Intentions and Outcomes: The Lasting Relevance of the Paradox of Redistribution

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Introduction

In 1998, Walter Korpi and Joakim Palme proposed a political and institutional explanation to account for the greater redistributive success of welfare states that relied more on universal than on targeted programs (Korpi and Palme 1998). Effective redistribution, they argued, resulted less from a Robin Hood logic — taking from the rich to give to the poor — than from a broad and egalitarian provision of services and transfers, which citizens were more willing to sustain with their taxes when they also saw themselves or their relatives as present or future beneficiaries. Hence, the paradox: a country obtained more redistribution when it took from all to give to all than when it sought to soak the rich to help the poor.

Korpi and Palme’s argument and empirical findings consolidated a view that was already conventional wisdom in political debates, at least on the left, and it anchored the case for universalism for more than ten years. Lately, however, a number of convergent studies have cast doubts on this demonstration, and questioned the very existence of a paradox (Kenworthy 2011; Marx et al. 2013; Brady and Bostic 2015). These studies seemed convincing because they replicated faithfully Korpi and Palme’s research design, with the same or with expanded and updated data, but failed to confirm the expected relationships. Either the original study was illusory or the world had changed. In either case, the argument in favor of universalism appeared shaken.

There is no doubt that the configuration of social programs has evolved since the late 1990s, with the rise of hybrid patterns of targeted universalism that make the choice between targeting and universalism less clear-cut. Yet, the ranking of countries in terms of redistribution has not changed all that much. Sweden and Denmark are still more egalitarian than, say, the
United Kingdom and the United States. The overall configuration of their social programs must have something to do with this outcome.

In this article, we revisit the question from a somewhat different perspective. We suggest that Korpi and Palme’s argument was theoretically sound but inadequately operationalized. Later replications used the same or similar empirical procedures, and reproduced the initial problem. Indeed, Korpi and Palme measured universalism indirectly, not by the design or intentions of social programs, but rather by their outcomes, by their income effects on different categories of the population (Marx et al. 2013; Van Lancker and Van Mechelen 2015). The outcomes of social programs, however, are influenced by exogenous factors. A universal program, for instance, can appear targeted to lower (or higher) income groups depending on the characteristics of the beneficiary population. When more children belong to lower quintiles families, a universal child benefit may be seen as a measure targeted to the poor.

Ive Marx, Lina Salanauskaite, and Gerlinde Verbist (Marx et al. 2013, 8 and 10) noted this difficulty with a focus on outcomes rather than on intentions but, like Korpi and Palme, they resorted to an income concentration coefficient, an indicator that captures outcomes, not intentions. Wim Van Lancker and Natascha Van Mechelen (2015) recognized the problem as well and turned explicitly to intentions, but they did so for a single family of programs, albeit in a macro perspective that emphasized the social and political consequences of institutions.

This article proposes to revisit the paradox of redistribution with different indicators, meant to capture universalism not through its effects, but rather through the intentions written into the design of social programs. To do so, we resort to three indicators, which make it possible to conduct cross-sectional time-series analyses on the main welfare state cases: 1) a new OECD measure on the percentage of social benefits that are means or income tested; 2) a relatively new OECD measure of the proportion of private spending in total social expenditures, to assess the presence of universalism and targeting not only in transfers, but also in social services; and 3) the generosity index of the Comparative Welfare Entitlements Dataset (Scruggs et al. 2014), to measure the social insurance component of the welfare state, usually associated with universalism (Korpi and Palme 1998). These indicators, we argue, bring us closer to intentions, in a way that is
consistent with Korpi and Palme’s original argument, and they help us see that, indeed, there is still a paradox of redistribution in the twenty-first century welfare state.

The first section comes back on the paradox of redistribution and its critics, to summarize the literature on the question. We then present our proposal to reframe the question by focusing on intentions, along with our models, indicators and data sources. The third section covers the main results, for bivariate and multivariate models, and the conclusion discusses some of the theoretical and empirical implications of the proposed turn toward intentions and institutional design.

The paradox and its critics

Korpi and Palme’s article on the paradox of redistribution remains one of the most widely cited articles in comparative welfare state research. They present and support a politically important and rather counterintuitive argument: the more social benefits are targeted to the poor, the less poverty and inequality reduction a welfare state achieves. Anchored in power resources and institutional theory, the argument identifies three clusters of countries in 1985: 1) the basic security model offering residual flat rate benefits with some earnings-related or means-tested complements; this model stands at one end of the targeting-universalism continuum, and includes the Anglo-Saxon countries, as well as Denmark, the Netherlands, and Switzerland; 2) the encompassing model of Finland, Norway, and Sweden, which combines relatively generous flat rate universal benefits with earnings-related social insurance, and goes further in terms of universalism; and 3) the corporatist model of continental Europe and Japan, where separate, insurance-based programs tailor to different segments of the labor force. Unsurprisingly, given the past collaboration between the authors, this trilogy comes close to Gösta Esping-Andersen’s three worlds of welfare capitalism, which opposes the liberal, residual model, the universal social-democratic welfare state, and the conservative, corporatist variant (1990).

