BIG GOVERNMENT IN WEAK STATES: 
THE PARADOX OF STATE SIZE IN THE 
ENGLISH-SPEAKING NATIONS OF 
ADVANCED CAPITALISM 

Francis G. Castles 

DISCUSSION PAPER NO. 209 

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SUMMARY

Much of the research in the comparative political economy tradition has measured the reach of the state by its expenditures. In these terms, states are strong when their expenditures are large. This paper departs from that tradition by identifying a second, equally important, dimension of state size in the extent of public employment, and examines the possibility that there may be major discrepancies between the two dimensions of state size.

Section I uses simple descriptive statistics to map these two dimensions of state size in both 1960 and 1983. Whilst, at the latter date, total civilian public expenditure and total public employment are moderately strongly associated, and civilian public consumption and public employment are very strongly associated, at the earlier date no significant degree of association can be discerned in either case. The English-speaking nations circa 1960 are shown to exemplify the phenomenon of big government in weak states in the sense that they, more than any other other grouping of nations with cultural and/or linguistic affinities, combined large government in terms of the numbers of those employed in the service of the state and a restricted reach of the state in terms of aggregate state expenditures.

To explain that phenomenon and the narrowing of the discrepancy between the two dimensions of state size in the decades after 1960, the paper seeks to elaborate general models of the determinants of both public employment and public expenditure levels. Sections II and III are devoted to a model of government employment and Section IV to a model capable of accounting for variance in both public consumption expenditure and social security transfers. The regression models offered are rather satisfactory in comparison with many in the literature, but the reader is reminded of the perennial problem of causal attribution in small samples: that an apparently strong association between variables may be merely the consequence of values in a small number of cases.

Section II examines the propositions from the rather underdeveloped public employment literature that the government tends to become a big employer of labour where trade unions are strong and exports as a percentage of GDP are small. The model is shown to account for a moderate to large degree of public employment variance, but not to account for the degree of big government in the English-speaking countries in 1960.

Section III examines the further proposition that public employment is a function of demands and needs stemming from economic modernity and infrastructural development. In both periods, the level of agricultural employment is shown to be negatively associated with big government, and, in 1960, the development of agricultural capitalism and population density are positively associated with the level of public
employment. Taking into account these factors, the performance of the non-European, English-speaking countries in 1960 no longer appears exceptional.

Section IV does not attempt to offer a novel interpretation of public expenditure development, but seeks to combine the plethora of existing explanations into a model providing the best degree of fit for public consumption expenditure and social security transfers. It identifies the weakness of the political Right as a crucial determinant of the former and a long history of social security programme experience as an important determinant of the latter. Hence the basic explanation of English-speaking exceptionalism in 1960 is that the economic modernity and infrastructure development of these countries were forces pushing for big government, whilst a strong Right and the relative lateness of the introduction of social security programmes made for weak state development in expenditure terms.
I. Englishness and the Size of the State

When we make comparisons of the size of the state, we tend to base our assessments on measurements of public expenditure. This has been an area on which research into the comparative political economy of advanced capitalism has tended to concentrate in recent years. The focus of attention has been on what makes the state a big spender in aggregate and on specific programmes. For those who come to these topics with the social democratic bias that big is beautiful, it is not too difficult to argue a convincing case for the contemporary 'awfulness of the English'.

Once upon a time (Australia early in the century, New Zealand in the late 1930s and England in the late 1940s), certain amongst the English-speaking nations might be regarded as pioneers of the big state, but already by 1960 only Ireland and New Zealand featured in the top half of the half of the distribution of total non-defence spending of government in a group of 18 OECD states. By the mid-1980s, the English-speaking nations, with the sole exception of Ireland, were characterized by low levels of

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2 Total Non-defence Spending of Government is elsewhere in the paper described as Civilian Public Expenditure, Total Outlays of Government or simply Public Expenditure. It is equivalent to OECD category Total Outlays of Government as a Percentage of GDP (data from OECD 1985, Historical Statistics, 1960-1986, Paris) minus Military Expenditure as a Percentage of GDP (data from Stockholm International Peace Research Institute (SIPRI), SIPRI Yearbook 1988, London: Oxford University Press). The explanation of military expenditures involves a series of issues at least as complex as and quite different from those treated in this paper. Since military might is a crucial dimension of state power, it should be included on grounds of comprehensiveness, but considerations of space preclude such a course. Readers interested in the determinants of military expenditure are referred to Keman, Hans 1982: 'Securing the Safety of the Nation-State' in Francis G. Castles, (ed). The Impact of Parties. London: Sage Publications.

3 The 18 countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States. Except where explicitly mentioned, Ireland is excluded from the subsequent analysis because of the unavailability of comparable public employment data.
aggregate civilian public expenditure and, in terms of total government social expenditure as
a percentage of GDP, all were, without exception, low spenders. On this basis, it would
appear that the English-speaking world is the last refuge of the adherents of small
government, a preference which might be argued to demonstrate the continuing influence of
the liberal laissez-faire ideas whose finest flowering occurred in the English-speaking
world.

But measures of public spending are not the only valid indicators of the size of the state. As
Richard Rose has pointed out, "(e)mpirical analyses of government normally concentrate
upon public expenditure, with little regard for the employees whose salaries constitute so
large a proportion of that expenditure". Public employment is an additional dimension of
the size and growth of the modern state, and one which has been largely ignored by
comparative political economy presumably only because data collection and definition
problems are somewhat greater than in the case of expenditure measures and because of the
assumption (not actually present in Rose, but readily deduced from his statement) that there
is a substantial degree of identity between employment and expenditure. Why should it be
necessary to make a separate study of the determinants of public employment, if those
determinants are effectively captured by an analysis of public expenditure trends?

In fact, although hardly remarked in the literature, any correspondence between the
aggregate of civilian public expenditure and public sector employment in advanced

5 Rose, R. 1985: Public employment in Western nations. Cambridge: Cambridge University
   Press, p.2.
6 An 1982 OECD publication, Employment in the Public Sector (Paris) does note the fact of
   "a less than proportional response to public sector employment to a given increase in total
   public expenditure at constant prices" (Italics in original).
7 Our measure of public employment is Civilian Public Employment (CPE) as a Percentage
   of the Working Age Population. The figures we use are to be found in Cusack, T.R.,
capitalist democracies is of quite recent provenance. In 1960, the relationship for 17 OECD countries was actually negative, with a bivariate correlation of -.15. By 1983, it had become positive and just significant at the .05 level, with a bivariate correlation of .49. This latter figure implies that only about a quarter of the variation in public expenditure can be statistically 'explained' by the size of the state in employment terms. Nevertheless, the increasing similarity between these various measures of state size is of some interest, and is a topic to which we return at the conclusion of this discussion.

The OECD data set on government employment from which our figures on civilian public employment are derived relates only to employment in that range of activities covered by the National Accounts definition of general government. Because public corporations and nationalized industries producing market goods are excluded from the definition of public employment, the lack of correspondence between public expenditure and employment is not a function of the truly commercial activities of government. Rather it derives from three sources: the fact that non-market production of goods does not exclude employment in the provision of services for which charges below the cost of production are levied, the fact that the general government sector is a major purchaser of goods in most countries and a major source of investment in many and the fact that a very substantial, and in recent decades much increasing, percentage of government expenditures is taken up by transfers, which have a

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European Journal of Political Research, Vol.17, Table 7; these in turn are derived from routine, but unpublished, data collected by the OECD Secretariat.

