

Trade, Welfare States and Confidence in Domestic Political Institutions

Stephen White

Neil Nevitte

Department of Political Science

University of Toronto

Draft - Please do not cite without the authors' permission.

Prepared for the Annual Conference of the Canadian Political Science Association, University of Saskatchewan, Saskatoon, May 30-June 1, 2007. The authors wish to acknowledge the financial support of the Social Sciences and Humanities Research Council of Canada.

Abstract

The internationalization of the economy is often seen as a potential threat to public confidence in domestic political institutions. Some suggest that economic openness drives down confidence in state institutions because citizens of free-trading states are more exposed than citizens of relatively closed economies to international economic shocks, and because free trade limits the economic and social policy options of states. Others argue that economically open states are resilient in the face of global economic pressures, and are well-suited to maintain the sorts of fiscal and social policies that encourage state legitimacy. Yet others point out that economic openness might not affect aggregate public confidence in state institutions, but can instead induce "confidence gaps" between different domestic social groups, depending upon whether they benefit or not from an open economy. Systematic empirical investigations of how mass publics react to economic openness remain rare. This paper employs data from the World Values Surveys (WVS) and Organization for Economic Co-operation and Development (OECD) from 30 countries to examine the effects of economic openness on confidence in domestic political institutions. We show that trade openness does have a marked impact on confidence in public institutions in countries where welfare spending effort is modest. Specifically, the results indicate substantial differences in levels of confidence between individuals of low and high socioeconomic status in states with open economies and minimal social spending. This evidence provides substantial empirical support for theoretical claims about the potential impact of economic openness on domestic politics.

Introduction

Evidence of significant variations in levels of public confidence in governmental institutions across advanced capitalist democracies has prompted a vigorous search for what explains these variations and a lively debate about what they signify. Explanations for these variations adopt widely different perspectives. Some focus primarily on such domestic factors as the performance of governments, structural changes, shifting values and rising public expectations. These domestically centered analyses typically share the concern that the proliferation of different, and often conflicting, social and political interests place excessive demands on the state. Public confidence in state institutions has waned, according to this perspective, because states are unable to satisfy these demands and meet the expectations of increasingly critical publics (Habermas, 1975; Crozier, Huntington, & Watanuki, 1975; Bell, 1973, 1976; King, 1975; Olson, 1982; Putnam, 2000; Pharr & Putnam, 2000). This argument seems plausible, but empirical support for the thesis turns out to be somewhat weak. Cross-time cross-national data reveal no clear secular trend among domestic publics in advanced industrial states: since the 1980's, public confidence in political institutions went down in such states as France, Germany and Norway, but it went up in such others as the Netherlands, Britain and Belgium (Listhaug & Wiberg, 1995; Listhaug, 1995).

An alternative line of research suggests instead that the key to explaining these variations lies in understanding how states are connected to their broader international environment. The following analysis empirically investigates alternative hypotheses that fall within this second strand of research. Specifically, we examine three competing sets of theoretical expectations that are stylized respectively as the "globalization convergence" hypothesis, the "globalization resilience" hypothesis, and the "globalization winners and losers" hypothesis. Each of these perspectives begins with the well-established premise that the international context can shape domestic political dynamics in decisive ways (Gourevitch, 1978; Putnam, 1988; Rogowski, 1989; Kayser, 2007). More particularly, each acknowledges that cross-national disparities in contextual conditions are important sources of individual-level variations in political confidence because mass publics' confidence in state institutions is determined in large part by what a state does, and by the constraints on what it can do. The three hypotheses part company, however, in two important respects: first, they provide significantly different accounts of precisely how the international context shapes the dynamics of domestic confidence in political institutions. And second, consequently, they also produce different sets of empirical expectations.

After the theoretical underpinnings of the three internationally centered hypotheses are outlined, the analysis explores four hypotheses that explicitly link trade openness and social spending to domestic levels of confidence in public institutions. These hypotheses are empirically tested using national economic and demographic data from the Organization for Economic Cooperation and Development (OECD), as well as individual-level attitudinal data from the World Values Surveys. The findings, we suggest, provide some support for the "globalization resilience" explanation. But they also indicate that "winners and losers" matter.

Theoretical Framework and Hypotheses

The internationalization of the economy is characterized as a potential threat to confidence in public institutions for at least two reasons. First, citizens in free-trading states are more exposed than their counterparts in relatively closed economies to international economic shocks: the magnitude and frequency of domestic economic crises are greater in countries that are more dependent on international trade (Rodrik, 1998). Such exogenous shocks have the potential to generate structural unemployment and a general sense of economic insecurity (Rogowski & Frieden, 1996; Scheve & Slaughter, 2004). To the extent that confidence in public institutions is affected by economic stability, the expectation is that greater dependence on external markets will be associated with lower levels of confidence in domestic political institutions. Moreover, these direct negative effects of trade openness are compounded by a second, indirect effect. The globalization convergence hypothesis contends that free trade limits the economic and social policy options of states because countries that are vulnerable to international economic competition simply cannot afford to pursue independent macroeconomic policies, or maintain the expensive social welfare programs that are vital to maintaining social cohesion (see Cooper, 1968; Krieger, 1986; Hall, 1986; Castles, 1988; Schmidt, 1995; Strange, 1996). From this vantage point, the social and economic policies of economically open states "converge" at a level of meager social expenditures and limited national control over fiscal and macroeconomic policies. If mass publics conclude that the state is losing control of the national economy, this argument goes, then public confidence in political institutions will dwindle (Putnam, 1996; Nye, 1997), possibly even to the point of undermining domestic democratic legitimacy (Scharpf, 2000).

Like the globalization convergence hypothesis, accounts of "globalization resilience" also view openness to cross-border trade and social spending effort as theoretically important macro-level determinants of political confidence. But this "resilience" hypothesis configures the relationships between confidence in political institutions, openness to trade and social spending effort in somewhat different ways. It argues instead that welfare states are resilient in the face of global economic pressures, and that countries with open economies are less constrained than convergence theorists suggest when it comes to crafting domestic social policy. According to this perspective, longstanding cross-national differences in political and economic interests, policy, and the institutional makeup of states lead different countries to pursue distinct and independent economic strategies (Alvarez, Garrett, & Lange, 1991; Garrett & Lange, 1991, 1995; Garrett, 1995; Adserà & Boix, 2002; Milner & Sudkins, 2004). Certainly, there is convincing evidence indicating that states can and do provide generous social programs and benefits for the purpose of protecting domestic publics from the worst effects of open exposure to international trade environments (Cameron, 1978; Katzenstein, 1985; Garrett, 1998; Boix, 2004).

