

# **THE CHALLENGE OF GLOBALIZATION: A World-Wide Investigation of Welfare Attitudes**

By

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**(5943 words)**

## **Abstract**

In this article we explore the link between economic globalization and individual attitudes toward government responsibility. Two opposing views on the effect of globalization is presented, along with a third where the argument is that the direction is different for developed and developing countries. We thus investigate whether there is a leftist, rightist, or curvilinear effect. The hypotheses are tested using individual-level data from the World Values Survey, along with a measure of economic globalization taken from the KOF Index. Our sample consists of 79 countries from all continents. The results show that there is a general rightist effect of globalization on welfare attitudes. However, we also discovered that there is a curvilinear effect: the slope changes from leftist to rightist after a certain turning point has been reached. The evidence indicates that economic globalization has an effect on the public's welfare attitudes. When people realize their country is competitive in the global market, they will shift their attitudes to the right.

## **Keywords**

compensation hypothesis, globalization, government responsibility, multilevel modeling, political behaviour, welfare attitudes

## 1. Introduction

Public opinion on the economy is important in advanced industrialized democracies since the people are the ultimate source of power. With this in mind, the national government should take public opinion into account when deciding the economic policy to be pursued. Public opinion is affected by several different factors, among these we find *globalization*. This phenomenon encompasses a complex set of changes that affects nearly all aspects of society in every country in the world, including questions regarding the role of government. This makes globalization relevant in the study of welfare attitudes, and has inspired the primary research question of this article: 'How does economic globalization affect welfare attitudes?'

Contextual factors, like globalization, can strengthen and influence people's welfare attitudes. With growing cross-border relations and interdependence between countries, in addition to the removal of trade barriers, foreign exchange rates, and capital control, economic globalization has affected the global economy, and thus also the people that are a part of it. However, disagreement exists on whether these effects are positive or negative. Neoliberals are pro-globalization and argue that it leads to economic growth and prosperity. On the other side of the coin are the anti-globalizers, known as traditionalists, who see globalization as a harmful phenomenon and a source of global inequality.

In the present article we investigate the relationship between economic globalization and welfare attitudes. Because economic globalization is argued to be leading the way toward an open and borderless world economy, the consequences might be higher risks of outsourcing of jobs and import of goods produced in low-wage countries. For individuals with low skill-levels, the consequences of economic globalization could thus be an increase in the individual level of economic insecurity. According to the *compensation hypothesis*, this will create a demand for an expanded welfare state that can provide protection against the external shocks and volatility caused by economic globalization (Walter, 2010).

Yet, there exists an opposing causal proposition that can be stated. Economic globalization may lead to more rightist attitudes and demands for a more open economy. As a country becomes more economically globalized it will experience economic growth and prosperity. This can affect the public who, in accordance with rational choice theory (Downs, 1957), will subsequently want *more individual responsibility* and a less extensive welfare state as they do not need the state to act as a caregiver.

Several studies have been undertaken on welfare attitudes in industrialized Western countries (e.g. Blekesaune and Quadagno, 2003; Dallinger, 2019; Finseraas, 2008; 2010; Jæger, 2006; Jakobsen, 2010; van Oorschot, 2006; Pfeifer, 2009; van Oorschot, 2006). Yet, there has been little

focus on developing countries. In this article we seek to address this gap in the research by conducting an investigation of economic attitudes in 79 countries from different parts of the world. There are two advantages with this approach. First, it enables us to investigate possible differences in the effects of globalization on public opinion between developed and developing countries. Second, it allows us to test sundry country-level control variables without running out of degrees of freedom.

We test the two opposing views presented above, and also investigate whether there is a difference in the effect of economic globalization on ‘winners’ and ‘losers,’ both at the individual- and country-level. This is done by way of hierarchical modeling, employing individual-level data from four waves of the World Values Survey (2012), supplemented by contextual data from the KOF Index of Globalization (Dreher, Gaston, & Martens, 2008), the World Bank (2012), and the Standardized World Income Inequality Database (Solt, 2009).

## **2. Welfare attitudes and economic globalization**

The basis of all research on attitudes rests on the assumption that public opinion affects policy outcomes. This principle of popular sovereignty is fundamental for all democratic countries which strive to uphold the most sincere idea of democracy since its emergence in ancient Greece. A country’s economic policy is affected by the population’s attitudes toward welfare, that is, their opinions on how the goods in a society should be distributed (Brooks and Manza 2006a, 2006b; Myles, 2006). These attitudes have historically been explained by individual factors such as income, gender, age, and class (see for example Campbell et al., 1960), and a well-known conclusion is that persons with high socioeconomic status are more skeptical toward redistribution and regulation of the market than their poorer counterparts.