\footnote{Unfortunately, a full scale comparative analysis including public employment in such industries is currently impracticable, which clearly means that an important aspect of cross-national variation in state intervention is neglected by this analysis. OECD, 1982, \textit{op. cit.} includes data on employment in public corporations for 10 countries, 1960-79, only 3 of which are English-speaking. Pryor presents data on 9 capitalist democracies for a much earlier time period. (See Pryor, F.L., 1973: \textit{Property and Industrial Organization in Communist and Capitalist Nations}. Bloomington: Indiana University Press). The most recent data collection which goes beyond the National Accounts definition of general government derives from a research project developed at the Science Center in Berlin, but the only published data emanating from that source again relates to only 9 nations (for discussion of this source, see Cusack, Notermans and Rein, 1989, \textit{op. cit.}).}
low employment component. Because of charges the extent of public employment may be somewhat larger than indicated by public expenditure measures; because of purchases, investment and transfers the extent of public employment may be very much smaller than might be inferred from the aggregate of public expenditure.

Once we recognize the lack of correspondence between public expenditure and public employment, it poses the obvious question of which is the most useful measure of state size? The answer is, of course, that both are important, that their determinants should be examined by separate analysis rather than by inference from one to the other and that we should be particularly interested in the changing relationship of these two dimensions of state power over time. Expenditure confers power because it implies state control of national resources, but employment equally confers power because it implies the direct imperative control of labour power in the service of the state.

The recognition of separate dimensions of state power implies that states may at various times score high on one dimension and low on the other. That states may be simultaneously small in expenditure terms and yet manifest big government is precisely the paradox that confronts us when we examine the recent history of the English-speaking nations. As Figure 1 demonstrates, the 5 English-speaking nations in our group of 17 OECD states were without exception big in terms of civilian public employment in 1960. Indeed, not only were they big, they were the five biggest states in these terms, with Australian government employing 13.9% of the working age population, New Zealand 11.3%, the United Kingdom 10.1%, Canada 8.9% and the USA 8.4%. Denmark was the next biggest country with 7.9%.

The average public employment level of these English-speaking nations was 10.5%, whilst that of the other 12 nations was only 6%. At the same point in time, only one of the English-speaking nations - New Zealand - counted as big on the public expenditure dimension.

Unfortunately, this group of 17 nations does not include Ireland, an English-speaking nation.
which later OECD data\textsuperscript{9} suggests must have had a markedly lower level of civilian public employment at this date. Even so, the association between Englishness and a big employment state is quite remarkable.

Figure 1: Levels of Total Non-defence Public Expenditure as a Percentage of GDP and Civilian Public Employment as a Percentage of Working Age Population in 17 OECD Nations, 1960

<table>
<thead>
<tr>
<th>PUBLIC EMPLOYMENT</th>
<th>Low</th>
<th>6.6%</th>
<th>High</th>
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<td>Italy</td>
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<td>Sweden</td>
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By 1983, as shown in Figure 2, things had changed appreciably. In an expansionary climate of state development, in which average figures for both public employment and expenditure had nearly doubled, only Australia, Canada and the United Kingdom of the 5 English-speaking nations in the group remained big employers of labour. The Australian state retained its position as the biggest employer of the English-speaking countries (15.7%), but it was Sweden (24%) and Denmark (21.7%) that now were the leading nations in these terms. The average level of public employment in the English-speaking

\textsuperscript{9}OECD 1988, op.cit.
countries had increased only marginally (by 2% to 12.5%), whilst in the remaining 12 nations the average increase was extremely dramatic (by 6.3% to 12.3%). Moreover, all 5 English-speaking countries were now low spenders, although as previously noted, Ireland again was the exception that proved the rule. It remained, as it had almost certainly been in 1960, a large state in expenditure terms, with a rather low level of government personnel.

Figure 2: Levels of Total Non-defence Public Expenditure as a Percentage of GDP and Civilian Public Employment as a Percentage of Working Age Population in 17 OECD Nations, 1983

<table>
<thead>
<tr>
<th>PUBLIC EMPLOYMENT</th>
<th>Low</th>
<th>11.5%</th>
<th>High</th>
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<td>Low</td>
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One would expect a much closer correspondence between the non-transfer component of public expenditure, civilian public consumption expenditure, and public employment than between the latter and total civilian public expenditure. That is, indeed, the situation in 1983 with a zero-order correlation of .90, but, extraordinarily, in 1960 the degree of association was quite negligible, with a wholly insignificant zero-order correlation .19.

This paradox of a major discrepancy between the dimensions of state size in 1960 also shows up in a bivariate correlation between Englishness and the extent of public employment of no less than .63. The exception of Ireland needs to be remembered. Nevertheless it seems that,
apart from that nation, it was just those English-speaking countries whose 'awfulness' in terms of state size measured by aggregate public and welfare state spending was already becoming apparent, which were precisely those that were biggest in terms of public employment. By 1983, there had ceased to be any significant association between Englishness and public employment (.12), and the 'family of nations' which had usurped the English-speaking nations' claim to big government status were the Scandinavian states, Denmark, Finland, Norway and Sweden.

So far as we are aware, the only study to remark the general phenomenon of the large size of the English-speaking states in public employment terms prior to the 1970s is a recent paper by Cusack, Noerrmans and Rein.10 Whilst that study suggests in passing that the phenomenon may be attributable to these countries' status as 'infrastructure states', no attempt is made to demonstrate the plausibility of such a causal attribution. The general lack of recognition that Englishness was at one time associated with big government does not mean that the phenomenon has not been noted in particular cases. Various studies of individual English-speaking nations have pointed to high levels of state intervention manifested in extensive public employment. In an Australian context, the works of the economic historian, Noel Butlin, have depicted public sector development in terms of a 'colonial socialism' only waning in the postwar era.11 Patrick Duneavy's recent essay on public policy development in the United Kingdom entitled 'Paradoxes of an Ungrounded Statism' also makes the point about unusually big government only diminishing in recent decades, although he is at pains to contrast the British experience not only with the countries of continental Europe, but also with the other English-speaking countries of

101989, pp. cit.

advanced capitalism. The Australian case of state-building in a new society fits in very well with the hypothesis of an infrastructural impetus to high public employment levels, but Britain, as the home of private entrepreneurial capitalism, hardly seems to fit the bill. The role of infrastructural development and the extent to which the British experience is unique are subjects to which we return in later sections of this paper.

The main objective of this paper is to seek an explanation of the paradox of big government in weak states as exemplified by the experience of the English-speaking nations, particularly in the early part of the period. On the whole, we shall focus our attention on the government employment dimension of state size, since that area has received far less scholarly attention than the determinants of public expenditure and, presently, there is no adequate model of the determinants of public employment. Obviously, however, our paradox can only properly be addressed on the basis of an understanding of the structural antecedents of both dimensions of state size. In the final section, we briefly sketch a model of public expenditure determination, which is original not in the particular factors it adduces, but only in their combination. By contrasting the structural antecedents of the two dimensions of state size, we should be in a position to unravel the paradox presented by the experience of the English-speaking nations.

