The welfare state and globalisation: down and out or too tough to die?

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TO APPEAR IN INTERNATIONAL JOURNAL OF SOCIAL WELFARE
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Key words: globalisation, economic openness, welfare state

Abstract

Politicians as well as researchers frequently claim that globalisation – and in particular its economic dimension – poses a threat to the welfare state. This article investigates whether such a claim is justified by the empirical studies investigating the relationship between economic openness and the welfare state. Based on the literature two contrasting hypotheses are distinguished: the first stating that economic openness does threaten the welfare state and the second arguing that this is not the case. The empirical studies are systematically reviewed in this article. The analysis shows that the second hypothesis supported most often and therefore it is concluded that economic openness does not threaten the welfare state.
Introduction

The opinion concerning the welfare state has changed completely over the last thirty years. Whereas in earlier times people were very optimistic about the welfare state and the belief was widespread that social rights could be combined with full employment, the attention has moved towards its inability to reach these goals (Korpi, 2003). At the end of the 1970s and the beginning of the 1980s, confidence in the welfare state was decreasing because it was starting to become associated with less economic growth and even with financial crises. More attention was given to the idea that welfare states may not only solve societal problems but can also create them. Recently, the discussion has widened in scope and concerns are raised about the future of the welfare state that may be threatened by several societal developments (Korpi, 2003; Pierson, 2006). Globalisation is one of the threats that have attracted the attention of politicians, researchers, and the general public (Castles, 2002; Wilding, 1997). There are many different meanings attached to globalisation and it can be conceptualised in many different ways (Guillén, 2001). A central part of most definitions of globalisation is that it concerns cross-border interactions between individuals, companies, and governments and that it entails of an economic, social, and political dimension (Dreher, 2006). This article is limited to the economic dimension of globalisation, which is the extent to which countries are integrated into the world market, reflected in their level of economic openness. There are two reasons for this limitation. First, the welfare state is basically a financial construction through which governments collect and redistribute resources within their country. It is therefore likely that an effect of globalisation on the welfare state will be most clearly visible through the impact that it has on the financial position of a country. An additional reason for focusing on the effects of economic openness is that the empirical literature investigating the consequences of globalisation for the welfare state has mainly examined this dimension and that research about the effects of social and political openness is scarce. The results from
these earlier studies show that the field of inquiry is characterised by contrasting theoretical positions and that the outcomes vary between the empirical investigations as well. Since both the hypotheses guiding the research and the empirical outcomes of the studies are in conflict the literature has not merged into one direction. Because of this state of affairs, it is not possible to answer the question whether the welfare state is threatened by the economic openness of countries at this moment. Nevertheless, since the number of empirical studies has grown extensively over the last twenty years, it seems to be a good time to look back and see to what extent these studies point into one direction or the other. In the present article this is done in the following way. First the different theoretical positions are discussed. In this discussion the theoretical arguments are grouped into two camps, namely (1) those that lead to the hypothesis that economic openness threatens the welfare state and (2) the arguments hypothesising that economic openness does not pose a threat to the welfare state. In the next section these different theoretical positions are outlined. Then an overview of the existing empirical studies is provided and it is investigated which of the two hypotheses is supported by this research material. The article closes with a discussion of the outcomes.

**Hypotheses**

The relationship between economic openness and the welfare state is studied from different theoretical points of view. With respect to the question whether economic openness poses a threat to the welfare state, two contrasting hypotheses are found in the literature. Based on the assumption that economic openness is negatively related to welfare states or may lead to welfare state convergence, it is hypothesised that economic openness threatens the welfare state. The opposing hypothesis states that economic openness does not pose a threat to the welfare state because it may lead to welfare state expansion or because other factors may be
more important in understanding cuts in the welfare state (Bowles & Wagman, 1997; Brady, Beckfield & Seeleib-Kaiser, 2005).

