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Political and Institutional Determinants of Social Legislation

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Political and Institutional Determinants of Social Legislation.

The Role of Veto Points, Veto Players, and Electoral Pressure

Ellen M. Immergut/Tarik Abou-Chadi

Dieser Artikel untersucht den Einfluss von Vetopunkten, Vetospielern und "electoral pressure" auf die Gesetzgebungstätigkeit der Regierungen von 15 europäischen Ländern im Zeitraum 1980-2003 in den Politikfeldern Arbeitsmarkt, Rente und Gesundheit. Im Gegensatz zur allgemeinen Annahme zeigt sich, dass die Gesetzgebungstätigkeit mit höherer Anzahl von Vetospielern nicht ab- sondern zunimmt. Auch offene Vetopunkte haben keinen signifikanten Effekt. Außerdem zeigt sich überraschenderweise, dass in einer Zeit, in der einiges dafür spricht, Gesetzgebungstätigkeit in diesen Bereichen als Sozialstaatskürzungen zu interpretieren, electoral pressure diese positiv beeinflusst. Dieses Ergebnis erscheint dann einleuchtend, wenn man die unserer Meinung nach zentrale Rolle intermediärer Organisationen mit einbezieht, die in der aktuellen Debatte häufig vernachlässigt wird: In korporatistischen Systemen, in denen Gewerkschaften einen starken Einfluss ausüben können, reduziert electotal pressure tatsächlich die Gesetzgebungstätigkeit. Wie vom „blame avoidance" Ansatz vorhergesagt, scheinen Gewerkschaften in der Lage zu sein, Wähler Unwillen zu mobilisieren und somit Politiker „zu bedrohen". Dieser Logik folgend sind Regierungen, die aus mehreren Vetospielern bestehen und in denen daher die Verantwortlichkeit verteilt ist, eher in der Lage Sozialkürzungen durchzusetzen. In pluralistischen Systemen dagegen können Wählervolatilität und der Wille Politiker abzustrafen nicht dazu nutzbar gemacht werden, Kürzungen zu verhindern. Im Gegenteil scheint electoral pressure Politiker eher für Firmeninteressen und Wähler, die an niedrigen Steuern interessiert sind, zu sensibilisieren.

Stichworte: Vetopunkte, Vetospieler, Electoral Pressure, Gesetzgebungstätigkeit, Wohlfahrtsstaaten

We test the impact of veto points, veto players, and electoral pressure on the legislative output of 15 European governments from 1980 to 2003 in the areas of labor law, health, and pension policy. In contrast to the conventional wisdom, we find that increasing the numbers of veto players does not reduce the legislative output of governments but instead increases this output. Second, counter-majoritarian veto points do not show a significant impact on legislative output. Third, in an era when legislative output implies welfare state retrenchment, electoral pressure is rather surprisingly associated with greater legislative activity. We make sense of these unexpected findings, by arguing that current theoretical debates have overlooked the extremely important role of intermediate associations: in corporatist systems with strong union representation and influence, electoral pressure does indeed lead to reduced legislative activity. Unions appear to be able to mobilize voter restiveness to threaten politicians, as hypothesized by the 'blame avoidance' approach. For similar reasons, governments comprised of many partisan veto players, in which blame is spread, may be more successful in negotiating reductions in social programs. In pluralist systems, however, voter volatility and willingness to punish politicians cannot be channeled by intermediary organizations to block cuts; instead electoral pressure may make politicians more sensitive to business interests and tax-sensitive voters.

Keywords: Veto Points, Veto Players, Electoral Pressure, Law Production, Welfare State

How can we explain the effectiveness of governments in producing laws? Previous theory has focused on the role of veto points and veto players. Both veto points and veto players are thought to constrain the production of laws. As laws are used to introduce new policies or to revise old policies, by reducing the rate of law production, veto points and veto players would thus logically impede policy change. In this article we take advantage of a natural experiment and an available data set to test this proposition. Since the mid-1980s, international organizations, such as the World Bank and the OECD, have urged Western European governments to cut back on their social spending. As social rights are enshrined in law, these cutbacks must be achieved through legislative changes. Consequently, one would predict that governments confronted by oppositional parliamentary veto points would produce fewer social policy cutbacks than governments not faced with veto points. Further, one would predict that governments comprised of a number of partisan veto players would produce fewer cutbacks than governments composed of a single party. We test these propositions using the NATLEX data set in the areas of labor markets, pensions, and health. In addition to the original variables of the veto players' theory, we add measures designed to capture the impact of electoral pressure on social cutbacks. In order to explain the links between these theoretical concepts and our operationalization of the various variables as well as our research design and methodology, we proceed as follows. The first section of the paper discusses the literature on how to conceptualize and measure political institutions, focusing on veto points and veto players' theories. Next in section II, we discuss theories about the impact of political institutions on social policies, as this is the area of legislation on which we focus here. Section III reviews the literature on blame avoidance and the welfare state, as well as a more recent upsurge of interest in the impact of electoral rules on policy production. Section IV presents our concept and measurement of electoral pressure, which builds upon blame avoidance and electoral systems, but we believe is both more precise and more dynamic. Section V presents our research design, including our data sources, methodology, hypotheses, and operationalization of variables. Section VI presents our results and Section VII concludes.

1. Debates about Political Institutions

One approach to political institutions categorizes sets of institutions into regimes or types. A classical distinction is the one between presidential and parliamentary regimes, sometimes referred to as the 'separation of powers' (Cheibub & Limongi 2002; Gerring, Thacker, & Moreno 2009; Linz 1990; Stepan & Skach 1994). Linz (1990) argued famously that parliamentarism is

more conducive to democratic consolidation, especially in politically-divided societies; ever since, the impact of regime type on democratization and democratic stability has remained a central concern of regime theory. By contrast, research on the impact of presidentialism and parliamentarism on *policy* outcomes is just beginning. Persson and Tabellini (2001) argue that—in combination with majoritarian electoral systems—presidential systems result in less government spending, as presidents are held directly accountable for tax increases. Gerring et al. (2009) conclude that parliamentarism is related to better governance, as measured by indicators of political, economic and human development, such as lack of corruption, GDP per capita, and infant mortality. Increasingly, research on the separation of powers has come to stress not only regime type, but its combination with political factors, such as the number of parties in the cabinet (see discussion in Samuels 2007). In a similar vein, it stands to reason that the workings of presidentialism will vary depending upon the electoral system—not just modeled as two separate variables, as in the Persson and Tabellini scheme mentioned above, but because of *interaction* effects amongst these variables. In Brazil, for example, proportional representation results in sufficient parliamentary fragmentation that presidents must search for a semi-permanent legislative support coalition (Conceição-Heldt 2010). This institution-induced political pattern contrasts markedly with the US pattern, under which the president worries about divided government and mustering the votes for legislation, but does not muster a semi-permanent legislative coalition.