II. What We Know From Earlier Research

Research on the structural determinants of public employment using wide-scale cross-national statistical comparison is only in its infancy. The only two political science studies are of very recent provenance. One study by Masters and Robertson examines both levels

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and change in public employment in 20 OECD countries in the period 1965-83. Whilst highly interesting as an attempt to extend the work of Przeworski and Wallerstein\textsuperscript{14} on the conditions of class compromise in industrial democracies and quite helpful in locating some of the linkages between the structure of the political economy and the development of public employment, it suffers from two defects which make its findings rather difficult to assess both in general terms and in terms of the specific issue of state intervention in the English-speaking nations. First, the study utilises a number of explanatory variables - most notably a measure of economic conditions which is the product of the ratio of gross saving to GDP and of the ratio of wage growth to price changes - the empirical implications of which are highly open to question on theoretical grounds.\textsuperscript{15} Second, the analysis of levels of public expenditure is based on an averaging of data across an almost two decade period of rapid public sector transformation. Since the link between the size of government measured in public employment terms and Englishness was marked at the beginning of the period and


\textsuperscript{15}Whether, in the example given, class compromise is caused by high levels of savings and high increases in real wages, whether one is an expression of the other, or whether class compromise is a prior condition for these economic conditions could readily be debated. More pertinent to the issue of public employment levels, there must be a serious question of the extent to which the negative relationship located between public employment and economic conditions is a merely trivial finding deriving from the inherent characteristics of the terms used. The closed economy national income identity defines $Y$ (income) = ($C$) Consumption + ($I$) Investment + ($G$) Government, which implies that $G = Y - (C + I)$. Masters and Robertson (p.1186) assume the identity of savings and investment, so that $\frac{S}{Y} = 1 - \frac{C}{Y}$. Thus, at a minimum, assuming other things (i.e. the consumption share of GDP) to be equal, the higher is the savings ratio the lower is likely to be government expenditure (of which public sector employment constitutes an important part). Here is the beginning of what could be a tautological relationship, and it is compounded by the fact other things are not equal and that, in reality, increasing real wages imply higher consumption (if only be otherwise if all additional income from wages were saved). If all that Masters and Robertson are in fact demonstrating is that government expenditure is likely to be higher in countries where consumption and investment are lower, they are telling us less about the real world than asserting the identity contained in national accounts. To understand the real world we would need to understand the determinants of low investment and decreasing real wages.
insignificant at its end, such a conflation of data risks obscuring the phenomenon we are seeking to locate.

The Cusack, Notermans and Rein study, which uses a pooled cross-section design to explore the causes of public employment change in some 13 OECD countries between 1960 and 1983, is the only other systematic, statistical analysis of public employment trends. Unfortunately, the analysis is presented in such a way as to make it impossible to disentangle how various causal factors impinge on the English-speaking nations as a group and, whilst supplying a sophisticated analysis of factors impelling change, offers only the most fragmentary comments on and no statistical treatment of the determinants of initial levels of public employment. Moreover, it does not examine the question of why, despite much change, public employment in 1983 remained at least somewhat associated with its 1960 level (51). This important study, offering a coherent model of public sector change, can tell us something about the factors that may have been involved in diminishing the discrepancy between public employment and expenditure levels in the decades following 1960. It does not tell us, except possibly by inference, why states were big or small in personnel terms in the first instance or whether the structural antecedents of public employment maintained a degree of continuity of time. These, apart from the specific paradox of state size in the English-speaking states, are the issues which are addressed here.

Despite problems in translating the findings of these two studies in such a way as to be relevant to our concerns, they do provide some valuable clues to factors that may be associated with public employment levels. Apart from the somewhat problematical economic conditions variable, Masters and Robertson point to two other factors significantly associated with their much aggregated measure of employment level and, interestingly, exactly the same factors are amongst those shown by Cusacks, Notermans and Rein to be

related to public employment growth. One of these factors is trade union strength (measured somewhat differently in the two studies) and the other export dependency, the former demonstrated to be a positive force in determining both level and growth of public employment and the latter shown to be a negative predictor of both level and growth.

That trade union strength should be associated with public sector employment is an hypothesis which may readily be derived from a class politics approach to comparative political economy. Apart from their wages struggle, trade unions in capitalist democracies have seen their primary task as guaranteeing the conditions of full employment. To make such employment a responsibility of the state removes it, in principle, from the dictates of the market and brings it within the province of political control. Hence, it is hardly surprising that trade unions have historically been strongly associated with moves in favour of the nationalization of industry and, in general, have promoted the public employment alternative as a more secure form of labour market organization for working class interests.

There is, however, one crucial caveat to the a priori expectation of a causal chain by which the strength of trade unionism is a positive force for the emergence of big government. Although unnoticed by Cusack, Notermans and Rein and Masters and Robertson, there is an important literature on trade union development which sees union growth as itself a function of government size in employment terms. The major evidence for such a proposition is the substantially greater levels of public than private sector unionisation that characterise some nations, a differential which clearly implies an automatic increase in trade union density as government size increases. Moreover, it is arguable that this effect has markedly

increased in recent decades because a decline in large manufacturing industry and the expansion of the private service sector has differentially reduced private sector manual workers' overall unionisation rates.

To the extent that this caveat holds, a model which interprets a cross-sectional association between union density and public employment as evidence for the impact of class politics is clearly misspecified. In fact, it is our view that the relationship under examination here is almost certainly reciprocal in nature, with big unions pushing for big government, not least because of a knowledge that the conditions of public sector employment are particularly propitious for further union growth. A full analysis of this hypothesis would, of course, require a number of time-series studies of individual nations and is beyond the scope of this cross-sectional analysis of state size. It is, however, possible to devise a simple test of whether the strength of any association between union density and public employment is largely an artifact of recent changes in private/public unionisation differentials by disaggregating union density into prior level and subsequent change variables. To the extent that the level of public employment is more strongly associated with historical levels of union density than with subsequent change, we can discount the possibility that the link between union size and public employment levels is substantially misspecified. In this context, we note that the bivariate connection between the level of union density in 1950 and public employment in 1960 is .54 and between union density in 1960 and public employment in 1983 is no less than .74; in both instances far higher than the corresponding correlations between change in union membership and government size (.10 for 1960 and .44 for 1983). At subsequent stages of model development, we further note the extent to which the historical strength of unionism is the more important influence on contemporary levels of state employment.

The linkage between public employment and export dependency, as measured by exports as a percentage of GDP, is also somewhat problematical. The Cusack, Notermans and Rein paper
starts from the hypothesis that the association will prove positive on the basis of earlier work by Cameron\(^{19}\) showing the extent of public expenditure growth to be positively linked to the degree of external economic vulnerability measured by the extent of export and import dependency. In contrast, the Masters and Robertson paper\(^{20}\) argues that the probable role of external dependency is a conditional one, with export decline reducing public resources and hence possibly the scope of public intervention under some circumstances, whilst in others also possibly creating political pressures for economic stimulation through greater public involvement. Cusack, Notermans and Rein, in discussing the negative association they discover between export dependency and public employment growth 1960-73, tentatively opt for a conclusion rather similar to the first of these alternatives: "(p)erhaps the negative impact of international trade dependence on public employment growth can be interpreted as being a consequence of the dwindling latitude for nationally redistributive policies brought about by the intensification of the international redistributive struggle".\(^{21}\)

Taking the joint findings of these two studies as a summary account of what is known concerning the structural determinants of public sector employment, an obvious first question is how successful an explanation this provides of the causes of big government? Table 1 seeks to answer that question by presenting regression equations accounting for the variance in civilian public employment in 17 OECD nations using trade union density and export dependency as independent variables. In both equations, trade union strength and export dependency have precisely the impact predicted. The former is very significantly positively associated and the latter somewhat less significantly negatively associated with the level of public employment. In 1960, around two-fifths of the variance in public


\(^{20}\)1988, op. cit., p.1188.