However, an individual’s attitudes are also influenced by his or her surroundings. When studying public opinion, it is important to be aware of the relationship between macro factors and the opinion of the individual. Public attitudes are often rooted in a value structure, and this in turn is influenced by national contexts such as a country’s exposure to globalization. This influence can be channeled through the media, or directly, by an increase or decrease in purchasing power. Since the emergence of comparative surveys and the use of hierarchical modeling in social research there has been an increasing focus on how attitudes vary between countries and also how macro factors can affect public opinion. The general support toward the welfare state is according to Kumlin (2007) both conceptually and empirically linked to the left–right dimension in politics. An individual’s attitudes toward the welfare state will reveal his or her stand in the traditional conflict of how much the state should intervene in the market economy. Support for state intervention in the market

economy, in addition to high levels of social equality, a large public sector, and a highly redistributive tax system is often related to leftist attitudes, while the opposite is often true for rightist attitudes.

## **2.1 Economic globalization**

We can trace the roots of economic globalization back to the time when Ancient Rome started trading goods with China. Since then the world economy has developed via the mechanism of production in Europe during the renaissance, through the mercantilism of the 17<sup>th</sup> century, and further into the industrial revolution in Europe during the mid-19<sup>th</sup> century. One of the most striking effects of the industrial revolution was the quadrupling of international trade in the period between 1850 and 1880 (Claes, Hveem, and Tranøy, 2012, p. 93). The same period is also characterized by the development of free trade politics in the United Kingdom, which later spread to the rest of the European states. After the setbacks of the two world wars the world is again becoming increasingly globalized. Organizations such as the World Bank, IMF, WTO, OECD, and the EU all implement central features of economic globalization. Also, former developing countries, like China and India, have become some of the largest economies in the world.

Several empirical studies find that more capitalist countries tend to have better outcomes on economic development and peace and harmony (de Soysa and Fjelde, 2010; Gartzke, 2007; Graeff and Mehlkopf, 2003; Gwartney and Lawson, 2005; Iversen, 2008), implying that economic globalization may cause an increase in people's standard of living. Following rational choice theory which argues that self-interest is central in forming people's attitudes, economic globalization could have a rightist effect on welfare opinions. Downs (1957) argues that a voter will compare the advantages of having one political party (or alliance) in government against the other alternative(s). The voter will support the alternative that maximizes his or her utility. When citizens experience economic prosperity they may change their attitudes from being proponents of an extensive welfare state, to wanting less government responsibility. The reason is that they have now become contributors to the welfare state rather than beneficiaries. Thus, our first hypothesis appears:

*H1: Increased economic globalization leads to the public wanting less government responsibility.*

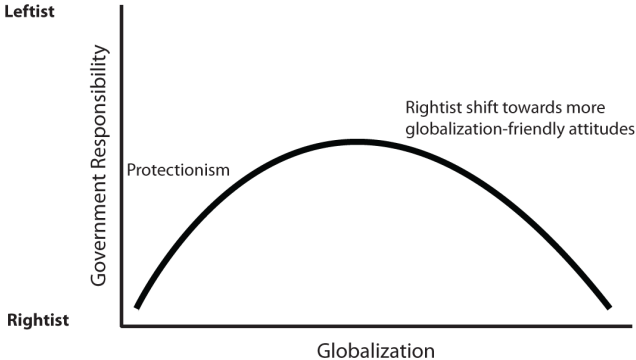
## **2.2 Comparative advantages: Beneficial only for those that can compete?**

The theory of comparative advantage has its origin in the writings of the British economist David Ricardo (1817). The assumptions of his theory are that the factors of production are immovable between countries, while the products they produce are mobile. If every country specializes its production and use some of it for export – which in turn is used to finance the import of goods from other countries – these countries are able to utilize their advantages in the international trade

system. Ricardo essentially demonstrates that all countries could benefit economically from specializing in producing those items in which they have a relative cost advantage, and then trading with other countries. Inspired by Ricardo’s theory of comparative advantages, the Swedish economists Heckscher and Ohlin created the Heckscher-Ohlin (H-O) model (Ohlin, 1933). The baseline of the H-O model is that countries will export products that are easy and cheap for them to produce, and import those products that would have been harder and relatively more expensive to manufacture. Countries have their respective strengths in land, labor, or capital. The countries that have their strength in capital (especially the West) are regarded as the winners of globalization.

Economic models of voting stipulate that voters assess the economy of their country by looking at different economic indices, such as GDP growth rate and their personal economy. Their attitudes toward their state’s or their own personal economy will affect the way they vote (Lewis-Beck and Stegmaier, 2007). Drawing on Ricardo (1817) and Ohlin (1933) as well as rational choice theory (Downs, 1957) we should be able to observe a turning point of attitudes when economic globalization reaches a certain level. The rationale behind this is that citizens have a sense of their respective countries’ competitiveness in the global market. Until a country reaches a certain level of globalization, getting more of it means that the country is perceived as being exploited on the global field of trade. However, when the country reaches a level where it can compete with the other actors, people recognize that they are benefiting from a further increase in globalization. In other words, they will see that their country is successful in the global market competition, and based on self-interest will shift toward the right. This shift in attitudes is illustrated in Figure 1, and constitutes the basis of our second hypothesis:

