Methodological Issues in Comparative Welfare Capitalism Research

According to Hall (2003), one of the major problems in the field of comparative social sciences is the growing discrepancy between methodologies and ontologies:\footnote{The term \textit{ontology} refers “to the fundamental assumptions scholars make about the nature of the social and political world and especially about the nature of causal relationships within that world” (Hall, 2003, p. 374).}

In his eyes, comparative research has recently turned to standard multivariate regression models (MR) as the predominant mode of statistical analysis (p. 374). At the same time, ontologies have shifted “toward theories, such as those based on path dependence or strategic interaction, whose conceptions of the causal structures underlying outcomes are at odds with the assumptions required for standard regression techniques and conventional comparative method to provide valid causal inferences (cf. Bates, Greif, Levi, Rosenthal, and Weingast 1998; Pierson 2000a)” (p. 375). Thus, given the causal complexity of prevailing theories, he contends that “the ontologies of comparative politics have substantially outrun its methodologies” (Hall, 2003, p. 375).

Taking the same line, Shalev (2007) gives five reasons why MR is not an appropriate method for conducting research in the field of comparative political economy: First of all, he holds that the MR method – considered suitable for marginal effect estimations under the \textit{ceteris paribus} conditions widely used in economic research – is less appropriate for comparative political economy because the latter discipline does not primarily estimate marginal effects (pp. 265-266), but rather attempts to assess which impact “the presence or absence of certain conditions” has on the macro-level of a national political economy (p. 266).\footnote{To illustrate the existing difference between economic and comparative political economic research, Shalev (2007) mentions two distinct cases: On the one hand, economists estimate the marginal effect of a certain variable on another, holding all other variables’ impact constant (p. 265). In this sense, a potential research question could be the following: “If prices rise, what will be the likely effect on economic growth, net of other known influences like the rate of investment and the terms of trade?” (p. 265). On the other hand, comparative political economists are interested in determining which impact the presence of a certain institution (for example, corporatism) has on the national political economy (p. 266). In this vein, a potential research question could be the following: “Will economic growth be higher in the presence of corporatist trade unions (or a hegemonic social-democratic party, or an independent central bank)?” (p. 266).} Secondly, he doubts that researchers using the MR method can effectively model the causal complexity underlying prevailing...
ontologies (p. 266). Thirdly, from a more pragmatic point of view, he notes that given the small number of observation cases in comparative political economy (*small N problem*), a profound empirical analysis is rarely feasible with MR; he therefore doubts the reliability of empirical findings that have been derived by these methods (Shalev, 2007, p. 267). Fourthly, Shalev (2007) criticizes the general practice of pooling datasets (combining cross-country and time-series data) in order to tackle “the problem of ‘too many variables and not enough cases’” (p. 269). According to his view, “most pooled designs utilize multiple cross-sections in order to fortify comparative generalizations, or multiple time series to fortify dynamic generalizations, on the implicit assumption that there is no difference in causality between the two dimensions” (p. 280). Yet, as he points out, prior works (for example, Korpi & Shalev, 1980) have clearly demonstrated that the effect of an explanatory variable may differ across time-series and cross-country variation (pp. 279-280). Finally, from a more technical point of view, Shalev (2007) notes that the MR technique can lead to biased results since “it estimates partial parameter effects as if all (linearly-fitting) configurations were possible” (p. 267). This notion has recently also been shared by Scruggs (2007a) who recognizes that “many MR studies ‘span’ many empty cells and convey an impression of linear effects that is not really justified” (p. 316).

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111 In this context, Swank (2007) notes that “Shalev makes the distinct point that the theories we seek to test in comparative political research entail complex and often non-linear causal sequences […] [and] that the linear and additive logic of general MR analysis, as well as the more sophisticated versions with non-linear specifications and interaction terms, cannot adequately test our complex theories” (pp. 362-363). This is much in line with Abbott’s (1988) earlier criticism that sociologists all too often consider the social and political world “in terms of a ‘general linear reality’“, with the latter assuming “(1) that the social world consists of fixed entities with variable attributes, (2) that cause cannot flow from ‘small’ to ‘large’ attributes/events, (3) that causal attributes have only one causal pattern at once, (4) that the sequence of events does not influence their outcome, (5) that the ‘careers’ of entities are largely independent, and (6) that causal attributes are generally independent of each other” (p. 169).

112 Kenworthy (2007) illustrates the three different types of variation (variation across countries, variation over time, variation across countries and over time) in a graphical analysis (p. 347).

113 To illustrate, Shalev (2007) constructs a simple MR with social security expenditures (as percentage of GDP) as the dependent variable and left party power, trade exposure, and the elderly population (as a percentage of total population) as independent variables. He then assumes that all variables are measured on a 5-point scale, opening up a multiway table of 625 (5*5*5*5) cells. Given the fact that most comparative studies on OECD countries include no more than twenty countries, at maximum only twenty cells are actually filled with data (p. 267). As a consequence, Shalev (2007) concludes that the regression method “in effect places imaginary countries in some of these empty cells when it seeks out the best linear fit that can be generated for the data at hand [..]. Because it estimates partial parameter effects as if all (linearly-fitting) configurations were possible, MR can easily yield problematic results” (p. 267).