The most forceful and theoretically focused explanation for why more openness to the international environment might be a source of greater public confidence in domestic political institutions is supplied by Katzenstein (1985, 2000). After perusing cross-time trends in 15 advanced industrial countries, Katzenstein makes an astute observation: he notes that public confidence in domestic political institutions tends to be higher in small European states than in big ones. More specifically, the critical observation is that confidence is higher in small states with open economies with generous welfare provisions than it is in big states with closed economies and less generous welfare state arrangements. Indeed, Katzenstein makes a stronger empirical claim, namely, that “[i]n Europe the smaller states rank ahead of the larger ones in political confidence precisely *because* of their greater internationalization” (2000, p. 137). The elements of this apparent causal chain are respecified by Katzenstein in a later elaboration of the theory (2003). Small size, according to Katzenstein, turns out to be “a code for something more important...What really mattered politically was the perception of vulnerability, economic and otherwise. Perceived vulnerability generated an ideology of social partnership that acted like a glue for the corporatist politics of the small European states” (2003, p. 11). Because of their apparent susceptibility to international political and economic pressures, the social partners in these vulnerable countries reached political bargains which, in turn, created relatively robust welfare states (Katzenstein, 2003).

Following this latter logic, the expectation is that if there is any relationship between trade openness and state social effort, then it is likely to be a positive one. And if state social welfare efforts boost rather than undermine confidence in the state, then citizens in states with open economies should exhibit no less confidence in their public institutions than their counterparts in closed economies. That said, there are good reasons, however, to suppose that the independent effects of trade and spending on a country's aggregate levels of public confidence in state institutions might turn out to be rather modest.

There are two important additional considerations, we suggest, that also need to be taken into account. First, most cross-national investigations of levels of public confidence in state institutions focus on aggregate levels of confidence. But it is also conceivable that there may be important within-country disparities between different social segments in terms of confidence in state institutions. Clearly, Katzenstein sees “vulnerability” as crucial, and strong welfare states as a corporatist solution to social vulnerability, there are reasons to suppose that levels of vulnerability, and so differences in public confidence, might be more deeply felt within some social segments of domestic publics than others. As Rogowski (1989) demonstrates, changes in cross-border trade have the potential to alter the axes of domestic political alignments because by creating new sets of domestic winners and losers who have conflicting political interests. This elaboration implies that there will be lower levels of confidence in public institutions among those individuals who are most vulnerable to, or who benefit the least from, a more competitive trade environment. The most vulnerable typically include those locked into the lowest social and economic strata – individuals with relatively low levels of education and income – who are less likely to have the kinds of flexible, and transferable, skills that allow them to navigate the more volatile labour markets that often characterize open economies. Cross-

national differences in trade openness and social provision, we speculate, should have the greatest impact on confidence in public institutions within this low-SES group.

Second, precisely because of the relatively distinct patterns state social provision in the face of global pressures -- where, for instance, some states with high volumes of cross-border trade have relatively low levels of social spending, while others do not (for a review, see Brune & Garrett, 2005) -- the relationship between trade openness, social spending, and confidence in public institutions may be a conditional one. Even if the relationship between trade openness and confidence is negative, as the "globalization resilience" hypothesis suggests, then we would expect that relationship to be weaker in countries with generous social provision, and a stronger in countries with modest social provision.

Of all of these perspectives, Katzenstein's insights remain the most intriguing account of how trade openness and domestic support for state institutions is mediated by welfare state provision. The empirical foundation of that account, however, remains limited to an "eye ball" of these associations in 15 advanced industrial states. The goal of this paper is to first, expand the range of analysis to include data for some 30 states, and second, to evaluate the robustness of the Katzenstein formulation against rival accounts of the impact of trade openness on domestic support for state institutions.

The globalization convergence, globalization resilience, and globalization winners and losers perspectives hinge on somewhat different conceptualizations of the precise linkages between trade openness, social welfare effort, and public confidence in political institutions. These linkages, in turn, generate significantly different expectations that are captured in the following hypotheses.

Summary of Hypotheses

H₁: Individuals in states with higher volumes of cross-border trade express less confidence in public institutions than those in states with lower volumes of cross-border trade. (The convergence hypothesis)

H₂: The negative relationship between cross-border trade and confidence in public institutions is offset by the positive relationship between social provision and confidence in public institutions. (The resilience hypothesis)

H₃: The negative relationship between cross-border trade and confidence in public institutions occurs primarily among low-SES individuals. (The winners and losers hypothesis)

H₄: The negative relationship between cross-border trade and confidence in public institutions occurs primarily among low-SES individuals in states with modest social benefits and programs.

Data and Methods

The empirical analysis that follows uses cross-national, individual-level measures of confidence in state institutions and socioeconomic status (SES), and cross-national contextual data on economic openness, welfare state size, and economic performance (See Appendix A for detailed variable construction). Confidence in public institutions is operationalized as an index of confidence in three public institutions: parliament, the civil service, and the police (Cronbach's Alpha = .70). This index is scaled to a range of values, from 0 to 1, where 0 indicates no confidence at all in any of the three institutions, and 1 indicates a great deal of confidence in all three institutions. The mean scores for confidence in state institutions vary substantially across 30 OECD countries, but they cluster around the midpoint of the index. The mean scores range 0.606 in Iceland to .299 in Mexico, with an average score across all 30 countries of 0.484. Three individual-level indicators are used to measure socioeconomic status: household income and education (both in three categories: high, medium, and low), and employment status (employed / retired versus others).¹

The contextual data come from a variety of OECD sources. Openness of the economy is measured by the ratio of trade to the size of the economy ($[\text{imports} + \text{exports}] / \text{GDP}$), with values ranging from 0.19 (Japan) to 2.16 (Luxembourg).² Welfare state size is measured by the proportion GDP spent on state social programs and benefits, with values ranging from 0.05 (South Korea) to 0.32 (Denmark). Both trade openness and social spending effort are averaged over the five years prior to the WVS survey, so that we can gauge their enduring effects.