**Hypothesis 1: economic openness threatens the welfare state**

There are several reasons why economic openness negatively affects the welfare state (Mishra, 1999). First, it is argued that countries with high tax levels that are necessary to support the welfare state are less competitive than those with lower taxes. A second reason is that capital flight may result from high tax levels; it is expected that individuals and companies will move from countries with high taxes to countries where taxes are low. This threatens the financial base of the welfare state especially because it is likely that the individuals and companies contributing the most to the welfare state will leave the country since they have the strongest incentive to move. It is argued that governments will respond to problems of competitiveness and capital flight by lowering taxes resulting in a race to the bottom (Bowles & Wagman, 1997). The logic behind the race to the bottom is that countries will adjust their tax level in accordance with that in other countries. If one country lowers its tax in order to be more attractive to individuals and companies, others will follow and in the end all countries will end up with low taxes and few financial resources to support the welfare state. In both instances it is assumed that there is a direct relationship between economic openness and the welfare state. A third argument holds that economic openness may also threaten the welfare state indirectly, namely through the increased influence of investors on the social policies of countries and the decreasing power of the nation state due to globalisation (Scharpf, 2000; Yeates, 1999). This argument is based on the assumption that governments have a less firm grip on the economic situation of their country than before and that they have to deal with the interests of investors. This may play a role in negations since
the power of investors has increased and they can threaten with moving their production to other countries if they are not pleased with the outcome.

These arguments have in common that they state a negative relationship between economic openness and the welfare state regardless of the present situation. Others have argued that the generous welfare state is negatively affected by economic openness, whereas the less developed welfare states may actually expand as the openness of their economies increases. This argument is based on the observation that countries that have experienced a growth of economic openness in the past are also the countries with extensive welfare state arrangements. Nevertheless, it is argued that these countries have reached a maximum that makes further growth difficult or even impossible and renders cuts in welfare states necessary to keep the system working. On the other hand, the countries that are less economically open are also the ones with less developed welfare states. If their economic increases, their welfare state will also develop further just like the ones that went through that development before. As such, two different developments are hypothesised: for open countries more economic openness will mean a reduction of the welfare state and the less openness will experience a growth of their welfare state (Huber & Stephens, 2001; Rodrik, 1997). Ultimately, the expectation based on this theoretical position is that welfare states convergence as the economic openness of countries increases. Based on the idea of welfare state convergence it is argued that the less developed welfare state may benefit from increasing economic openness, but that the extensive welfare state is threatened if a country become more integrated into the world market.

**Hypothesis 2: economic openness does not threaten the welfare state**

There are several arguments countering the hypothesis that welfare states are in crisis because of economic openness. First, the hypothesis does not match the available empirical data
concerning the development of welfare state. Figures show that spending on social security has increased since the beginning of the 1980s (Castles, 2002). Since this is also the period in which economic openness increased, a reduction of welfare states would be in line with the first hypothesis. However, an expansion has taken place instead. Second, empirical studies have shown a positive correlation between economic openness and public spending and the countries with an extensive welfare state are also the economically open ones (Cameron, 1978; Katzenstein, 1985; Rodrik, 1998). These findings have led researchers to focus on the positive effects that economic openness may have on welfare state spending. There are two theoretical arguments for the hypothesis that welfare state expansion may occur because of economic openness. According to the first view, economic openness causes insecurity. The reason for this is that economically open countries are more affected by fluctuations on the world market. The interdependence between countries leads to a process through which the economic situation in one country more easily affects the situation in other countries. The fluctuations in the world market may result in unemployment and it is therefore expected that the citizens of the more economically open countries need more protection through the welfare state (Brady et al., 2005). According to the second view, economic openness requires investments in the welfare state to strengthen the competitiveness of a country. Such investments are enabled by increased prosperity and commitment to welfare spending (Castles, 1998). Moreover, spending on social arrangements creates social stability, increases human capital, and enables collective agreements between employers and employees that may counter the negative effects of economic openness (Barro, 1991). Whether the investments in the welfare state are made to deal with insecurity or to stay competitive, in both instances economic openness leads to an expansion of the welfare state, in the first case governments respond to effects that economic openness may have and in the latter governments actively develop policies to remain competitive in the world market.
In addition to that, there is reason to expect that economic openness does not threaten the welfare state from a different angle. All the aforementioned arguments are based on the premise that welfare states are somehow related to economic openness. An alternative view holds that economic openness does not threaten the welfare state, simply because it is argued that they are not related at all (Brady et al., 2005). Those supporting this view argue that other factors are of more importance for developments in the welfare state, such as the institutional structure of a country (Gray, 1998; Hall & Soskice, 2001; Swank, 2002), the equilibrium between constitutional structure, institutions, and support for social policies (Huber & Stephens, 2001; Pierson, 1996; 2001), political developments (Allan & Scruggs, 2004; Korpi, 2003), or deindustrialisation (Iversen & Crusack, 2000). Even though these hypotheses differ with respect to the question how to explain developments in the welfare state, they do agree that such developments cannot be accounted for by economic openness.