\(^{21}\)1989, op. cit., p.00.
employment can be attributed to the joint impact of these factors and, in 1983, more than two-thirds. By the latter period, it would seem that we dispose of a reasonably adequare explanation of some of the major forces determining big government. For both periods, we note that a disaggregation of prior union size and subsequent change in union density demonstrates the strong influence of the historical strength of working class mobilization, although for the latter period one cannot discount the possibility that union growth and changes in government employment were reciprocally entwined.22

<table>
<thead>
<tr>
<th>Table 1: Do Trade Union Strength and Export Dependency Explain Big Government?</th>
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<tbody>
<tr>
<td>CPE 1960 = 5.542 + .146 TU - .147 EX Adj R2 = .41</td>
</tr>
<tr>
<td>(3.42) (2.65)</td>
</tr>
<tr>
<td>CPE 1983 = 6.05 + .222 TU - .152 EX Adj R2 = .72</td>
</tr>
<tr>
<td>(6.63) (3.30)</td>
</tr>
</tbody>
</table>


But is that explanation such as to tell us the reasons why it was the English-speaking countries that had the highest levels of public employment in 1960? Was Englishness associated with high levels of public sector employment because those countries were

\[ \text{CPE 1960} = 4.76 + .155 \text{ TU 1950} (3.18) + .107 \text{ TU CHANGE} (1.44) - 1.36 \text{ EX} (2.30) \]
\[ R^2 = .38. \text{ CPE 1983} = 4.624 + .302 \text{ TU 1960} (6.89) + .152 \text{ TU CHANGE} (3.70) - .158 \text{ EX} (3.98), R^2 = .80. \]
characterised by high degrees of trade union density and low levels of export dependency? Table 2 which adds a dummy variable of Englishness to the 1960 and 1983 equations from Table 1 suggests very strongly that it was not!

\[ \begin{array}{cccccc}
CPE 1960 &=& 3.278 + 0.097 \text{ TU} - 0.036 \text{ EX} + 4.45 \text{ ENG} \text{ Adj R}^2 &=& .85 \\
& & (4.26) & (1.11) & (6.50) & \\
CPE 1983 &=& 4.396 + 0.225 \text{ TU} - 0.125 \text{ EX} + 2.21 \text{ ENG} \text{ Adj R}^2 &=& .74 \\
& & (6.95) & (2.61) & (1.42) & \\
\end{array} \]

ENG = Englishness (Australia, Canada, New Zealand, the UK and US score 1; all others 0).

Adding Englishness to the 1960 equations doubles the public employment variance statistically accounted for. In that year, Englishness was by far the most significant predictor of this dimension of the extent of public employment. Trade union size had, if anything, become even more significant, but export dependency was no longer a significant factor in determining this dimension of state size. In 1983, the additional term does almost nothing and Englishness is not statistically associated with big government. Hence, while the equations of Table 1 do tell us something important about the causes of public sector employment, they do not provide any purchase on our central problem: why the English-speaking states were big in 1960 and had ceased to be so by 1983. Obviously that suggests a need to search for explanatory factors in addition to trade union strength and export dependency which might further account for the size of public employment and thereby dissolve the paradox of the size of English-speaking states in the earlier period.
Before proceeding to that task, it is necessary to make two further remarks concerning the association of public employment and export dependency. Neither of the studies that address this relationship mention the possibility that a negative association might hold on grounds of what amounts to tautology. For the most part countries do not export the goods and services produced by the public sector, and this is the more so given the exclusion of public corporations and nationalized industries from our public employment data set. This fact leads to the expectation that countries with a large public sector will necessarily export less. In order to assess whether that makes any difference to the negative finding reported in Table 1, we reran the equations replacing exports as a percentage of GDP with exports as a percentage of GDP minus total government expenditure (EXTO), thereby controlling out any automatic negative impact of the size of the public sector. For 1960, the term remains both negative and significant and, for 1983, it is negative, although just below the level of significance (p<.06). Export dependency did seem to have a genuinely negative influence on public sector size at the beginning of the period, although by 1983 this initial elaboration of an explanatory model suggests that it was on the wane. However, we are less than satisfied with the interpretation based on diminished resources for public sector development contingent on external vulnerability. Such an hypothesis might, in principle, serve to explain public employment levels and growth trajectories in a period of economic crisis like the 1970s and early 1980s. One would scarcely expect public sector stringency to be a concomitant of strong export performance in the boom growth period of the early 1960s. But, in the equations adjusted for total public expenditure share, it is in the earlier period that the impact of exports shows up most strongly. Moreover, the notion of a decreased latitude for state employment on grounds of financial stringency is not readily compatible with Cameron’s earlier finding of higher state expenditure growth in just those

23 CPE 1960 = 5.382 + .146 TU (3.41) - .10 EXTO (2.63). CPE1983 = 4.46 + .21 TU (5.20) - .041 EXTO (1.97).
countries most dependent on exporting. These are problems of interpretation to which we return in our concluding section.

III Economic Modernity and Infrastructure

The obvious place to begin a search for additional factors conducive to the growth of big government is in the processes of economic modernisation. In respect of both public employment and public expenditure, large-scale state development is largely, although not exclusively, a feature of modern societies. That has long been recognised in the literature on state expenditures, which has variously explored the possibilities of links between expenditure levels and economic growth, the societal correlates of industrialisation, such as demographic structure and the concomitant rise of social programmes, and the accretion of distributive coalitions conditional on the length of time since the advent of modernity.24

Given that our concern here is with the employment dimension of state size, our choice of a measure of economic modernity is one which directly relates to the modernity of the

24Cusack, Notermans and Rein test a version of the Wagner thesis that changes in income lead to an increased demand for government services and locate a significant positive relationship. The best known statement of the correlates of Industrialisation thesis is to be found in Wileisky (Wileisky, H.L. 1975: The Welfare State and Equality. Berkeley: University of California Press), who finds strong positive links between the percentage of the aged in the population, the length of time social programmes have been in operation and social security expenditures. The argument that the accretion of distributive coalitions leads to a demand for greater state intervention and a consequent decline in economic growth comes from Olson (Olson, M. 1982: The Rise and Decline of Nations. New Haven: Yale University Press) and has been tested by Choi (Choi, K. 1983: "A Statistical Test of Olson's Model", in D.C.Mueller, (ed). The Political Economy of Growth. New Haven: Yale University Press, pp.57-78), who has demonstrated a negative relationship between years of economic modernity and economic growth rates. All of these variables have been entered into the equations in this paper and only the Choi index of modernity has any significant impact. That is, however, because of its strong association with one of our chosen measures of modernity, the percentage of the workforce in agriculture (zero-order correlations of -.82 in 1960 and -.72 in 1983). Given that the equations we report subsequently have a somewhat better degree of fit than any using using the Choi Index, and that the distributive coalitions argument merely implies economic rigidities derived from the fact of long-lasting modernity, we prefer an interpretation resting on agricultural employment as an unambiguous measure of economic modernity.
employment structure in capitalist democracies. The size of agricultural sector is likely to be negatively associated with public employment for at least two reasons, both adduced by Rose.\textsuperscript{25} First, at what might be argued to be a trivial level, farmers are almost invariably self-employed or the employees of those who are self-employed. Assuming that to be the case, a shift from the agricultural sector to industrial or service sectors, both with some share of public employment, will necessarily imply an increase in the level of public employment as a share of the total workforce. Less trivially, and very much in line with the correlates of industrialisation thesis, it may be argued that "people in rural areas tend to make fewer demands for public services than do urban or suburban residents"\textsuperscript{26} and that hence the pressures on government for public intervention are least where agricultural employment is greatest.

Economic modernity measured by the size of agricultural employment would seem to be a strong candidate for explaining English-speaking exceptionalism in 1960 and the disappearance of any conspicuous difference between English-speaking and other nations by 1983. At the former date, the 5 English-speaking countries had an average of 10.4\% of workers on the land, whilst the other 12 nations in the OECD group had 20.5\%. By 1983, English-speaking nations had 5.9\% and others 7.6\%. Not only had the gap nearly disappeared over a quarter of a century, but in all countries agricultural employment had declined appreciably, a development consonant with the substantial general increase in public employment during the period.