Confidence in state institutions and socioeconomic status are operationalized using individual-level data from the World Values Surveys (WVS). The WVS data are useful for two reasons. First, confidence in institutions is a multidimensional concept, and no single indicator can adequately capture it. The WVS contain survey items that allow us to measure confidence in three different state institutions. Second, the same core battery of WVS items is asked in nearly all of the participating countries. It is often difficult to find standard cross-national measures of attitudes, beliefs, and behaviors, but the World Values Survey contains data from nationally representative samples of publics from 45 countries in 1995-1997 (N=78 574), and 67 countries in 1999-2002 (N= 96 296). 30 countries are examined in this analysis, and all are members of the Organization for Economic Co-operation and Development. Respondents from each country are given

¹ Employed and retired individuals are compared to others because the focus is on those who would most likely bear the brunt of increased competition for jobs and a volatile labour market. Retired individuals are no longer in the labour market, and so the assumption is that they share outlooks similar to those with secure jobs.

² We also considered a second measure of openness: the ratio of foreign direct investment to the size of the economy (FDI/GDP). However, FDI data for some countries were available only for a year or two prior to the WVS surveys, and in two cases the year during or after the survey (Turkey and South Korea, respectively). In any case, trade and FDI are highly correlated ($r = .77$), and it would probably be difficult to distinguish reliably between their independent effects on confidence in state institutions.

equal weight in the analyses. The complete list of countries used in the analyses is provided in the appendix.

The analysis proceeds in two steps. We begin by testing the hypotheses regarding the impact of economic openness and social spending on aggregate levels of confidence in state institutions (hypotheses one through three) by regressing the contextual variables, first, trade openness, and then trade openness and social spending, on aggregate levels of confidence in state institutions. We also introduce controls for economic performance (GDP per capita and GDP growth) in these equations.³

The second step turns to consider the impact of economic openness and social spending on within-state, individual-level differences in confidence in state institutions (hypotheses four and five). These conditional relationships are tested by regressing two-way (trade openness x SES) and three-way interactions (trade openness x social spending x SES) on individual-level confidence in public institutions. Because of the complexity of these interactions, each SES indicator is analyzed separately thus producing three conditional models. Moreover, we interpret these conditional models using Tomz, King, and Wittenberg's (2001) *CLARIFY* software. The procedure yields more precise, and more interpretable, estimates of the marginal effects of each three-way interaction.

Results

The starting point for the analysis is the straightforward bivariate relationship between trade openness and aggregate confidence in state institutions. The regression results presented in model 1 of Table 1 indicate that greater openness to trade has a positive but rather modest effect on confidence in state institutions. People in countries where the value of imports and exports matches GDP (that is, countries where trade openness = 1) score a mere .033 higher, on average, on the 0 to 1 confidence index than do people in countries completely closed to cross-border trade (where trade openness = 0).

It is possible, of course, that the relationship between trade openness and confidence is muted because of the presence of influential outliers, or because the relationship is nonlinear. The simplest strategy for exploring those possibilities is to examine a scatterplot of the relationship, shown in Figure 1. The data reveal no discernable nonlinear pattern in the relationship between trade openness and confidence, but there is one prominent outlier. Luxembourg is by far the country most open to trade, and its citizens also exhibit relatively high levels of confidence in state institutions. Tests of the influence of outliers using robust regression, however, produce results that are essentially the same as those coming from OLS regression.⁴

³ GDP per capita is averaged over the five years prior to the survey, and GDP growth is the total growth in GDP over the five years prior to the survey.

⁴ We re-analyzed all of the regression models in Table 1 using iteratively reweighted least squares robust regression, which is resistant to the bias and distortion often caused by outliers in smaller-N data (See Huber, 1981). None of the results of the robust regression analyses are substantively different from the

Another possibility to consider is that the effects of other country characteristics mask the impact of trade openness on confidence in state institutions. Strong economic performance in particular might be linked to both greater economic openness and confidence in state institutions. Yet trade openness exhibits a modest *negative* impact on confidence in state institutions once the absolute levels of economic wealth, as well as trends in countries' economic performance, are taken into account. Regression model 2 in Table 1 shows the net effect of trade openness on confidence in institutions when countries' GDP per capita and GDP growth are controlled: people in high-trading countries where the value of imports and exports matches GDP score .036 lower, on average, on the confidence index than do people in countries completely closed to trade. When economic performance is taken into account, mass publics in countries with open economies do tend to have slightly less confidence than publics in countries with closed economies, and therefore the view that openness to trade undermines confidence in the state has some fragile empirical support. But by and large there is not much evidence thus far indicating that increased trade openness has any substantive impact on confidence in state institutions.

Katzenstein's claim that strong social welfare provisions cushion the negative impact of economic openness does not find much empirical support, either. If generous social spending is a buffer against low confidence in the state, then the negative effect of greater trade openness on confidence should increase when cross-national differences in social spending are held constant. Countries' levels of social spending are introduced to the regression equation to test this claim, and the results, presented in model 3 of Table 1, offer meager support for this second claim. On average, mass publics in countries with more generous social spending have greater confidence in state institutions than do publics in countries with modest social spending. But when cross-national differences in social spending are held constant the impact on the original relationship between trade openness and confidence in state institutions is negligible.

The primary reason why welfare state strength exerts only a minor influence on the link between trade openness and confidence in state institutions seems to be that welfare state size and openness of the economy are largely unrelated ($r = .14$). Put slightly differently, these results appear to substantiate the globalization resilience hypothesis in a limited sense: economic openness does not necessarily preclude countries from having a generous welfare state, and mass publics in open countries do not exhibit substantially less confidence in the state than do publics in relatively closed economies. But the contention that publics in open economies have more confidence in the state because they have generous welfare regimes is not supported empirically.

Up to now, the focus has been on differences in confidence in the state among mass publics in the aggregate. But such state-level comparisons, we suggest, may mask significant within-country variations in confidence in state institutions across different social segments. The individual-level WVS data allows us to probe more directly how confidence in state institutions varies among individuals from different social strata,

OLS regression estimates. The *b* coefficient for trade openness (.033) in Model 1 of Table 1, for example, is a mere .003 smaller in the robust regression model (.030).

while also taking into consideration both openness of the economy and welfare state size. Here, trade openness, social spending effort, and the controls for economic performance are treated as contextual variables, while exploring their interaction with individuals' levels of education, income, and employment status.

