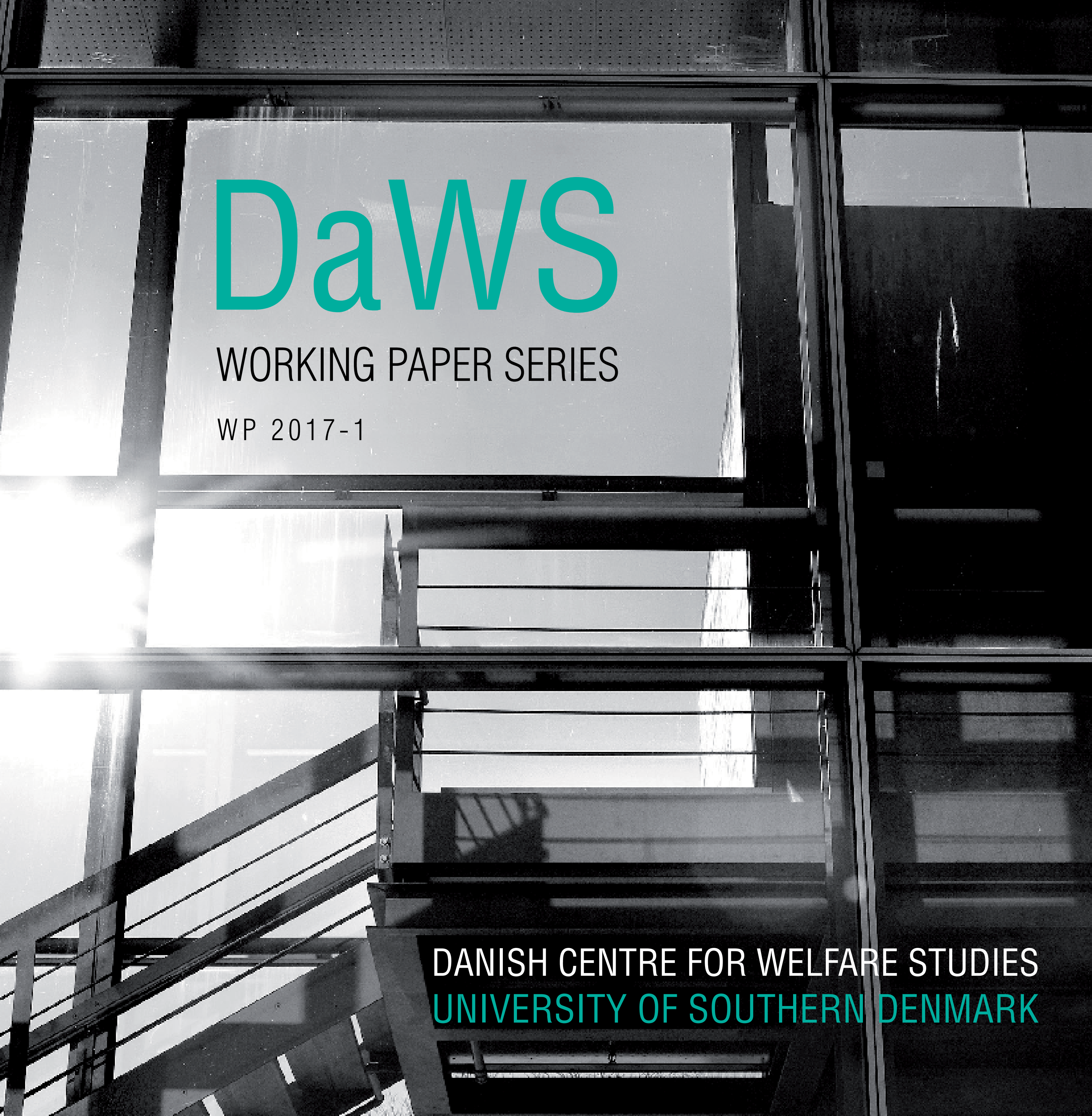

DaWS

WORKING PAPER SERIES

WP 2017-1

DANISH CENTRE FOR WELFARE STUDIES
UNIVERSITY OF SOUTHERN DENMARK

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THE UNCERTAINTY OF WELFARE RETRENCHMENT'S ELECTORAL CONSEQUENCES

The uncertainty of welfare retrenchment's electoral consequences

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Abstract
Decisions by political actors are often electorally risky in two different ways: (1) because they can lead to electoral punishment, for instance after welfare retrenchment, or (2) because their consequences are uncertain. While the first type of electoral risk has received ample attention, the second has been left unaddressed. Still, examining the uncertainty of decisions' consequences is important since research from psychology and economics has shown that it is an important driver of decisions. Theories of decision making under uncertainty, like expected utility theory and prospect theory, are increasingly used to explain political decisions. These theories typically *assume* that the (electoral) outcomes of decision A are more uncertain than of those of decision B, instead of *demonstrating* this empirically. To fill this lacuna, we explore the uncertainty of the electoral consequences of an important political decision: welfare retrenchment. The question whether or not welfare retrenchment leads to electoral punishment has received ample attention. In this literature, several studies invoked prospect theory to explain why governments engage in welfare retrenchment despite the risk of losing votes. By using this theory, such authors assumed that welfare retrenchment increases the uncertainty of electoral outcomes *and* that politicians prefer this uncertainty when they face losses. Our empirical analysis demonstrates that welfare retrenchment may, conversely, reduce electoral uncertainty, but that is does so only for parties with a neutral or negative welfare image. Our findings have important implications for the literature on the electoral effects of welfare retrenchment as well as for other areas studying political decision making under risk.

1. Introduction[1]
There is a lot of research in political science and related social sciences that focuses, implicitly or explicitly, on political decisions that are risky, usually electorally. Examples include work on welfare retrenchment (Van Kersbergen and Vis 2014; Starke 2006; Vis 2010), military intervention (see e.g., Levy, 2003; Taliaferro, 2004 for reviews and overviews) or party position change (Adams 2012; Schumacher et al. 2015). But when is a decision risky? How is "risk" defined and operationalized? These issues are often not addressed explicitly in existing work (McDermott, 2001 is an exception here).

Most existing studies in welfare state research, and political science more broadly, consider decisions risky when they can lead to electoral punishment. The higher are the expected electoral losses, typically votes or seats, the higher is this type of risk. We label this first type *risk as (expected) electoral consequences*.[2] This first conceptualization resembles the definition of risk in everyday parlance (that is,