Economic modernity is frequently conceived as a linear process of evolution first from agriculture to industrial production and then from industry to services. To the extent that this is so, any impact on public employment of the initial stages of this process should be

\textsuperscript{26}Ibid, p.134.
captured by the agricultural employment variable. Clearly, though, the notion of a linear process is too simplistic. The first shift towards efficient capitalist production occurred on the land rather than as a consequence of a move away from the land. That was true of England in the 17th century, and it is clear that it was countries of efficient capitalist agricultural production - Australia and the United States - that were the richest in the world by the late 19th century. To the extent that modernity is linked to public employment in a non-trivial way - i.e. by a greater demand for public services - it seems to follow that the countries of capitalist agriculture should have been the first to experience a push for big government.

In effect, this is a hypothesis closely related to the Cusack, Notermans and Rehn view that the first big states of modern times were "infrastructure states". The logic of such a proposition can be argued in several ways. First, the early advent of capitalism on the land pushed workers into the cities, and the simultaneous need for infrastructure to support an export trade in agricultural produce plus the need to service burgeoning towns and cities led to pressures for greater state intervention to build roads and railways, sewers, water supply and the like. Second, it may be suggested that agricultural capitalists face greater difficulties than industrial entrepreneurs in providing infrastructure for themselves. Inherent limitations in economies of scale even in agricultural production for export markets mean that enterprises will be typically smaller than is the case of efficient industrial production, especially where the latter is directed to a world market. Faced with a collective action problem of this kind, agricultural entrepreneurs may be hypothesised to have a strong motivation to press government for services they cannot themselves provide. Third, in addition to demands for infrastructure, certain nations, and in particular the new


nations of settler capitalism in which commercial agriculture best thrived, may be argued to have experienced a greater need for infrastructure than the European nations of closer settlement. Distances were greater and population was initially smaller and the special logic for state intervention in the arena of transportation and communications, at least, is clearly apparent.

We use two measures of the pressure for infrastructural development, one seeking to tap the demand component and the other the additional needs dimension. As a measure of the dominance of capitalist agriculture, we use the share in merchandise exports of agricultural produce. For any grouping of countries at widely disparate levels of economic development, we might expect such a variable to be positively related to the size of the agricultural sector measured in employment terms. However, that assumption does not hold for rich countries and, certainly, in such countries and controlling simultaneously for the size of the agricultural sector, the expectation would be that agricultural sector size would be associated negatively with public employment level and agricultural exports positively. Such a relationship might possibly prove another key to English-speaking exceptionalism, for in 1960 New Zealand and Australia had much the largest agricultural export shares of any advanced nations and both Canada and the United States had large shares relative to their agricultural employment levels. A rather similar picture, despite a substantial shift in Australia from agricultural to energy and minerals exports, is apparent in 1983. We should note, however, that here England itself is the big exception.31 with


30. The zero-order correlation for 1960 is -.02 and for 1983 it is .21.

31. It is perhaps valuable to distinguish between the degree to which agricultural capitalism plays a major role in the economy and the extent to which agricultural capitalism is the dominant mode of economic organisation in the countryside. England, having three centuries
amongst the lowest shares of agricultural merchandise exports in both 1960 and 1983. As an indicator of the need for infrastructure inputs, and mindful that the major source of need is likely to be the needs for transportation and communication imposed by distance, we utilise a measure of the number of square miles per person living in a given country. Again, some of the English-speaking nations, but certainly not England, score particularly highly on this variable, most notably Australia and Canada and to a somewhat lesser degree, New Zealand.

Table 3 examines the supposition that these measures of economic modernity and infrastructure supplement trade union density and exports as a percentage of GDP in providing a coherent picture of public employment levels. The 1960 equation is

Table 3: Do Economic Modernity and Infrastructure Make A Difference?

<table>
<thead>
<tr>
<th></th>
<th>CPE 1960</th>
<th>TU</th>
<th>EX</th>
<th>AS</th>
<th>AE</th>
<th>MPP</th>
<th>Adj R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.438</td>
<td>.066</td>
<td>.103</td>
<td>.124</td>
<td>.051</td>
<td>.007</td>
<td>.88</td>
</tr>
<tr>
<td></td>
<td>(2.68)</td>
<td>(3.82)</td>
<td>(3.68)</td>
<td>(4.38)</td>
<td>(1.87)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPE 1983</td>
<td>8.779</td>
<td>.225</td>
<td>.169</td>
<td>.512</td>
<td>.067</td>
<td>.031</td>
<td>.82</td>
</tr>
<tr>
<td></td>
<td>(8.05)</td>
<td>(4.02)</td>
<td>(2.59)</td>
<td>(1.88)</td>
<td>(.25)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


previously initiated the shift to capitalist forms of agricultural production, today scores low on the first and high on the second.
extraordinarily satisfactory as an account of the structural determinants of the size of public employment in capitalist democracies. Four terms are statistically significant and the fifth, miles per person, only marginally below that level. The level of explained variance is also extremely high. There is some minor decline in explained variance in the 1983 equation, and two terms are now insignificant. Despite that, the two equations are wholly consistent in terms of imputed causal direction (i.e. the signs of the terms remain the same across time-periods). 32

Not only does our model tell us much about the reasons why some countries have big government rather than others, but it also tells us something about continuity and change over the period. The importance of three factors - trade union density, exports and agricultural employment - remains constant over time, clearly contributing to the moderate bivariate correlation between 1960 and 1983 levels of public employment noted in the first section. However, the relative weight of various causal factors changes quite markedly. Initially, the strongest factor is the extent of agricultural exports and the weakest, apart from miles per person, is trade union density. By 1983, trade union strength is very substantially the dominant influence, 33 agricultural employment has declined in significance and agricultural exports have ceased to be of any appreciable

32 For a final, and still more satisfactory, elaboration of the 1983 equation, see the final section and footnote 49.

33 How crucial trade union density has become by 1983 may be gauged by the fact that a regression of the four other explanatory variables produces a negative adjusted R2. In other words, the effect of trade union strength is so great as to suppress all other factors unless the trade union effect is first taken into account. This highlights the importance of any assumptions we might make about the direction of the causality linking trade union and government employment growth. A rerun of both equations, disaggregating the union term as previously, gives the following solutions: CPE 1983 = 0.865 - .077 TU 1950 (2.91) + .042 TU CHANGE (1.21) - .008 EX (3.48) - .124 AS (3.65) + .051 AE (4.33) + .007 MPP (1.76); CPE 1983 = 7.73 + .25 TU 1960 (4.90) + .002 TU CHANGE (4.08) - .167 EX (3.89) - .414 AS (1.57) + .057 AE (1.42) + .002 MPP (.209). In both cases, the historical strength of trade unionism is the preponderant or major influence, but by 1983 the evidence suggests that a strong reciprocal relationship between union growth and public employment change is also a real possibility.
importance. Only the export share of GDP maintains a roughly constant significance over the
period.34

Exports and trade union strength are, of course, as much as the shift to industrialisation and
capitalist agriculture aspects of the societal transformation inherent in the emergence of
economic modernity, in the postwar era, competitive exporting, largely of manufactured
goods, has become the key to GNP growth and trade union strength represents the
organisational response of the working class to the growth of industrial capitalism. The
picture presented in these models is consistent with the changing face of the capitalist
economy in recent decades. The shift away from agricultural employment was in full swing
in 1960, but largely complete by 1983. The early lead in modernisation conferred by a
niche of comparative advantage in agricultural exporting was still highly visible in 1960,
but diminished substantially thereafter. Population density, which increased the start-up
costs of economic modernisation, is no longer a pertinent consideration in determining the
size of government. New aspects of economic modernity have replaced the old in a
maturing capitalist economy. What now makes the difference in respect of big government is
the mobilisation of the working class response to the employment pressures of a market

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34We have again rerun the equations with the EXTO term correcting for any automatic effect
of public sector size on exports (EXTO = exports(GDP - civilian public expenditure) x 100). Further, to rule out the more trivial sense in which the size of the agricultural sector might influence public employment, we have used as a dependent variable civilian
public employment as a percentage of the non-agricultural labour force (CENA). CENA 1990
= 7.96 + .07E TU (0.97) - .073 EXTO (3.42) - .05 AS (1.54) + .06 AE (4.42) - .008
MPP (1.75). CENA 1983 = 6.611 + .231 TU (5.83) - .052 EXTO (2.29) - .431 AS
(1.53) + .074 AE (1.50) + .069 MPP (.43). The 1990 equation is quite similar to that in
Table 3, although the impact of agricultural employment ceases to be significant. The R2
remains very high at .86. The 1983 equation is, however, rather weakened, with only trade
union density and exports being significant predictors. Even so, the 1983 model is by most
standards quite successful, with an adjusted R2 of .72. On the evidence presented here, we
should be forced to conclude that agricultural sector employment is only related to the extent
of public employment in the more trivial sense that the two are empirically more or less
mutually exclusive. However, taking account of the automatic effect of total public
expenditure on exports still leaves that factor significant in both 1960 and 1983.
economy and the degree to which export dependency militates against the state's intervention in the field of employment.