These interactions between institutions—and indeed amongst institutions and political context—are the rationale for a second group of categorical schemes. Consequently, Lijphart (1999) and Powell (2000) base their typologies on *clusters* of institutions rather than on a single institutional feature. Lijphart's well-known distinction between majoritarian and consensus democracy is based on 10 dimensions that range from the electoral system and types of government (single-party or coalition) to the division of powers, which includes bicameralism, federalism, judicial review, and constitutional rigidity. In a majoritarian system, one political party can enter government and enact its legislative program with relative ease; in a consensus democracy, coalition governments are the rule, and consensus must be found not only within the government, but across the many other political arenas or judicial instances where legislation may be contested. Similarly, Powell divides political systems according to a 'majoritarian' versus a 'proportional' vision of democracy. Powell's indicators include several of those used by Lijphart, such as the electoral formula, number of parties in government, and power-sharing arrangements such as bicameralism, but he also considers rules for ensuring

representation of non-governmental parties in parliamentary standing committees, and preventing governments from dominating these committees. In contrast to Lijphart, Powell considers presidentialism explicitly—albeit rather limitedly, as he only includes one presidential case, the USA—arguing that the separation of powers cross-cuts the executive strength created by majority government, and that therefore, the USA should be considered as falling between the categories of the majoritarian and proportional visions. In terms of policy results, both authors argue that the 'consensus' or 'proportional' patterns satisfy the wishes of broader groups of voters more accurately, and results in more generous social and environmental policies. These scholars stop short, however, of providing empirical analysis of the legislative process itself. Moreover, the exact institutional mix in any one country departs considerably from these ideal types, and in fact may vary over time.

Precisely in order to model the impact of political institutions on law-making, and to account for variance over time, proponents of 'political configurations' have looked for a *direct* measure of the political and institutional situation of *governments*, as opposed to political systems taken as wholes. Such a measure would be both causally relevant and allow linear comparison across a number of governments (both cross nationally and over time). The idea is to replace pair-wise comparisons across regime types, party systems and/or types of legislatures with a continuous variable that focuses on explaining the "capacity for policy change," as Tsebelis (1995: 292) puts it. Tsebelis goes on to argue that one can capture the logic of a political configuration by focusing on the "veto players."

As there has been considerable debate about what exactly constitutes a "veto player," we will go into the definition and measurement of veto players in some detail. Tsebelis defines 'veto players' as "individual or collective actors whose agreement … is required for a change of the status quo," (1995: 289). Although this definition could be infinitely stretched to include a number of societal stakeholders, public opinion and the like, Tsebelis (1995: 308) makes clear that these "additional" veto players fall outside his definition of *institutional* and *partisan* veto players, which are restricted to *formal* political institutions (institutional veto players) and the *political parties* in the government (partisan veto players). Tsebelis does concede that interest groups and even institutional actors, such as the army, or specific individuals (say, the head of a particular parliamentary committee) may act as veto players. Further, he notes that some veto players—such as central banks—may be added to circumvent other veto players, such as the partisan veto players in the government or societal stakeholders, such as unions. Nevertheless, these societal or positional veto players can be considered somewhat "idiosyncratic" (Tsebelis

1995: 307), as they vary by policy area, by country, and even by individual personality. Therefore, for the purposes of broad comparative analysis, and in the pre-eminent empirical test of his theory (Tsebelis 1999), Tsebelis restricts himself to chambers and presidents, but specifies that for a case study, all veto players should be considered. In addition, Tsebelis mentions a series of institutionalized veto players: "courts, constitutionally required super majorities and referendums," (1995: 307).

Potential institutional veto players are specified by constitutions, but the political 'congruence' of institutional veto players must also be considered. For example, in a presidential system, like the US, the potential institutional veto players are: the President, the House and the Senate. In a parliamentary system, like the UK, the potential institutional veto players are: the executive government and the House of Commons. In order to determine whether these institutional veto players are likely to oppose legislation, Tsebelis considers their political preferences (or congruence). He defines this procedure as 'absorption.' Thus, in the UK, the government party generally enjoys a majority in the House of Commons, and one can consider the House of Commons to be absorbed.[1] (The House of Lords is not an institutional veto player because it can only delay, but not veto, legislation.) In the US, the House and the Senate would be absorbed if the president's party has captured more than 50% of the seats in the House or 60 Senate seats (to avoid filibuster), respectively. As we see, the absorption rules for the two chambers are different, because the institutional rules are different.

Despite these elaborate rules for determining the number of institutional and partisan veto players, in Tsebelis' empirical test of the theory, the *numbers* of veto players are not the important variable. Because the analysis is based on calculating the winset to the status quo, the congruence and coherence of the winsets of the veto players—whether institutional or partisan—are the central point. Furthermore, Tsebelis (1999: 595) provides an elegant proof to demonstrate that (if party preferences can be aligned along one dimension) only the maximally distant veto players actually need to agree: once they have agreed, all intermediate veto players will also agree. In addition, as there are few instances of an institutional veto player other than the government in Western European parliamentary systems—the basis for his empirical test—this boils down to the ideological range of the parties in government; the exceptions are

[1] Moreover, Tsebelis argues that the lower houses of parliament should always be considered as absorbed—even in the case of minority governments—as governments almost always occupy the median seat of the legislature, and can therefore dominate the legislature. Indeed, this is the logic of government formation (Tsebelis, 1995: 303; 1999: 594).