*H2: After a country reaches a certain level of competitiveness, the effect of economic globalization on welfare attitudes will shift from leftist to rightist.*



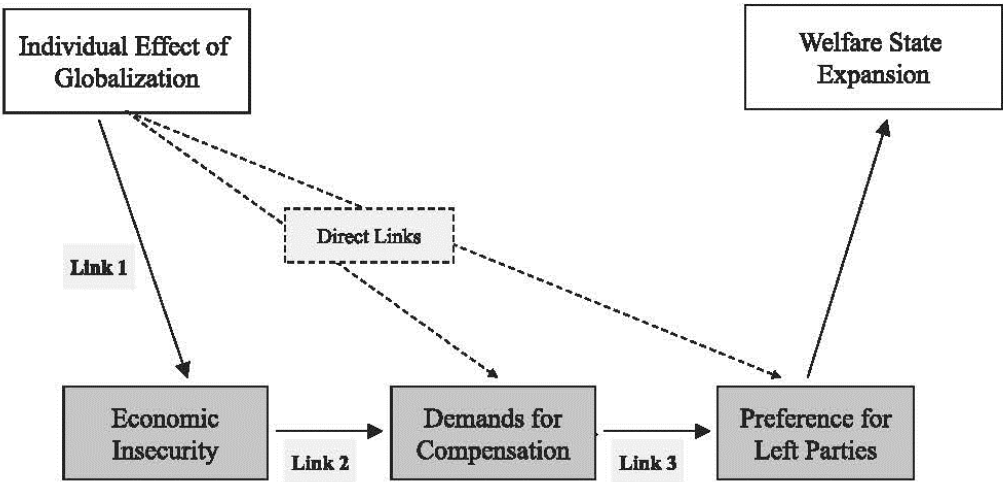
**Figure 1** A rightist shift in welfare attitudes

**2.3 The compensation hypothesis**

Central in the literature on globalization’s effect on public opinion we find the compensation hypothesis. This states that globalization leads to welfare state expansion since governments will try to compensate citizens who are vulnerable to the risks associated with increased international competition and volatility (Walter, 2010: 403).

Cameron (1978) studied 18 OECD countries in the period 1960–75 and found that more open economies have features that cause higher demands for government transfers like social security, pensions, and unemployment benefits. Ruggie (1982) followed suit and explained how the international economic liberalism after World War II gave the welfare state a central role. Three years later, Katzenstein (1985) found that governments in small European states like Sweden and Austria have responded to insecurity from increased globalization with higher government involvement. A more recent contribution is Rodrik (1998), who found evidence for the compensation hypothesis when investigating the degree of openness and size of public sector in over 100 countries. He discovered that when risks caused by international trade are highest, the relationship between openness and government size is at its strongest.

Walter (2009, 2010) criticizes aspects of the literature for focusing only on certain parts of the causal chain from openness to government spending. She presents a test of the compensation hypothesis’ micro-foundations, and uses different indicators for measuring individual’s positions as globalization ‘winners’ or ‘losers.’ Further, she tests the causal mechanism of the compensation hypothesis, and argues that it consists of several links between the individual’s position in the global economy, perceptions of risk, and policy preferences (see Figure 2).



**Figure 2** Globalization and welfare state expansion: The causal chain

Note: Figure is from Walter (2010)

The first causal link is between the individual's position in the globalized economy and his or her feelings of economic insecurity. The second link is between the individual's feelings of economic insecurity and policy preferences for more social protection. The third link is between the individual's preference for social protection, and a preference for leftist political parties in government. An example here is where the citizen decides to vote for a political party at the left end of the scale to achieve his desire for more social protection. The preference for more leftist political parties may in turn lead to an expansion of the welfare state.

Walter (2010) uses a sample drawn from Switzerland to see if the compensation hypothesis can be observed empirically. She finds support for the causal logic of the compensation argument, and strong evidence for the direct links which, she argues, implies that a country's exposure to globalization increases individual job security. This in turn enhances preferences for welfare state expansion, and these preferences are positively related to partisan preferences for the left. Several authors find empirical support for the compensation hypothesis. Bernauer and Achini (2000, p. 254) argue that openness to international trade '...goes hand in hand with a larger size of public sector.' Garrett and Mitchell (2001) show that countries with greater shares of foreign direct investment are associated with more progressive taxation. We thus present our third hypothesis:

*H3: Increased economic globalization leads to leftist welfare attitudes among citizens.*

It is important to stress that this hypothesis does not state the same as the compensation hypothesis. In the present article we test only one of the causal links that Walter (2010) presents as the causal chain of the compensation argument: the link between the individual effect of globalization and demands for compensation. Implicit in this hypothesis is the argument that economic globalization can create economic insecurity, especially for individuals characterized as globalization losers. The demand for compensation is assumed to be higher for this group than for globalization winners, who benefit from the effects of a more global economy.