**Method**

The overview of the different hypotheses shows that there is disagreement about the consequences of economic openness for the welfare state. Each of the arguments is plausible and it is therefore not possible to disregard one of them just like that and summarising the empirical material may help to decide which of the two hypotheses finds the most support. To do this, the existing studies are systematically reviewed. Four criteria are used for the selection of the studies: (1) empirical studies were selected, (2) the studies include an indicator of the economic openness, (3) the studies include an indicator of the welfare state; and (4) the studies are international comparisons. A search of electronic databases yielded 22 studies that match these requirements (Appendix A). Some of the studies use more than one measure for economic openness and the welfare state. In a few cases these studies generate different outcomes. In total there are 27 outcomes that are taken into account in the overview.
There are different ways to conduct a research synthesis, ranging from a purely descriptive overview mapping a field of inquiry to a quantitative meta-analysis combining and reanalysing the results from different studies (Glass, 1976). Quantitative meta-analysis is the most rigorous but also the most restrictive method in the sense of the kind of data it requires; the measurement of the variables and the statistical approach needs to be similar in the different studies (Hedges & Olkin, 1980). Since the way in which welfare state are measured and the statistical tests vary between the studies used in this review it is not possible to conduct such a meta-analysis and the vote-counting method is applied instead. The vote-counting method involves counting the number of studies that support one of the two hypotheses; economic openness threatens the welfare state or not. If a study supports one of the hypotheses it will be regarded a confirmation. Hypothesis 1 is confirmed if a study reports a negative effect of economic openness or finds convergence of welfare states. Studies in which a positive effect of economic openness is found and those showing no relationship between economic openness and the welfare state support Hypothesis 2. Studies that report a negative relationship for one of the measures of economic openness but no effect for other measures are considered to support Hypothesis 1. Studies generating contrasting results that support both Hypotheses are reported twice.

In the vote-counting method each study gets the same weight in evaluating the hypotheses. This is a weak point of this method since some studies may be considered more important than others, for instance because the data or the method of analysis are of higher quality. Therefore, the outcomes of a vote-count may be affected by the lower quality studies (Cook et al., 1992). To take this into account, the quality of the studies is assessed using the Impact Factor of the journal provided by Thomson Scientific, which has the advantage that it offers a measure to compare the different studies. The Impact Factor for 2005 is used. Five of the studies are not rated; four studies appeared in journals without a rating and one study is a
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book chapter. Other characteristics of the studies, besides their quality, may also influence the outcomes. To make sure that the outcomes are not caused by these particularities of the studies, the following variables are investigated that may vary between the different studies. The first two variables focus on the breadth of the studies, namely the number of countries that are included in the studies and the time period that the studies cover. The other two variables concern the measurement of the variables and deal with how economic openness and the welfare state are operationalised. After presenting the results from the vote-counting, the influence that these variables have on the outcomes are investigated in more detail.

**Results**

The 27 outcomes of the 22 studies are summarised in Table 1 and Table 2. Table 1 provides an overview of the studies supporting hypothesis 1, stating that economic openness threatens the welfare state, and Table 2 summarises the studies that support hypothesis 2, arguing that economic openness does not threaten the welfare state. Furthermore, the tables include information about the different features of the studies.