IV Englishness, Exports and Expenditure

In this concluding section, we attempt to answer three questions as yet unanswered by the analysis. First, does our model public employment fully explain why the English-speaking nations were so strongly characterised by big government in 1960? Second, is it possible to provide a rather more convincing interpretation of the negative impact of exports on public sector employment than that suggested in the literature to date? Third, is it possible to explain, not only why the English-speaking countries have had high levels of public employment, but also why they have tended to have relatively low levels of public expenditure?

England and the English

Given the very high levels of explained variance in Table 3, the expectation must be that our model successfully accounts for English-speaking exceptionalism in 1960. To test that proposition, we have adopted the same procedure as previously and rerun the full 1960 equation with Englishness as an additional dummy variable. In fact Englishness still does make a difference, although contrasted with Table 2, it is no longer the strongest predictor of big government and the difference made to the level of explained variance is far less than when only trade union density and exports were included in the equation. Unsurprisingly, given the quite strong coincidence of Englishness and level of agricultural employment in 1960, this latter variable now falls below the level of statistical significance, as does also the export dependency term.

\[ \text{CPE 1960} = 3.086 + 0.08 \text{ TU} (4.43) - 0.052 \text{ EX} (1.91) - 0.027 \text{ AS} (0.65) + 0.031 \text{ AE} (2.77) + 0.005 \text{ MPP} (1.65) + 2.74 \text{ ENG} (2.96). \text{ Adj R}^2 = .33. \]
With a level of explained variance as high as that obtained in the 1960 equation and a group of countries as small as this, it makes little practical sense to seek further systematic structural factors capable of removing the impact of Englishness in the 1960 model. Rather we may be tempted by the view that not all the English-countries are in step with the same drummer, and that the causes of public sector employment in at least one of them may be very substantially different from those operative in the others. Examining the residuals of the 1960 equation in Table 3, we find that, in fact, England is by far the biggest outlier - positive or negative - of all the countries in the group, with just over 2% more public employment than predicted in the equation. Running the 1960 equation once more, this time excluding England as a case, produces a result almost identical to that in Table 3 except that now all five terms are very highly significant and the adjusted R² increases to .96. Unsurprisingly, the further addition of the Englishness dummy has almost no effect.\footnote{Without England the Table 3 equation is CPE 1960 = 6.229 + .059 TU (4.25) + .066 EX (5.16) - .098 AS (4.05) + .056 AE (7.87) + .009 MPP (3.86). Adding the Englishness dummy to this equation CPE 60 = 5.189 + .065 TU (4.33) + .07 EX (3.18) - .059 AS (1.71) + .048 AE (4.47) + .008 MPP (3.04) + 1.02 ENG (1.07).}

What this means is not so much that our model fails to explain Englishness\footnote{What our model actually captures is the impact of the variable described by Castles and Merrill, 1983, pp. cix, as 'Settler Capitalism', a dummy variable for the non-European English-speaking nations, which the authors concede to be "a black box, as yet unpacked in terms of anything but shared national attributes" (p.00). What those attributes are, at least in respect of the linkage with levels of public employment, is more or less precisely specified by the first of the equations in the footnote above.} as it fails to explain England! Dunleavy's view of the uniqueness of the development of the English public policy profile in contrast with other democratic capitalist states, therefore, finds support even in a context where nationalized industry employment - far higher in the United Kingdom than in other English-speaking nations - is excluded from consideration. Moreover, English statism is ungrounded along dimensions other than those noted by Dunleavy. He points to the absence in English policy development of many of what are assumed to be the
structural antecedents of a strong state: strong social democracy, corporatist institutions, macroeconomic policy stability and a large welfare state.\textsuperscript{38} Our analysis cannot point to the causes of the distinctiveness of the English public policy experience, but it does locate a further paradox of that experience. In 1960, two important sources of big government in advanced states were an extensive capitalist agriculture and the need to create or maintain an extended infrastructure of transportation and communications. In Britain the size of the state in employment terms owed almost nothing to these causes.

\textit{State Size in Export Economies}

We have seen that exports as a percentage of GDP are negatively related to public employment levels in both 1960 and 1983 and questioned the interpretation that this result stems from a decreased latitude for state employment on grounds of financial stringency stemming from international economic vulnerability. Cameron’s finding that it was precisely the countries with the greatest international trade in 1960 which experienced the largest growth in government revenues thereafter is hardly readily compatible with the notion of export dependency leading to reduced room for manoeuvre in public expenditure terms.

To obtain a better grasp of this problem, some discussion, however brief, is required of the public expenditure dimension of state size. In Table 4 we offer a summary analysis of civilian public consumption and social security transfers levels in both 1960 and 1983. The disaggregation of spending is spurred by an earlier finding that international trade is most strongly associated with public income maintenance expenditure (which is

\textsuperscript{38}Dunleavy, P. 1989, \textit{op.cit.}, p.258 ff.
largely constituted by transfers) and hardly at all by the programmes of direct provision (i.e. those largely falling in the sphere of public consumption expenditure).  

Table 4: What Are the Main Causes of State Size in Expenditure Terms?  

<table>
<thead>
<tr>
<th></th>
<th>Intercept</th>
<th>EX</th>
<th>TU</th>
<th>R</th>
<th>SSPE</th>
<th>DEATHS</th>
<th>CATH</th>
<th>Adj.R2</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCE 1960</td>
<td>8.784</td>
<td>.08</td>
<td>.068</td>
<td>.027</td>
<td>.007</td>
<td>.228</td>
<td>.002</td>
<td>.78</td>
</tr>
<tr>
<td></td>
<td>(3.55)</td>
<td>(3.97)</td>
<td>(4.71)</td>
<td>(1.25)</td>
<td>(2.41)</td>
<td>(3.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SST 1960</td>
<td>3.701</td>
<td>.105</td>
<td>.108</td>
<td>.032</td>
<td>.026</td>
<td>.484</td>
<td>.055</td>
<td>.87</td>
</tr>
<tr>
<td></td>
<td>(2.84)</td>
<td>(1.37)</td>
<td>(3.44)</td>
<td>(2.72)</td>
<td>(3.12)</td>
<td>(5.46)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCE 1983</td>
<td>14.311</td>
<td>.158</td>
<td>.059</td>
<td>.089</td>
<td>.042</td>
<td>.567</td>
<td>.019</td>
<td>.85</td>
</tr>
<tr>
<td></td>
<td>(4.57)</td>
<td>(2.09)</td>
<td>(5.01)</td>
<td>(3.67)</td>
<td>(2.53)</td>
<td>(1.42)</td>
<td></td>
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</tr>
<tr>
<td>SST 1983</td>
<td>2.948</td>
<td>.074</td>
<td>.037</td>
<td>.044</td>
<td>.049</td>
<td>.192</td>
<td>.05</td>
<td>.70</td>
</tr>
<tr>
<td></td>
<td>(1.21)</td>
<td>(.75)</td>
<td>(1.40)</td>
<td>(2.45)</td>
<td>(.46)</td>
<td>(2.07)</td>
<td></td>
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</tr>
</tbody>
</table>

PCE = Civilian Public Consumption Expenditure (Public Consumption Expenditure minus Military Expenditure; Data from OECD, 1986, *op. cit* and SIPRI, 1986, *op. cit*).