#### ***2.4 Differences in welfare attitudes***

As noted in the previous section, the main argument of the compensation hypothesis is that globalization leads to expansion of the welfare state because of the risks associated with integration in the global economy. The idea behind this argument is that the welfare state will function as a safety net against external risk. Following Walter's (2010) causal chain the fourth hypothesis of our article appears:



*H4: Individuals in developing countries will have more leftist welfare attitudes than individuals in developed countries.*

This hypothesis is based on the assumption that citizens in developing states in general have less education and job security than those in developed countries, and often tend to be typical *globalization losers*. Following this, they will want more support and welfare benefits from the state to protect them from the external risks that come with increased economic globalization.

Following the same rationale as led us to our second hypothesis where, because of their increased competitiveness developed countries will gain more from globalization than their less developed counterparts, we present our final hypothesis:

*H5: Economic globalization leads to leftist welfare attitudes for citizens in developing countries, and rightist welfare attitudes for those in developed countries.*

### **3. Research design and data**

We employ hierarchical modeling to get a global assessment of how economic globalization affects the public's attitudes toward welfare. To achieve this we investigate data from more than 180,000 respondents, 152 country-years, and 79 countries.<sup>1</sup> The individual-level data are from four waves of the World Values Survey (2012).<sup>2</sup> At the country-year-level we have we have included three measures: ECONOMIC GLOBALIZATION (Dreher et al., 2008), GINI (Solte, 2009), and GDP PER CAPITA (World Bank, 2012).

The data are hierarchically structured in three levels, which imply that the units at the individual level are nested within units at the country-year-level, and the units at this level are nested into units at the country-level. By employing multilevel analysis we are able to account for the variance in the dependent variable measured at the lowest level by taking the higher levels into consideration (Steenbergen and Jones, 2002: 219). We employ random intercept models which assume that the intercepts for the different level-2 (country-year) and level-3 (countries) will vary.

The dependent variable in this analysis is GOVERNMENT RESPONSIBILITY (1–10). This measure captures the left–right dimension of welfare attitudes by making the respondents answer on a scale if they think that they think that the individual should take more responsibility to provide for themselves (1), or if the state should take more responsibility to provide for its citizens (10). Thus, low values on this variable indicate rightist attitudes, while high values mean that the respondent

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<sup>1</sup> For list of countries, see Appendix.

<sup>2</sup> Wave 2 (1989–93), Wave 3 (1994–99), Wave 4 (1999–2004), and Wave 5 (2005–07). Neither the WVS nor Ronald Inglehart are responsible for the analysis and interpretations made in this article.

favors a more developed welfare state. The variable has a mean of 6.072 and a standard deviation of 3.014. We have included the following controls at the individual level: WOMEN (0–1), AGE, HIGH EDUCATION (0–1), INCOME (1–10), SOCIAL TRUST (0–1), MARRIED (0–1), and EMPLOYED (0–1).

The main independent variable in this analysis is ECONOMIC GLOBALIZATION, and is taken from the economic dimension of the KOF Index. It is a continuous variable (1–100) consisting of two sub-indexes that are proxies for economic globalization: (1) *actual flows*, including trade, flows of foreign direct investments (FDI), FDI in stocks, portfolio investments, and income payments to foreign nationals – all measured as a percentage of GDP; and (2) *restrictions*, including hidden import barriers, mean tariff rate, taxes on international trade, and capital account restrictions. We have also included the country-year-level controls GDP PER CAPITA, which is the gross domestic product of a country divided by midyear population, and GINI, a measure of inequality within an economy. More specifically, the Gini index measures how income or consumption expenditure among individuals/households within an economy deviates from a perfectly equal distribution and is based on the Lorenz curve. All our country-year variables are lagged one year.

### 4. Results

Figure 3 shows that the developed countries dominate the high end of the economic globalization scale, while the developing states are placed at the low end. The figure also shows that the more globalized countries generally have lower (rightist) mean scores on the GOVERNMENT RESPONSIBILITY scale. This bivariate statistic indicates the same relationship suggested in our first hypothesis, that economic globalization leads to more rightist attitudes in the public.

