The Rise of the Modern Welfare State,

Ideology, Interests, Institutions and Income Security:

Analysis and Evidence

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Abstract: In the twenty five year period between 1960 and 1985, there was a great expansion of social insurance and transfer programs in all Western countries. The fraction of GDP accounted for by government expenditures approximately doubled in much of Europe, and grew by 40-50% in most other OECD nations. After 1985, there has been relatively little growth in the scope of the welfare state relative to other parts of the economy. This paper explores the extent to which institutions and ideological shifts may have accounted for the rapid growth, for differences in the extent of that growth, and for subsequent reductions in the growth of welfare state programs.

I. Introduction

A. By some accounts the social welfare state is a century or so old.

1) However, most of the national social insurance plans in Europe were initially established by governments dominated by liberal and conservative political parties in the late nineteenth and early twentieth centuries, and remained relatively modest programs prior to WWII.

2) Germany's social security program began in 1889, Sweden's in 1909, and the United Kingdom's in 1911, all a decade or more before social democrats or labor parties had substantial legislative power.

3) The social security programs of the United States were adopted somewhat later, in 1935, with the insistence of a Democratic president and the assent of a Republican Congress.

B. The modern welfare state is actually closer to two than ten decades old.

1) In the post-WWII period, social welfare programs expanded dramatically, in part because of increases in longevity and in the technology of delivering health care, but also because the programs became significantly more generous.

2) Social insurance transfers in all OECD countries: with increases from 4% to 13.4% in Japan, from 5% to 13% in the USA, from 8% to 21% in Sweden, from 7% to 15% in the United Kingdom, from 12% to 18% in Germany, and from 13% to 18% in France.

C. In previous work, Congleton (2007) argues that the initial emergence of a "liberal" welfare state is consistent with a demand for private insurance, that is to say with private economic advantages associated with national provision of income security relative to supply through private income insurance clubs or firms.

   1) However, unless perceived economic risks have also increased—and they have not by most accounts—the rapid post war expansion of social insurance programs in the West can only be partially explained by economic advantages associated with governmentally provided insurance.

   2) The private demand for public insurance tends to increase with income, but unless social insurance is a luxury good, its income elasticity should be less than or equal to 1, rather than far greater.

D. This paper explores the role that political ideas and institutions may have played, in addition to economic interests, in determining the effective political demand for social insurance programs.

    ◆ **This paper provides evidence that ideological shifts, income changes, and institutions all contributed to the emergence of the welfare state in the postwar period.**

Figure 1:

Social Insurance as a Fraction of GDP

1960-2000
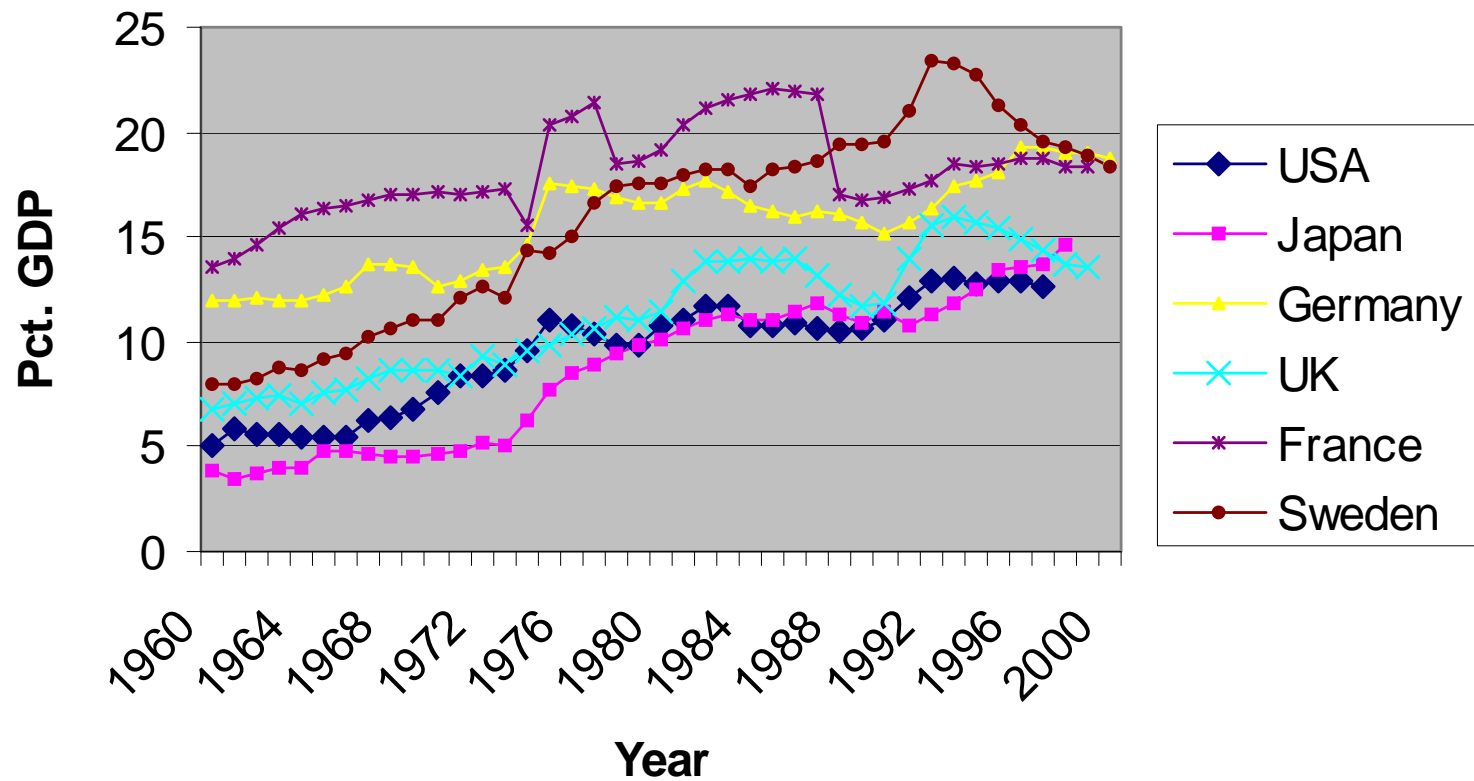
II. A Model of the Political Demand for Social Insurance