In the basic security model, the limited benefits offered to the middle class encourage it to turn to private insurance for social protection, and make it less likely to support a large redistributive budget. By contrast, in the encompassing model, generous universal benefits and
public insurance programs that offer good replacement rates for the middle class crowd out private insurance and ensure solid support for redistribution. The corporatist model stands somewhere in between, offering good protection to the middle class but leaving many outsiders behind. The key institutional and political contrast divides the residual and encompassing models, the former being inimical to redistribution, and the latter favorable.

A number of subsequent studies took up and expanded the argument (Huber and Stephens 2001; Moene and Wallerstein 2003; Pierson 2004; Brooks and Manza 2007; Campbell 2011). Some scholars, in particular, associated the paradox to the likelihood of retrenchment, suggesting that universal welfare states would prove more resilient, because of stronger public support (Pierson 2001). Tommy Ferrarini, Kenneth Nelson, and Helena Hoog, for instance, found that universal child benefits withstood retrenchment better than targeted ones (2013). In more comprehensive surveys, however, Kenneth Nelson (2007) and Peter Starke (2008) found no difference in terms of retrenchment between universal and targeted programs. In a study of American social policy, Christopher Howard even found that, in an era of retrenchment, means-tested programs expanded, while more visible universal measures were cut back (2007). In a recent paper, Wim Van Oorschot and Femke Roosma suggested that narrowly targeted programs were particularly vulnerable in periods of austerity, but their argument was mostly theoretical (2015). All in all, the relevance of the paradox of redistribution for the current era remained a matter of debate among social policy scholars.

The key mechanism, according to Korpi and Palme, is the difficulty welfare states targeted to the poor have in sustaining middle class support. Targeting creates a zero-sum conflict between low-income households receiving benefits and middle income citizens financing them. This division discourages broad coalitions in support of the welfare state, and increases the salience of conflict lines over redistribution (Korpi and Palme 1998). Indeed, Christian Albrekt Larsen finds that targeting fosters public discussions on the worthiness, neediness and deservingness of beneficiaries, which tend to lower public preferences for redistribution (2008). Even among beneficiaries, means testing creates a negative experience, which also erodes support for public programs (Kumlin 2004). Thus, low-income targeting reduces the size of the redistributive budget, whereas universalism shores up middle class support and sustain a more
solid redistributive effort (Korpi and Palme 1998). There would thus be a trade-off between low income targeting and the size of the redistributive budget and, consequently, a trade-off as well between targeting and redistribution.

Korpi and Palme’s data, however, are from the 1980s and their demonstration is based on relatively weak correlations and on scatterplots for eleven countries. There is no doubt that welfare states have changed significantly since the 1980s, if only because time has passed. Neo-liberal retrenchment and reforms inspired by the social investment perspective must also have left an imprint (Hemerijck 2013). Data and methods have progressed as well, making it possible to test the argument more thoroughly, on a larger number of years and cases (Brady and Bostic 2015, 269).

Three recent reassessments of the paradox of redistribution find that although there was a clear correlation between universalism and redistribution in the 1980s and early 1990s, this relationship fades out and disappears in recent years (Kenworthy 2011; Marx et al. 2013; Brady and Bostic 2015). In the 2000s, the size of the redistributive budget is actually correlated with low-income targeting, which goes against Korpi and Palme’s core argument (Kenworthy 2011; Marx et al. 2013; Brady and Bostic 2015). In a more circumscribed study of child benefits, Van Lancker and Van Mechelen also find that targeting to low-income households may be associated with higher benefits and lower child poverty (2015). These new findings seem robust, whether the sample includes only the eleven cases studied by Korpi and Palme or a broader sample of OECD nations (Marx et al. 2013; Brady and Bostic 2015).

In a recent *American Sociological Review* article, David Brady and Amie Bostic propose one of most thorough analyses of the paradox of redistribution, which they cast as a multifaceted and complex phenomenon. They innovate, in particular, by including public opinion data on redistributive preferences in their model, and by using two sets of countries: a sample of rich democracies broader than the original eleven cases, and another set including some developing countries, for which some of Korpi and Palme’s conclusions seem to apply. Although most of Brady and Bostic’s analysis is concerned with poverty, their results are similar with inequality as
a dependent variable. They do not use, however, a redistribution index; their analysis is limited to disposable income inequality.