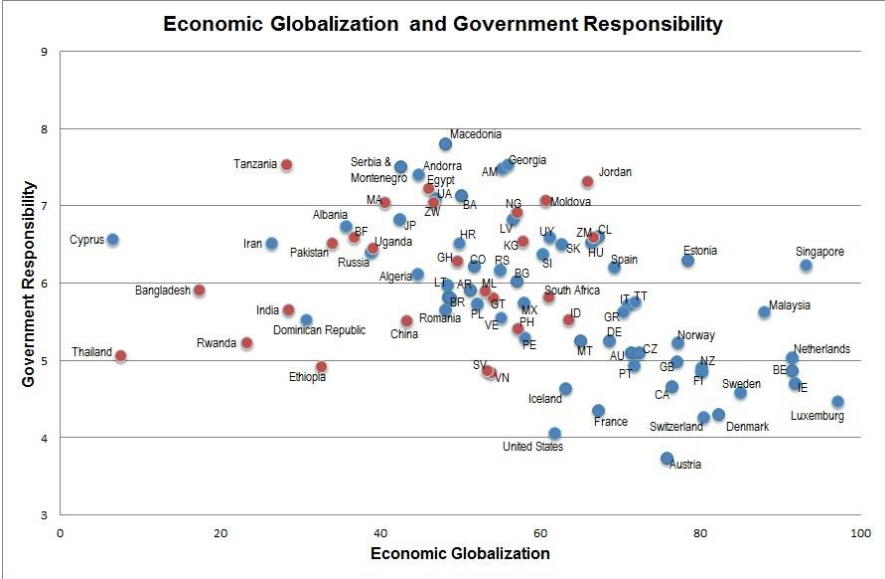


Figure 3 Mean values of ECONOMIC GLOBALIZATION and GOVERNMENT RESPONSIBILITY

**Table 1** Random intercept model with GOVERNMENT RESPONSIBILITY as dependent variable, regression coefficients with standard errors in parentheses.

|                                     | Model 0            | Model 1            | Model 2            | Model 3            | Model 4             | Model 5            |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Constant                            | 5.945***<br>(.100) | 6.487***<br>(.101) | 7.587***<br>(.282) | 6.183***<br>(.580) | 7.350***<br>(1.123) | 2.022<br>(1.911)   |
| <b>Individual-level</b>             |                    |                    |                    |                    |                     |                    |
| Woman                               |                    | .143***<br>(.014)  | .143***<br>(.014)  | .143***<br>(.014)  | .143***<br>(.014)   | .143***<br>(.014)  |
| Age                                 |                    | .002***<br>(.000)  | .002***<br>(.000)  | .002***<br>(.000)  | .002***<br>(.000)   | .002***<br>(.000)  |
| High Education                      |                    | -.198***<br>(.017) | -.198***<br>(.017) | -.198***<br>(.017) | -.198***<br>(.017)  | -.198***<br>(.017) |
| Income                              |                    | -.113***<br>(.003) | -.113***<br>(.003) | -.112***<br>(.003) | -.112***<br>(.003)  | -.113***<br>(.003) |
| Social Trust                        |                    | -.041***<br>(.016) | -.041**<br>(.016)  | -.040**<br>(.016)  | -.040**<br>(.016)   | -.040**<br>(.016)  |
| Married                             |                    | -.027*<br>(.015)   | -.027*<br>(.015)   | -.027*<br>(.015)   | -.027*<br>(.015)    | -.027*<br>(.015)   |
| Employed                            |                    | -.106***<br>(.015) | -.106***<br>(.015) | -.106***<br>(.015) | -.106***<br>(.015)  | -.106***<br>(.015) |
| <b>Country-year-level</b>           |                    |                    |                    |                    |                     |                    |
| Economic Globalization              |                    |                    | -.018***<br>(.004) | .036*<br>(.020)    | .039*<br>(.021)     | .129***<br>(.035)  |
| Economic Globalization <sup>2</sup> |                    |                    |                    | -.000***<br>(.000) | -.000***<br>(.000)  |                    |
| GDPpc                               |                    |                    |                    |                    | -.120<br>(.109)     | .624**<br>(.219)   |
| GINI                                |                    |                    |                    |                    | -.008<br>(.010)     | -.012<br>(.010)    |
| GDP*Economic Globalization          |                    |                    |                    |                    |                     | -.015***<br>(.004) |
| <b>Random Effects</b>               |                    |                    |                    |                    |                     |                    |
| $s_e^2$                             | 8.108              | 8.002              | 8.002              | 8.002              | 8.002               | 8.002              |
| $s_{u_0}^2$                         | 0.515              | 0.501              | 0.513              | 0.496              | 0.499               | 0.496              |
| $s_{v_0}^2$                         | 0.487              | 0.452              | 0.305              | 0.276              | 0.263               | 0.210              |
| Level-1 <i>N</i>                    | 184,779            | 184,779            | 184,779            | 184,779            | 184,779             | 184,779            |
| Level-2 <i>N</i>                    | 152                | 152                | 152                | 152                | 152                 | 152                |
| Level-3 <i>N</i>                    | 79                 | 79                 | 79                 | 79                 | 79                  | 79                 |
| -2LL                                | -455,911           | -454,697           | -454,689           | -454,686           | -454,685            | -454,681           |

Note: \*\*\* =  $p < 0.01$ , \*\* =  $p < 0.05$ , \* =  $p < 0.1$ .  $s_e^2$  = variance of level-1 residual,  $s_{u_0}^2$  = variance of level-2 residual,  $s_{v_0}^2$  = variance of level-3 residual.