**Tables 1 and 2 about here**
The tables show that 8 of the outcomes support Hypothesis 1 and 19 are in accordance with Hypothesis 2. From a quick look at these figures the conclusion should be that economic openness does not threaten the welfare state. Nevertheless, this conclusion is preliminary since it may well be that other factors affect the distribution of the outcomes. For instance, if the outcomes are related to the other variables summarised in the tables, there is reason to adjust this conclusion. Therefore, it is examined whether or not the characteristics of the studies may matter for the outcomes.

**Different countries**

The tables show that there is quite some similarity among the studies concerning the countries that are analysed. Most of the studies use data from developed welfare states. This is not very surprising since a large part of the literature deals with the question whether these extensive welfare states are in crisis and less emphasis is put on the effect that globalisation has on developing welfare states, which may benefit less from increased economic openness (Guan, 2001; Watkins & Fowler, 2002). The focus on developed welfare states implies that the number of countries included in the studies is relatively low; usually this ranges from 14 to 19. Stacking longitudinal data enables researchers to investigate the link between economic openness and the welfare state. A few studies include a larger sample of countries in their analyses, such as Alesina and Wacziarg (1998) and Rodrik (1998), and others, such as for instance Kaufman and Segura-Ubiergo (2001) and Rudra and Haggard (2005), have focused on less developed welfare states. Including more countries in the sample does seem to influence the results a bit; the two studies examining the largest sample find a positive relation between economic openness and the welfare state. Since these studies include a large number of countries, it can be stated that the overall effect of economic openness is positive.
Nevertheless, it does not allow concluding that there is a difference between well developed and less developed welfare states as can be read from the tables. The studies that only focus on developed welfare states are found in both tables and the same holds for those examining less developed welfare states. Therefore, the number of countries taken into account does matter to some degree but the kind of welfare states – well developed versus less developed – on which the study is based does not make a difference.

**Different time periods**

The studies are also similar with respect to the time period they investigate. The majority of the studies examine the effects of openness from the beginning of the 1970s until the end of the 1990s. There are four studies that span a remarkably longer period and also include developments that took place before 1960 and some of the studies include more recent information. Therefore, most of the findings confine a period of 20 of 30 years. Assuming that the recent increase in economic openness from a relatively recent date, it is possible that the time period on which the studies focus influence the outcomes in the sense that the effects of economic openness should be more visible in the studies that include more recent data. There is only limited support for this view; Table 2 includes more studies that show a positive relation between economic openness and the welfare state but overall it can be stated that both the time period and the time span of the study do not affect the outcomes to a large extent.

**Different quality**

Investigating the Impact Factor of the journal in which the studies are published leads to the conclusion that the subject has been dealt with in high quality journals. Only three studies are published in journals with an Impact Factor below 1 and six articles appeared in journals scoring an Impact Factor higher than 2, which are regarded high quality journals. These
studies, just like the ones that are not published in journals that are indexed, are equally found in Table 1 and Table 2. Therefore, it is concluded that in general the high quality journals are interested in publishing about the relationship between economic openness and the welfare state and that the quality of the studies does not influence the findings.

**Different indicators of economic openness**

Economic openness is defined as the extent to which a country is integrated into the world market. As can be read from the tables there are different ways to measure this. In about half of the studies economic openness is measured with *trade openness*, which is the sum of imports and exports divided by Gross Domestic Product (GDP) of a country. Another measure is *liberalisation*, such as the indicator that is developed in Quinn (1997). *Foreign Direct Investments (FDI)* is a third measure used to indicate economic openness.