[1] This project is funded by a Vidi grant from the Netherlands Organisation for Scientific Research (NWO, HIGH-RISK POLITICS, grant nr. 452-11-005). Earlier versions of this paper have been presented at the MPSA Annual Conference 2015 in Chicago and at the 5th Annual General Conference of the European Political Science Association, 25-27 June 2015, Vienna, Austria. Thanks to these conferences' participants as well as to Dieuwertje Kuijpers and Mariken van der Velden for useful comments and suggestions.

[2] Usually when the term electoral risk is used, these consequences are negative. But there may be situations when the expected consequences may be positive, such as after increased government spending prior to elections (Blais and Nadeau 1992).

as a synonym, or close to a synonym, for "dangerous"). This first definition differs from how risk is defined in theories of decision making that are regularly used to explain political actors' behavior: expected utility theory (Von Neumann and Morgenstern 1944) or prospect theory (Kahneman & Tversky, 1979 and Tversky & Kahneman, 1992). In these theories, decisions are considered risky when their outcomes are uncertain, whereby the higher is the degree of uncertainty, the riskier is the decision (cf. McDermott, 1998: 39). In the context of the decisions with electoral implications we focus on here, we label this second type *risk as electoral uncertainty*. The higher is the electoral uncertainty, again typically in terms of votes or seats, the higher is this type of risk.

While risk as expected electoral consequences (type I risk) is the topic of a substantial and growing number of studies, risk as electoral uncertainty has – to the best of our knowledge – not been studied empirically yet. Exploring the effect of political decisions on electoral uncertainty is interesting in its own right (see Section 2), but has also become more important because theories that assume actors care about uncertainty – particularly prospect theory –, are increasingly used to explain why political actors take certain decisions (see e.g., Levy, 2003; McDermott, 2001; Mercer, 2005; Vis, 2011; Weyland, 2002). In this study, we therefore explore whether political decisions influence risk in terms of electoral uncertainty (type II risk).

The political decision we explore in this study is welfare retrenchment. Welfare state retrenchment is a particularly relevant type of decision for which to explore electoral uncertainty for two reasons. First, as we noted and discuss below, there is a substantial body of literature that examines whether welfare retrenchment leads to electoral punishment (type 1 risk). Second, a substantial number of studies employs insights from prospect theory to explain when and why governments engage in welfare retrenchment (Domonkos 2014; Van Kersbergen and Vis 2014; Pierson 1994; Vis and Van Kersbergen 2007; Vis 2009, 2010). These latter studies thereby (implicitly or explicitly) assume that welfare retrenchment leads to electoral uncertainty (type 2 risk).