In our models we have followed Hox' (2010, p. 55f) recommendation by employing the bottom-up strategy of starting with a simple model and adding complexities. In Model 1 we include only individual-level variables. We then proceed by adding our main independent variable ECONOMIC

GLOBALIZATION in Model 2. In our third model we add the quadratic term of globalization, ECONOMIC GLOBALIZATION<sup>2</sup> to test for any curvilinear effects. In Model 4 we control for GDP PC and GINI. In the fifth model we add an interaction term consisting of ECONOMIC GLOBALIZATION and GDP PC. Models 0–5 are presented in Table 1, and Model 5 is formally defined as:

$$Y_{ijk} = \beta_0 + \beta_1 X_{ijk1} + \beta_2 X_{ijk2} + \beta_3 X_{ijk3} + \beta_4 X_{ijk4} + \beta_5 X_{ijk5} + \beta_6 X_{ijk6} + \beta_7 X_{ijk7} \\ + \gamma_8 Z_{jk8} + \gamma_9 Z_{jk9} + \gamma_{10} Z_{jk10} + \gamma_{11} Z_{jk8} Z_{jk9} + e_{ijk} + u_{0jk} + v_{0k}$$

In the equation,  $Y_{ijk}$  is the value of the dependent variable for individual  $i$ , and  $\beta_0$  is the intercept.  $\beta X_{ijk}$  represents the regression coefficients at the individual level  $i$ , within country-year  $j$ , in country  $k$ , while  $\gamma Z_{jk}$  represents the regression coefficients at the country-year level, within country-year  $j$ , in country  $k$ .  $e_{ijk}$ ,  $u_{0jk}$ , and  $v_{0k}$  represent the residual for the individual-level, country-year-level and country-level, respectively.

In Model 5, the variables at the individual level are all statistically significant at the 0.01-level, except for SOCIAL TRUST and MARRIED, which are significant at the 0.05- and 0.1-levels respectively. None of the variables at the individual level was altered substantially after adding variables at the country- year level. The results in all models show that women have more leftist attitudes, and are thus more supportive toward increased government responsibility than men. This is accordance with previous research, which finds that women are more prone to hold leftist attitudes than men (e.g., Finseraas & Ringdal, 2012). The variable AGE indicates that people develop more leftist attitudes the older they get.

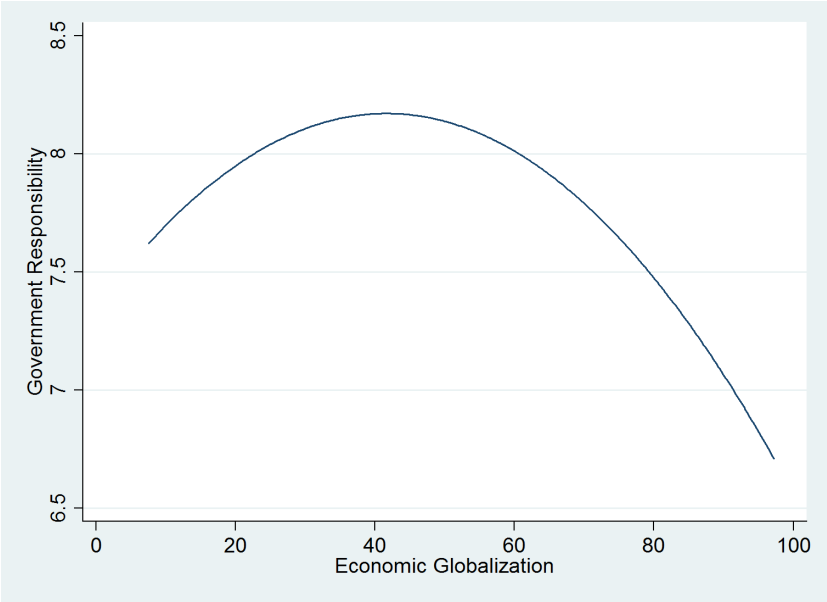
The variables INCOME and HIGH EDUCATION show that the higher income and education an individual have the more rightist attitudes he or she has toward government responsibility. This is expected since individuals with high income and education do not have the same need for social services as people with a lower socioeconomic status have (Koçer and van de Wefhorst, 2012). Further, the models show that high levels of social trust correlates with rightist attitudes. Social trust might be an indicator for a belief in the individual, thus having faith in people's ability to take care of themselves. Scores on the variables MARRIED and EMPLOYED are also associated with rightist attitudes.

The results from Model 4 show that both GDP PC and GINI, have a negative effect on the dependent variable. For GINI this implies that citizens living in countries with high levels of inequality

are less supportive of government responsibility. However, this finding is not statistically significant.<sup>3</sup> The negative coefficient of GDP PC indicates that people in countries with a high level of GDP per capita are less supportive toward government responsibility than citizens of poorer countries. This indicates that our fourth hypothesis: *Individuals in developing countries will have more leftist welfare attitudes than individuals in developed countries*, has some support. However, this variable is not statistically significant and our fourth hypothesis is not supported.

