The aim of this dissertation has been to analyze the recent development process of advanced capitalist welfare states. Against this backdrop, the author has examined the central challenges of contemporary social policy. Precisely, two types of welfare state challenges have been distinguished: on the one hand, post-industrial developments involving processes of deindustrialization, population ageing, household structure transformation, and welfare state maturation (see also Pierson, 2001a); on the other hand, global economic forces originating from product, capital, and labor market globalization.

As presented in Part II of the dissertation, various theories exist on how the developments in the domestic and global sphere shape social policy. Taking a holistic approach, the author has tested all these theories in order to identify the driving forces behind the contemporary advanced capitalist welfare state. Precisely, the empirical investigation in Part III has revolved around the following two research questions: Firstly, what has been the relative influence of post-industrial and global economic developments on recent welfare state change? And secondly, to what extent have different national systems of social protection preserved their core institutional features?

In order to find answers to these questions, the author has applied a hybrid approach combining quantitative and qualitative analyses. Building on Brady et al.’s (2005) prior work, the quantitative study has involved a set of pooled cross-section time series model estimations (baseline, interaction, and structural break), with the dataset including up to 17 leading welfare economies for the time period 1975-2000. Besides controlling for all hypotheses on the determinants of social policy change, each model has been run with aggregated (PSEX, SSTRAN) and disaggregated (Benefit Generosity Index, Pension Generosity Index) welfare state measures as dependent variable. The findings of the quantitative study can be summarized in the following way: Firstly, largely supporting Brady et al.’s (2005, p. 940, 944-945) prior results, empirical evidence has been provided that advanced capitalist welfare states are primarily shaped by domestic political and economic factors. Among the post-industrial challenges, the ongoing demographic shift appears to play the most prominent role. By contrast, globalization seems to have a minor influence on the development of public social spending. Although global economic forces partly vary with respect to their association with the four welfare state measures, the negative relationship tends to dominate. Secondly, in contrast to the hypotheses formulated by advocates of the context-contingent view (for example, Ellison, 2006, p. 178; Hall & Soskice, 2001/2004b, pp. 57-58; Scharpf & Schmidt, 2000, p. 335; Swank, 2003, pp. 60-61; Swank, 2002/2004, p. 5), no empirical evidence has been found that a specific wel-
The welfare state cluster (liberal, conservative or social democratic) is particularly prone to global economic pressures. Only in the case of net migration flows, differences have somehow been observable between the Nordic and the Anglo-Saxon welfare economies. Finally, in line with the two prior findings, the dramatic expansion and retrenchment process of Nordic welfare states in recent decades has been mainly attributed to domestic political and economic developments.

Complementing the insights of the quantitative study, two qualitative analyses have been conducted shedding light on both the revenue and expenditure side of the 17 advanced capitalist welfare states. Precisely, the first comparative exploration has aimed at examining how different types of welfare state revenue flows have evolved in the respective national systems of social protection during the period 1975-2005. In line with prior studies (for example, Ganghof, 2000/2004; Swank, 2002/2004, Chapter 7; Steinmo, 2003, 2002; Swank & Steinmo, 2002), no empirical evidence has been found that the welfare states have suffered an erosion of fiscal capacity during the last decades. In contrast to the hypothesis of tax competition, the rise in international capital mobility has neither induced a significant downward pressure on mobile tax revenues nor entailed a dramatic shift of tax burden from mobile to immobile production factors. Reviewing the academic literature, three reasons have been put forward to explain why this is the case: Firstly, although statutory corporate tax rates have been reduced, this has so far not affected tax revenue levels since governments have simultaneously broadened the corporate tax base (see Devereux et al., 2002, p. 452; Ganghof, 2000/2004, p. 640; Swank & Steinmo, 2002, p. 650). Secondly, the presence of domestic factors shaping tax policy has hampered tax competition from evolving. As mentioned above, advanced capitalist welfare states have recently been facing increasing spending pressures from post-industrial challenges. In the past, these expenditures were largely financed by augmenting the tax burden on labor. Nowadays, however, with unemployment rising and economic growth declining, governments have become aware of the necessity to limit or even reduce non-wage labor costs in order to overcome the unemployment problem and improve the international competitiveness of domestic companies (see Ganghof, 2000/2004, p. 598; Scharpf, 2000, p. 224; Swank & Steinmo, 2002, p. 651). Against this backdrop, OECD countries cannot afford to engage in international tax competition that would further aggravate their already-tense budgetary situation. Finally, a third explanation exists why tax competition has only had a limited influence on national systems of taxation. As the Swedish case study has demonstrated and Schulze & Ursprung (1999) have already noted long before, countries do not only compete for mobile production factors by means of attractive taxes, but also through the public provision of a good infrastructure (p. 298; see also Siebert, 1999/2000, p. 245).

Similar to the comparative exploration of tax revenue flows, the second qualitative analysis has examined how different types of welfare state expenditures have