To answer the question whether welfare retrenchment leads to electoral uncertainty, we reanalyze data from Schumacher, Vis, and Van Kersbergen (2013) on the effects of welfare retrenchment on electoral outcomes. Schumacher et al. (2013) examined whether retrenchment is risky in terms of electoral consequences (answer: yes, for specific types of parties it is); we examine whether welfare retrenchment is risky in terms of electoral uncertainty.

The rest of the paper is structured as follows. In the following section, we elaborate on risk as expected electoral consequences versus risk as electoral uncertainty and shortly discuss the literature on welfare retrenchment's electoral consequences and the relevance of electoral uncertainty to that literature. Next, we discuss our methodological approach and present the findings. Our analysis shows that uncertainty *decreases* for parties with a neutral or negative welfare image that engage in retrenchment and that there is no effect for parties with a positive welfare image. The final section discusses these findings.

2. Risk as expected electoral consequences versus risk as electoral uncertainty

Risks as expected electoral consequences (usually losses) – that is, risk as it is most commonly used in everyday parlance – has received ample attention in the existing literature. In addition to studies on welfare retrenchment we turn to below, some examples include the electoral consequences of party position change (Adams & Somer-Topcu 2009), of the skin-color of candidates (Weaver 2011), and of voting to declare war (Regens, Gaddie, and Lockerbie 1995). However, political decisions can also be risky per the second definition, that is, they may influence uncertainty about the results of elections.

Risk as expected electoral consequences (type I risk) and risk as electoral uncertainty (type II risk) can overlap but do not necessarily do so. A decision can lead to a better outcome, for instance a smaller expected loss of votes, which makes the decision *less* risky in terms of expected electoral consequences. At the same time, such a decision can be *more* uncertain than remaining at the status quo (that is, refraining from action). Take the following hypothetical example. Suppose that polls indicate that if a social democratic party sticks to its current platform it will lose 10% of its voters. To try to regain these voters the party could decide to take a more restrictive position on immigration. This new position may pull to the party voters who are leftist economically but who are conservative on the socio-cultural dimension. However, it is not certain to do so and such a harsh position on immigration may also turn away existing social democratic voters who are progressive or liberal on the socio-cultural dimension and who will dislike – or strongly oppose – the new policy position. In this case a party uses policy to increase electoral uncertainty (type II risk), possibly without realizing this explicitly, to try and increase its electoral success (thereby lowering type I risk).[3]

Why would there be uncertainty about the electoral consequences of a political decision, that is type II risk? This question is relevant, because it provides insights into why politicians may care about type II risk (possibly in addition to type I risk). First, politicians will often be unsure whether a policy measure will have the desired impact. Will a stimulus package, for example, revive a failing economy – resulting in more votes – or will it make matters worse – diminishing the number of votes? Similarly, will a foreign intervention succeed or fail? Will the new party leader perform excellently, or will s/he be a major disappointment? Second, while the political agenda typically does set the media agenda (Van Aelst and Walgrave 2011; Brandenburg 2002; Walgrave and Van Aelst 2006), politicians have little influence on *how* a decision and its consequences are discussed in the media and – consequently – perceived by the voters. Will the media for example pay more attention to the cutbacks in education (which many voters will dislike) *or* will they rather give more attention to the investment in healthcare that is made possible by these cutbacks (which voters may like)? If retrenchment reduces the deficit but increases unemployment will the media present this as a success or a failure of the government? A third reason why electoral consequences may be uncertain is that politicians have limited information, and are therefore uncertain, about voters' preferences. This is the source of uncertainty in the example of the social democratic party discussed in the previous paragraph. There are opinion polls for sure, but these have errors and different polls may yield different results. In addition, and important for the degree of uncertainty, polls usually do not give information about the tradeoffs that politicians will need to make. People may dislike cutbacks in welfare programs in general, but are they also willing to pay the possibly extra taxes required to avoid such cutbacks? Moreover, polls display a party's standing given its current position, but not what will happen if its position changes. Will a more rightwing course attract more conservative voters, or will it scare off more centrist voters? Fourth, parties face so-called strategic uncertainty about the actions of other actors. How will rival parties respond to a party that champions a daring new proposal, or that changes its ideological position? In summary, politicians face uncertainty about the material effects of their decisions, the perceptions of the public, the preferences of voters, and the reactions of other political actors. All these sources together make that politicians face a lot of uncertainty about the (electoral) consequences of their actions. As the example in the previous paragraph showed, the actions of political actors can potentially influence this uncertainty.