A. Consider a slight modification of the setting explored in Congleton (2007), in which a debilitating disease randomly strikes people and saps their ability to work and play.

    1) Assume that only two states of health are possible and that the probability of being sick is P and being healthy is $1-P$.

    2) When healthy, a typical person (who we will refer to as Alle) has H hours to allocate between work, W, and leisure, L, and that when sick, he or she has only S hours to allocate between work and leisure.

    3) Work produces private good Y, which is desired for its own sake, with $Y_i = \omega W_i$, where ω is the marginal and average product of labor.

B. In addition to economic interests, a person's labor-leisure choices may also be affected by normative theories that affect the rewards of work, as with a personal work ethic or culture of work.[1]

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[1] There is a significant sociological literature on the importance of the work ethic in social developments. Weber's *Protestant Ethic and the Spirit of Capitalism* (1904) is very widely cited as the original source of that literature. Rational choice models that incorporate the effects of such norms occur much later, as, for example, in Congleton (1991b) and Buchanan and Yoon (2000).

- Our interest in norms for the present purposes, however, concerns social or ideological norms rather than private ones, which tend to effect an individual's demand for public policies more than on his or her private behavior.

C. To take account of such effects, Alle is assumed to maximize a strictly concave utility function defined over good Y (private consumption), leisure, and the extent to which the actual social insurance program, G, departs from the individual's ideological notion of that associated with his or her notion of the good society, G_i^{**}, so $U = u(Y_i, L_i, |G-G_i^{**}|)$.

1) We assume that a person's ideology does not affect his or her demand for work or for private insurance, $U_{YI} = U_{LI}=0$, but it may well affect his or her demand for social insurance, as shown below.[2]

2) In the absence of an income insurance program, Alle maximizes:

$$U^{woH} = u(\omega W_i , H - W_i , |G-G_i^{**}|) \qquad (1)$$

3) and when unhealthy, she (or he) maximizes:

$$U^{woS} = u(\omega W_i , S - W_i , |G-G_i^{**}|) \qquad (2)$$

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[2]   Early rational choice models of the political effects of ideological theories held by voters are developed in Congleton (1991a) and Hinich and Munger (1994). Lindbeck (1997a, 1997b) develops a theory of the welfare state that includes a role for norms. See Huber, Ragin, and Stephens (1993) for an early estimate of government transfer programs that includes both institutional and ideological variables. Early estimates of alternative rational-choice models of public pension policies in the United States are undertaken by Congleton and Shughart (1990).

D. Consider the case in which Alle can take advantage of a government sponsored program that collects a fraction of the output produced by each taxpayer-resident through earmarked proportional taxes, t, and returns it to "sick" residents through conditional demogrants, G.