R = Average Annual Percentage of Right Cabinet Seats (1951-60 for 1960 equations and 1968-83 for 1983 equations. Definition of the Right is as in Castles, 1982, *op. cit*, pp.58-60 except that, following the argument of Palchelmo (Palchelmo, H. 1984, *Governments in Democratic Capitalist States 1950-1983*, University of Turku, Studies on Political Science, No.5, p.197) all three bourgeois parties in Switzerland are categorised as Right. This is compatible with the Castles definition, insofar as the Swiss parties are in permanent coalition and can be argued to constitute a coalescent party of the Right. Data is from *ibid*).

SSPE = Total years since the inauguration of pensions, health, unemployment and family social schemes (Data from HEW (US Department of Health, Education and Welfare) 1986: *Social Security Programs Throughout the World*, Washington, DC), DEATHS = Percentage of population deceased in World War II (Total military plus civilian deaths in World War II divided by the 1937 population x 100; Data from Dryzek and Goodin, *op. cit*), CATH = Percentage Catholic in the Population (Data from Russell, B.M. 1964, *World Handbook of Political and Social Indicators*, New Haven: Yale University Press).

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The explanatory variables are exports, trade union density (which is positively correlated with exports and must be controlled for in order to achieve adequate model specification), the size of the Right, social security programme experience, the proportion of pre-war population killed in the Second World War (argued by Dryzek and Goodin to be a measure of 'uncertainty' conducive to collective risk-sharing) and catholicism as a percentage of the population (argued by Wilensky to constitute a political constituency for social reform efforts). The findings are presented in Table 4.

These equations, with some qualification concerning that explaining transfers in 1983, constitute a highly successful model of the factors determining the strength or weakness of the state in expenditure terms. There are five constants over time. The strength of the Right is very strongly negatively associated with public consumption expenditure in both periods and export dependency only marginally less so. Trade union density is positively associated with public consumption expenditure in both 1960 and 1983, but its impact is clearly declining. The findings concerning exports and trade union strength are much as might be predicted given our knowledge of the variables' relationships with

41 See Wilensky, 1975, pp.121.
44 In this summary presentation, we do not intend to discuss or analyse in any great detail the very considerable range of variables adduced in the relevant literature. Our data set includes measures of the size of the aged population, the cabinet incumbency of Right, Left and Christian Democratic parties, catholicism, federalism, population size, GDP levels, economic growth rates, unemployment levels and all the variables introduced previously in this paper. The models presented in Table 4 are those which provide the best degree of fit of the possible subsets constituted by the data set.
public sector employment and the fact that such employment is a major component of civilian public consumption expenditure, although the decline in union influence is, perhaps a little surprising, given that variable's very strong impact on public employment by 1983. Both social security programme experience and catholicism are positively associated with transfers throughout the period, although the influence of catholicism has declined appreciably by 1983.

There are also a number of important shifts over time. Most conspicuously, the positive association between world war fatalities and both components of public expenditure manifested in 1960 has become negative by 1983, and in the case of public consumption expenditure significantly so. Such a finding could be regarded as compatible with an interpretation which sees collective risk-sharing stemming from uncertainty as a temporary phenomenon, declining with time elapsed from the source of that uncertainty.45 The negative association with public consumption expenditure in 1983 might be interpreted as a return to the normal pattern for the countries of Europe most affected by the war, although, clearly, that leaves unanswered the question of why the countries at the European 'Centre' should typically exhibit of lesser government consumption than nations outside Europe or on the European 'Periphery'. Another shift is from a strong negative Right-wing influence on transfers in 1960 to a negligible, although still negative, one by 1983. Finally, the association between export dependency and transfers makes precisely the same shift, but goes even further, becoming positive, although insignificant, by 1983.

45The risk-sharing hypothesis is, perhaps, overly philosophical in its connotations. Other interpretations of the impact of wartime experience are also available, most notably the 'displacement effect' by which wartime public expenditures create a policy space for postwar civilian expenditures. (See Peacock, A.T. and Wiseman, J., 1961: The Growth of Public Expenditure in the United Kingdom, Princeton, N.J.: Princeton University Press). It is also arguable that tasks of postwar reconstruction, obviously at their greatest where war devastation was greatest, created a need for unusual levels of government intervention. The 'displacement effect' suggests a levelling off of public expenditure after war; the reconstruction argument might well imply a retreat by the state after the task of creating new infrastructure was completed.
This latter positive relationship between exports and social security spending is the nearest we can get with our data on expenditure levels to replicating Cameron's finding that international exposure leads to growth in government expenditure. However, the finding is clearly quite compatible with the relationship to public expenditure change being a significant one, since, in the period 1960-75 with which Cameron deals, growth in transfers was a much larger element in the increase of total civilian outlays than growth in public consumption expenditure and the bivariate association between export dependency in 1960 and subsequent change in social security spending was no less than .67. Certainly, this is enough to cast strong doubt on any explanation of the relationship of export dependency to state size which posits financial stringency as a general inhibitor of state spending. Rather, in 1983, export dependent nations were simultaneously low spenders on public consumption, presumably because of their low level of public sector employment and, having once been conspicuous social social security laggards, now manifested a relative indifference to income maintenance expenditure, with countries like the Netherlands and Belgium being amongst the very highest spenders and countries like Switzerland and Norway still well below the OECD mean.

What this may suggest is the emergence of a trade-off in some of these countries between the two dimensions of state size. An interpretation, which at least has the virtue of being compatible with data concerning both public employment and expenditure over a time-span of nearly quarter of a century, is that policy-making elites in the nations of competitive exporting have tended to be wary of state intervention in all its forms, but, on occasions, may have been forced by the circumstances of societal transformation (changes in the age-structure, family structure, unemployment, etc) in the 1960s and 1970s to make an implicit choice between 'the devil and deep blue sea' and come down in favour of state
intervention through social security transfers.\textsuperscript{46} That the latter option was deemed preferable is arguably a function of the anxiety of these countries' policy-makers that public employment would create labour market rigidities which would impede the 'flexible adjustment' policies on which success in competitive exporting rests.\textsuperscript{47} A preference ordering which, of two disliked options, locates public employment as the more distasteful makes more sense of the experience of export dependent nations in these decades than the general notion of financial stringency as a cause of these nations' public employment performance in periods of economic crisis.

It is worth noting the signs of an exactly opposite trade-off made by countries in which trade unionism is strong. They consistently favour public consumption expenditure, but, whereas in 1960, there are weak signs of a tendency to higher transfers where unions are strong, by 1983 there is some indication of the opposite tendency. These contrasting trade-offs might be regarded as compatible with a quasi-Marxist view of an inherent opposition of interests between manufacturers exposed to world market pressures and organised labour. The former favour the small state in all its forms and the latter desires state intervention in both employment and expenditure arenas. The evidence offered here suggests that where circumstances dictate compromise, it is in the arena of transfers rather than public consumption expenditure that it occurs. If pushed, export dependent nations may concede

\textsuperscript{46}Göran Therborn (see Therborn, G. 1989: 'Pillarization and Popular Movements', in Francis G. Castles, (ed), The Comparative History of Public Policy. Cambridge: Polity Press, pp.139-241) in discussing the contrast between the development of the welfare state in the Netherlands and Sweden, the former a country far more dependent on the international economy than the latter, essays this choice in terms of the alternatives of 'voice' (Sweden's attempt to preserve full employment through an 'active' labour market policy at some considerable cost in public consumption expenditure) and 'exit' (the Netherlands income maintenance programmes that pay individuals to keep out of the labour market) from a competitive market economy.

social security programmes; if pushed, trade unionists defend direct provision and public employment rather than a bigger welfare state.