Each of these indicators focuses on a different aspect of a country’s involvement in the world market. Trade openness concerns the actual level of trade, liberalisation indicates the absence of trade barriers and the financial interactions between countries are measured with ingoing and outgoing FDI. Since these are different indicators they may also have different effects on the welfare state. Surprisingly, in the literature no attention has been paid to this possibility. Instead the three aspects are considered as manifestations of the overarching variable “economic openness”. The tables show that many studies include two or three dimensions of economic openness. It turns out that trade openness is more often related to the welfare state than liberalisation and FDI. However, the direction of this influence remains unclear since negative and positive effects are reported. A consequence of the use of more than one indicator of economic openness is that there are quite some studies that report effects of one of them but not of the others. In many instances no effects from liberalisation and FDI are found. For reasons of clarity not all of these null-findings are reported in Table 2. If these
finding were reported, there would be even more support for the hypothesis that economic
openness does not influence the welfare state. Concerning the effects of the different
economic openness dimensions it is concluded that trade openness is related to the welfare
state but that the direction of this effect remains unclear and that there is considerably less
influence from liberalisation and FDI on the welfare state.

**Different indicators of the welfare state**

There are also different ways to measure welfare states. In the literature on economic
openness and the welfare state two indicators are often used. The first indicator is based on
the financial resources that *governments spend on social welfare*. Usually an overall measure
of welfare spending as share of GDP is investigated, and sometimes distinctions are made to
several functional fields such as education, health and social security. The second indicator
focuses on the *income side of the welfare state*. The basic idea behind this measure is that the
welfare state cannot be sustained if there are no financial resources. Government income is
measured with taxes; in some studies a distinction is made into taxes on capital, taxes on labor
and taxes on profits.

These financial measures of the welfare state have some important advantages.
Welfare state research benefits from them because they enable cross-national comparisons.
Their general nature makes it possible to compare government expenditures and income
across countries and time. Unfortunately, this is also the weak point of these indicators. One
problem associated with these measures is that the data are aggregated and therefore it is not
possible to investigate shifts at lower levels. Whereas it may be that some groups are affected
by economic openness, it will not be shown by the data. Furthermore, these indicators do not
provide insight into the nature of the different social policies and arrangements and the
qualitative changes that may occur. For instance, the financial data do not allow investigating
developments in the generosity and restrictiveness of social policies. Recently measures have been developed to answer questions like these, of which the level of decommodification – the extent to which people depend on the market (Esping-Andersen, 1990) – is likely to be the most well known. The question is whether the measurement of the welfare state influences the outcomes. It turns out that this is not the case; the different measures of the welfare state are found in both tables.

Conclusions

The overview presented in this article supports the view that welfare states are not necessarily in danger because of economic openness. Besides that it should be noted that this does not automatically mean that economic openness is positively related to the welfare state considering the large number of studies showing that they are not related at all. Additional research should answer the question about this relationship in more depth. Such studies may in particular focus on how political constellations within countries and path dependencies explain welfare state developments. What can be concluded based on the available research material is that economic openness does not threaten the welfare. Although this conclusion may seem good news, especially for those supporting the welfare state, it also creates a puzzle. Empirically, economic openness does not cause a crisis of the welfare state, whereas politicians and others taking part in the public debate often claim that the opposite is true and emphasise that economic openness has far-reaching consequences for the generous welfare state. It is not easy to give a simple answer to the reason for this but other studies may shed a light on it. An important insight that may explain the gap between empirical findings and the public debate is that economic openness, or globalisation in general, is not just an economic development but also refers to a certain ideology, namely neo-liberalism, which has been used to defend cuts in the welfare state (Wilding, 1997; Mishra, 1998; Palier & Sykes, 2001; Piven,
Such cuts can be viewed as a symbol that is part of a broader ideological campaign which is not opposed by the general public that repeatedly hears the message that the welfare state is bad and that nations are powerless in this globalising world (Piven, 2001). In addition to that, it may be that the welfare state is in crisis, not because of increased economic openness but because neo-liberalism has spread to many countries through different mechanism (Simmons, Dobbin & Garrett, 2006). Empirical studies are required to investigate whether the welfare state is indeed affected by this political dimension of globalisation.