Germany when the opposition holds the majority in the second chamber, and Portugal when the president is not held by the parliamentary majority, (Tsebelis 1999: 593-4).

Veto players' theory predicts policy stability—that is, less new laws, and hence less changes in policy—for political configurations with a large ideological range. The theory is neutral, however, with respect to governments with a low policy range, as one would need to know whether they wish to change the *status quo* policy (Tsebelis 1999: 596). Consequently, Tsebelis adds controls for shifts in government partisanship, duration of government, and heteroskedasticity (1999: 600). As predicted by the theory, Tsebelis shows that the production of important labor market legislation in Western Europe in the 1980s was lower for governments with a greater policy range, and that neither corporatism, left government, nor agenda control of government can account for this variation (Tsebelis 1999: 603, 607). In a recent test of the ability of veto players' theory to predict changes in labor market policy, Becher (2010), finds that the maximal ideological distance amongst the veto players (whether partisan or institutional) is significant for the ability of labor ministers to change replacement rates of unemployment insurance and guarantees of employment protection. He argues that the veto players' configuration sets limits to the effects of partisanship and that in order to examine such "conjunctural causation," statistical modeling should focus more on interaction effects (2010: 35). Däubler (2008) investigates whether it matters if one *counts* the veto players or *measures* their ideological distance. He finds that it does not matter: both methods yield statistically significant results, but only for legislative proposals submitted by Members of Parliament, and not by members of the government. Like Becher, Däubler considers the interaction of the veto players' configuration with political partisanship, again providing evidence that the workings of institutions also depend upon political context.

In the empirical analysis that follows, we will restrict ourselves to institutional and partisan veto players, but will base our determination of institutional veto players on the concept of 'veto points' as counter-majoritarian institutions as developed by Immergut (1990; 1992a; 1992b). On this view, institutional veto points are defined in precisely the reverse terms as institutional veto players: the institutional veto points are the political arenas in which government proposals may be blocked. In order to determine whether or not a political arena is or is not a veto point, one must consider the formal constitutional right of the arena to veto, the political majority in the arena, and the extent of party discipline (Immergut 1990, 1992a, 1992b). Thus, the institutional veto points are essentially the institutional veto players, including referenda, courts and consideration of supermajorities. In addition, and in contrast to Tsebelis, parliamentary

chambers are considered to be veto points in the case of minority governments. The most important veto points are oppositional chambers—whether first or second—constitutional courts and referenda. As in veto players' analysis, the same rules of absorption apply. Veto points theory posits that minority interests opposed to legislation must be relevant to the decision-makers (be they legislators, voters or judges) at the veto points in order to block government proposals.

2. Political Institutions and the Welfare State

The literature on the welfare state provides quite a bit of evidence for the impact of institutional veto points on the introduction of welfare state programs and, hence, on social expenditures. Qualitative comparative studies have shown that institutional veto points are decisive for interests that wish to block government expansion—in particular in the health area (Hacker 1998, 2002, 2004, 2009; Immergut 1990, 1992a, 1992c; Maioni 1997; Tuohy 1999). For quantitative research, Huber, Ragin and Stephens (1993; 2001) operationalize the veto points by using an additive index of "constitutional structure" which consists of federalism, presidentialism, bicameralism, referenda, and single-member districts. Although single-member districts are not actually veto points, they do constitute entry barriers to new parties promoting welfare state expansion, and hence they serve as a constitutional impediment to the welfare state. In later work, Huber and Stephens (2001) add the factor of judicial review as an additional barrier to social programs. They find that veto points are negatively correlated with high social expenditures. That is, by allowing opponents to block social legislation, veto points are responsible for less generous welfare states. This additive measure of veto points is very appropriate for modeling precisely the additive effects of veto points over time, as measured by social expenditures. But this additive measure may neglect the precise link between political institutional configurations and legislative dynamics at a particular point in time, so stressed in the qualitative studies on the origins and reform of welfare states, as well as in studies of law production. Moreover, although the link between politics and social expenditures is made rather persuasively by a number of quantitative researchers, it may not be the best dependent variable for questions about the precise impact of political institutions on the legislative process, as opposed to debates about the welfare state and social policies, *per se*.

Both qualitative and quantitative studies find mixed results with regard to the impact of veto points on welfare state retrenchment, however (Immergut 2010; Schmidt 2010). In theory, veto points should make it more difficult to enact new laws, and thus to cut pre-existing programs.

That is, in the age of welfare state retrenchment, the impact of veto points should be exactly the opposite of what it was in the 'golden age' of welfare state initiation and expansion. Nevertheless, in an investigation of pension politics, Bonoli (2000; 2001) found that governments faced with effective veto points, e.g., in Switzerland, were forced to negotiate with the political opposition and the social partners, and that these governments, in the end, were ultimately more effective in passing pension legislation than those (e.g., in France) that could simply "power" things through. Alan and Scruggs (2004) also do not find a significant effect of veto points on pensions and sickness pay replacement rate—neither for increases nor cuts.

Swank (2002) argues convincingly that the political institutions exert second order effects on welfare state politics, and this is why the impact of veto points is difficult to disentangle. Politics from past epochs result in policies that now exert feedback effects on voters—as Esping-Andersen and Korpi (1984), Rothstein (1998) and Pierson (1993) have all argued. Thus, in generous welfare states, recipients will mobilize to protest cuts more rapidly than in residual welfare states. Consequently, the impact of institutions in the contemporary period will be a mix of first order (current) effects and second order (legacy) effects. Veto points, for example, have blocked welfare state development in the past, and thus are associated with unpopular welfare states in the current, retrenching period. At the same time, veto points, as Bonoli has also argued, are now weapons favorable to defenders rather than opponents of the welfare state. Thus, the first order effect prohibits cuts, while the second order effect is favorable to cuts. Similarly, proportional representation also has first and second order effects. As proportional representation has allowed better parliamentary representation for labor parties—i.e., promoters of welfare states—in the past, it is associated with popular welfare states in the current period. At the same time, proportional representation provides access to defenders of the welfare state. Thus, for proportional representation the first and second order effects are compatible and reinforce one another. These feedback logics also mean that—again, as Esping-Anderson (1990) has argued—the politics of the welfare state should follow different logics in the three 'worlds' or regimes of welfare capitalism. Hence, Swank controls for welfare state regime, as well, in his study of welfare states under globalization.