1) This program provides a "safety net" of G units of the private consumption good for persons who are less able to work than usual--here because of illness.

2) Given the social insurance program, Alle's net income when less able to work is now
$Y^S = (1-t) \, \omega_1 \, W^S + G$, rather than $\omega_1 \, W^S$.

3) If there are N members in the community eligible for the program of interest, PN qualify for benefits during a typical work period.

4) Ear-marked tax revenues, thus, support a safety net of $G = (t\omega_1 \, \Sigma \, W^T_j)/PN$.

5) Substituting the program benefit and tax obligations into Alle's utility function and applying a bit of calculus *allows us to demonstrate that the existence of a social insurance program reduces the extent of labor supplied to market activities* and thereby reduces expected income.

   - **There is an unavoidable "moral hazard" problem associated with income security programs, as critics have long maintained.**

6) Nonetheless, an income security program may increase expected utility (net of taxes) for essentially all those covered by such programs (Congleton 2007).

E. For most day-to-day purposes, the parameters of a government sponsored social insurance program are exogenous variables for the individuals who benefit from them, except on election day, when the parameters of the program are indirectly controlled by voters.

   1) On that day, and hopefully most others, elected representatives are induced by competitive pressures to pay close attention to the policy preferences of voters.

   2) Alle's preferences for the height of the public safety net, G, varies with her circumstances and ideology, and also with the fiscal circumstances of the government that sponsors the service.

   3) Alle's notion of the "socially ideal" safety net, G_i^{**}, also affects her public demand for the public safety net. And, each voter's ideological satisfaction in the safety-net policy dimension is, consequently, a decreasing function of $|G\text{-}G_i^{**}|$ where G is the existing program.

      • This characterization of Alle's normative theory implies that her (or his) **policy interests are somewhere between those of a "public choice pragmatist," who favors the level of G that maximizes her expected income, and those of a political idealist,** who uses public policies only to advance her vision of the good society.

      • There are not always tradeoffs between such narrow and broad goals; although such tradeoffs exist for many voters with respect to social insurance.

A. A bit of calculus and the implicit function theorem implies that a **voter's preferred government provided safety net** can be characterized as a function of the parameters of his or her optimization problem:

$$G_i* = g(\omega_i,\ \omega_A,\ P,\ N,\ S,\ H,\ G_i**) \qquad\qquad (15)$$

F. An interesting special case of this optimization problem is that confronted by the average voter. In this case, $W_A = W_i$, which allows equation 13a to be written as:

$$U^e = (1-P)U(\ (\omega_A\ W_A*,\ H - W_A*,\ |G-G_i**|)\ +$$
$$P\ U(\ (1-t)\ \omega_A\ W_A*+ G,\ S - W_A*,\ |G-G_i**|)\quad (13b)$$

1) If the average voter is risk neutral, differentiating equation 13b setting the result equal to zero and applying the envelope theorem implies that:

$$U^e = (1-P)\ U^H{}_I + P\ U^S{}_I = 0 \qquad\qquad (14b)$$

2) If the average voter is risk averse and decisive, $U^H{}_I = U^S{}_I$; in which case, *G* is chosen to minimize ideological dissatisfaction.*

   • That is to say, the average risk neutral voter favors $G* = G_A**$.

G. In general, however, the partial derivatives of equation 15 cannot be signed without making additional assumptions, although conventional economic intuitions suggest that more social insurance tends to be demanded as income increases, risks increase, and as the ideological norm increases.

- The median voter has the median preference for the safety net, and can be characterized by substituting values for median wage rates and ideology into equation 15.

- If median income is below average income, a risk neutral median voter's preferences tends to be somewhat *above her ideological ideal*, because he or she tends to be a net beneficiary of general tax-financed income guarantees.

III.Institutions, Voter Demands, and the Safety Net

A. For every distribution of utility functions, wages, and norms, a frequency distribution of voter ideal income security programs can be characterized using equation 15. (Each voter's ideal safety net can be rank ordered from low to high and counted.)

　1) If citizen preferences are stable and approximately spatial as they tend to be in the model developed above—because the concavity, continuity, and budget constraint assumptions imply a single degree of freedom—figure 2 can be used to illustrate how different constitutional procedures for choosing income security levels affect the policies chosen.

B. We assume that a sequence of votes determines program levels, and that each new proposal is judged relative to the last one to obtain majority approval.

　1) In this case, the median citizen's ideal program tends to be adopted, G^{med}.