Brady and Bostic confirm parts of the original argument. Universalism, defined as homogeneity across the population in benefits, coverage, and eligibility, has a strong indirect effect on poverty, because it increases the “transfer share,” that is the proportion of household incomes coming from welfare transfers, which Brady and Bostic use to assess a country’s redistributive effort (2015, 271-74). Low-income targeting, however, is also effective against poverty, bringing as well a high transfer share, especially in developing countries. This is possible, explain Brady and Bostic, because universalism and targeting are not polar opposites. They are two distinct characteristics of social programs: “the opposite of low-income targeting is high-income income targeting, not universalism” (2015: 273). In Guatemala, for instance, social programs are strongly targeted toward high-income households. This peculiar understanding of targeting and universalism stems from Brady and Bostic’s measurement strategy, which assesses social programs through their income effects on households. We will come back to this question below. For the moment, we can simply note that, for Brady and Bostic, both universalism and low-income targeting favour redistribution, the latter being more effective in this respect.

In line with Korpi and Palme, however, Brady and Bostic also find that income targeting reduces public support for redistribution, whereas universalism does not boost support significantly. Hence, the most effective redistributive strategy, low-income targeting, reduces support for redistribution, and the second-best option, universalism, does not create a self-sustaining dynamic of welfare state support. Korpi and Palme are partly vindicated, insofar as universalism contributes to reduce poverty, but the general power resources argument in favour of universalism does not seem to hold.

Brady and Bostic, however, measure public support for redistribution through one general question only, which asks respondents whether it should be “the government’s responsibility to reduce income differences between rich and poor” (2015, 279). Jason Jordan’s more sophisticated assessment of public support for specific programs in 17 OECD programs finds indeed that, as Korpi and Palme predicted, citizens express stronger support for universal
programs than for targeted measures (2013). Likewise, more specific studies on universalism and targeting may cast some doubts on Brady and Bostic’s conclusions about the respective effects of the two approaches. David Brady and Rebekah Burroway (2012), for instance, documents the advantages of universalism for anti-poverty policies for single mothers in 18 OECD countries. Mathieu Lefèbvre (2007) identifies a paradox of redistribution in pension systems, with systems offering a higher replacement rate to low-income households ending up less generous for the poor than contributory systems. Van Lancker and Van Mechelen’s study of child benefits find that countries with a targeting within universalism strategy fare better (2015).

Korpi and Palme’s argument, however, concerned the welfare state as a whole, the effect of an overall institutional arrangement on the politics of redistribution. Some studies still find a negative relationship between targeting, public support for redistribution, and redistributive effort (Whiteford 2008; Beramendi and Rehm 2013; McKnight 2015), but the challenge posed by the contrary results of Kenworthy (2011), Marx et al. (2013), and Brady and Bostic (2015) appears important. Perhaps, as Marx et al. suggest, the world has changed, with the emergence of new targeted programs, like negative income taxes for the working poor, which are not stigmatizing, include large segments of the population, and are designed to encourage work and undo poverty traps (2013). Targeting may in fact work best when combined with universalism, as in Denmark for instance, where new income-tested measures effectively complemented the encompassing programs associated with universalism (Green-Pedersen 2003; Kenworthy 2011; Marx et al. 2013). Or may be the paradox was always more illusory than real.

Before bidding farewell to the paradox of redistribution, however, we should assess it carefully, with data that capture the core theoretically argument, about the class politics of redistribution in different types of welfare states. In the following section, we argue this has not been done so far, to a large extent because critics constructed the problem on the basis of outcomes rather than intentions, just like Korpi and Palme themselves did when they operationalized their theory.
Kenworthy (2011), Marx et al. (2013), and Brady and Bostic (2015) all suggest that the most egalitarian welfare states combine both universalism and low-income targeting. Targeting within universalism would be the strategy of choice for the twenty-first century (Van Lancker and Van Mechelen, 2015). This conclusion, of course, seems to undermine Korpi and Palme’s argument, which pitted one approach against the other. It also suggests, as Brady and Bostic note, that universalism and low-income targeting are not the opposite ends of a single continuum, but rather two different dimensions of the welfare state. A country may provide universal benefits and services in a host of programs and, at the same time, use targeted benefits to improve the income of poorer households. Even a single program may provide benefits on both a universal and targeted basis.

