetuate acquiescence to the experience of resistance. Thus, we can derive the following hypothesis.
Hypothesis 2: ‘Bottom-up’ forms of resistance should be expected to be more effective than ‘top-down’ forms.

Indeed, not only should we expect ‘bottom-up’ resistance to be more effective, but in light of the view outlined above, that ‘top-down’ organizations require the maintenance of deference and docility, we might also consider that ‘top-down’ forms of resistance act to the detriment of the effectiveness of ‘bottom-up’ forms of resistance with which they co-exist. Thus,

Hypothesis 3: ‘Top-down’ forms of resistance will act to impede the effectiveness of ‘bottom-up’ resistance.

Figure 6 about here

Thus, based on this discussion of radical political economy/theory, we can derive three alternative hypotheses with which to interrogate existing findings in comparative political economy. Figure 6 attempts to summarise these three alternative claims by making three alterations to the initial figure 1. Thus, figure 6 highlights the sustained pressure for welfare retrenchment that arises as a result of capitalism’s continued need to identify alternative sources of growth. Whilst national political-economic contexts might be associated with alternative responses to pressure for retrenchment, therefore, these contexts nevertheless experience further pressure to undertake such reforms in the future. This is indicated by the feedback arrows (indicating increased pressure for retrenchment at t2) that follow the successful avoidance of retrenchment in t1. Further, in the light of hypotheses 2 and 3, figure 6 seeks to show how the success of resistance to pressure to reduce PLMPs depends upon the extent to which both ‘bottom-up’ resistance is present within a particular national context and ‘top-down’ resistance is
absent. The remainder of the paper seeks to present an initial comparison of the relative validity of the two alternative models represented by figures 1 and 6.

**Method**

In order to examine the above hypotheses, this paper examines pooled time-series cross-sectional (PTSCS) data for 18 OECD countries between 1973 and 2001. The key independent variable of interest is the rate of change in welfare generosity, measured using the Scruggs (2004) Welfare Generosity dataset. Thus, in focusing on welfare generosity for each country it is possible to examine the extent to which a national population is removed from the imperatives of the labour market to sell their labour power. In Esping-Andersen’s (1990) terms, therefore, we can consider replacement rates to measure the extent to which participants in the labour market are decommodified. The transfer payments measured in the dataset each represent the extent of decommodification within the labour market, and therefore constitute a form of ‘passive’ labour market policy. Moreover, in estimating the rate of change in welfare generosity, the regression analysis contained in the paper seeks to explain the extent to which a country has undergone welfare retrenchment during the period of ‘permanent austerity’. Further, following Allan and Scruggs (2004: 505), the problem of non-stationarity in the data-set is also tackled by focusing on the rate of change (first difference) in welfare generosity. The variable is smoothed into a three-year average (t-1, t, t+1) for each year, in order to provide a more stable indication of the trajectory of change in welfare retrenchment in each country-year.

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1 The countries that form the object of the study are: US, UK, Ireland, Canada, Australia, New Zealand, Germany, Sweden, Netherlands, Japan, Switzerland, Belgium, Norway, Finland, Denmark, Austria, France, and Italy.

2 This dataset is an index combining values for unemployment replacement rates, pensions replacement rates and sickness benefit replacement rates. See [http://www.sp.uconn.edu/~scruggs/wp.htm](http://www.sp.uconn.edu/~scruggs/wp.htm).
In keeping with standard methodological practice in contemporary PTSCS analysis, the typical problems associated with this approach (particularly heteroskedacity across cross-sections) is tackled through the calculation of Beck and Katz (1995) panel-corrected standard errors. Moreover, dummy variables for countries have not been used, largely because they are likely to conceal interesting variables which differ only slowly over time for each country. This coheres with the view that, even if ‘an $F$-test indicates that fixed effects are required, then researchers should make sure they are not losing the explanatory power of slowly changing or stable variables of interest. … Like most interesting issues, this is a matter of judgment, not slavish adherence to some 0.05 test level’ (Beck, 2001: 285). Finally, the independent variables were each lagged by one year, to take account of time lags between contextual changes and responses in welfare generosity.

Other variables of interest were defined as follows:

*Divergence from average cumulative growth.* As mentioned above, in an attempt to capture the impact of sustained slower-than-average growth over time (rather than on a yearly basis), the paper employs a measure of divergence from the average cumulative growth for the OECD 18 countries that form the focus of the present study. This is calculated as the total growth experienced by the country in question since 1970 minus the average total growth for all countries.