As stated, our main independent variable is ECONOMIC GLOBALIZATION. When first included in Model 2, the coefficient for this measure is statistically significant at the 0.01-level, indicating that economic globalization leads to less support for government responsibility – in other words, more rightist attitudes toward welfare. This finding renders support for our first hypothesis: *Increased economic globalization leads to the public wanting less government responsibility*, and firmly rejects our third: *Increased economic globalization leads to leftist welfare attitudes among citizens*. However, we must take into account that there is a majority of developed countries in our sample (see Appendix).

To test our second hypothesis: *After a country reaches a certain level of competitiveness, the effect of economic globalization on welfare attitudes will shift from leftist to rightist*, a quadratic term of ECONOMIC GLOBALIZATION was added. The predicted probabilities are shown in Figure 4.



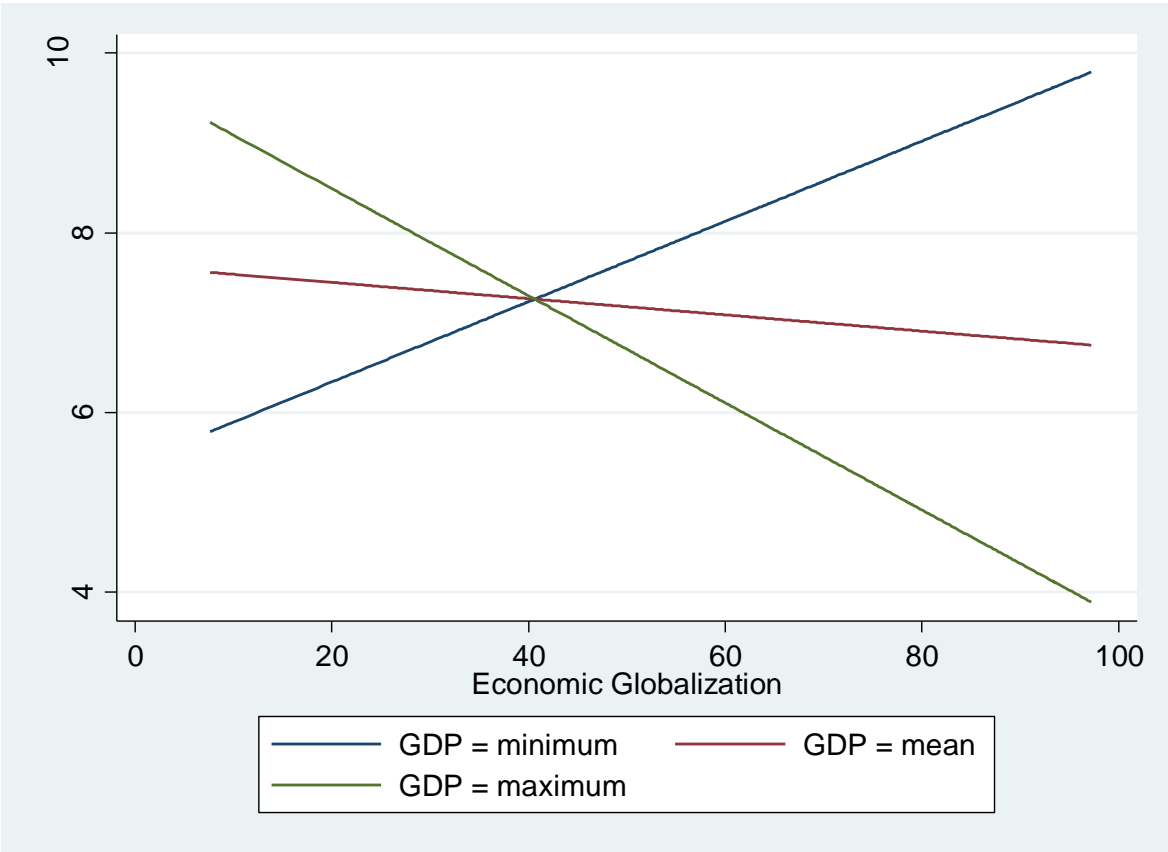
**Figure 4** The curvilinearity of ECONOMIC GLOBALIZATION

Note: Graph is calculated based on Model 4.

<sup>3</sup> For the level-2 variables we are dealing with data that borders on the population as a whole. The underlying logic of significance testing here is not sample theory, but rather stochastic model theory. We generalize from the observations we find, to the mechanism that generates the data (Gold, 1969; Henkel, 1976).

The graph shows that the effect of economic globalization on government responsibility is curvilinear.<sup>4</sup> The effect of economic globalization increases up to a point (41.80) and then decreases. In other words, economic globalization has a positive effect on attitudes toward government responsibility up until a country reaches a little under halfway up on the globalization scale. After this point is reached the effect becomes negative (rightist). The original term is significant at the 0.1-level and the squared term is significant at the 0.01-level. We thus conclude that there is a curvilinear effect of economic globalization on welfare attitudes.