There are two ways to interpret these relationships. The first strategy involves comparing the “confidence gap” between SES groups at different levels of economic openness and social spending effort. The assumption is that regardless of absolute levels of confidence in state institutions, it is the size of the confidence gap that has important ramifications for social and political cohesion. The second strategy involves comparing each SES group’s absolute level of confidence at different levels of economic openness and welfare state size to see whether, and to what extent, the political orientations of some social segments are more sensitive than others to changes in openness and social spending.

The data presented in Table 2 illustrate the estimated "confidence gap" between high-SES and low-SES individuals in states with varying level of trade openness.⁵ Clearly, there is some evidence indicating that the extent to which economies are open or closed does affect how much confidence individuals in different socioeconomic strata have in state institutions. In closed economies well-educated individuals tend to express less confidence in state institutions than do the least educated. In open economies, by contrast, the confidence gap is reversed; well-educated individuals tend to express greater confidence in state institutions than do their less well-educated counterparts. However, there are no noteworthy differences between people with high and low incomes, nor between those who are employed and others.

The estimates in Table 2 also show, significantly, that the confidence gap between the most and least educated changes as reliance on trade increases because the outlooks of the least educated are particularly sensitive to shifts toward economic openness. Among the least educated, confidence in state institutions declines by .14 as the economy moves from "open" to "closed." The corresponding decline among the most educated is a mere .03. In short, there is some support for the winners and losers hypothesis.

Although these changes are noteworthy, they are not especially robust. And given the pivotal role of welfare state size in theoretical accounts of the impact of economic openness on confidence in the state, it is important to consider another possibility. Does the size of the confidence gap within a country depend on a combination of both a state's reliance on trade *and* its social spending effort? The data presented in Table 3 illustrate how the estimated values of confidence in state institutions at each education level vary depending on how open or closed the economy, and modest or generous social spending is within the country. In this case it is clear that a country's greater or lesser reliance on

⁵ These estimates, derived from regression parameters from Table A1 in Appendix C, are obtained from 1000 simulations computed in *CLARIFY*. GDP Growth, and Social Spending Effort variables are held constant at their mean values. The SES and Trade Openness variables are alternatively set at the different categories and values (see Appendix) to produce the final estimates. Additional information on this estimation approach and the *CLARIFY* software program is provided in King, Tomz, & Wittenberg (2000).

trade does substantially affect the confidence gap between the most and least educated individuals, but it only does so when state social spending is modest. The estimates suggest that among countries where the state spends very little on social programs or benefits and where the economy is relatively closed to trade, well-educated individuals express less confidence in state institutions than do their least educated counterparts (.41 compared to .59, respectively). In open economies with modest social spending, the opposite relationship emerges: well-educated individuals express greater confidence in state institutions than do the least educated (.41 compared to .28, respectively).

The estimated effect of trade openness on the confidence gap between the most and least educated is reversed, but also far weaker, in countries where social spending is generous. Among countries with generous social spending and relatively closed economies, well-educated individuals express slightly more confidence in state institutions than do the least educated (.55 compared to .50, respectively), whereas in open economies with generous social spending, the most and least well-educated social segments express the same amounts of confidence in state institutions (.46). Instead, those with moderate levels of education tend to say they are the least confident (.39).

Cross-national differences in trade openness appear to have their largest effect among the least educated, and only where state spending on social programs and benefits is limited. Confidence among the least educated declines from an estimated mean of .59 in closed economies to .28 in open economies. By contrast, the largest changes in confidence among the highly and moderately educated are .10 and .17 points, respectively. To the extent that the confidence gap changes, then, it is largely because of the shifting attitudes of the least educated from one context, a relatively closed economy, to another, an open economy.

The models for income group and employment status generate broadly similar results. The confidence gap between high and low income groups, and between the employed or retired and those who are not employed, is largest when social spending is modest. According to the estimates in Table 4, under the scenario where a country's economy is relatively closed and the state pays out a minimum in social benefits and programs, people with high incomes express less confidence (.43) than those with moderate or low incomes (.49 and .50, respectively). However, high-income individuals exhibit greater confidence in state institutions than their moderate and low-income counterparts where the economy is relatively open and the welfare state is weak (.40 compared to .31). And the evidence in Table 5 illustrates an even starker pattern when it comes to employment status: among people who are not working for pay, confidence in state institutions declines sharply from .55 in relatively closed economies to .23 in open economies in countries where social spending is modest. People who are employed or retired, by contrast, exhibit a corresponding decline of only .05 at the same level of social spending.

Open economies may well produce winners and losers, who in turn have very different outlooks on state institutions. But the welfare state seems to play an important role in attenuating differences in outlooks between different social segments. Where social programs and benefits are modest, varying levels of trade openness produce

substantial gaps in confidence in the state between people in different socioeconomic strata. Where social programs and benefits are generous, people in different socioeconomic strata are more likely to have similar levels of confidence in the state's institutions.

Conclusions

We began with the observation that there remain significant differences between how competing theories specify the linkages between trade exposure, welfare state effort and domestic support for state institutions. What are missing from that dialogue are systematic efforts to evaluate directly whether the empirical evidence supports one line of reasoning over another. And that dialogue remains silent on the matter of how these dynamics reverberate *within* domestic publics. One perspective argues that public confidence in political institutions will wane when, in the face of international political and economic demands, mass publics see that the "open" state is no longer able to manage its affairs. Another argues that states find unique ways to manage their own political and economic affairs regardless of how open or closed their economic borders are. The implication of this line of reasoning is that alarm about the legitimacy of domestic political institutions is unwarranted. Indeed, Katzenstein's intriguing extrapolation is that confidence in state institutions is highest in countries with open economies.

The results presented here indicate that neither perspective has is quite right. It is true that openness appears to have a negligible impact on *aggregate* confidence in the state. But under some conditions trade openness does affect how much confidence people located in different social strata have in the state, which may have important consequences for social and political cohesion within states. Among countries that are moderately open to trade and spend a moderate amount on social programs and benefits, there tend to be fewer disparities between socioeconomic groups in levels of confidence in state institutions. The confidence "gaps" between the well-off and the less well-off are liable to be wider, however, when states disburse social benefits more sparingly.