Strictly speaking, universal benefits are always targeted, insofar as they are conceived for a certain category of the population (working-age adult population; children; persons over 65). Often, they are also objects of a secondary targeting, when extra benefits are offered on certain conditions. The distinction between universality and targeting, suggest Van Oorschot and Roosma, is never clear-cut, it “is a matter of degree, not of essence” (2015).

More importantly, intentions and outcomes may differ. A universal benefit or service may, or may not, have targeted consequences. Consider, for instance, an income supplement provided to all single mothers. Such a benefit would have universal intentions since it would apply uniformly to all members of a category of the population. But if low income were a widely shared characteristic of this group, as is the case with single mothers, the outcome would register as a form of low income targeting, even though there is no means test nor selectivity (Bergh 2004; Van Lancker and Van Mechelen 2015; Van Oorschot and Roosma 2015). The same logic can apply the other way around. Free post-secondary education, for example, is a universal service that in principle benefits equally all categories of the population. If, however, children from high-income families are more prone to go to university than their peers from lower income households, the outcome can become targeted toward higher incomes. We can see the problem emerge here: if the indicator of universalism or targeting is a disposable income concentration coefficient, what is measured is not intentions but outcomes.
Korpi and Palme’s insistence on the institutional characteristics of welfare states left no doubt on the importance they gave to intentions. Their ideal-typical model of social insurance institutions were precisely defined by eligibility rules, benefit-level principles, and forms for governing, all features that expressed more or less universal or more or less targeted policy intentions. In the first part of their empirical analysis, Korpi and Palme compared redistributive budget and inequality among their different types of welfare states, and found indeed that encompassing welfare states redistributed more than corporatist welfare states, which did more than basic security models. To ascertain this finding with correlations, however, they developed an “index of targeting of transfer income,” which, more or less like a Gini or Kakwani index, measured the concentration of transfer on low or high-income households (1998, 684). As they did so, they moved from intentions to outcomes, and brought in a number of exogenous effects unrelated to the institutional design of the welfare state. All other things being equal, for instance, a more unequal labor market, or a higher proportion of single-parent families, could generate a distribution of transfers more concentrated on low-income households. Transfers do reflect intentions, but they are also shaped by a number of other factors.

The three studies that questioned the existence of a paradox of redistribution replicated Korpi and Palme’s analysis with recent data covering more countries and with more sophisticated methods, but they did not question the original operationalization and conflated institutional intentions with targeting outcomes. Lane Kenworthy (2011) basically reproduced Korpi and Palme research design for recent years. Marx, Salanauskaite and Verbist acknowledged the possible distance between intentions and outcomes, but nevertheless resorted to the same type of concentration index (2013, 10). Brady and Bostic used two concentration coefficients, one to measure low-income targeting, the other to capture universality, understood as homogeneity in benefits, coverage, and eligibility. The latter was the inverse of the coefficient of variation in the amount of transfers received by households (2015, 274).

Recognizing this discrepancy between the intentions postulated in the theory and the outcomes considered in the operationalization, Van Lancker and Van Mechelen construct a targeting indicator for child benefits based on statutory information on benefits for various
households (2015, 63). Theoretically satisfying, this indicator is specific to child benefits, and does not allow a test on the whole welfare state arrangement, on par with Korpi and Palme and their critics. For this, we need to turn to different indicators, which can serve as proxies for universal intentions.

Three existing indicators can capture universal or selective intentions in the welfare state: a measure of the percentage of social benefits that are means or income tested; a measure of the proportion of private spending in total social expenditures; and the generosity index of the Comparative Welfare Entitlements Dataset.

Our first indicator uses a new OECD measure on the percentage of social benefits that are means or income tested. While targeting and universalism are not necessarily polar opposite, means testing is a form of targeting that stands contrary to the very idea of universality. Indeed, Bo Rothstein (1998) defines universalism precisely by the absence of means tests. Korpi and Palme (1998) also understand means tests as a way to limit the universality of a program. For this indicator, which constitutes a pure measure of targeting intentions and is available for the years from 2000 to 2010, we rely on the OECD Social Expenditures Update (OECD, 2014).

The second indicator measures the proportion of private spending in total social expenditures. The private share of social expenditures is a good indicator of universalism because, in keeping with Korpi and Palme’s argument, the targeted, basic security model supposes that the middle class resort to private insurance to maintain income above a low, residual threshold. By contrast, the encompassing, universalist welfare state crowds out private insurance by providing good social protection to all (Korpi and Palme 1998). This indicator also has the advantage of reaching beyond transfers, to cover the services provided or not by the welfare state. The private social expenditures compiled in the OECD Social Expenditures Database are divided by total social expenditures (OECD 2015a).