Figure 2
Distribution of Citizen
Ideal Safety Net Levels

Number of Citizens

I II III IV

G^{max}

0 G^0 G^{min} G^{med} G^{max} G^{00}

Height of Safety Net
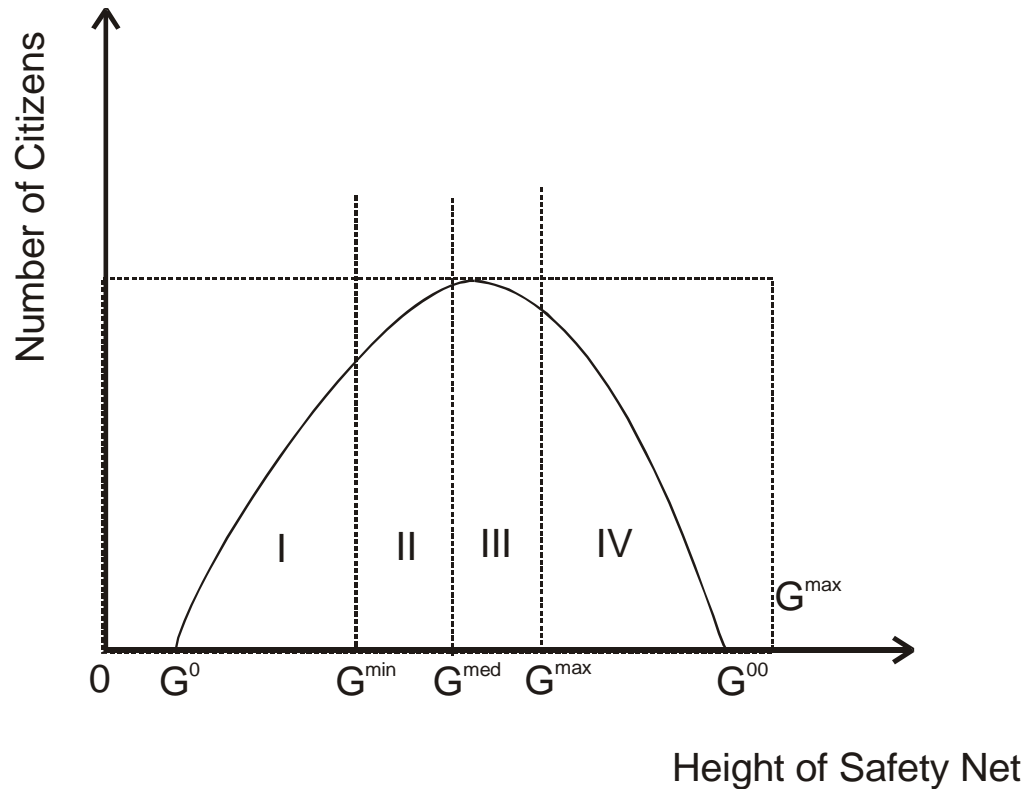
- Once the median voter's ideal becomes the status quo, no other proposed level of G will gain majority support.

- Under majority rule, the starting point of negotiations does not effect the policy equilibrium, and policies change only if the median voter's policy preference changes, as tends to be the case if wage rates or the ideological ideal increase or decrease.

C. Under other collective decision procedures, however, the starting point of program negotiations will effect the policy chosen in

the long run and also how policies are adjusted as voter preferences over policies change.

1) For example, consider a series of small increases adopted by a two-thirds supermajority rule with 0 as the initial point of departure.

   • Such a negotiation process yields an income security program that is smaller than that preferred by the median voter, because at some point a bit more than a third of the voters will oppose further increases.

   • This point is labeled G^{min} in figure 2, where area I is twice as large as area II.

2) Similarly, a two-thirds rule will produce an income security program that is larger than that desired by the median voter if the status quo ante is initially above the median citizen's ideal and incremental reductions are voted on.

   • In the case illustrated, the policy chosen will be G^{max}, where area IV is twice as large as area III.

D. Several widely used institutions that tend to have a supermajority effect.

1) For example, presidential systems of government with bicameral legislatures have three veto players, and because of differences in district sizes, voter turnout, and the timing of elections, representatives in each body are selected by somewhat differing electorates.

2) If elected representatives cast their votes in government in a manner consistent with their campaign promises, or to advance the contemporaneous interests of their respective median voters, **more**

complex architectures will tend to increase the effective size of the majorities required to pass laws within a given legislature.

3) These supermajority-like effects imply that **rising income and ideological shifts to the left** (increases in the ideologically ideal level of the safety net, G^{**}) tend to **induce smaller increases** in the government sponsored safety net in countries with bicameral parliaments than in those with unitary ones.