These confidence gap, we suggest, should be of just as much substantive interest as cross-national differences in aggregate levels of confidence in state institutions. Skepticism toward the political regime is sometimes regarded as a signpost of a healthy democratic political culture (Almond & Verba, 1963). But the implications are more ambiguous when evaluations of state institutional performance differ considerably between groups that have clear political and economic stakes in what state does. It is certainly possible that large, coherent social groups which hold opposing outlooks on state institutional performance might bring about vigorous political competition for control over those institutions. Then again, such divergent views may well induce to more hazardous forms of political instability, particularly if one social segment includes people who are short on the kinds of skills and resources that facilitate economic success in more volatile open economies.

At any rate, conflicting evaluations of state institutions and levels of support for those institutions surely have important political consequences. According to the systematic evidence presented here, it seems that too much or too little economic openness encourages such contradictory outlooks between social groups. Levels of state social provision, however, apparently play a critical role in attenuating group differences in outlooks toward state institutions.

References

- Adserà, A., & C. Boix. 2002. "Trade, Democracy, and the Size of the Public Sector: The Political Underpinnings of Openness." *International Organization* 56: 229-262.
- Almond, G., & S. Verba. 1963. *The Civic Culture*. Princeton, NJ: Princeton University Press.
- Alvarez, R.M., G. Garrett, & P. Lange. 1991. "Government Partisanship, Labor Organization, and Macroeconomic Performance." *American Political Science Review* 85: 539-556.
- Bell, D. 1973. *The Coming of Post-Industrial Society*. New York: Basic Books.
- Bell, D. 1976. *The Contradictions of Capitalism*. New York: Basic Books.
- Boix, C. 2004. "Between Protectionism and Compensation: The Political Economy of Trade." In *Globalization and Egalitarian Redistribution*. Ed. P. Bradhan, S. Bowles, and M. Wallerstein. Washington: Russell Sage Foundation.
- Brune, & Garrett, G. 2005. "The Globalization Rorschach Test: International Economic Integration, Inequality, and the Role of Government." *Annual Review of Political Science* 8: 399-423.
- Cameron, D.R. 1978. "The Expansion of the Public Economy: A Comparative Analysis." *American Political Science Review* 72: 1243-1261.
- Castles, F.G. 1988. *Australian Public Policy and Economic Vulnerability*. Sydney: Allen and Unwin.
- Cooper, R. 1968. *The Economics of Interdependence*. New York: McGraw Hill.
- Crozier, M., S.P. Huntington, & J. Watanuki. 1975. *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission*. New York: New York University Press.
- European Values Study Group and World Values Survey Association (Principal Investigators). 2004. *European and World Values Surveys Integrated Data File, 1999-2002, Release 1*. The data is available from the International Consortium for Political and Social Research (ICPSR) (Study No. 3975, released April 21, 2004).
- Garrett, G., & P. Lange. 1991. "Political Responses to Interdependence: What's 'Left' for the Left?" *International Organization* 45: 539-564.
- Garrett, G., & P. Lange. 1995. "Internationalization, Institutions, and Political Change." *International Organization* 49: 627-655.

Garrett, G. 1998. "Global Markets and National Politics: Collision Course or Virtuous Circle?" *International Organization* 52: 787-824.

Gourevitch, P. 1978. "The Second Image Reversed: The International Sources of Domestic Politics." *International Organization* 32: 881-912.

Habermas, J. 1975. *Legitimation Crisis*. Trans. T. McCarthy. Boston: Beacon Press.

Hall, P. 1986. *Governing the Economy*. New York: Oxford University Press.

Huber, P. J. 1981. *Robust Statistics*. New York: John Wiley and Sons.

Inglehart, R., M. Basáñez, J. Díez-Medrano, L. Halman, & R. Luijkx. 2004. *Human Values and Beliefs: A Cross-Cultural Sourcebook Based on the 1999-2002 Values Survey*. Buenos Aires: Siglo XXI editors.

Katzenstein, P. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca: Cornell University Press.

Katzenstein, P. 2000. "Confidence, Trust, International Relations, and Lessons from Smaller Democracies." In *Disaffected Democracies: What's Troubling the Trilateral Countries?*, eds. S.J. Pharr and R.D. Putnam. Princeton, NJ: Princeton University Press. Pp. 121-148.

Katzenstein, P. 2003. "Small States and Small States Revisited." *New Political Economy* 8: 9-30.

Krieger, J. 1986. *Reagan, Thatcher, and the Politics of Decline*. New York: Oxford University Press.

Listhaug, O. 1995. "The Dynamics of Trust in Politicians." In *Citizens and the State*, eds. H. Klingemann & Dieter Fuchs. Vol. 1 of *Beliefs in Government*, ed. K. Newton. Oxford: Oxford University Press.

Listhaug, O., & M. Wiberg. 1995. "Confidence in Political and Private Institutions." In *Citizens and the State*, eds. H. Klingemann & Dieter Fuchs. Vol. 1 of *Beliefs in Government*, ed. K. Newton. Oxford: Oxford University Press.

Milner, H.V., & B. Judkins. 2004. "Partisanship, Trade Policy, and Globalization: Is There a Left-Right Divide on Trade Policy?" *International Studies Quarterly* 48: 95-119.

Nye, Jr., J.S. 1997. "In Government We Don't Trust." *Foreign Policy* 108: 99-111.

Olson, M. 1982. *The Rise and Decline of Nations: Economic Growth, Stagnation, and Social Rigidities*. New Haven: Yale University Press.

Organization for Economic Cooperation and Development (OECD). 2001. *OECD Historical Statistics*. Paris: OECD.

OECD. 2004. *OECD Social Expenditure Database*. Online. Available at: www.oecd.org/els/social/expenditure.

OECD. 2006. *OECD National Accounts Database*. Online. Available at: <http://oecd-stats.ingenta.com/OECD/eng/TableViewer/wdsview/dispviewp.asp>.

Putnam, R.D. 1988. "Diplomacy and Domestic Politics: The Logic of Two-Level Games." *International Organization* 42: 429-460.