1 Unfortunately, a number of OECD countries do not compile data on mandatory private expenditures. Thus, our share of private expenditures includes only voluntary private social expenditures. Mandatory private expenditures, however, represent at most 1% or 2% of GDP and are much lower than voluntary private expenditures in the countries of our sample, except in Switzerland.
The third indicator of targeting and universalism is the generosity index compiled by Lyle Scruggs and his collaborators for the Comparative Welfare Entitlements Dataset (Scruggs et al. 2014). This generosity index was developed by Scruggs to update and improve upon Gösta Esping-Andersen’s decommodification index. It integrates a number of information on social insurance programs, concerning eligibility rules, coverage, and replacement rates, and provides a widely recognized measure of a country’s commitment to social protection, and a good indirect indicator of targeting and universalism (Van Kesbergen and Vis 2014, 85). This generosity index, argues Jason Jordan, “provides perhaps the clearest indicator of universalism understood as a combination of both universal access and sufficiently generous benefits” (2013, 140).

A fourth very conventional indicator measures what in Korpi and Palme constitutes a key intervening variable between welfare institutions and redistribution, the size of the redistributive budget. For this purpose, we use the OECD’s measure for gross public social spending as a percentage of GDP (OECD 2015a).

In our multivariate models, these four independent variables are complemented by a few conventional control variables: GDP per capita (in US dollars at current prices and purchasing power parity; OECD 2015b) to control for relative national wealth; the unemployment rate as a percentage of civilian labour force, to control for the current economic and social situation (OECD 2015c); and the old age (+65) dependency ratio (20-64), to control for the weight of pensions in welfare state expenditures (OECD 2015d). While these variables have no obvious relationship with our indicators of universalism, they are likely to increase the size of the redistribution budget, and thus have an impact in a multivariate model.

The dependent variables focus on inequality and poverty reduction. For inequality, we use a relative redistribution index constructed with Gini measures of pre-redistribution and post-redistribution inequality (the difference between market income Gini and disposable income Gini, divided by market income Gini and multiplied by 100; OECD 2015e). For poverty, we use a similar index comparing the rate of persons with an income below 50% of the median income before taxes and transfers to the same rate after redistribution (the difference between the market poverty rate and the welfare state poverty rate, divided by the market poverty rate and multiplied...
These measures of redistribution are not without difficulties. They force us to assume, notably, that the pre-distribution outcomes are pure market outcomes, uninfluenced by welfare state institutions, which, of course, is unlikely (Esping-Andersen and Myles, 2009, 651-52). They nevertheless remain the best, and most conventional, measures of redistribution we have. Because we do not use a transfer concentration index as an independent variable, but rather institutional indicators, these redistribution variables also are not at risk of being contaminated by an independent variable that captures similar dimensions. The OECD data for inequality and poverty are not available for every year, which reduces the number of observations.

The time frame for our model is constrained by the availability of data for our first independent variable, the percentage of social benefits that are means tested, compiled for the years 2000-2010. This is a rather short period, but it is a crucial one to test our argument, since critics of the paradox of redistribution suggest that the paradox stopped working in the twenty-first century. If we can demonstrate that universal intentions continued to reduce inequality and poverty in the first decade of this century, we can claim there is still a paradox of redistribution.

Even though some critics have extended the argument to newer welfare states in Southern and Eastern Europe, and even to developing countries outside the OECD, the paradox was originally conceived as a characteristic of class politics in well-established welfare states. For this reason, and because data are not available for all countries, we focus on the 17 classical welfare states of advanced democracies, excluding Switzerland because it has very few data points on inequality and an unusually large share of mandatory private social expenditures, a feature not measured for most countries.

The fact that we have a small sample of cases over a limited number of years is compensated by the use of a time-series cross-sectional (TSCS) approach, which makes it possible to estimate multivariate models. Surprisingly, given the currency of this statistical approach in comparative politics, this method has never been used to test the existence of a paradox of redistribution. Most studies have used correlations or bivariate regressions, except for Brady and Bostic (2015), which is based on individual level observations. In keeping with the use of outcomes as a measure of universalism, the focus has been more on the refinement of
individual level measures than on macro-level modeling. As we turn to intentions, however, and a shift to an explicitly macro perspective, a TSCS approach seems warranted.

