

When Welfare States Retrench: The Relationship Between Median Voter Preferences,  
Government Debt and Welfare State Outcomes in Established Democracies

Mathias Tromborg

Dr. Robin Best, Thesis Supervisor

Abstract

Welfare state spending cuts constitute one of the most economically efficient ways to achieve fiscal consolidation, but some policymakers prefer other methods of fiscal consolidation when government debt levels are high. In this paper I examine this phenomenon and hypothesize that the economic incentive to cut welfare spending when government debt levels are high can be undermined by the political incentive to stay in power. Specifically, I hypothesize that government debt and median voter preferences interact to shape welfare state outcomes; high levels of government debt lead to welfare retrenchment, but only if the median voter does not oppose cuts in welfare spending. Using data on government spending and median voter preferences from 18 OECD countries, I estimate a series of regressions, showing that government debt does lead to overall welfare spending cuts when the median voter does not oppose overall welfare retrenchment, and that government debt has a negative impact on unemployment spending, but not on old age pension spending. This is consistent with the theoretical framework as unemployment spending is consistently less popular with the median voter than old age pension spending because unemployment benefits protect against labor market risks, whereas old age pensions protect against life course risks.