Putnam, R.D. 1996. "The Strange Disappearance of Civic America." *The American Prospect* 24: 34-48.

Putnam, R.D. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Shuster.

Putnam, R.D., & S.J. Pharr (Eds.) 2000. *Disaffected Democracies: What's Troubling the Trilateral Countries?* Princeton, NJ: Princeton University Press.

Rodrik, D. 1998. "Why Do More Open Economies Have Bigger Governments?" *Journal of Political Economy* 106: 997-1032.

Rogowski, R. 1989. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: Princeton University Press.

Rogowski, R, & J.A. Frieden. 1996. "The Impact of the International Economy on National Policies: An Analytical Overview." In *Internationalization and Domestic Politics*, eds. R.O. Keohane and H.V. Milner. Cambridge, UK: Cambridge University Press.

Scheve, K., & M.J. Slaughter. 2004. "Economic Insecurity and the Globalization of Production." *American Journal of Political Science* 48: 662-674.

Schmidt, V. A. 1995. "The New World Order, Incorporated: The Rise of Business and the Decline of the Nation-State." *Daedalus* 124: 75-106.

Sharpf, F.W. 2000. "Interdependence and Democratic Legitimation." In *Disaffected Democracies: What's Troubling the Trilateral Countries?* Putnam, R.D., & S.J. Pharr, eds. Pp. 101-120. Princeton, NJ: Princeton University Press.

Strange, Susan. 1996. *The Retreat of the State: The Diffusion of Power in the World Economy*. New York: Cambridge University Press.

Tomz, M., J. Wittenberg, and G. King. 2001. *CLARIFY: Software for Interpreting and Presenting Statistical Results*. Version 2.0 Cambridge, MA: Harvard University, June 1. <http://gking.harvard.edu>

Tables and Figures

Table 1. Aggregate Confidence in State Institutions by Contextual Factors (OLS Regression)

	Model 1			Model 2			Model 3		
	<i>b</i>	<i>SE</i>	β	<i>b</i>	<i>SE</i>	β	<i>b</i>	<i>SE</i>	β
Trade Openness	0.033	(0.033)	0.18	-0.036	(0.029)	-0.20	-0.043	(0.029)	-0.24
Social Spending Effort							0.275	(0.168)	0.24
GDP per capita				0.007	(0.001)	0.73	0.006	(0.001)	0.65
GDP Growth				0.004	(0.001)	0.44	0.004	(0.001)	0.51
Intercept	0.459	(0.029)		0.302	(0.037)		0.258	(0.045)	
Adjusted R ²		0.03			0.46			0.49	
<i>N</i>		30			30			30	

Figure 1. Confidence in State Institutions by Trade Openness

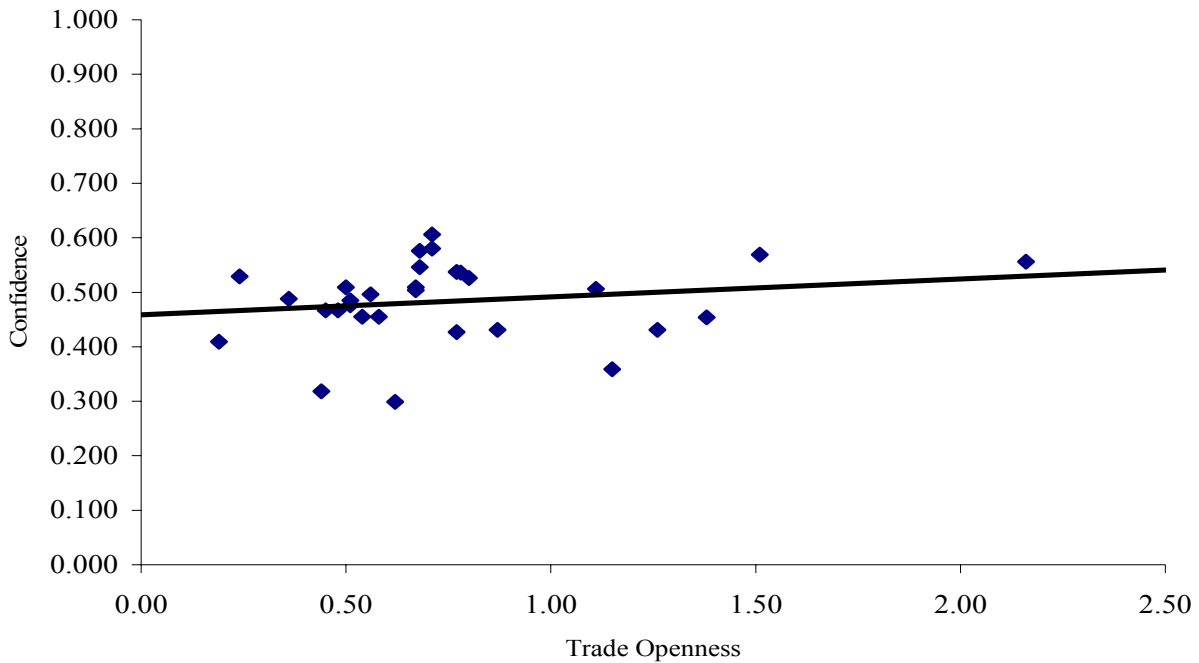


Table 2. Estimated Values of Confidence in State Institutions by Education, Income, and Employment Status (Clarify Estimates, Standard Errors in Parentheses)

	Trade Openness		
	Closed	Median	Open
High Income	.48 (.004)	.47 (.002)	.43 (.009)
Moderate Income	.49 (.004)	.47 (.002)	.41 (.009)
Low Income	.49 (.004)	.47 (.002)	.41 (.010)
High Education	.48 (.004)	.47 (.002)	.45 (.009)
Moderate Education	.48 (.003)	.47 (.002)	.42 (.007)
Low Education	.52 (.004)	.49 (.002)	.38 (.009)
Employed or Retired	.50 (.003)	.48 (.001)	.41 (.006)
Not Employed	.50 (.004)	.48 (.003)	.40 (.010)

Note: Estimated from regression models presented in Appendix Tables A1 through A3