- Policy adjustments tend to be still smaller in countries that include both a bicameral legislature and a president with veto power.

- It bears noting, however, that institutionally biasing parameters of social safety net programs to values below those desired by the median voter ($G<G^*$), **may yield a safety net that is *closer to the average ideological norm* of the electorate**, so such institutions are not necessarily unpopular.

- (Recall that the median voter's ideal safety net tends to be higher than G^{**} if he or she has below average income.)

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IV. Data and Estimates

A. To test for the hypothesized income and ideological influences on voter demands for social insurance and for the static and dynamic effects of political institutions on the public policies adopted in response to those demands, we collected panel data for 18 democratic countries.

   - The **countries covered** are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and United States.

B. The data assembled cover the period during which the modern welfare state emerged, 1960-2000.

   1) Macro-economic variables are taken from the World Bank's 2007 *World Development Indicators* data base: the government share of the real GDP (Gov-share) and real GDP/capita (RGDpp). (Alternative specifications using somewhat older data from the Penn-World Tables, versions 6.1 and 6.2, were also undertaken and yielded similar results, but are not reported.)

   2) Our **measure of the ideology** of the median voter is taken from Kim and Fording (2001).

   - We use their "Riteleft" variable which characterizes the median voter's ideology and is available for the election years of the 18 countries in our sample. Missing annual values are computed through linear interpolation.

Figure 3
6 Country Average Ideology:1965-1995
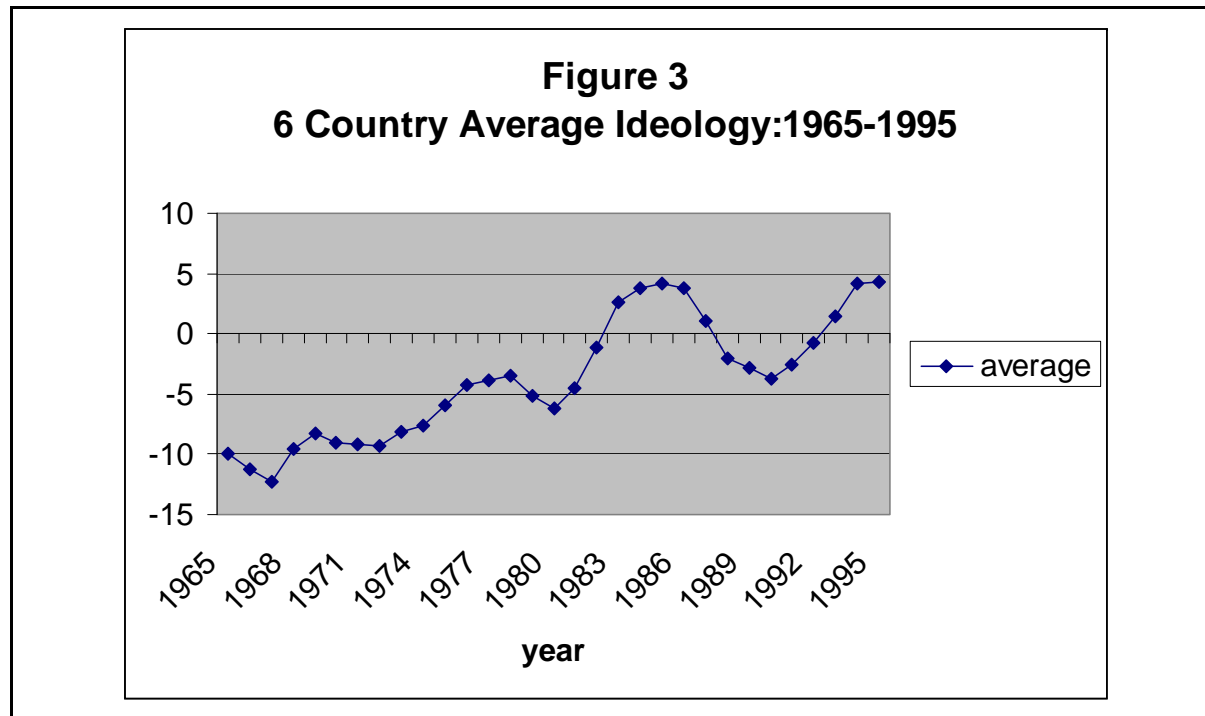
C. The other variables are largely taken from the *Comparative Welfare States Data Set* (April 2004), which is assembled largely from OECD and World Bank sources.