References


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APPENDIX A: EMPIRICAL STUDIES


<table>
<thead>
<tr>
<th>Study</th>
<th>Number of countries</th>
<th>Time period</th>
<th>Impact Factor</th>
<th>Economic openness</th>
<th>Welfare state</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowles &amp; Wagman (1997)</td>
<td>8</td>
<td>Begin '70 - eind '80</td>
<td>Not indexed</td>
<td>Not measured&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>Welfare state spending</td>
<td>Economic openness poses a challenge to the welfare state</td>
</tr>
<tr>
<td>Kaufman &amp; Segura-Ubiergo (2001)</td>
<td>14</td>
<td>(Latin America)</td>
<td>1.305</td>
<td>Trade openness and capital account liberalization</td>
<td>Social spending</td>
<td>Trade openness is negatively related to social spending</td>
</tr>
<tr>
<td>Bretschger &amp; Hettich (2001)</td>
<td>14</td>
<td>1967-1996</td>
<td>Not indexed</td>
<td>Trade openness and capital account liberalization</td>
<td>Taxes on capital, labor, and consumption and social security spending</td>
<td>Economic openness is negatively related to taxes on capital</td>
</tr>
<tr>
<td>Montanari (2001)</td>
<td>18</td>
<td>1930-1990</td>
<td>1.490</td>
<td>Small versus large countries&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>Coverage in pensions, sickness, work accident and unemployment insurance</td>
<td>Some evidence for convergence Percentage of employers’ financing shares of pensions, sickness and unemployment insurance</td>
</tr>
<tr>
<td>Swank &amp; Steinmo (2002)</td>
<td>14</td>
<td>1981-1995</td>
<td>1.845</td>
<td>Trade openness and capital account liberalization</td>
<td>Taxes on capital, labor, and consumption and social security spending</td>
<td>Economic openness is negatively related to taxes on capital</td>
</tr>
<tr>
<td>Rudra &amp; Haggard (2005)</td>
<td>57</td>
<td>(less developed countries)</td>
<td>1.220</td>
<td>Trade openness and capital flows</td>
<td>Social security and welfare spending, health spending and education spending</td>
<td>Trade openness is negatively related to education spending</td>
</tr>
</tbody>
</table>

<sup>(a)</sup>“Not measured” means that economic openness is not directly measured but that it is assumed that economic openness has increased during a certain period.

<sup>(b)</sup>The assumption is that smaller countries are more economically open than larger countries.
## TABLE 2
### Studies supporting Hypothesis 2