3. Blame Avoidance and the New Politics of the Welfare State

Pierson's (1994; 1996) writings on the 'new politics' of the welfare state mark a watershed in debates about the welfare state, because Pierson focuses our attention back onto voters. He argues that one must consider the difference between social policy expansions versus social

policy retrenchment. Whereas politicians might claim credit for introducing new social benefits, welfare state cutbacks are essentially an exercise in 'blame avoidance.' Once in place, social programs are exceedingly difficult to cut or eliminate because politicians fear the wrath of voters. Consequently, welfare state programs should prove highly resilient to change and party affiliation should matter less and less. At the same time, however, Pierson and Weaver acknowledge that politicians could pursue various strategies for making benefit cuts less obvious, a tactic they refer to as obfuscation (Pierson & Weaver 1993; Weaver 1986). Furthermore, political institutions—and specifically veto points—might play a difference in the extent to which politicians could avoid blame. Politicians faced with veto points should find it more difficult to pass legislation, but would face less political accountability for cuts than those unfettered by institutional constraints (Pierson 1996, 1998).

While these various considerations are certainly necessary for giving a nuanced picture of the dynamics of retrenchment politics, they make it somewhat difficult to test the 'blame avoidance' thesis. Do politicians avoid making cuts? Or do they make cuts, but hide them? Do the institutions of government so hide accountability as to make politicians impervious to blame? Or do they simply prevent politicians from enacting laws that contain cuts because of the inherent veto opportunities that they provide? Furthermore, some empirical testing has shown that voters do not necessarily punish politicians for promoting welfare state retrenchment: electoral reaction depends on partisanship, but also seems to be less widespread than assumed in this theoretical perspective (Giger & Nelson forthcoming).

Whereas the new politics literature focuses on voters *per se*, another strand of recent literature is returning to the electoral system as an important variable, especially for explaining the origins of social policies. One group of authors has stressed the importance of proportional representation for making very specific social policy preferences politically-relevant in coordinated market economics, because PR provides incentives for working and middle class alliances that are precluded by SMD systems (Estévez- Abe, Iversen, & Soskice 2001; Iversen & Soskice 2001). Moreover, political actors may actively choose political institutions precisely for their distributive properties—either because they allow interests that favor social policies that reward asset-specific investments in human capital to control the median voter position (as in the case of PR, see Cusack, Iversen, & Soskice 2007) or, conversely, because they blunt pressures for redistribution (as in the case of federalism, see Alesina & Glaeser 2004; or Beramendi 2007). Kerbergen and Manow (2009) combine these arguments about the impact of electoral systems with Rokkan's cleavage structures, arguing that PR allowed the emergence of

the rural-urban cleavage in Scandinavian countries as a political force, and hence the Social Democratic welfare state. For similar reasons, the emergence of the State-Church cleavage—again made possible by proportional representation—in Continental Europe provided the political base for the Christian Democratic or Conservative welfare state.

Given the centrality of voter behavior for the new politics approach, and the general interest in the impact of political institutions on both political behavior and policy outcomes, it makes sense to consider the role of the electoral system in considering the impact of political institutions on public policies. However, while the existence of single member districts is a coherent variable, proportional representation is not. The proportionality of PR systems varies considerably, and is affected by the electoral formula, district magnitude, and even by the size of electoral majorities. Indeed, the workings of both SMD and PR systems—both in terms of inclusiveness of interest representation, and in the vulnerability of politicians to electoral threats—are highly sensitive to the distribution of votes within particular electoral districts (Bonoli 2001; Budge 2002; Mair 2002; Schulze 2007). Thus, we will argue that any tests of the impact of voters on policy outcomes must consider both the impact of the electoral system and the distribution of votes—again, the interesting 'institutional' effect is constituted by a combination of both political institutions and political context.

4. Conceptualizing and Measuring Electoral Pressure

Inspired both by the 'new politics' literature and resurgent interest in the impact of electoral systems on the welfare state, we wished to test the impact of "electoral pressure" (Abou-Chadi 2009; Immergut, Anderson, Giebler, Schrader, & Wagner 2007; Immergut, Anderson, & Schulze 2007) on social policy decision-making. It seemed plausible that electoral pressure could provide some clues to failures in the ability of theories of institutions to predict retrenchment politics. Indeed, electoral pressure would appear to be a key factor in understanding how political institutions work more generally, and therefore essential for debates about institutional structures. However, in order to test the impact of electoral pressure on legislative activity, the concept must be defined in a clear, unambiguous way that allows empirical discrimination amongst competing hypotheses. Therefore, we focus on the implicit claim of this literature that high electoral pressure—or perhaps more exactly, high vulnerability of politicians to electoral pressure—will cause politicians to be afraid of proposing controversial changes to popular social programs. Conversely, if politicians are protected from electoral pressure, they should be more at liberty to propose controversial legislation.

A number of institutional and political variables might have consequences for the sum "electoral pressure" acting on politicians. Thus, it is essential to consider both institutions and political context, and indeed to consider interaction effects very seriously. To this end, we identify six dimensions of electoral pressure, which are based in part on theoretical discussions of political competition (Bartolini 1999; 2000; Strøm 1989). The first four are related to the electoral arena or the 'demand' side of political competition. The fifth and sixth are related to the parliamentary arena, and so to the 'supply' side of political competition.

We consider the following dimensions: First (1), voter volatility; if voters are unwilling to switch parties, politicians will not feel under pressure. Second (2), the disproportionality of the electoral system; in an electoral system with 'manufactured' majorities, a relative small shift in votes may threaten that majority; in a proportional electoral system, small shifts in votes will not cause loss of parliamentary seats, and the impact on office is relatively unpredictable. Third (3), the effective number of parties; if the effective number of parties is high, punishment is made more difficult. Fourth (4), if defection to other parties does not have an impact on office, electoral pressure will not be effective; therefore, we used a measure of "fraction of electoral winners" in government.