In Model 5 an interaction term comprising GDP PC and ECONOMIC GLOBALIZATION was added to see if globalization affected developing and developed countries differently as was hypothesized in H5: *Economic globalization leads to leftist welfare attitudes for citizens in developing countries, and rightist welfare attitudes for those in developed countries.* We have graphed the conditional effect in Figure 5.



**Figure 5** Interaction effects of GDP PER CAPITA and ECONOMIC GLOBALIZATION on GOVERNMENT RESPONSIBILITY

The figure (and Model 5) reveals a negative (rightist) effect of globalization when GDP PC is large, and a positive (leftist) effect when the same variable has a low score. In other words, the result of our

<sup>4</sup> The coefficient for the squared term was 0.000472.

analysis shows that there is a difference in the effect of economic globalization on welfare attitudes in developing and developed countries. Thus, our fifth hypothesis receives support.<sup>5</sup>

**Table 2** *Summary of the hypotheses*

|   | Supported | Not Supported |
|---|-----------|---------------|
| <i>H1</i> : Increased economic globalization leads to the public wanting less government responsibility.  | <b>X</b>  |               |
| <i>H2</i> : After a country reaches a certain level of competitiveness, the effect of economic globalization on welfare attitudes will shift from leftist to rightist.          | <b>X</b>  |               |
| <i>H3</i> : Increased economic globalization leads to leftist welfare attitudes among citizens.   |           | <b>X</b>      |
| <i>H4</i> : Individuals in developing countries will have more leftist welfare attitudes than individuals living in developed countries.  |           | <b>X</b>      |
| <i>H5</i> : Economic globalization leads to leftist welfare attitudes for citizens in developing countries, and rightist welfare attitudes for citizens in developed countries. | <b>X</b>  |               |

## 5. Conclusion

The overall research question of our article is: *How does economic globalization affect welfare attitudes?* By using individual level data from the WVS and contextual data from the KOF Index of Globalization, World Bank, and SWIID, we have investigated the relationship between economic globalization and public economic left–right attitudes. Our conclusion is that economic globalization does indeed affect people’s welfare attitudes.

We presented two opposing views on the effects of globalization. Following the rationale of the compensation hypothesis we would expect a leftist shift in attitudes, the reason being that citizens demand protection against the external risks that come with increasing economic globalization (Walter, 2010). On the other hand is the neoliberal argument about the relationship between globalization and growth, which together with rational choice theory constituted the basis of our other main hypotheses. Following this logic economic globalization leads to prosperity and economic growth. Thus, the citizens of highly globalized countries will become richer and not need the security of the welfare state to the same extent as their less globalized counterparts.

<sup>5</sup> We have also tested with an interaction between GDP PC and ECONOMIC GLOBALIZATION<sup>2</sup>. The result was not statistically significant.

The evidence presented in our models suggests that increased economic globalization is associated with more rightist attitudes in the public. However, there is also evidence of a shift in attitudes from leftist to rightist after a country reaches 41.80 on the globalization scale. We have thus chosen to confirm both our first and second hypotheses, and reject the third. In summary, people in developing countries hold more leftist opinions than those in developed countries, and the effects of economic globalization are different depending on a country's *per capita* gross domestic product.

To sum up, the evidence points to some general conclusions: economic globalization has an effect on public welfare attitudes. An explanation for the general rightist effect is that if globalization increases the citizens' standard of living, they will change their attitudes from being proponents of an extensive welfare state, to wanting less government responsibility and redistribution. However, the evidence also suggests that there is a shift in the effect of globalization as a country increases its openness. When people realize their country is becoming competitive in the global market, they will shift toward rightist attitudes to a larger degree.

Our findings are based on data from several developing and developed countries. However, our sample consists of more developed than developing countries, which implies that we must have some caution when accepting our first hypothesis. By including more developed countries there is a possibility that the curvilinear effect would be stronger. Walter (2010) argues that it is also important to draw on individual level sectorial positions to classify globalization winners and losers within each country. Future research would be well advised to follow up on this thread.

## 6. References

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## **Appendix**

*List of countries included in the analysis:* Albania, Algeria, Argentina, Azerbaijan, Argentina, Australia, Austria, Bangladesh, Armenia, Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Belarus, Canada, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Dominican Republic, Egypt, El Salvador, Estonia, Finland, France, Germany, Ghana, Greece, Guatemala, Hungary, Iceland, India, Iran, Ireland, Italy, Japan, Jordan, Korea, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Malaysia, Mali, Malta, Mexico, Moldova, Morocco, Netherlands, Nigeria, Norway, Pakistan, Peru, Philippines, Poland, Russia, Rwanda, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Uganda, Ukraine, Macedonia, Tanzania, United Kingdom, United States, Uruguay, Venezuela, and Vietnam.