Table 3. Estimated Values of Confidence in State Institutions by Education, Trade Openness, and Social Spending Effort (Clarify Estimates, Standard Errors in Parentheses)

Trade Openness		Social Spending Effort		
		Modest	Median	Generous
Closed	High Education	.41 (.014)	.50 (.004)	.56 (.009)
	Moderate Education	.42 (.009)	.50 (.003)	.56 (.007)
	Low Education	.59 (.010)	.54 (.003)	.50 (.007)
Median	High Education	.41 (.006)	.49 (.002)	.54 (.004)
	Moderate Education	.43 (.004)	.48 (.002)	.52 (.004)
	Low Education	.51 (.005)	.50 (.002)	.49 (.003)
Open	High Education	.41 (.032)	.44 (.009)	.46 (.021)
	Moderate Education	.48 (.027)	.42 (.006)	.39 (.017)
	Low Education	.28 (.031)	.39 (.007)	.46 (.021)

Note: Estimated from regression models presented in Appendix Table A4

Table 4. Estimated Values of Confidence in State Institutions by Income, Trade Openness, and Social Spending Effort (Clarify Estimates, Standard Errors in Parentheses)

Trade Openness		Social Spending Effort		
		Modest	Median	Generous
Closed	High Income	.43 (.011)	.51 (.004)	.55 (.009)
	Moderate Income	.49 (.010)	.51 (.004)	.52 (.008)
	Low Income	.50 (.010)	.50 (.004)	.50 (.009)
Median	High Income	.42 (.005)	.49 (.002)	.53 (.004)
	Moderate Income	.45 (.005)	.49 (.002)	.51 (.004)
	Low Income	.46 (.005)	.48 (.002)	.50 (.004)
Open	High Income	.40 (.031)	.44 (.008)	.46 (.022)
	Moderate Income	.31 (.030)	.43 (.008)	.50 (.020)
	Low Income	.31 (.030)	.43 (.008)	.50 (.022)

Note: Estimated from regression models presented in Appendix Table A5

Table 5. Estimated Values of Confidence in State Institutions by Employment Status, Trade Openness, and Social Spending Effort (Clarify Estimates, Standard Errors in Parentheses)

Trade Openness		Social Spending Effort		
		Modest	Median	Generous
Closed	Employed or Retired	.45 (.007)	.51 (.002)	.55 (.005)
	Not Employed	.55 (.011)	.51 (.004)	.48 (.009)
Median	Employed or Retired	.44 (.004)	.49 (.001)	.52 (.003)
	Not Employed	.47 (.006)	.48 (.002)	.49 (.004)
Open	Employed or Retired	.40 (.022)	.42 (.005)	.44 (.013)
	Not Employed	.23 (.035)	.41 (.008)	.52 (.022)

Note: Estimated from regression models presented in Appendix Table A6

Appendix: Methodological Notes

1. Country Cases

The World Values Survey Data (Countries, survey years, and numbers of cases)

Country	Year of Survey Completion	N	Mean Confidence Index Score (0-1)
Iceland	1999	968	0.606
Norway	1996	1127	0.580
Denmark	1999	1023	0.576
Ireland	2000	1012	0.569
Luxembourg	1999	1211	0.556
Finland	2000	1038	0.546
Sweden	2000	1015	0.537
Canada	2000	1931	0.536
United States	2000	1200	0.529
Austria	1999	1522	0.526
Portugal	1999	1000	0.509
Turkey	2001	4607	0.509
Netherlands	1999	1003	0.506
Switzerland	1996	1212	0.504
Great Britain	1999	1000	0.496
Australia	1995	2048	0.488
Spain	2000	2409	0.485
Germany	1999	2036	0.476
France	1999	1615	0.467
Italy	1999	2000	0.467
New Zealand	1998	1201	0.455
Poland	1999	1095	0.455
Belgium	1999	1912	0.454
Hungary	1999	1000	0.431
Slovakia	1999	1331	0.431
South Korea	2001	1200	0.427
Japan	2000	1362	0.409
Czech Republic	1999	1908	0.359
Greece	1999	1142	0.318
Mexico	2000	1535	0.299
30 Country Average			0.484

2. Variable Definitions

Confidence in State Institutions

There are four state institutions for which WVS data are available in all 30 countries we examine: the Army, the Police, Parliament, and the Civil Service. The wording of these items is as follows:

I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?

	A great deal	Quite a lot	Not very much	None at all
<i>The Army</i>	1	2	3	4
<i>The Police</i>	1	2	3	4
<i>Parliament</i>	1	2	3	4
<i>Civil Service</i>	1	2	3	4

As the reliability analysis in Table A1 illustrates, three of these items (the Police, Parliament, and the Civil Service) form a reliable index. The Army item is a relatively poor fit with the other three, and was subsequently dropped from the index:

Reliability Analysis for Confidence in State Institutions Index (unstandardized items)

Item	N	Item-test correlation	Item-rest correlation	Average inter-item covariance	Alpha
e070 Army	43158	0.66	0.35	0.29	0.70
e074 Police	43936	0.76	0.51	0.22	0.58
e075 Parliament	42680	0.75	0.49	0.23	0.60
e076 Civil Service	42603	0.74	0.51	0.25	0.59
Test Scale				0.24	0.69

The Confidence in State Institutions Index is an additive measure recoded on a scale ranging from 0 to 1 ($[(\text{Police} + \text{Parliament} + \text{Civil Service}) - 12] * 1$), where 0 indicates no confidence at all, and 1 indicates a great deal of confidence, in all three institutions.

Source: *European and World Values Surveys Integrated Data File, 1999-2002, Release 1* (2004).

Gross Domestic Product Per Capita

The GDP per capita for each country averaged over the five years prior to WVS survey. It is measured in thousands of US dollars, at 2000 price levels and purchasing power parities.

Source: *OECD National Accounts Database* (2006).

Social Spending

Total spending on social programs and benefits as a proportion of GDP, averaged over the five years prior to WVS survey. The OECD defines social spending as "the provision by public (and private) institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer. Such benefits can be cash transfers, or can be the direct ('in-kind') provision of goods and services." (OECD, 2004).

Source: *OECD Social Expenditure Database* (2004).