These four variables all affect the impact of political demand on politicians. In addition, the 'supply side' must be taken into account to measure the degree of pressure on politicians. If a government enjoys a large majority, it will be more difficult for opposition parties to mount a credible campaign to unseat the government; thus, fifth (5), the size of the government majority should be inversely related to the electoral pressure felt by politicians. By the same reasoning, the lower the number of parties holding that large majority, the lower the level of electoral pressure felt by those governing politicians; thus, sixth (6), the size of the majority in relation to the number of parties in the government should be inversely related to the electoral pressure felt by the government.

5. Research Design

5.1 Method and Dependent Variable

In order to submit these different approaches to institutions and their policy effects to an empirical test, we modeled our design on the landmark article by Tsebelis (1999). All of our models are Prais-Winsten regressions with panel-corrected standard errors, as suggested by Beck and Katz (1995; 1996), and that have become the standard in the field. Following Tsebelis, we focus on law production. Our intent is to find out if political configurations and

electoral pressure affect law production. Thus, our dependent variable is the number of laws produced by a particular governmental configuration. As the impact of veto points and veto players seems to vary across policy areas, we used the NATLEX data base of the ILO to assemble a data set of labor market, pension and health legislation in Western Europe from 1980 to 2003 (NATLEX). Because some governmental configurations do not produce laws, and in order to standardize for the length of time in government, we take the square root of the number of laws produced per year. It is of course controversial to rely on the number of laws passed by government as an indicator of policy change. Some laws might produce large changes; others might produce only small changes. Further, this does not tell us anything about the direction of change. Some laws might entail welfare state cutbacks, others expansion. However, as we have conducted an intensive study of pension laws produced in 15 EU countries between 1980 and 2003, we can attest that virtually all of these laws entail cutbacks or structural changes involving individualization and privatization of risk (Immergut, Anderson, & Schulze 2007).

Similarly, the secondary literature on health and labor laws indicates the same tendency: particularly after 1985, social legislation involves primarily restructuring and retrenchment, not benefits expansion. Thus, we are confident that our laws involve retrenchment. Further, even though this indicator does not provide a measure of the extent of restructuring and cutting, from following the politics of pension law production, we know that all pension laws are politically contested, and thus politically significant. Finally, despite the shortcomings of the number of laws as a dependent variable, this is the variable used by the pioneers of the 'law production' approach, such as Tsebelis (1999) and Döring and Hallerberg (1995; 2004). We replicate the research design in order to examine the effects on these models if we add our new variable, "electoral pressure."

5.2 Duration of Government

Tsebelis (1999) included the duration of governmental configuration as a control variable: if governments have more time to pass laws, they should be able to produce more legislation, regardless of their veto player situation. Lijphart (1999) uses duration of government to measure executive dominance.

We base our measure of government duration on governmental configurations. The beginning and end of government configurations are determined by changes in partisan and

institutional veto players. Each time there is a change in either of these variables, a new configuration starts. In addition, new elections interrupt a governmental configuration. This departs from Tsebelis (1999), who only includes changes in partisan configuration as changes in governmental configuration, but follows prevailing practice for determining the beginning and end points of governments (Damgaard 1994; Müller & Strøm 2000). As our dependent variable is divided by the number of years of governmental duration, we have already controlled for the absolute length of time a government is in office. Our measure of governmental duration is thus actually measuring executive dominance.

5.3 Veto Points and Veto Players

In an effective political system, governments should be able to pass more laws than in political systems beset by various political 'blockages' whether institutional or partisan. Thus, important independent variables are the number of partisan veto players and the maximal ideological distance amongst them. We measure the partisan veto players by counting the number of parties in government. The ideological range of the partisan veto players is measured by using the party manifesto's data set and simply measuring the largest absolute value amongst the partisan veto players (Budge, Klingemann, Volkens, Bara, & Tanenbaum 2001; Klingemann, Volkens, Bara, Budge, & McDonald 2006). Because the absorption rules reduce the variation in the number of institutional veto points, we determine whether at least one veto point is in effect ('open'), and use a dummy variable for veto point.

5.4 Alternation

As the partisanship of government changes, new laws may become attractive. The greater the partisan change in government—i.e., 'alternation'—the greater the likelihood that governments will wish to introduce new laws—regardless of whether they engender benefit increases, benefit cuts, or 'recalibration' of the welfare state. Thus, like Tsebelis (1999) we use an 'alternation' in government variable to model partisan desire for policy change. However, as we terminate the governmental configuration for every change in institutional and partisan veto players (i.e., each time a veto point opens or closes or whenever a partisan veto players enters or leaves the

government), we have many changes in configuration with little change in partisanship. [2] And therefore, to at least control for the effect of new laws being more attractive for new governments, we use total alternation of government. This is a dummy coded '1' if there is a total change of parties in government. In our view, this best represents the situation of a newly-elected administration eager to enact new policies.

5.5 Welfare State Regime and Corporatism

Following other quantitative studies of welfare state change (Allan & Scruggs 2004; Swank 2001, 2002), we control for welfare state regime and corporatism. In the case of welfare state regimes, we use dummy variables for 'social democratic' and 'conservative' welfare states, both of which compare outcomes on the dependent variable to those for 'liberal' welfare states. In order to control for the system of interest intermediation, we used the Lijphart's (1999: 177) corporatism measure, which is based on the widely used Siaroff index, and converted it into a dummy variable for 'pluralism.[3]'

5.6 Electoral pressure

Our 'new' variable 'electoral pressure' was based on the six indicators mentioned above. *Volatility(i)* is measured as the sum of the differences between the seat shares of each party at two consecutive elections; thus, this variable measures the 'effective' voter volatility as seat-irrelevant switches will not be counted; on the other hand, the impact of non-voting is included. *Disproportionality of electoral system* (ii) is measured by the '*Least Square Index'* suggested by Michael Gallagher (1991):

$$LSq = \sqrt{\frac{1}{2}\sum_{i=1}^{n}(s_i - v_i)^2}$$

where s_i and v_i are the seat shares and vote shares of the i-th party, respectively.