**Results: Still the Paradox**

Consider, first, bivariate correlations between the main variables of interest. All relationships are strong and significant, in the expected direction. The percentage of social benefits that is means tested is positively correlated to the share of voluntary private spending in total social expenditures, and negatively correlated to the generosity index. Our three indicators of targeting/universalism seem to fit together coherently. These three indicators also predict gross public social spending as a percentage of GDP: means testing and private spending lower social expenditures, and generosity favours them. The consequences for redistribution are also as expected: means testing and private spending are inimical to redistribution, whether measured by the Gini index or by poverty reduction, and generosity and social expenditures make countries more egalitarian. Redistribution and poverty reduction are also strongly correlated, as the literature would predict.
Table 1: Correlations between indicators of targeting/universalism, social expenditures and measures of redistribution, 17 OECD countries, 2000-2010 (N = 110)

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<tr>
<th></th>
<th>meanstest</th>
<th>sharepriv</th>
<th>totgen</th>
<th>socex</th>
<th>redistn</th>
<th>poverty</th>
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<tr>
<td>meanstest</td>
<td>1.0000</td>
<td></td>
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<tr>
<td>sharepriv</td>
<td>0.3680*</td>
<td>1.0000</td>
<td></td>
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<tr>
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<td></td>
<td>0.0000</td>
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<tr>
<td>totgen</td>
<td>-0.7222*</td>
<td>-0.4169*</td>
<td>1.0000</td>
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<td>0.0000</td>
<td>0.0000</td>
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<tr>
<td>socex</td>
<td>-0.7373*</td>
<td>-0.5407*</td>
<td>0.6362*</td>
<td>1.0000</td>
<td></td>
<td></td>
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<td>0.0000</td>
<td>0.0000</td>
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<tr>
<td>redistn</td>
<td>-0.6645*</td>
<td>-0.7399*</td>
<td>0.7503*</td>
<td>0.7633*</td>
<td>1.0000</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
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<tr>
<td>poverty</td>
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<td>-0.5286*</td>
<td>0.7802*</td>
<td>0.7037*</td>
<td>0.8850*</td>
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Note: * significant at 0.01.

By the standards that prevailed when Korpi and Palme published their study, these results are already telling. They are indeed more compelling than the correlations Korpi and Palme presented, in part because the time-series cross-sectional design gives us a larger number of cases, and in part, we would argue, because the targeting/universalism dimension is more satisfactorily operationalized.

What if we integrate these different variables into a comprehensive causal model? With a time-series cross-sectional sample, the standard approach in political science is the Panel Corrected Standard Error (PCSE) procedure designed by Nathaniel Beck and Jonathan Katz (1995). This procedure, however, cannot be used in this case, because of missing observations on
redistribution and poverty. We therefore use an equivalent, but more flexible, instrument, cluster robust time-series cross-sectional regression — `xtreg, vce (robust)` in STATA. Following a recent proposition from Gary King (2015), we compared our estimations with results from an ordinary least square regression, to evaluate the impact of the robust procedure. Our models do not include a lagged dependent variable, because, unlike an arms race or government spending for example, redistribution and poverty reduction are constructed outcomes measures that, theoretically, are not shaping the dynamic for the following year (Keele and Kelly 2006, 203). We also do not incorporate periods and cases fixed effects, because we really have only one period, and cases fixed effects are inappropriate when one or more than one independent variables of interest are time invariant or largely time invariant. With institutional determinants such as those identified here, cases fixed effects would simply make it impossible to estimate the impact of our variables (Beck and Katz 2001; Plümper et al. 2005, 330-34). One should keep in mind, as well, that our independent variables are all strongly correlated; they are unlikely to all remain significant when combined in a multivariate regression.

Before building the full model, we examined our variables to make sure they satisfied the normality assumptions expected in linear regression. Transformations were warranted for three of them: `meanstest` (square root transformation), `sharepriv` (square root transformation), and `gdp` (log transformation). These transformations left the pairwise correlations between variables basically unaffected.

Consider, first, our universalism indicators as determinants of the redistributive budget. Table 2 presents the regression results for this intermediate model.

**Table 2: Institutional determinants of gross public social spending as a percentage of GDP, 17 OECD countries, 2000-2010 (N = 187)**

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<th>OLS</th>
<th>Robust OLS</th>
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<tr>
<td><code>sqrmeanst</code></td>
<td>0.21</td>
<td>0.21</td>
</tr>
<tr>
<td><code>sqrsharepriv</code></td>
<td>-1.41***</td>
<td>-1.41***</td>
</tr>
<tr>
<td><code>totgen</code></td>
<td>0.41***</td>
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*** Significant at 0.01; ** Significant at 0.05.
As expected, a high score on the generosity index contributes to increase social expenditures, whereas a high proportion of private spending reduces them. The indicator for means test programs, however, becomes non-significant when combined with our other indicators of universalism, most probably because it is strongly correlated with the index of generosity. If we introduce our three control variables, which have a strong positive influence on social expenditures, we obtain similar results, as can be seen in Table 3. The index of generosity and the share of private spending remain significant determinants of total social expenditures. Again, the indicator for means test program is not significant, but the relationship becomes negative and significant when we remove the index of generosity from the equation. This is simply a problem of collinearity, the two independent variables being closely associated (-0.72).