One reason to investigate risk as uncertainty is that politicians or political parties may care about the uncertainty of electoral outcomes even if they do not care about votes as such, but value votes to gain a majority (to achieve office and policy goals). In that case, what the political actor cares about is the *probability* of getting a majority, and this probability may depend on the *uncertainty* of a decision's electoral consequences. Suppose, for example, that the social democratic party reconsidering its position on immigration in the example above is the governing party in a majoritarian system. If the party is currently poling above 50% of the vote, it is unlikely that it will take a new position on immigration, even if it is expecting a loss of votes. Taking a new position could result in fewer votes, which could land the party in

[3] It may be that the expected loss of votes (type I risk) is not smaller if the party changes its position on migration, but what is relevant for the example here is that this type I risk does not need to overlap with the type II risk.

opposition. However, if the social democratic party is polling below 50% of the votes, it may want to take a fiercer position on immigration and thereby increase electoral uncertainty. Although that new position may result in even fewer votes, it may also lead to more votes. The latter would give the party a chance to get a majority and remain in power, while when maintaining its current position, it will surely find itself out of office. A politician who believes she is polling behind an opponent in a single-member first-past-the-post district, or a party polling below the vote threshold have a similar incentive to increase uncertainty. The individual politician could therefore decide to deviate from the party line, while the small party could try to come up with an outrageous new plan.[4]

In addition to the instrumental concerns toward office about uncertainty discussed above, parties may also care about the uncertainty of outcomes per se. Such concerns are central to decision-making models that try to explain insurance and investment decisions (e.g. Markowitz 1952). Classical theories about decision making under uncertainty, most prominently expected utility theory (Von Neumann and Morgenstern 1944), assume that people want to avoid uncertainty.[5] However, newer theories, based on psychological observations rather than a-priori axioms, allow people's attitude to uncertainty to depend on circumstances. Prospect theory (Kahneman & Tversky, 1979, Tversky & Kahneman 1992) is the most successful of these theories and has been used extensively to explain the behavior of political actors. Examples of the latter include participation in collective action (Fanis 2004), the resolution of trade disputes (Elms 2004), the pursuit of painful neoliberal adjustments (Weyland 2002), and the involvement in international conflicts (McDermott, 1998; Taliaferro, 2004). Particularly relevant for our study is the use of prospect theory as an explanation of when and why governments pursue electorally risky welfare state reforms (Van Kersbergen and Vis 2014; Vis and Van Kersbergen 2007; Vis 2010).

The argument made in many studies that use prospect theory to explain political phenomena is that certain events or circumstances, such as a deteriorating strategic position in an international conflict or a loss of voter support, places a government or other political actor in the domain of losses. Following the so-called reflection effect that prospect theory incorporates, that is, the regularity that people are more willing to bear uncertainty in the domain of losses than in the domain of gains, this results in this actor being more likely to take a decision that is risky (in terms of type II that is). To return to our earlier example of the social democratic party reviewing its position on immigration: given that this party is down in the polls, it probably views itself as being in the domain of losses. As a result the ”gamble” of taking a more restrictive position on immigration will look more attractive, even if it does not help the party to achieve its goal of staying in office. A recent study confirms that politicians indeed also follow this behavioral regularity (Linde and Vis 2016).

In many of the studies that use prospect theory or the reflection effect to explain political decision, the fact that one decision – engaging in international conflict, retrenching the welfare state, et cetera – carries a higher type II risk is *assumed* based on theoretical or common sense arguments, rather than *demonstrated* empirically. Moreover, the studies that do assess the riskiness of a decision typically fail to make explicit how they define risk. For example, Vis and Van Kersbergen (2007: 153) state that 'mainstream welfare state research informs us that it is plausible to assume that welfare state reform is always politically risky'. Their reference to "mainstream welfare state research" suggests that they mean risk as expected electoral consequences (type I risk). Still, since Vis and Van Kersbergen invoke prospect theory to explain when political actors engage in welfare retrenchment, they implicitly assume that the electoral consequences of retrenchment are also more uncertain (that is, type II risk). Whether that as-