Trade Openness

Total imported and exported goods and services as a proportion of GDP, averaged over the five years prior to WVS survey. Values range from a minimum of

Sources: Table 6.11, "Exports of Goods and Services as a Percentage of GDP", and Table 6.12, "Imports of Goods and Services as a Percentage of GDP", *OECD Historical Statistics* (2001).

GDP Growth

The percentage change in Real Gross Domestic Product over the five years prior to the WVS survey.

Source: Table 3.1, "Real Gross Domestic Product (GDP): Year to Year Percentage Changes," *OECD Historical Statistics* (2001).

Education

Three dummy variables, computed from the 3-category education variable (x025r) in the WVS dataset:

Dummy Variable	Coding
Low Education	3 categories = 1 [1. inadequately completed elementary education, 2. completed (compulsory) elementary education, 3. (compulsory) elementary education and basic vocational qualification] All other categories = 0
Moderate Education	3 categories = 1 [1. secondary - intermediate vocational qualification, 2. secondary - intermediate general qualification, 3. full secondary - maturity level certificate] All other categories = 0
High Education	2 categories = 1 [1. higher education - lower-level tertiary certificate, 2. higher education - upper-level tertiary certificate] All other categories = 0

Source: *European and World Values Surveys Integrated Data File, 1999-2002, Release 1* (2004).

Income

Three dummy variables representing low, middle, and high income, computed from the 3-category education variable (x047r) in the WVS dataset. For most countries, the 3-category education variable was recoded from an original ten-point scale of income categories, such that each category would comprise roughly a third of the sample (see Inglehart et al: 408-410).

Source: *European and World Values Surveys Integrated Data File, 1999-2002, Release 1* (2004).

Employment Status

A dummy variable, computed from the employment status variable (x028) in the WVS dataset: individuals working for pay or retired are coded "1", and all other categories ("student", "unemployed", "housewife not otherwise employed", and "other") are coded "0".

Source: *European and World Values Surveys Integrated Data File, 1999-2002, Release 1* (2004).

3. Weighting

The WVS data are weighted by variable s018, the "equilibrated weight." This weight incorporates national weights to correct for demographic differences and household weights, and also weights each country equally (N=1000).

4. Settings for CLARIFY Simulations

GDP Growth, and Social Spending Effort variables are held constant at their mean values. The SES and Trade Openness variables are alternatively set at three different plausible values, the minimum, maximum, and median:

	Minimum Value	Maximum Value	Median Value
Trade Openness	0.19 (closed)	2.16 (open)	0.67 (median)
Social Spending	0.05 (modest)	0.32 (generous)	0.22 (median)

5. Regression Results for Interactive Models

Table A1

Variable	b	S.E.	
GDP Growth	0.403	0.018	**
GDP Per Capita	0.006	0.000	**
Trade Openness	-0.033	0.005	**
Social Spending	0.224	0.020	**
High Education	-0.007	0.006	
Low Education	0.050	0.006	**
High Education × Trade Openness	0.016	0.007	
Low Education × Trade Openness	-0.042	0.007	**
Constant	0.249	0.006	**
Adjusted R ²		0.068	
N		40991	

* P < .01

** P < .001

Table A2

Variable	b	S.E.	
GDP Growth	0.405	0.019	**
GDP Per Capita	0.006	0.000	**
Trade Openness	-0.042	0.006	**
Social Spending	0.253	0.021	**
High Income	-0.012	0.007	
Low Income	-0.001	0.007	
High Income × Trade Openness	0.015	0.008	
Low Income × Trade Openness	-0.001	0.009	
Constant	0.270	0.007	**
Adjusted R ²		0.061	
N		34093	
* P < .01	** P < .001		

Table A3

Variable	b	S.E.	
GDP Growth	0.417	0.018	**
GDP Per Capita	0.006	0.000	**
Trade Openness	-0.054	0.006	**
Social Spending	0.256	0.020	**
Employed / Retired	-0.006	0.006	
Employed / Retired × Trade Openness	0.011	0.007	
Constant	0.269	0.007	**
Adjusted R ²		0.066	
N		40145	
* P < .01	** P < .001		

Table A4

Variable	b	S.E.	
GDP Growth	0.416	0.015	**
GDP Per Capita	0.007	0.000	**
Trade Openness	0.053	0.022	
Social Spending	0.608	0.073	*
Trade Openness × Social Spending	-0.432	0.101	**
High Education	-0.003	0.024	
Low Education	0.264	0.022	**
High Education × Social Spending	0.001	0.116	
Low Education × Social Spending	-1.026	0.106	**
High Education × Trade Openness	-0.040	0.033	
Low Education × Trade Openness	-0.238	0.032	**
Low Education × Social Spending × Trade Openness	0.941	0.147	**
High Education × Social Spending × Trade Openness	0.235	0.155	
Constant	0.162	0.016	**
Adjusted R ²		0.073	
N		40991	
* P < .01	** P < .001		

Table A5

Variable	b	S.E.	
GDP Growth	0.421	0.016	**
GDP Per Capita	0.006	0.000	**
Trade Openness	-0.110	0.026	**
Social Spending	0.032	0.082	
Trade Openness × Social Spending	0.319	0.118	*
High Income	-0.100	0.025	**
Low Income	0.020	0.024	
High Income × Social Spending	0.449	0.119	**
Low Income × Social Spending	-0.116	0.117	
High Income × Trade Openness	0.101	0.034	*
Low Income × Trade Openness	-0.008	0.035	
Low Income × Social Spending × Trade Openness	0.049	0.164	
High Income × Social Spending × Trade Openness	-0.433	0.162	*
Constant	0.315	0.018	**
Adjusted R ²		0.062	
N		34093	

* P < .01 ** P < .001

Table A6

Variable	b	S.E.	
GDP Growth	0.424	0.015	**
GDP Per Capita	0.006	0.000	**
Trade Openness	-0.190	0.028	**
Social Spending	-0.347	0.089	**
Trade Openness × Social Spending	0.648	0.127	**
Employed / Retired	-0.159	0.022	**
Employed / Retired × Social Spending	0.172	0.031	**
Employed / Retired × Trade Openness	0.754	0.103	**
Employed / Retired × Social Spending × Trade Openness	-0.775	0.143	**
Constant	0.389	0.019	**
Adjusted R ²		0.067	
N		40145	

* P < .01 ** P < .001