Why English ‘Awfulness’?

One aspect of ‘the awfulness of the English’ analysed by Castles and Mellor is the weakness of public expenditure development in the English-speaking nations. The only data they look at is total public outlays, and the summary analysis of major public expenditure components in 1960 and 1983 of Table 4 allows us the opportunity of a somewhat more focused examination of the reasons why Englishness tended to be associated with a weak state in 1960 and still more so in 1983.

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Table 5: Why are the English-speaking States Weak in Expenditure Terms?

<table>
<thead>
<tr>
<th></th>
<th>EX</th>
<th>TU</th>
<th>R</th>
<th>SSPE</th>
<th>DEATHS</th>
<th>CATH</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>PCE 1960</td>
<td>+.58</td>
<td>+.08</td>
<td>-.74</td>
<td>-.21</td>
<td>-.21</td>
<td>+.04</td>
<td>-.46</td>
</tr>
<tr>
<td>SST 1960</td>
<td>+.76</td>
<td>+.04</td>
<td>-.88</td>
<td>-.78</td>
<td>-.44</td>
<td>-.98</td>
<td>-2.28</td>
</tr>
<tr>
<td>PCE 1983</td>
<td>+1.81</td>
<td>-.56</td>
<td>-2.39</td>
<td>-1.43</td>
<td>+1.01</td>
<td>+.34</td>
<td>-1.22</td>
</tr>
<tr>
<td>SST 1983</td>
<td>-.84</td>
<td>+.35</td>
<td>-.81</td>
<td>-1.66</td>
<td>+.17</td>
<td>-.89</td>
<td>-3.68</td>
</tr>
</tbody>
</table>

Figures are the unstandardised regressions coefficients from Table 4 multiplied by the difference between the average value of the variables in the English-speaking nations and the entire OECD group.

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Table 5 examines the impact of each of the variables in the public expenditure model in terms of the positive or negative difference it made for the average English-speaking country as contrasted to the average country of the group as a whole. Differences are expressed in terms of percentage expenditure on public consumption or transfers; a plus
sign indicates that a variable made for higher expenditure in English-speaking nations, a minus sign that it made for lower spending.

The causes of 'English awfulness' are readily apparent in Table 5. Most consistently, both the much greater presence of Rightist incumbency in the English-speaking nations and those nations' relative lack of social security programme experience (a variable argued by Castles and Merril\textsuperscript{48} to denote a tradition of strong state intervention) diminished public consumption and transfers in both 1960 and in 1983. The absence of a strong Catholic impetus to social security spending depressed transfers at both times, and in 1983 the fact that the English-speaking nations were less export dependent than other nations was an additional factor contributing to weak social security development. However, harking back to the notion of a trade-off in exporting nations between the major components of public expenditure, we note that in 1983 the positive effect on public consumption of a weak export sector was partially offset by the negative effect on transfers. In 1960, the marginally greater trade union density of the countries was a positive influence on spending, albeit to a miniscule degree. By 1983, the fact that English-speaking trade unionism was somewhat weaker than in the OECD as a whole was a not unimportant factor contributing to those countries' lower public consumption expenditure. In the earlier period, the somewhat lesser uncertainty stemming from the experience of war was a factor making for low spending; by 1983, the fact that it was now the countries which had suffered the greatest war losses which were spending least was one of the few factors diminishing the gap between the English-speaking states and the others. For proponents of a strong state, 'English awfulness' is most apparent in the difference between social security spending in English-speaking and other nations, and increasing 'awfulness' in the widening of that difference by nearly 1.5 percentage points by 1983.

\footnote{\textit{op. cit.}, p.00.}
We started this paper from the paradox of high levels of public employment coexisting with relatively low levels of public expenditure, and set out to explore why it was most apparent in the English-speaking nations. The reasons for that paradox are now apparent. In 1960, public employment and public expenditure shared some of the same structural determinants, but differed in others. Both export dependency and trade union density constituted forces pushing for some minimum degree of similarity between employment and expenditure levels. Otherwise, it was the greater economic modernity and infrastructural pressures of the English-speaking nations which made their governments big, and their Rightist political complexion and social security programme experience which made their states weak.

In 1983, neither trade union density nor exports unequivocally shaped the size of state in expenditure terms in the same direction as its size in public employment terms. Export dependency now had an offsetting impact on the major components of expenditure and the same was true, to a rather more limited extent and in the opposite manner, of trade union density. In the introduction to the paper, it was noted that, whereas in 1960 there was a negative zero-order correlation between public employment and public expenditure, by 1983 there was a moderate positive association of .49. By 1993, there was also a very substantial zero-order correlation between civilian public employment and civilian public consumption expenditure of no less than .90. Trade union size and export dependency do not seem to be a sufficient explanation of this increasing similarity. The only remaining possibilities are that we have not located a further variable or variables determining both employment and expenditure or that variables included in either the 1983 employment or expenditure models should be included in both. Various reruns of the equations show that, other than trade unions and exports, no variables from the 1983 employment model improve the degree of fit of the expenditure model. However, a rerun of the 1983 employment equation including the three significant terms as they appear in Table 3 plus the
remaining terms from the expenditure model is far more successful. From this revised model, we obtain an R2 of .88 and three new significant terms: a positive connection between public employment and the experience of state intervention and negative ones with wartime generated uncertainty and the size of the Right. One previously significant term, size of agricultural employment, declines below the level of significance. One final rerun, disaggregating the trade union term into its historical and change components, is still more successful, and demonstrates that the prior strength of unions was a far more dominant influence than union growth in the period after 1960.

In 1960, the English-speaking nations' distinctive combination of modernity and infrastructural development, on the one hand, and a weak tradition of state intervention and strong parties of the Right, on the other, pushed the dimensions of state size in opposite directions. Between 1960 and 1983, that paradox had been dissolved as the impact of trade union strength and export dependency each took on an offsetting character and as other factors, both historical and political, asserted an influence over both aspects of state development.

\[ 49 \text{CPE } 1983 = 10.321 + .148 \text{ TU (4.84)} + .199 \text{ EX (5.18)} + .267 \text{ AS (1.65)} + .05R (2.48) + .031 \text{ SSPE (2.46)} + .764 \text{ DEATHS (2.82)} + .03 \text{ CATH (1.93)}. \] It should be noted that for 1960, this model is wholly unsuccessful in explaining public employment level. Trade union density and export dependency are not even significant at the p<.01 level and no other terms even approach significance. Analysis of bivariate relationships could have informed us that it would be the public consumption model that would explain employment in 1983 rather than vice versa. The correlation between public employment in 1960 and 1983 was .51, and between public consumption expenditure in 1960 and 1983, it was .83. In other words, any increasing similarity between the two was likely to be a consequence of a shift in the structural determinants of public employment.

\[ 50 \text{CPE } 1983 = 10.327 + .223 \text{ TU } 1960 (6.46) + .072 \text{ TU CHANGE (2.06)} + .199 \text{ EX (7.06)} + .042 \text{ AS (2.64)} + .067 \text{ R (4.23)} + .021 \text{ SSPE (2.14)} + .896 \text{ DEATHS (4.45)} + .018 \text{ CATH (1.54)}. \] R2 = .94.