[2] As we have several relatively short governments (caretakers, etc.) the ideological distance to the last government is not always relevant. Moreover, in the Manifesto Data, the ideological positions of parties can change independently of there being a change of parties in government.

[3] Any value greater than 1.38 is coded , '1' for Pluralism; conversely, any vale less than or equal to 1.38 is coded '0' for corporatist.

The *effective number of parties* (iii) is measured by the Laakso und Taagepera (1979) index as follows:

$$N = \frac{1}{\sum_{i=1}^{n} s_i^{\,2}}$$

where s_i is the seat proportion of the i-th party. The *fraction of* "*winners" in government* is the proportion of electoral winners of total government parties, whereby winners are all parties that obtained more seats in the current election than in the former. *Government majority in parliament* is the parliamentary seat share of the government greater than 50%.[4] The *majority relative to the number of parties in government* is the seat share greater than 50% divided through number of parties in government.

Because the six indicators of electoral pressure are highly inter-correlated, we performed a factor analysis using these six indicators with an orthogonal rotation. We examined the impact of electoral pressure both independently and as an interaction effect with our pluralism/corporatism variable.

6. Results

6.1 Factor Analysis

The results of our factor analysis are depicted in Table 1, below. The factors that emerged are those predicted by our theoretical considerations, but in the opposite order from that discussed above: Factor One stems from the supply- side of political competition; Factor Two from the demand or electoral side of political competition. Factor One is a measure of the extent to which politicians are protected from electoral pressure because of large majorities, especially when shared with relatively few parties, this one might call it 'political protection' or 'imperviousness to electoral pressure.' This first factor indicates inequalities in competition for government office that stem from unequal market shares of the electorate, and hence constitute barriers to political competition. This was the factor discussed above as stemming from the 'supply-side' of the political market.

[4] 50% of seats is set to 0; 51% is coded as 0.01; 49% as -0.01 and so forth.

The second factor is comprised of volatility, the disproportionality of the electoral system, the effective number of parties, and the fraction of electoral winners in government. This second factor aptly captures the elements of electoral pressure coming from the electorate: that is the extent to which voters are willing to switch parties, and the extent to which these switches are relevant for political office. In line with theoretical debates, the variable with the highest loading is the disproportionality of the electoral system. This does indeed reflect the type of electoral system in use, but allows more fine-grained comparison because disproportionality is directly measured using the Gallagher index, and thus varies from election to election. Furthermore, it measures not only whether voters can more easily punish ("disproportionality") but also whether they are willing to punish ("volatility"), and how effectively this punishment affects political office ("effective number of parties" and "fraction of winners in government"). Importantly for our purposes, the identification of the two factors allows us to test the relevance of total electoral pressure for legislative behavior.

Table 1: A Factor Analysis of Electoral Pressure

Variable	Factor I	Factor II	Communality
Volatility		0.4952	0. 2594
Disproportionality of electoral system		0.8167	0.7453
Effective number of parties		-0.4733	0. 2240
Fraction of „winners" in government		0.5857	0.3595
Governmental majority in parliament	0.9533		0.9092
Majority relative to the number of parties	0.8579		0.8131
Variance	1.75388	1.55675	

**Only loadings bigger than 0.3 portrayed*
LR test: independent vs. saturated: chi2(15) = 294.25 Prob>chi2 = 0.0000
Iterated Principal Factor Analysis, N=127
Rotated Solution (Varimax)

6.2 Regression Analysis

The next step in the analysis was to include these factors in multivariate analysis of the legislation produced by different governments in the areas of labor markets, pensions and health.[5] As the results are consistent across the policy areas, we begin the analysis with the general model—which also has the greatest variance and is thus the most reliable model—and then return to point out specifics of the political logics of the particular policy areas, i.e., labor, pensions and health legislation.

These models show, first of all, that controlling for welfare state regime is relevant, and that both social democratic and conservative welfare regimes exhibit more legislative activity than liberal welfare state regimes. Social democratic regimes are more active than liberal regimes in all three policy areas, but less significantly so in the area of labor laws. Conservative regimes, on the other hand, show significantly more legislation in labor and somewhat more in health and in general (again compared to liberal regimes), but not more significance in pensions. One possible interpretation for these differences is that conservative welfare schemes are characterized by benefits rewarded according to social status, and in particular by special schemes for civil servants. It may be that legislative changes in the pension area are particularly difficult in conservative welfare state regimes, as they engender reduction of special privileges for politically significant and highly mobilized groups.

In line with veto players' analysis, we find alternation in government does lead to greater levels of law production, and it is significant (at the 10% level) for labor, health and for the model including all legislation across the three policy areas, but not for pensions. The ideological range of government impedes legislation as expected by veto players' theory, and it is highly significant for all legislation, moderately significant for labor and health, but not significant for pensions. We do not find significant effects for institutional veto points, but the sign of the relationship is negative for health and total legislation, as expected.

Most strikingly, and in contradiction to veto players' theory, the number of partisan veto players exerts a significant and positive impact on law production. That is, although veto players' theory predicts a negative effect of numbers of partisan veto players on law production,

[5] Although some methodologists warn against using factor scores for regression analysis, the risk is one of understating the significance of the variables included in the factor. As we find a significant impact, we can justify using the factor scores. Moreover, this is a common method for reducing many linked variables into a single or several factors.

we find here that the number of veto players is helpful for the passage of welfare state legislation in the age of retrenchment—and particularly so for pensions and health. This corresponds to the findings of qualitative researchers, such as Bonoli (2000) and Schludi (2005), who argue that cross-partisan compromise is more effective for retrenchment than 'powering' decisions through by majority vote.