  1) The variable used to represent the magnitude of the social safety net is from the OECD Historical Statistics (2001). This index of aggregate social transfers includes most national safety net programs—benefits for sickness, old-age, family allowances, social assistance grants and welfare—and is measured as a percentage of national GDP, which provides a convenient measure of the relative importance of safety net programs and avoids a variety of currency-conversion problems.

2) The constitutional design variables of interest are also from the *Comparative Welfare States Data Set* data set.

- The strength of bicameralism variable is coded 0 = no second chamber or second chamber with very weak powers, 1 = weak bicameralism, and 2 = strong bicameralism. The presidential system variable is coded 0 for parliamentary systems and 1 for president or collegial executive.

- In addition to the presidential and bicameral variables of greatest interest for this paper, we also include measures of institutional characteristics studied in previous work on government size and responsiveness. (See, for example, Persson and Tabellini, 2006, and Mueller, 2006.)

- The single-member district variable is coded 0 for proportional representation, 1 for modified proportional representation, and 2 for single-member plurality systems. The federalism variable is coded 0 for none, 1 for weak, and 2 for strong.

3) All such discrete representations of political institutions are open to interpretation by those doing the coding. For example, the United Kingdom's House of Lords is not considered to be a significant chamber of the legislature in the bicameral index, and so the UK is coded as 0 rather than a 1 under the bicameralism measure. For the purposes of this study, we simply accept the Huber et. al. coding.

4) Data availability varies somewhat among OECD countries, but in most cases was available for the period in which the modern welfare state emerged, 1960-1985. We focus on that period and the fifteen years after. Table 1 provides descriptive statistics for our data set.

Table 1: Descriptive Statistics

Number of Observations, Mean, Standard Deviation,

Minimum and Maximum for the key variables

	Mean	Standard Deviation	Minimum	Maximum
Ideology (right-left)	-3.85	12.891	-39.94	42.88
Bicameralism	0.68	0.814	0	2
Presidential	0.22	0.416	0	1
Single Member District	0.60	0.816	0	2
Federalism	0.577	0.843	0	2
Social Insurance (sstran)	13.33	4.947	3.50	28.80
Real GDP/capita (WDI, 1960-2000)	17302.88	6615.57	4987.67	37164.60
Real GDP/capita (WB Penn 6.1, 1950-2000)	14862.44	5794.26	2417.02	33308.40
Gov. Share (WDI, 1960-2000)	18.46	4.188	7.66	29.94
Gov. Share (WB Penn 6.1-6.2, 1950-2000)	18.72	5.865	7.86	32.06

D. The data set is used to estimate linear forms of equation 15, augmented by constitutional effects. There are **four models** of policy formation that are of interest: two electoral models and two institutional models.

1) If the average voter determines the extent of social welfare programs and the pivotal voter is approximately risk neutral, then the height of the social welfare net is determined by ideological and institutional variables.

2) If the other voters determine the extent of social welfare programs, then income variables are relevant as well.

E. There are two types of effects that well-functioning representative institutions may have on public policies in a democracy.

1) The first is the static effect of institutional "biases" that are widely estimated in this literature (Congleton and Swedenborg 2006). These suggest that political institutions may bias policies away from median voter's preferred policy.

2) The second "dynamic" source of "bias" arises, because changes in voter preferences have different effects on public policy according to the number of veto players that must be satisfied to induce policy reforms.

F. Average and Median voter models are estimated below.

1) The average voter model implies that only ideology and institutions matter. The median voter models imply that both income and ideology affect voter demand for social insurance, and the level

adopted is in turn affected by institutional features of the polity of interest. Unfortunately, taking proper account of the hypothesized income and distributional effects using international data is quite difficult.

- Median voter wage and income data are not readily available, because turnout variation implies that the median voter's income is not the same as median income. And, it is not entirely clear whether the income of interest is permanent income or current income.

- Moreover, both average and median income are endogenous in the model, because the optimal work week varies with the social insurance program, and these income effects are taken account of by the median voter.

2) As a possible way of dealing with these data and estimation problems, recall that average and median income tend to move in more or less the same direction.

- If the ratio of median to average income remains more or less constant in each country, the income effect can be estimated using either median or average wage rates, and the distributional effect is captured by the national fixed effect variable.

- Consequently, in the estimates below, average income is used as a proxy for the median voter's permanent income and two stage least squares is used to take account of the endogenous nature of per capital income in our model.