Table 3: Institutional and social determinants of gross public social spending as a percentage of GDP, 17 OECD countries, 2000-2010 (N = 187)

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<th>Robust OLS</th>
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</thead>
<tbody>
<tr>
<td>sqrmeanst</td>
<td>0.18</td>
<td>0.18</td>
</tr>
<tr>
<td>sqrsharepriv</td>
<td>-0.96***</td>
<td>-0.96**</td>
</tr>
<tr>
<td>totgen</td>
<td>0.47***</td>
<td>0.47***</td>
</tr>
<tr>
<td>lgdp</td>
<td>2.09***</td>
<td>2.09</td>
</tr>
<tr>
<td>dependency</td>
<td>0.35***</td>
<td>0.35***</td>
</tr>
<tr>
<td>unemployment</td>
<td>0.67***</td>
<td>0.67***</td>
</tr>
</tbody>
</table>

*** Significant at 0.01; ** Significant at 0.05; * Significant at 0.10

We can now turn to the full model, establishing the determinants of redistribution and poverty reduction, which combine the institutional indicators of universalism, the level of social expenditures, and our control variable. Table 4 presents the results for redistribution, measured by post-market Gini reduction.
Table 4: Institutional and social determinants of redistribution, 17 OECD countries, 2000-2010 (N = 110)

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Robust OLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>sqrmeanst</td>
<td>0.52</td>
<td>0.52</td>
</tr>
<tr>
<td>sqrsharepriv</td>
<td>-1.44**</td>
<td>-1.44**</td>
</tr>
<tr>
<td>totgen</td>
<td>0.95***</td>
<td>0.95***</td>
</tr>
<tr>
<td>socex</td>
<td>0.30**</td>
<td>0.30**</td>
</tr>
<tr>
<td>lgdp</td>
<td>-4.51***</td>
<td>-4.51***</td>
</tr>
<tr>
<td>dependency</td>
<td>0.26**</td>
<td>0.26</td>
</tr>
<tr>
<td>unemployment</td>
<td>0.22*</td>
<td>0.22</td>
</tr>
</tbody>
</table>

*** Significant at 0.01; ** Significant at 0.05; * Significant at 0.10

As expected, social expenditures foster redistribution, and so do indicators of universalism, even when combined with social expenditures and other socio-economic determinants of redistribution. As was the case with the simplified model of social expenditures determinants, the measure for means tested program is not significant and, intriguingly given the pairwise correlations, it takes the wrong sign. Consider now poverty reduction.

Table 5: Institutional and social determinants of poverty reduction, 17 OECD countries, 2000-2010 (N = 110)

<table>
<thead>
<tr>
<th></th>
<th>OLS</th>
<th>Robust OLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>sqrmeanst</td>
<td>0.01**</td>
<td>0.01*</td>
</tr>
<tr>
<td>sqrsharepriv</td>
<td>-0.02</td>
<td>-0.02*</td>
</tr>
<tr>
<td>totgen</td>
<td>0.02***</td>
<td>0.02***</td>
</tr>
<tr>
<td>socex</td>
<td>0.004*</td>
<td>0.004*</td>
</tr>
<tr>
<td>lgdp</td>
<td>-0.12***</td>
<td>-0.12***</td>
</tr>
<tr>
<td>dependency</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>unemployment</td>
<td>0.01**</td>
<td>0.01***</td>
</tr>
</tbody>
</table>

*** Significant at 0.01; ** Significant at 0.05; * Significant at 0.10

Our results are consistent for poverty reduction, with the main indicators of universalism and social expenditures contributing to reduce poverty. The main exception, here, is with the means test indicator, which comes out as significant but in the wrong direction. Given the results
of correlations and the other regression models, this can again be interpreted as a problem of collinearity. Indeed, as can be seen in Table 1, there are strong correlations between the means test variable and other independent variables, with the generosity index and social expenditures variables in particular (respectively 0.72 and -0.74). When we run regressions including only the root square of means test indicator, along with the three control variables, the means test variable takes the expected sign (negative) and is significant, whether in OLS or OLS robust.

We thus have good reasons to think that the design of welfare state institutions, and more precisely the more or less universalist intentions inscribed into social programs, matter for redistribution and poverty reduction. When placed in a macro-institutional perspective, where it belongs, the paradox of redistribution still seem relevant.