[4] Both of these actions will probably lead to an expected loss of votes (increase type I risk) but the actions might be worth this risk given the position these actors find themselves in because they increase electoral uncertainty (type II risk).
[5] The reasoning behind this aversion to uncertainty is that the richer you are, the lower the additional benefit of an extra dollar. Consequently, a bet with an equal chance to gain or lose an amount of money is to be avoided since the loss is worse than the gain. As the discussion on instrumental concerns about uncertainty in votes shows, it is questionable whether this assumption is plausible in the electoral domain.

sumption holds or not thus far remains an empirical question. To what degree welfare retrenchment is risky in terms of uncertainty about electoral outcomes is precisely what we study here. To do so, we re-analyze the data of Schumacher, Vis and Van Kersbergen (2013). Before turning to this analysis, let us briefly discuss the literature on the type I risk of welfare retrenchment.

Risk as electoral consequences, that is, type I risk, has been central in the literature on welfare state retrenchment from Pierson's (1994) seminal study onwards. Building on Weaver's (1986) ideas on the politics of blame avoidance, Pierson proposed that to avoid or at least reduce voters' wrath after welfare retrenchment, politicians needed to employ strategies to avoid the blame. The notion of blame avoidance implies that Pierson (1994) conceived the risk of retrenchment in terms of electoral consequences. Pretty much all subsequent welfare state research up to the late 2000s took Pierson's assumption as a given (for reviews, see Green-Pedersen and Haverland 2002; Starke 2006). By doing so this subsequent work also adopted a risk as electoral consequences perspective. By the late 2000s, scholars started to examine empirically whether retrenchment was indeed risky in terms of electoral consequences (see Vis 2016 for a review). This literature showed that some political parties are not punished for retrenching social policies (Armingeon and Giger 2008; Arndt 2013; Giger and Nelson 2011, 2013; Schumacher, Vis, and van Kersbergen 2013). A related stream of studies demonstrated that retrenchment may even offer governments opportunities for credit-claiming (Davidsson and Marx 2013; Elmelund-Præstekær and Emmenegger 2013). Using our paper's terminology, the latter are examples of positive electoral consequences (see note 2). None of these studies examined risk in terms of electoral uncertainty.

We have selected Schumacher et al. (2013) for our re-analysis and for our examination of whether retrenchment is risky in terms of electoral uncertainty. This was one of the first (though not *the* first) study to examine the electoral consequences of welfare retrenchment. An advantage over earlier studies (Armingeon and Giger 2008; Giger and Nelson 2011) is that Schumacher et al.'s model and their estimation technique is straightforward and thus lends itself well for such a re-analysis. Schumacher et al. (2013) showed that retrenchment is risky in terms of electoral consequences for so-called positive welfare image parties – that is, parties that have historically been supportive of the welfare state's construction and claimed credit for it (such as social democratic parties and Christian democratic ones). Specifically, Schumacher et al. found that parties with a positive welfare image are punished electorally if the government of which they are a part engages in welfare retrenchment. Other parties – such as negative welfare image parties, that is, parties that have always opposed the welfare state('s expansion) and did not claim credit for its build-up (like conservative parties) – are not punished for such retrenchment. That means that they found that, for positive welfare image parties, retrenchment is risky when risk if defined as expected electoral consequences. But is retrenchment for these or other types of parties also risky in terms of uncertainty? This is the question we turn to next.

In our view, it is plausible that choosing to retrench or not to retrench the welfare state also influences risk in terms of electoral uncertainty, that is, type II risk. The success of the economy and the size of the deficit will probably be used by voters and the media to assess whether retrenchment was successful, worthwhile, and/or necessary. Since the deficit and economic success depend on many things other than the decision to retrench, the electoral effect is uncertain as well. However, it is not *a priori* clear whether retrenching will increase or decrease this uncertainty. Parties may be punished if they do not retrench and the deficit does not improve, but also if they do retrench and the economy takes a turn for the worse.