G. Table 2 reports four OLS estimates of the institution-augmented "average" and median voter models.

	Average Voter		Median Voter	
	OLS		OLS	
C	-5.798 (-3.32)***	-5.285 (2.88)***	-3.916 (2.07)**	-3.580 (1.82)*
Real Per Capita GDP			0.000086 (2.90)**	0.000082 (2.53)**
Ideology	0.081 (5.51)***	0.095 (5.46)***	0.0817 (5.67)***	0.0996 (5.88)***
Median Age	0.647 (13.56)**	0.638 (12.76)***	0.553 (9.21)***	0.550 (8.83)***
Bicameral	−1.249 (−5.68)***	−1.346 (−6.41)***	−1.341 (−6.27)***	−1.38 (−6.62)***
Single-Member Districts	−1.249 (−5.84)***	-1.210 (-5.39)***	-1.343 (-6.25)	1.271 (5.67)***
Presidential	0.005 (0.01)	0.760 (−1.94)**	-0.220 (-0.54)	0.514 (1.20)
Federalism	-0.586 (-2.85)**	−0.805 (−3.76)***	-0.693 (-3.11)***	−0.895 (-3.84)***
Ideo x Bicam		-0.29 (-3.76)***		−0.030 (−1.49)
Ideo x Pres		0.111 (4.29)***		0.0968 (3.59)***
Ideo x Singmem		0.019 (0.86)		0.0180 (0.84)
Ideo x Fed		-0.061 (-2.77)***		−0.062 (−2.74)***
R^2	0.36	0.38	0.37	.39
Standard Error of Regression	4.00	3.96	4.01	3.98
F-Statistic	62.23***	39.95***	53.90***	36.46***
Durbin-Watson	0.07	0.07	0.07	0.08
Observations	663	663	652	652

Table 2: Estimates of the welfare state as a fraction of GDP (SSTrans)
Average and median voter models1960–98, 18 OECD countries, Ordinary least squares

Notes: T-statistics appear in the parentheses, *** denotes statistical significance at the 1% level,** at the 5% level, and * at the 10% level.

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Table 3: GLS (Parks) Estimates of the welfare state as a fraction of GDP (SSTrans) **Average voter model**, 1960–98, 18 OECD countries

	Static			Dynamic
	Parks-GLS			Parks-GLS
C	(fixed effects)	(fixed effects)	-396.29 (-38.41)***	-396.48 (-37.36)***
Ideology	0.0154 (6.33)***	0.0143 (6.38)***	0.0096 (4.73)***	0.0202 (5.92)***
Median Age		0.521 (46.70)***	0.103 (9.09)***	0.140 (11.59)***
Bicameral			-0.322 (-6.10)***	-0.201 (-3.46)***
Single-Member Districts			-0.267 (-8.73)***	-0.328 (-7.55)***
Presidential			1.033 (15.02)***	1.542 (19.61)***
Federalism			-0.474 (-11.60)***	-0.488 (-10.57)***
Ideo x Bicam				-0.0071 (-0.81)
Ideo x Pres				-0.0118 (1.52)
Ideo x Singmem				-0.0091 (-3.02)***
Ideo x Fed				-0.0217 (-4.87)***
SSTran (1960)			0.867 (68.36)***	0.843 (63.96)***
Year			0.201 (37.98)***	0.201 (36.88)***

R^2	0.50	0.63	0.51	.52
Standard Error of Regression	3.56	3.07	3.50	3.47
Durbin-Watson	0.08	0.11	0.08	0.08
Observations	663	663	663	663

Notes: T-statistics appear in the parentheses, *** denotes statistical significance at the 1% level,** at the 5% level, and * at the 10% level.

	Static			Dynamic
		Parks-GLS		Parks-GLS
Table 4: Estimates of the welfare state as a fraction of GDP (SSTrans) **Median voter model** 1960–1998, 18 OECD countries				
C	(fixed effects)	(fixed effects)	-356.80 (-29.58)***	-359.4 (-27.80)***
RGDP per capita	0.000238 (33.05)***	0.000042 (3.39)***	0.000057 (6.07)***	0.000059 (6.24)***
Ideology	0.0182 (7.37)***	0.0161 (6.71)***	0.00506 (2.25)**	0.0226 (6.286)***
Median Age		0.452 (21.88)***	0.0416 (3.12)***	0.0648 (4.734)***
Bicameral			-0.141 (-2.49)**	-0.194 (-3.02)***
Single-Member Districts			-0.183 (-6.01)***	-0.300 (-6.06)***
Presidential			1.249 (14.36)***	1.562 (15.16)***
Federalism			-0.798 (-16.38)***	-0.847 (-15.83)***
Ideo x Bicam				-0.0079 (-2.61)***
Ideo x Pres				0.022 (2.54)**
Ideo x Singmem				-0.0089 (-2.81)***
Ideo x Fed				-0.0178 (-3.71)***
SSTran in 1960			0.932 (49.46)***	0.907 (44.92)***
Year			0.181 (29.04)***	0.182 (27.57)