*Strength of the social democratic tradition.* In order to measure the strength of the social democratic tradition in a particular country, the strength of social democratic values is measured in a particular country-year. This was estimated as a product of the strength of electoral support for the main social democratic party within each country and the ‘left-ness’ (according to the Comparative Manifestos Project estimation, see Budge et al., 2001) of that party at the time. The
social democratic tradition was then subsequently calculated as the average social democratic value for that country between 1971 and the year being calculated. The merits of calculating the social democratic tradition in this way was that it overcame some of the limitations of focusing solely on year-by-year fluctuations (as with measures for left governments), which fail to capture the extent to which electoral shifts are due to the unpopularity of particular candidates (rather than ideological divergences), or with electoral support for nominally social democratic parties which are actually more centrist than social democratic. Thus, in measuring the strength of social democratic support in terms of both ideological position and electoral support, it was possible to capture the extent to which an electorate was on the social democratic left. Further, by measuring average levels since 1971 it was possible to capture the extent to which support for the social democratic left was strong or wavering over time. This measure showed consistently higher significance than a more standard left-government measure, which was also compared within the regression estimates (these results are not reported).

Degree of market coordination. The varieties of capitalism thesis is estimated using a single national ranking for each country, depending upon its position on a vertical axis between the two factorial axes reported in Amable’s (2003: 176) final aggregate analysis of contemporary models of capitalism. This axis ranges (roughly) from flexible markets/weak welfare state to rigid markets/strong welfare state, and therefore a country’s position on this axis represents a good approximation of the degree to which it is uncoordinated/coordinated. New Zealand is not included in Amable’s study, but due to its inclusion in the same regime of welfare capitalism as Australia in several other studies it has been allocated the same rank as that country.

The tendency for radical protest. The tendency for a specific national population to engage in radical protest is estimated by measuring the proportion of respondents in each country who answered ‘have done’ to the following question (E029) in the World Values Survey. “Now I’d like you to look at this card. I’m going to read out some different forms of political action that people can
take, and I'd like you to tell me, for each one, whether you have actually done any of these things, whether you might do it or would never, under any circumstances, do it. Occupying buildings or factories.”. Values given are those for the nearest (in time) wave of the survey conducted within that country. Not all countries participated in the survey in each wave. The indicator is time-lagged by 1 year.

Control variables. Finally, a number of most relevant control variables were introduce, measuring the level of unemployment (which has been shown in a number of studies (for instance, Castles, 2001) to consistently correlate with a decline in welfare generosity), and Huber et al.’s (2004) measures for openness to trade and finance (which provide a rough indication of the extent to which a particular economy is 'globalized').

Results

Convergence, divergence and the impact of slower growth (hypothesis 1)

Table 1 reports OLS regression estimates for welfare generosity change that seeks to identify the existence of convergence pressures, and the extent to which sources of resistance identified within the literature mitigate this convergence. Moreover, it seeks to compare the impact of these sources of variation under higher levels of economic pressure. The aim in this table, therefore, is to undertake an initial assessment of the key ‘resistance’ factors theorized in the comparative political economy literature under conditions of varying levels of economic pressure for retrenchment. Once we have considered these relatively parsimonious models it is possible subsequently to feed our observations into a more complete model in order to provide a more full assessment of the relative efficacy levels of different types of resistance. This is therefore an
attempt to adhere with the need ‘to get a feel for the data, in large part by examining descriptive statistics and looking at bivariate and/or multivariate patterns’ (Kenworthy, 2007: 344).

Table 1 about here

Thus, in table 1, column 1, welfare generosity, $t-1$ is inversely correlated with change in welfare generosity, indicating an overall trend in welfare retrenchment over time (an increase in welfare generosity at $t-1$ is associated with a downward reduction in welfare generosity) (a bivariate correlation produces the following results: $r = -0.123$, $p < 0.01$). In the second column the results confirm that the standard ‘resistance’ factors mitigate this general downward pressure upon welfare generosity, with the indicators measuring the degree of market coordination, the social democratic tradition, and union density, each positively correlating with an upward change in welfare generosity. In the third, fourth and fifth columns we introduce the impact of divergence from average cumulative growth in order to attempt to assess the extent to which the standard ‘resistance’ variables are effective under different conditions of capitalist pressure for retrenchment. Column three establishes that divergence from cumulative growth does produce a significant positive response on the dependent variable, thereby confirming that welfare generosity moves in the same direction as relative growth (i.e. above-average capitalist economies are more able to sustain PLMPs than slow-growing ones). In order to further investigate this relationship, column four restricts the sample to those cases where cumulative growth is above the average for the OECD 18 countries. Here we see that the strength of the social democratic tradition continues to have a positive and significant effect upon welfare generosity change, whilst the pressure for growth ceases to have a significant impact. Whilst the coordination and union density variables cease to be significant, they are nevertheless significant if they are the
only ‘resistance’ factor in the regression estimate, and in each of these alternative estimates divergence from cumulative growth again ceases to have a significant effect (results not reported). This therefore suggests that at above average levels of cumulative growth the ‘resistance’ factors continue to play a role in mitigating pressure for retrenchment.