The duration of a governmental configuration is highly significant for law production in the health and pensions area, as well as for total legislation. As previously mentioned, length of government was used in the Tsebelis (1999) study as a control variable, based on the reasoning that governments of longer tenure would simply have more time to introduce and enact legislation. As our dependent variable is the square root of number of laws produced per year, however, we have already in effect controlled for the length of time available for producing legislation. To be fair to Tsebelis, we must note that it is not just a matter of having more time for legislation, but that important legislation may require more time to prepare. Nevertheless, we think that the duration of government variable may indicate something more than time alone. Indeed, this variable (cabinet duration) is in fact Lijphart's (1999: 129) measure for "executive dominance." The duration of government is not just coincidental, but in fact based on governments withstanding tests of confidence—or not being challenged by them. The duration of government may also be set by constitution, as in presidential regimes. Whereas Linz (1990) views this set length of government duration as a weakness of presidential regimes, the conventional wisdom sees this as a strength of presidentialism. In contrast to Lijphart, we do not artificially truncate the length of government duration for presidential regimes, but instead rely on actual length of government duration up until the next parliamentary election.[6]

[6] Lijphart (1999: 129) replaces the actual length of government with the number '1' both for presidential regimes and regimes with substantial separation of executive and legislative powers, such as Switzerland.

Table 2: Impact of Veto Points, Veto Players and Electoral Pressure on Law Production

	(1)	(2)	(3)	(4)
	Square Root of Labor Laws/Year	Square Root of Pension Laws/Year	Square Root of Health Laws/Year	Square Root of All Laws/Year
Socialism	0.644 (2.14)*	1.675 (4.13)**	0.921 (3.30)**	3.242 (4.27)**
Conservativism	0.719 (2.61)**	0.304 (0.83)	0.531 (2.50)*	1.567 (2.43)*
Alternation in Government Partisanship	0.412 (1.66)+	0.195 (0.82)	0.252 (1.65)+	0.873 (1.66)+
Ideological Range of Government	-0.015 (2.37)*	-0.010 (1.41)	-0.014 (2.48)*	-0.040 (2.67)**
# Partisan Veto Players	0.210 (1.74)+	0.347 (3.49)**	0.273 (3.03)**	0.847 (3.79)**
Open Institutional Veto Point	0.063 (0.32)	-0.148 (0.78)	-0.108 (0.78)	-0.219 (0.53)
Length of Tenure of Government	0.144 (1.34)	0.517 (5.46)**	0.376 (5.09)**	1.043 (4.79)**
Pluralism Dummy	-0.487 (1.27)	0.519 (1.85)+	-0.411 (1.76)+	-0.369 (0.54)
Factor One (Protection)	-0.196 (1.57)	-0.237 (1.93)+	-0.138 (1.51)	-0.584 (2.11)*
Factor Two (Electoral Pressure)	-1.156 (2.49)*	-0.774 (2.05)*	-0.572 (1.87)+	-2.542 (2.84)**
Interaction Pluralism*Electoral Pressure	1.858 (3.66)**	1.348 (3.29)**	1.028 (3.07)**	4.277 (4.40)**
Constant	-0.431 (0.49)	-3.589 (4.44)**	-2.583 (4.20)**	-6.683 (3.73)**
Observations	127	127	127	127
Number of countries	16	16	16	16
r-squared	0.24	0.43	0.41	0.45

Prais-Winsten regression, heteroskedastic panels corrected standard errors
z statistics in parentheses, + significant at 10%; * significant at 5%; ** significant at 1%

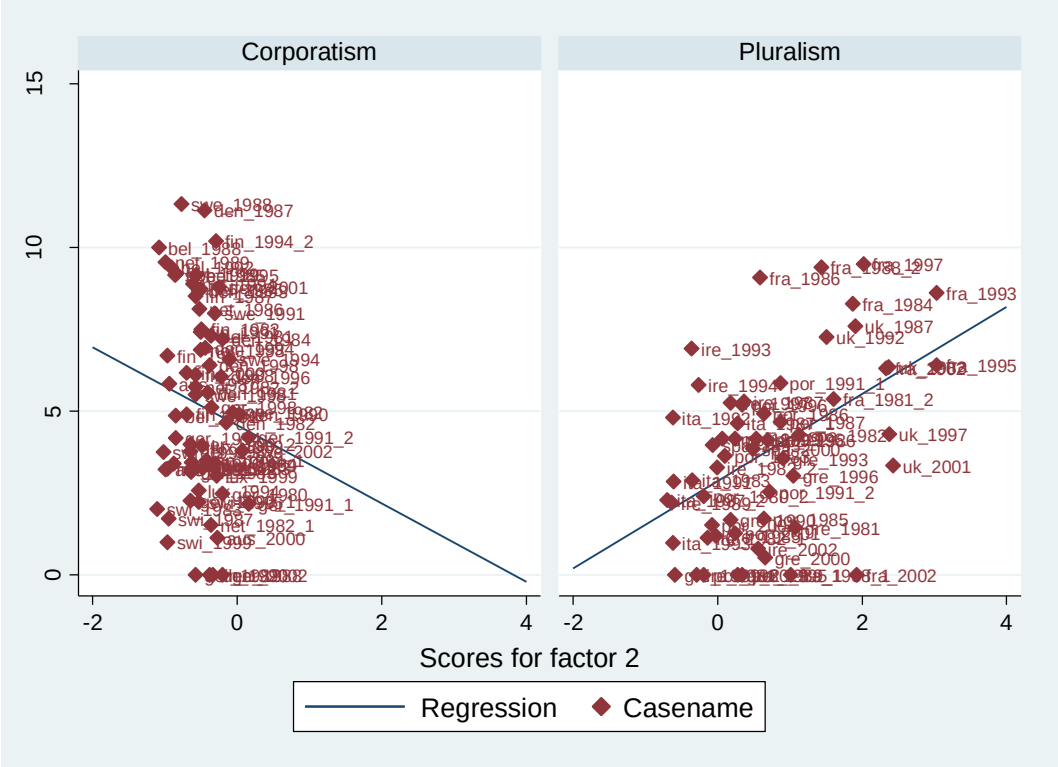
Our most novel results pertain to our measures for electoral pressure and their interaction with the system of interest intermediation. Both aspects of electoral pressure—political protection in the form of large majorities and political vulnerability in the form of politician's vulnerability to shifts in voter preferences are significant. However, the impact of these factors is very different than what we had anticipated. We had expected that if a government is 'protected' by a secure majority, and hence less threatened by a potential alternative majority, the government should be free to re-calibrate the welfare state and should produce more laws.[7] In addition, if a government is subject to higher levels of voter pressure from the electoral arena, via voter volatility, disproportionality and the like, members of the administration should be loathe to pass legislation containing changes to popular welfare state programs. Instead, however, we find that if a government is 'protected' by a large majority, *less* legislation is produced. That is, members of the government appear less motivated to react to public problems or political demands by issuing legislation.