**Conclusion**

When they identified the paradox of redistribution, Walter Korpi and Joakim Palme started from the broad design of welfare institutions to draw out their general implications for the class politics of social policy. A predominance of encompassing programs, they argued, would sustain public support for redistribution and, hence, a large social expenditures budget. Well-financed universal programs would then generate more equality. On the contrary, a basic security model, with modest common programs and an emphasis on targeting, would lower public support for the welfare state, encourage private insurance solutions and, in the end, reduce the redistributive budget and leave society more unequal. The logic was macro-institutional and political, and it was consonant with the perceptions of political actors on the left. Korpi and Palme, however, had limited evidence to back up their theoretical claims. They checked levels of expenditures in different welfare state models, examined the correlations between the size of the social budget and income redistribution, and considered the relationship between the generosity of public pensions and expenditures on private pensions. More importantly, in light of subsequent studies, they introduced a concentration index to create a measure of social transfer targeting, which proved to be a good predictor of income redistribution. As they did so, they appeared to identify the most direct connection between universalism and redistribution, providing the core test for their theory. This test would later be used to question the very existence of a paradox of redistribution, at least in this century.
Using a concentration index for the targeting of transfer income, however, moved the argument away from political intentions and welfare state institutions, and brought it closer to an argument about market and post-market outcomes. Intentions and outcomes, of course, are not unrelated, but many factors other than welfare state design contribute to shape the final distribution of transfers. Market tendencies and demographic realities, in particular, shape outcomes, irrespective of intentions. In this article, we propose to return to intentions, by considering variables and indicators that capture more directly the nature of welfare state institutions. We also improve upon the one-time correlations used by Korpi and Palme and most of their followers, by using a now conventional time-series cross-sectional design, which makes it possible to test multivariate models of the welfare state determinants of redistribution.

By Korpi and Palme’s initial standards, which focused on correlations, our proposition seems warranted. The percentage of social benefits that are means tested, the proportion of private spending in total social expenditures, the generosity index, and the size of the redistributive budget all relate in the expected way to income redistribution and poverty reduction. In a multivariate model of social spending, with standard socio-economic control variables, the share of private spending and the generosity index are significantly related to the size of the redistributive budget, and so does the percentage of means tested programs when it is tested independently. More importantly, in the full model of redistribution or poverty reduction, all variables behave as expected, except for the proportion of social benefits that are means tested, which must be run alone with control variables to become significant in the right direction. Albeit simple, these tests suggest that, at the macro-institutional level, in the twenty-first century, the paradox of redistribution still seems to operate. Countries where social programs are less anchored in universality have less generous redistributive budgets and are less effective in redistributing income and reducing poverty; countries with more encompassing welfare states spend more on transfers and services and do more to redistribute and reduce poverty. To paraphrase Mark Twain, the reports of the paradox of redistribution’s death may “have been greatly exaggerated.”
These conclusions have several implications. First, of course, our findings suggest that the political argument for a universal welfare state still has value. This does not mean that all targeting should be proscribed. It simply indicates that selective and targeted transfers are best built on a solid foundation of encompassing programs, for the very political reasons first identified by Korpi and Palme. For our times, targeting within universalism may be the strategy of choice. Second, our analysis points to the importance of operationalization choices in comparative welfare state research. To assess the impact of political choices and institutions, we would argue, it is better to use variables and indicators that capture directly the intentions written into these institutions, rather than appraise them indirectly, through outcomes. Third, our empirical strategy points to the utility of time-series cross-sectional designs, which are very common in comparative politics, but surprisingly less considered in welfare state research.

Many questions remain open. First, the availability of data forced us to look at a rather limited number of countries, for the 2000-2010 period. Ideally, the geographical scope and the time span should be expanded, to better assess Korpi and Palme's across space and over time. Second, our measure for means tested programs cannot easily be combined with other independent variables, and other combinations of independent and control variables could be considered. This is only a first cut, at a model for which good data are difficult to obtain. Third, and more importantly, the connections between the different factors at work are presumed, in line with Korpi and Palme, to work through public opinion and political mobilization. We have not tested this political dimension of the problem as did, for instance, David Brady and Amie Bostic. The basic difficulty, here, is a again a paucity of comparative data that would cover more than a single year. More work remains to be done, then, to achieve a full model of the politics or redistribution in advanced welfare states. At the very least, however, we have established that the paradox of redistribution still seem to operate in the twenty-first century. For those who favor redistribution and seek to reduce poverty, universalism appears to remain the best political strategy.
References