<table>
<thead>
<tr>
<th>Study</th>
<th>Number of countries</th>
<th>Time period</th>
<th>Impact Factor</th>
<th>Economic openness</th>
<th>Welfare state</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodrik (1998)</td>
<td>19-125 (different samples)</td>
<td>1960-1992 (different periods)</td>
<td>2.245</td>
<td>Trade openness</td>
<td>Government spending</td>
<td>Trade openness is positively related to government spending</td>
</tr>
<tr>
<td>Swank (1998)</td>
<td>17</td>
<td>1966-1993</td>
<td>0.575</td>
<td>Financial liberalization, market liberalization and total capital flows</td>
<td>Taxes on profits and social security and payroll taxes</td>
<td>Spending on education is positively related to low-wage imports, FDI flows and portfolio flows</td>
</tr>
<tr>
<td>Bretschger &amp; Hettich (2001)</td>
<td>14</td>
<td>1967-1996</td>
<td>Not indexed</td>
<td>Trade openness and capital account liberalization</td>
<td>Taxes on capital, labor, and consumption and social security spending</td>
<td>Economic openness is positively related to taxes on labor and social security spending</td>
</tr>
<tr>
<td>Kaufman &amp; Segura-Ubiergo (2001)</td>
<td>14 (Latin America)</td>
<td>1973-1997</td>
<td>1.305</td>
<td>Trade openness and capital account liberalization</td>
<td>Social spending</td>
<td>Capital account liberalization is positively related to health and education spending</td>
</tr>
<tr>
<td>Kite (2002)</td>
<td>14</td>
<td>1973-1989 &amp; the 1990s</td>
<td>1.783</td>
<td>Trade openness and capital account liberalization</td>
<td>Government spending</td>
<td>Economically open countries with a high level of government spending are not less competitive than other countries</td>
</tr>
<tr>
<td>Carroll (2002)</td>
<td>18</td>
<td>1965-1995</td>
<td>Not indexed</td>
<td>Regulation of financial markets</td>
<td>Coverage and replacement rate of unemployment benefits</td>
<td>The probability of cuts is lower in economically open countries.</td>
</tr>
<tr>
<td>Navarro, Schmitt &amp; Astudillo (2004)</td>
<td>19</td>
<td>1946-1980 (preglobalization) &amp; 1980-2000 (globalization)</td>
<td>0.772</td>
<td>Not measured(a)</td>
<td>Social spending, government employment, tax income, taxes on profits, labor and capital</td>
<td>Welfare states have expanded during the globalization period</td>
</tr>
<tr>
<td>Islam (2004)</td>
<td>6</td>
<td>1929-1997</td>
<td>0.303</td>
<td>Trade openness</td>
<td>Government spending</td>
<td>Trades openness does not affect government spending</td>
</tr>
<tr>
<td>Hicks &amp; Zorn (2005)</td>
<td>18</td>
<td>1978-1994</td>
<td>2.060</td>
<td>Trade openness, FDI and capital account liberalization</td>
<td>Time to retrenchment</td>
<td>Economic openness is positively related to the welfare state</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Year</td>
<td>Period</td>
<td>Measure 1</td>
<td>Measure 2</td>
<td>Findings</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
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<td></td>
</tr>
<tr>
<td>Gizelis (2005)</td>
<td>14</td>
<td>1983-1988</td>
<td>Trade openness and FDI</td>
<td>Social spending</td>
<td>Trade openness is positively related to social spending. FDI and social spending are not related.</td>
<td></td>
</tr>
<tr>
<td>Rudra &amp; Haggard</td>
<td>57</td>
<td>1975-1997</td>
<td>Trade openness and capital flows</td>
<td>Government spending on social</td>
<td>Trade openness is positively related to government spending on social security and health. Capital flows are not related to the welfare state.</td>
<td></td>
</tr>
<tr>
<td>(2005)</td>
<td></td>
<td>(less</td>
<td></td>
<td>security, education and health</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>developed</td>
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<td></td>
<td></td>
<td>countries)</td>
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<td></td>
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<tr>
<td>Avelino, Brown &amp;</td>
<td>19</td>
<td>1980-1999</td>
<td>Trade openness and capital account</td>
<td>Government spending on education,</td>
<td>Trade openness is positively related to government spending on education and social security. Capital account liberalization is not related to the welfare state.</td>
<td></td>
</tr>
<tr>
<td>Hunter (2005)</td>
<td></td>
<td></td>
<td>liberalization</td>
<td>health and social security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>De Grauwe &amp; Polan</td>
<td>20</td>
<td>1990-2000</td>
<td>Trade openness</td>
<td>Social security spending</td>
<td>Countries that spend more on social security are more competitive. Economic openness is positively related to the welfare state</td>
<td></td>
</tr>
<tr>
<td>(2005)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Brady, Beckfield &amp;</td>
<td>17</td>
<td>1975-2001</td>
<td>Net trade, FDI openness and net</td>
<td>Decommodification, social</td>
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<td>Seeleib-Kaiser</td>
<td></td>
<td></td>
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<td>welfare expenditures and social</td>
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<td>(2005)</td>
<td></td>
<td></td>
<td></td>
<td>security transfers</td>
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<td>Dreher (2006b)</td>
<td>30</td>
<td>1970-2000</td>
<td>Economic openness</td>
<td>Social security spending and</td>
<td>Economic openness is positively related to taxes on capital</td>
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<td>capital</td>
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(a) “Not measured” means that economic openness is not directly measured but that it is assumed that economic openness has increased during a certain period.
(b) The assumption is that smaller countries are more economically open than larger countries.