In contrast, table 1, column 5, restricts the cases to those where cumulative growth is more than 2% below the average level of cumulative growth. Here the only variable that has a significant effect is the divergence factor, suggesting that for those cases experiencing high levels of capitalist pressure to identify sources of growth the typical ‘resistance’ factors cease to have a significant effect (indeed, for the coordination and social democratic tradition variables the coefficient signs are negative).

Table 1 therefore suggests that the typical ‘resistance’ factors in the CPE literature cease to operate as expected under conditions of sustained lower levels of growth (a divergence more than 2% less than average represented a turning point in the data). Whilst it is clearly beyond the scope of this paper to identify the cause of lower levels of economic growth, we have nevertheless observed in figures 2 and 3 that both coordinated market economies and more generous welfare regimes have been consistently outperformed by their liberal market and less generous counterparts. Moreover, of particular importance for the present paper is the extent to which PLMPs result in lower levels of cumulative growth. A bivariate correlation between welfare generosity and divergence from average cumulative growth between 1972 and 2000 indicates an inverse relationship between PLMPs and relative growth rates ($r = -0.206$, $p<0.001$), suggesting that PLMPs did hinder relative growth rates during the period under consideration.

Comparing ‘top-down’ with ‘bottom-up’ modes of resistance (hypothesis 2)
Table 2 seeks to compare the relative efficacy of different types of resistance to pressures for welfare retrenchment. Thus, having produced simple models in table 1 in an attempt to identify the impact of particular variables, the attempt in table 2 is to produce a more full estimation including the range of factors that have been identified as having a significant impact upon welfare retrenchment in the literature. In doing so, the attempt is to compare the relative impact of the standard ‘resistance’ factors, alongside the indicator for radical protest, when controlling for all other factors known to have an impact. Thus, the model here is one which includes the standard variables for globalization and pressure for retrenchment (including unemployment), alongside four alternative types of resistance as outlined above – the degree of market coordination, the strength of the social democratic tradition, union density, and radical protest. In line with hypothesis 2, we expect that ‘bottom-up’ resistance is more likely to be successful.

For the purposes of the regression, coordination and social democratic strength are presumed to be ‘top-down’ modes of resistance due to their dependence upon the state and/or state-oriented actors, and the centrality of a political elite to both the state and social democratic parties (on the constraining effect of social democratic parties, see also Bailey, 2009: ch. 2). Trade union membership is considered to be moderately ‘bottom-up’ due to the existence of both a professional trade union leadership in most contemporary trade unions and the continuing tradition of internal trade union democracy and participation. Radical protest is considered most ‘bottom-up’ due to its greater degree of outright rejection of existing structures of authority, and therefore anti-elitist nature. Table 2, column 1, presents the model suggested by the standard claims in the comparative political economy literature (as depicted in figure 1). Here we see that, now that we have introduced controls for globalization, unemployment, time, and the effect of sustained divergence from average growth, none of the three standard ‘resistance’ factors produce a significant impact upon welfare generosity change. This is also the case if we include only one of these factors in the regression estimate (not reported). Moreover, we also see that
welfare generosity\textsubscript{t-1} fails to produce a significant coefficient once we introduce the various controls for globalization and pressure for retrenchment, suggesting that the hypothesised ‘convergence’ effect is more adequately explained by these ‘retrenchment’ variables. As such, welfare generosity\textsubscript{t-1} is removed from subsequent models (with no effect upon the adjusted R\textsuperscript{2} values for each model).

Table 2, column 2, shows how our variable for radical, ‘bottom-up’, protest (occupied buildings\textsubscript{t-1}) produces a significant positive coefficient, indicating that a higher proportion of the population with experience of undertaking radical protest is associated with increases in welfare generosity once we control for the other significant variables determining welfare generosity. This thereby confirms one of the central theoretical claims in the literature (hypothesis 2) and also appears to confirm the kind of anecdotal evidence suggested in the quote at the beginning of the paper. Moreover, the variable measuring the proportion of the population to have occupied buildings is also the only one to produce a significant (positive) coefficient when it is included in the regression equation without the other resistance variables (column 3).\textsuperscript{3}

\textit{Modelling the detrimental effect of ‘top-down’ resistance (hypothesis 3)}

Finally, table 2, column 2, seeks to assess the impact of ‘top-down’ resistance upon the efficacy of ‘bottom-up’ resistance through the introduction of interaction effects between the strength of top-down resistance (both the social democratic tradition and the degree of market coordination) and the strength of radical protest. Most interestingly, the results show that the interaction