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R2	.67	.65	0.52	0.54
S.E. Regression	2.91	3.02	3.51	3.44
Durbin-Watson	0.13	0.12	0.8	0.9
Observations	652	652	652	652
Notes: T-statistics in parentheses, *** denotes statistical significance at the 1% level,** at the 5% level, and * at the 10% level.				

H. In general, the median voter model results are very similar to those of the average voter model, but fit the data somewhat better than the entirely ideological model of the welfare state.

1) Ideological, income, and institutional variables all affect the height of the social safety net according to these estimates. The more to the left is median ideology and the greater is the income of the median voter, the higher is the public safety net, ceteris paribus.

- Again, the countries in which there are multiple veto players and supermajoritarian effects tend to have smaller welfare states than those that do not.

- And again, the dynamic effects of multiple veto players (bicameralism) tends to reduce the extent to which the welfare is affected by ideology.

- The dynamic effects presidential systems tend to make the polity less responsive to changes in the median voter's ideology under the median voter specification.

- Single member districts tend to reduce the size of the welfare state, and in this case also appear to reduce the effects of ideological shifts. Federalism again has static effects but not dynamic ones.

2) Overall both series of estimates provide clear evidence of ideological and institutional effects on the provision of government provided income security programs.

V. Conclusions

A. The foundations of contemporary social welfare programs were laid in the late nineteenth century by Bismarck in the years before he was forced into retirement by Friedrich III. These programs were widely copied throughout Europe in the next few decades, and somewhat later by other democracies on other continents.

   - Given this, one might have expected the modern welfare state to have emerged at least a half century earlier than it did. The present analysis provides a possible explanation for the observed delay and for the great expansion that took place after WWII.

1) First, median voter ideology may not have been compatible with a great expansion of the welfare state in the years prior to World War II.

   - Although, important left-of-center movements existed during the prewar period, electoral outcomes suggest that the median voter remained more or less in the moderate or liberal camp, and inclined to proceed slowly on the expansion of social insurance programs. Even in Sweden, the "center party" (old farmer's party) was pivotal rather than the Social Democrats, although the Social Democrats "controlled" government from the late 1920s onward.

- After WWII, particularly in the 1960s and 1970s there was a significant shift to the left in Western politics, which may have reflected generational shifts as well as persuasive campaigns by political philosophers and parties to the left of the prewar center.

2) Second, the constitutional designs in place at the dawn of the welfare state often included multiple veto players which tended to cause public policies to be a bit behind the ideological tides.

- Governments were often more decentralized, and bicameral systems were often stronger in 1900 than in 1960.

- Here it bears noting that the most advanced welfare states, Sweden and Denmark, eliminated their second chambers shortly after WWII, while Great Britain and France further weakened theirs.

3) Third, rising income in the second half of the century, tended to increase the demand for all services which can be regarded as "normal goods" throughout both the private and public sectors.

- The estimates of Table 3 suggest that voters regard social insurance as a normal good.

- Economic expansion after the recoveries from WWII and the Great Depression were completed, thus, also contributed to the great expansion of the welfare state.

4) Ideology and institutions clearly affect the height of the social safety net; and more complex political decision making procedures tend to reduce the responsiveness of government policies to median voter interests.

B. The results and models also raise and shed light on interesting constitutional issues.

1) The statistical evidence supports the hypothesis that multiple veto players tend to make national government less responsive to median voter preferences than simpler majoritarian institutions.

2) However, such institutions are not necessarily less "democratic" or the policies less "ideal."

- In cases in which all major posts are elected ones, it bears noting that such institutions were often adopted with such dampening properties in mind.

3) Nor are the policies chosen under them necessarily less ideal.

- Recall that the median voter is a net recipient of what Meltzer and Richard term transfers, the median voter prefers more than his or her ideologically ideal level (see equation 15 above), which implies that "underproviding" social insurance may be closer to the ideologically "ideal" than that which the median voter demands.

- Consequently, **even the median voter** may regard the safety net adopted under super majoritarian institutions to be "more ideal" than his or her personal expected utility maximizing level, **given his or her ideological assessment of the proper result**.

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- Thank you for your time and attention.