Schumacher et al. (2013) showed that the effect of retrenchment on type I risk is different for different types of parties. This may also be the case for the effect on type II risk. Literature from psychology suggests that voters are more likely to hold a party accountable, positively or negatively, if the party does something unexpected because that is more likely to be perceived as an active choice (Spranca, Minsk, and Baron 1991). The period studied – 1970-2002 – is one in which governments face tight(ening) budgets. In this context, retrenchment may be considered the norm, in line with Pierson's (1998) notion of permanent austerity. Note that this does not exclude the possibility of some policies expanding, such as family policy or programs' coverage (see e.g., Van Kersbergen and Vis 2014). Still, in a context of tight(ening) budgets, it seems reasonable to assume that retrenchment is the expected behavior for parties with a negative (or neutral) welfare image. Deviating from this norm may therefore make a lot of voters to reconsider the way they think about that party, which can either result in more or fewer votes, and consequently a larger variance (type II risk) in electoral outcomes. The expected behavior for parties with a positive welfare image is less clear. On the one hand, these parties are expected to uphold the welfare state; on the other hand, they are expected to keep the economy on track.[6] It are thus especially these parties that are trapped between the '(…) Scylla of economic mismanagement and the Charybdis of dismantling the welfare state' (Hemerijck & Schludi, 2000: 129, see also Green-Pedersen, 2001). Consequently, voters may be less sure about what they expect positive welfare image parties to do. Additionally, different voters may expect different policies from these parties. Consequently, the re-evaluation of a party with a positive welfare image is less affected by whether they do or do not engage in retrenchment. As a result, for positive welfare image parties, the electoral consequences are as uncertain when it engages in retrenchment as when it does not. Against this backdrop, we may expect that electoral uncertainty increases if a party does something unexpected. Therefore, it may be the case that retrenchment reduces type II risk for parties with a negative welfare image, but increases it for parties with a positive welfare image.

3. Methodological approach and findings

In our analyses, we use the same data as Schumacher et al. (2013) have used to study whether certain variables influence the expected electoral outcomes (type I risk). However, we take as our dependent variable a measure of electoral uncertainty (type II risk): the squared difference between an outcome and the mean electoral outcome.[7, 8] Using the squared difference between the dependent variable and its mean as our dependent variable yields an unbiased estimate of the effect of our variables of interest on uncertainty

Schumacher et al.'s (2013) dependent variable is the gain or loss in votes for all parties that where part of a government in 14 parliamentary democracies[9] in the period 1970-2002 at the election following their time in office.[10] They obtained these data from various issues of the Political Data Yearbook (*European Journal of Political Research*) and the Party Government Data book (Woldendorp, Keman, and Budge 2000). Whether a government retrenched the welfare state was indicated by a dummy variable. Governments were defined as retrenching if the sum of the percentage point change in the welfare program replacement rates of the pension scheme, sick pay and unemployment benefits, obtained from the Comparative Welfare Entitlement Dataset (Scruggs 2004) was negative.

[6] Although, as Schumacher et al. (2013) show, they are punished electorally if they engage in retrenchment.

[7] We square the difference rather than taking the absolute value because the variance is the sum of the *squared* differences from the mean and the variance is the most common measure of uncertainty used in decision science. See for example mean-variance models in finance for example Fama and French (2004).

[8] Another measurement of type II risk would be the squared prediction error of Schumacher et al.'s (2013) original model. Assuming a correctly specified model, this operationalization would reduce error in our model increasing precision. However, if the original is somehow mis-specified, that operationalization may also increase the error. Therefore, we use the squared distance from the mean as the more conservative measure. We present the results using the squared prediction error in appendix A, table A1. These results are essentially the same as those presented in the main text. Most importantly, neither the sign nor the significance level of any of the variables changes.

[9] Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom.

[10] We thank Gijs Schumacher and his co-authors for letting us use their data here.

Schumacher et al. defined Socialist, Social Democratic or Christian Democratic parties as positive welfare image parties; Liberal and Conservative parties as negative welfare image parties; and Green, Ethnic, Nationalist and Agrarian, and Special Interest parties as neutral welfare image parties. The presence of single member districts was included as a control variable as were the change in unemployment rate, GDP, and the inflation rate (based on data from the OECD from 2010) and cabinet duration. To test their hypothesis that parties with a positive welfare state image were punished more than parties with a negative welfare state image, Schumacher et al. included an interaction effect between retrenchment and the positive welfare image variable to their model.[11] Even though their observations were clustered in cabinets, countries and time periods, Schumacher et al. indicated that there were statistical and theoretical reasons to consider a standard OLS regression with a cross-sectional set-up as the appropriate method to analyze the data (Schumacher et al. 2013: 13). Their robustness analyses using a pooled (country and time plus country) set-up and a clustered (by cabinet) setup yielded similar results to the cross-sectional set-up. We have followed their main modelling strategy, that is, the cross-sectional set-up, here.