\textsuperscript{3} In including such a large number of variables there is a higher risk in table 2 of multicollinearity, which would potentially act to depress t-scores for collinear variables. This is particular a potential problem in this regression as we might expect different types of resistance to be higher in the same countries, and because we are specifically looking for those variables which \textit{fail} to produce a significant result. Nevertheless, in conducting a test for variance inflation none of the variables had a variance inflation factor higher than 3, suggesting no problems with multicollinearity. This is the same for all subsequent models (excluding those variables included in interaction effects).
between social democratic tradition and radical protest produces a significant negative coefficient, thereby indicating that the strength of the social democratic tradition mitigates the positive effect of radical protest upon welfare generosity (column 4). This therefore confirms hypothesis 3. In contrast, the interaction effect between coordination and radical protest produces no significant coefficient (not reported).

Conclusion

This paper argues that comparative political economy might benefit from further consideration of a number of arguments that are commonly made within radical political economy/theory. In particular, the ‘variation-focussed’ nature of CPE has tended to obscure the impact of sustained pressure for growth that occurs over time within capitalist economies and, perhaps more importantly, the way in which this specifically targets welfare provisions such as passive labour market policies as opportunities (through commodification) for growth. Further, the paper argues, ‘bottom-up’ modes of resistance are more likely to be effective in attempts to resist this pressure for retrenchment. Indeed, and this has been the final point, ‘top-down’ modes of resistance are actually likely to undermine more effective ‘bottom-up’ types of resistance. The regression estimates presented herein provide an initial illustration of how a number of the hypotheses derived from radical political economy/theory might inform some important directions for research in comparative political economy, and tend to confirm some of the initial claims.

Nevertheless, there are, clearly, some limitations with the data presented herein. Perhaps most glaringly, the indicator used to measure radical protest is deficient in a number of ways. First, it only measures one type of radical protest – occupation of buildings and factories. Second, as a result of its derivation from the World Values Survey (WVS) it varies very slowly over time (in
roughly five year waves). Third, and also due to its WVS origins, there are a number of pieces of missing data as not all countries are covered in all waves of the survey. An important line of subsequent research, therefore, is to examine means through which a more adequate measure of the degree of radical protest within each country could be constructed. Finally, the research would also benefit from complementary qualitative analysis that would seek to trace the impact of the mechanisms of resistance theorized herein in a more concrete setting through a series of case studies.
References


Figure 1: Key claims in comparative political economy

Changes to international political-economic and ideological context – globalization, post-Fordism, demographic change and neoliberal ideology - create pressure for a reduction in passive labour market policies

- National political-economic institutions mediate economic stimuli for change
- National political economy experiences pressure for reduction
- Strength of partisan and/or class-based resistance to liberalization
  - Insufficient
  - Sufficient
    - Reduction in passive labour market policies
    - No reduction

Pressure for convergence

Varieties of capitalism thesis

Partisan politics / power resources theses
Figure 2: comparing cumulative growth rates between LMEs and CMEs

Source: OECD.stat. Countries classified according to Hall and Soskice (2001)
Figure 3: comparing cumulative growth rates across welfare regimes

Source: OECD.stat. Countries classified according to Scruggs and Allan (2006)
Figure 4: comparing welfare generosity between LMEs and CMEs

Figure 5: comparing welfare generosity across welfare regimes

Figure 6: Incorporating radical political economy/theory

Changes to international political-economic (and ideological) context – globalization, post-Fordism, demographic change (and neoliberal ideology) – create increased pressure to reduce PLMPs

National political-economic institutions mediate economic stimuli for change

National political economy experiences pressure for retrenchment

Sufficient ‘bottom-up’ resistance to pressure for reduction? Sufficient absence of ‘top-down’ resistance

Reduction in PLMPs

No reduction

Pressure for convergence

Varieties of capitalism thesis

Hypotheses 2 and 3

No reduction
Table 1: Regression estimates for change in welfare generosity, 1972-2001

<table>
<thead>
<tr>
<th>Independent variables</th>
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<th>(3)</th>
<th>(4) cumulative growth &gt; 0%</th>
<th>(5) cumulative growth &lt; -2%</th>
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Adj. R²: .01 .07 .10 .07 .15
No. of observations: 522 522 522 263 225

*p<0.05, p-values are based on Beck and Katz (1995) panel-corrected standard errors. Constant terms included but not reported.
**Table 2: Regression estimates for change in welfare generosity, 1972-2001**

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* $p<0.05$, p-values are based on Beck and Katz (1995) panel-corrected standard errors. Constant terms included but not reported.