Moreover, the effects of electoral pressure vary according to the system of interest representation, as shown in Graph 1. In a corporatist system, electoral pressure is counter-productive. In such a case, the pluralist dummy is zero, and hence only the direct effect of electoral pressure is relevant, and it is negative and significant. In a pluralist system, the dummy is one, and as the interaction effect is positive and bigger, the overall effect of electoral pressure is positive. Hence, in a pluralist system, electoral pressure is highly significant and exerts a strong positive influence on law-making. These interaction effects are in accord with qualitative findings from several areas of retrenchment politics, but they also allow us to present a more refined view. Retrenchment may indeed be more politically feasible when carried out in cooperation with societal stakeholders—but only in a situation of attenuated electoral pressure. In tripartite negotiations lack of electoral pressure may be helpful in allowing societal stakeholders and politicians across the board to make compromises in the interests of reaching an overall accord. In a pluralist situation, however, institutions for societal compromise are lacking. In this scenario, electoral pressure is necessary for legislation, and indeed politicians may not be able to broker the cross-societal compromises characteristic of 'consensus' democracy. Thus, we see how important it is to model the interaction effects. Electoral pressure

[7] Governments should also be more highly-motivated to produce new laws as 'problem pressure' increases. We have tested models with controls for the size of the deficit for all areas and for total laws, and it is not significant. We have tested the fertility rate for pensions, and it is not significant.

and corporatism, while correlated, do not co-vary. Instead, one needs to control for corporatism in order to measure precisely the full impact of electoral pressure. Conversely, only by controlling for electoral pressure can we understand differences in the political efficacy of pluralist and corporatist systems of interest intermediation.

Graph 1: Interaction Effect of Pluralism Dummy with Electoral Pressure



To summarize our findings, we conclude with a final comparison of models based on these theoretical approaches. As depicted in Table 3, we find a clear hierarchy amongst various explanations for welfare state legislation. Each has explanatory power, but there is indeed value added in considering all four models. Model One shows that social democratic welfare state regimes produce significantly more laws. In a retrenchment period, this may be interpreted as supporting various forms of the 'Nixon goes to China' argument that social democratic governments—or even politicians in countries with high public acceptance of welfare states—are able to argue more credibly to re-calibration of welfare states in the interests of welfare state sustainability (Green-Pedersen 2001; Ross 2000). Model Two depicts a replication of Tsebelis'(1999) empirical test of his veto players' theory together with an independent variable

for veto points coded following Immergut (1990). This model confirms the negative effect of ideological range on law production and positive effect of both government duration and alternation found by Tsebelis. The positive effect of the number of partisan veto players on law production, however, goes against the grain of his theory. In contradiction to both Tsebelis and Immergut, an institutional veto point does not significantly reduce law production—although the direction of the relationship is negative, as expected. Model Three shows the value added of both pluralism and electoral pressure. Finally, Model Four, which includes the interaction effect of pluralism and electoral pressure, provides the best overall fit, and improves the significance of the variables, as well as the size of the coefficients. Thus we see that in order to understand the impact of institutions, we need to consider not only political preferences of parties, but to include political pressure by voters and institutions of societal representation. Moreover, the impact of voters is not simply negative, but actually stimulates legislation under the right institutional conditions.

7. Conclusions

In this paper, we have taken first steps towards measuring electoral pressure, and in demonstrating its importance for modeling the determinants of social policy legislation, and for understanding the dynamics of political systems. In place of a series of categorical divisions or institutional mixes, we propose here to continue the work of configurational approaches to political institutions by investigating the interaction of political institutions with political and societal contexts. We have identified one important interaction, namely that of electoral pressure with institutions for interest intermediation. Thus, we can point to two routes of retrenchment politics: a corporatist route of consensual bargaining, and a pluralist route of majoritarian politics with higher levels of electoral pressure on politicians. At the same time, both consociational governments and executive dominance appear to be helpful for social policy-making in a retrenchment era. One important next step in this research will be to consider not just law production but to investigate the content of these laws more closely. A second will be to expand the range of cases considered beyond Western Europe so as to include fuller variation on both institutional configurations and electoral pressure.

Table 3: Four Models of Political Determinants of Social Policy

	(1)	(2)	(3)	(4)
	Square Root of All Laws/Year	Square Root of All Laws/Year	Square Root of All Laws/Year	Square Root of All Laws/Year
Socialism	2.590 (3.19)**	3.058 (3.90)**	3.095 (3.96)**	3.242 (4.27)**
Conservativism	0.147 (0.22)	0.621 (0.92)	1.414 (2.09)*	1.567 (2.43)*
Alternation in Government Partisanship		1.000 (1.93)+	0.696 (1.27)	0.873 (1.66)+
Ideological Range of Government		-0.036 (2.38)*	-0.037 (2.38)*	-0.040 (2.67)**
# Partisan Veto Players		0.600 (2.20)*	0.833 (3.20)**	0.847 (3.79)**
Open Institutional Veto Point		-0.251 (0.57)	-0.247 (0.59)	-0.219 (0.53)
Length of Tenure of Government		1.060 (4.47)**	1.105 (4.87)**	1.043 (4.79)**
Pluralism (Dummy)			-1.818 (2.65)**	-0.369 (0.54)
Factor One (Protection)			-0.149 (0.55)	-0.584 (2.11)*
Factor Two (Electoral Pressure)			1.181 (3.15)**	-2.542 (2.84)**
Interaction Pluralism*Electoral Pressure				4.277 (4.40)**
Constant	3.674 (6.61)**	-4.611 (2.38)*	-5.031 (2.72)**	-6.683 (3.73)**
Observations	127	127	127	127
Number of countries	16	16	16	16
r-squared	0.10	0.29	0.37	0.45

Prais-Winsten regression, heteroskedastic panels corrected standard errors
z statistics in parentheses
+ significant at 10%; * significant at 5%; ** significant at 1%

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