Schumacher et al. found that welfare state retrenchment leads to electoral punishment, but – in line with their expectations – only for parties with a positive welfare image. Our replication of their main results (their table 3) can be found in appendix A, table A2. We ran a model with the same independent variables as in Schumacher et al.'s main model (see note 11), but with electoral uncertainty as our dependent variable to examine whether retrenchment (also) leads to higher electoral uncertainty (that is, type II risk). Table 1 displays the results. We also included these results in table A2 in the Appendix to allow for comparison of the findings using these different dependent variables.

[11] Schumacher et al.'s (2013) full model was Δ% votes governing party = β_0 + β_1 positive welfare image + β_2 retrenchment + β_3 retrenchment x positive welfare image + β_4 neutral welfare image + β_5 single member districts + β_6 Δ unemployment rate + β_7 Δ inflation rate + β_8 Δ growth + β_9 cabinet duration.

Table 1. *OLS regression of electoral uncertainty*

Variable	Coefficient
Constant	-1.31 (11.07)
Positive welfare image	4.67 (11.12)
Retrenchment	-19.29** (8.97)
Retrenchment x Positive welfare image	18.02 (11.98)
Neutral welfare image	14.87 (9.88)
Single member districts	19.72*** (7.23)
Change in unemployment rate	-1.91 (1.59)
Change in growth rate	-0.39 (1.19)
Change in inflation rate	-1.68 (2.98)
Cabinet duration	0.36* (0.21)
Marginal effect Positive welfare image + Retrenchment x Positive welfare image	**-1.27(9.08)**
N	269
R^2	0.0732
R^2 adjusted	0.0410

Note: Standard errors between brackets. *p<0.1, **p<0.5; ***p<0.01.

Like Schumacher et al., also we find variation across the different types of parties. Specifically, we find that retrenchment makes the electoral consequences *less* uncertain for parties with a negative or a neutral welfare image. This is because the main effect of retrenchment on the variance of electoral outcomes is significantly negative. This effect almost completely disappears for parties with a positive welfare image, although the difference between the effect of retrenchment for these and the other parties, the coefficient of the interaction term itself, is not significant. This means that engaging in retrenchment is actually *less* risky than not doing so when risk is defined as the uncertainty about the consequences (type II risk), but only for parties with a negative or neutral welfare image. This finding is in line with our hunch based on the idea that parties are re-assessed when they do something unexpected, resulting in greater electoral uncertainty.

4. Discussion

This paper has contributed to the expanding literature that focuses on political decision making under conditions of risk. It has done so in several ways. A first contribution has been to clarify what is meant by "risk" in such literature – an issue that is oftentimes left unaddressed – by proposing two definitions of risk. The first is the definition as typically used in existing studies in political science: *risk as (expected) electoral consequences* (type I risk), whereby the larger are the expected (negative) consequences, the higher is the risk. The second definition is *risk as electoral uncertainty* (type II risk), whereby the higher is the degree of uncertainty, the riskier is the decision.

Electoral uncertainty may be relevant for political actors when they care about votes for instrumental, for example office, reasons. For example, in a majoritarian system increasing electoral uncertainty may increase the chance for a party to win office if it is currently polling below 50% of the votes. Furthermore, type II risk is the definition that underlies theories of decision making under risk such as expected utility theory and prospect theory. When adopting prospect theory, as is increasingly done in for instance welfare state research, researchers implicitly assume that decisions that are more likely to lead to electoral punishment are also more uncertain. Whether they are, was to the best of our knowledge not tested empirically yet. Conducting such a test is the second contribution of this study. Specifically, we examined to what extent welfare retrenchment is risky in terms of electoral uncertainty (type II risk). To this end, we re-analyzed data from an existing study on the effects of welfare retrenchment on electoral outcomes (Schumacher et al. 2013). We selected a straightforward study from the field of welfare state research because this is a body of work that puts the risk of decisions at center stage and has employed insights from prospect theory. We used the same data and model as this study used but have taken as our dependent variable a measure of electoral uncertainty of the outcomes (that is, type II risk). Developing such a measure of uncertainty is a third contribution of this study.

Our analysis of Schumacher et al.'s data showed that retrenchment makes the electoral consequences *less* uncertain for parties with a negative welfare image or a neutral one. This effect almost completely disappeared for parties with a positive welfare image. These results indicate that engaging in retrenchment is *less* risky than not doing so when risk is defined as the uncertainty about the electoral consequences (type II risk), but only for parties with a negative or neutral welfare image. For positive welfare image parties, conversely, the electoral consequences are as uncertain when they engage in retrenchment as when they do not. These findings indicate that type I risk and type II risk do not overlap. Schumacher et al. found that positive welfare image parties (but not neutral and negative welfare image parties) were punished for retrenchment. For these parties, retrenchment was risky in terms of electoral consequences. Our findings demonstrate, conversely, that for these positive welfare image parties, retrenchment was not risky in terms of uncertainty. At least not riskier than abstaining from retrenchment was.

Taken together with the results of Schumacher et al. the following picture about the electoral effects of welfare retrenchment emerges. For parties with a negative welfare image, retrenchment seems an attractive choice. For one, these parties will, possibly, not face electoral punishment for retrenchment (but that we do not yet know for sure, see Vis 2016). This lack of punishment, and thus low risk in terms of expected electoral consequences (type I), results from these negative welfare parties being able to employ strategies to avoid electoral punishment – so-called blame avoidance strategies – effectively. Moreover, engaging in retrenchment reduces electoral uncertainty (type II risk) for these negative welfare parties. In general, parties will probably find the reduced uncertainty attractive, but an exception to this statement occurs when a negative welfare image party believes, for example based on its current standing in the polls, that it will lose the following election unless it does something. In that case, this party can decide to refrain from welfare retrenchment to *increase* electoral uncertainty. The resulting higher type II risk means the party may face larger electoral losses, but it also gives the party an opportunity to reap electoral gains and thereby a chance to cling to power. Stated differently, facing a high probability of losses, a negative welfare image party can use welfare retrenchment – or actually, abstaining from it – to gamble: possibly (much) higher losses but also a chance of electoral gains. Welfare retrenchment does not offer this option for parties with a positive welfare image. Whether the latter parties engage in retrenchment or not does not influence their electoral uncertainty (that is, type II risk). But if they do engage in retrenchment, positive welfare image parties can expect to lose votes (that is, retrenchment is risky in terms of type I).

A general conclusion from our paper is that risk as (expected) electoral consequences (type I risk) and risk as electoral uncertainty (type II risk) can, indeed, differ. Since both these measures of risk are important, they should both be studied separately.

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Appendix A Original results

Table A1. OLS regression of squared prediction error of Schumacher et al.'s (2013) model

Variable	Coefficient
Constant	13.95** (6.96)
Positive welfare image	-8.70 (6.53)
Retrenchment	-15.08** (7.21)
Retrenchment x Positive welfare image	12.15 (9.63)
Neutral welfare image	-11.92 (7.95)
Single member districts	14.63** (5.81)
Change in unemployment rate	-2.19** (1.28)
Change in growth rate	-0.45 (0.96)
Change in inflation rate	-2.44 (2.40)
Cabinet duration	0.26 (0.17)
Marginal effect Positive welfare image + Retrenchment x Positive welfare image	**-2.92 (7.30)**
N	269
R2	0.0706
R2 adjusted	0.0383

Note: Standard errors between brackets. *p<0.1, **p<0.5; ***p<0.01.

Table A2 Replication of table 3 from Schumacher et al. (2013)

	Replication of Schumacher et al. (2013) Dependent variable: (Expected) electoral consequences	Copy of results table 1 in main text Dependent variable: Electoral uncertainty
Variable	Coefficient	Coefficient
Constant	-0.48 (0.740)	-1.31 (11.07)
Positive welfare image	1.14 (0.692)	4.67 (11.12)
Retrenchment	1.14 (0.765)	-19.29** (8.97)
Retrenchment x Positive welfare image	-3.08*** (1.022)	18.02 (11.98)
Neutral welfare image	0.92 (0.842)	14.87 (9.88)
Single member districts	-2.34*** (0.616)	19.72*** (7.23)
Change in unemployment rate	-0.08 (0.135)	-1.91 (1.59)
Change in growth rate	0.03 (0.101)	-0.39 (1.19)
Change in inflation rate	-0.19 (0.254)	-1.68 (2.98)
Cabinet duration	-0.04** (0.018)	0.36* (0.21)
Marginal effect Positive welfare image + Retrenchment x Positive welfare image	**-1.94*** (0.815)**	**-1.27 (9.08)**
N	269	269
R^2	0.128	0.0732
R^2 adjusted	0.098	0.0410

Notes: Standard errors between brackets. *p<0.1, **p<0.5; ***p<0.01.

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