From domestic to international justice: the welfare state and foreign aid
Alain Noël and Jean-Philippe Thérien

This article examines the relationship between foreign aid and welfare policies among member countries of the Organization for Economic Cooperation and Development (OECD). Parallels between these two types of governmental intervention have been suggested by many students of foreign aid.¹ Scholars often have interpreted the establishment and development of aid programs in favor of Third World countries as an international projection of the income-redistribution mechanisms that characterize the organization of social relations in developed countries. From this point of view, both the aid and welfare policies of developed countries respond to the necessity of alleviating inequalities between rich and poor created or maintained by the market economy. Foreign aid thus appears as an international institution somewhat equivalent to the safety net provided by domestic welfare policies.² Informed by this analogy, many authors suggest that the differences among domestic welfare policies help account for variations in national forms of participation in the international aid

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regime. A state generous with its own citizens would tend naturally to be generous as well with people in developing countries. Intuitively appealing, this thesis has been demonstrated only partially. The present study attempts to go beyond existing explanations with the help of recent scholarship on the welfare state. Our objective is to ascertain the existence of a relationship between welfare and aid policies and to specify how the former may help us understand the latter.

This analysis is primarily a contribution to the study of development assistance from the standpoint of donor countries—an aspect examined by only a fraction of the aid literature. Whereas scholars and practitioners have focused most of their attention on the impact of aid on the recipients' development, we are interested in the determinants of aid. Moreover, our study is limited to an analysis of aid levels and leaves aside other issues, such as the geographical distribution or financial terms of aid. Without denying the importance of these aspects, the aid level expressed as a percentage of gross national product (GNP) provides the best and most standard indicator of a donor's commitment to development assistance.

More broadly, this study is a contribution to the analysis of the links between the domestic and the international orders. While it acknowledges that the international political system remains ontologically different from national political systems, the approach used here sees the political values and practices central to domestic politics as having a growing impact on international politics. This viewpoint underlies, for instance, the emerging consensus around the idea that modern democracies share common objectives and do not fight each other. It remains unclear, however, how exactly international cooperation develops. The present article offers one empirical avenue to further our understanding of this process. More specifically, our aim is to establish how certain values and principles institutionalized within the states are reflected in the organization of relations between states.


4. For a recent survey of the various aspects covered by the literature on foreign aid, see Sven Holdar, "The Study of Foreign Aid: Unbroken Ground in Geography," Progress in Human Geography 17 (December 1993), pp. 453–70.

5. This article is thus not directly concerned with the debate on the aid distribution, which opposes the donor interest and the recipient need models. For an overview of this major debate, see Robert D. McKinlay and Richard Little, "The U.S. Aid Relationship: A Test of the Recipient Need and the Donor Interest Models," Political Studies 27 (June 1979), pp. 236–50.

"Second image" domestic politics explanations of international behavior, including foreign aid, often rest on a schematic understanding of national politics. This study uses the comparative literature on the welfare state to propose a more specific analysis. In particular, we begin with the idea that welfare programs cannot be reduced to a single spending or partisan logic and instead must be seen as lasting outcomes of social and political conflicts over issues of distributive justice. Different welfare states emerge from these conflicts; these welfare states institutionalize distinct conceptions of justice that in turn should influence differently internal debates and decisions about foreign policy and development assistance.

The first section of the article surveys the literature on the relationship between foreign aid and the welfare state. The second presents the two standard hypotheses about this relationship and tests them with comparative data. In the third section, a new institutionalist interpretation is introduced. Finally, the article returns to the broader question of international cooperation, to indicate how an institutional analysis of domestic politics can aid the understanding of international relations.

**Foreign aid and the welfare state**

The study of foreign aid is informed by the three major theoretical approaches of international relations: realism, neo-Marxism, and liberalism.\(^7\) In accordance with a worldview that stresses the absence of a supranational coercive authority, realists consider aid as a foreign policy instrument that enables donor states to pursue their national interests.\(^8\) Neo-Marxists, for their part, understand aid as a contemporary manifestation of colonialism and imperialism that helps reproduce capitalist relations between developed and developing countries.\(^9\) Finally, for liberals, aid stands as a projection abroad of national values and social forces, as well as an instrument used by states to promote

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interdependence and international justice. Liberals de-emphasize systemic or structural determinants and focus instead "on the interactions between domestic politics and international relations," in the words of Robert Keohane and Joseph Nye. International relations scholars obviously remain a long way from a consensus on the motivations underlying development assistance, and this study has no pretension to end a debate that probably cannot be resolved. Closer to the liberal tradition, our analysis does offer an avenue, however, to better understand the domestic logic in which the aid policies of developed countries are rooted. The examination of the relationship between welfare and development assistance policies confirms the liberal intuition that "state structure matters," and suggests that comparative politics can provide useful insights to account for foreign behavior.

Because it flows from conventional wisdom, the idea of a link between the evolution of welfare and development assistance policies is appealing, and it has been the object of an ongoing discussion. Comparative studies on the issue can be divided on the basis of their qualitative or quantitative methodological approach. Qualitative studies are mostly intuitive and identify the rise of the welfare state as one of several factors explaining the development of aid policies. These analyses point to the similarities between the objectives pursued by income-redistribution policies within the states and those pursued through foreign aid. The extension abroad of domestic income-redistribution


12. Ibid.


mechanisms is interpreted as a product of social democratic traditions or, more broadly, as a consequence of the internationalization of an ideology of community responsibility. In recent years, a number of quantitative studies also have probed the relationship between welfare and aid. David Lumsdaine, in particular, tests a hypothesis put forward by the OECD, according to which the aid package of developed countries is positively correlated with their domestic social spending. The observation that "countries with strong welfare programs also [have] strong aid programs" leads Lumsdaine to conclude that aid and welfare state policies express the same values. Empirical tests conducted by Louis-Marie Imbeau examine a different aspect of the welfare–aid relationship. Although Imbeau emphasizes the inertia of public expenditures and donor interests as explanatory factors, he finds a positive relationship between the left-wing ideology of a government and the amount of aid it provides.

Alongside these comparative analyses, a few case studies have been conducted on a number of countries. The Scandinavian countries have attracted most attention, due to the traditional generosity of their welfare and aid policies. Several scholars have identified the egalitarian ideology underlying these countries' welfare states as an important factor explaining their aid policies. Recent comparative projects directed by Cranford Pratt (on Canada, the Netherlands, Norway, and Sweden) and Olav Stokke (on Canada, Denmark, the Netherlands, Norway, and Sweden) helped specify the relationship between domestic and international conceptions of justice. Pratt and Stokke each suggest that the influence of social democracy and the role of churches explain why "like-minded" countries make the reduction of socioeconomic inequalities abroad an objective complementary to the alleviation of socioeconomic disparities at home. According to Stokke, the sociopolitical values incarnated by the welfare state constitute "the most fundamental determinants" of the aid policies of the countries under examination.

17. Imbeau, Donor Aid—The Determinants of Development Allocations to Third World Countries, pp. 149–64.
19. See Pratt, Internationalism Under Strain; and Stokke, Western Middle Powers and Global Poverty.
This brief overview indicates how relevant is the hypothesis of a relationship between aid and the welfare state. Over time, the intuitions of earlier works have given way to systematic empirical and comparative studies. These analyses, however, leave many questions open. Lumsdaine's work, for instance, by far the most comprehensive comparative study, identifies a number of deviant cases where welfare and aid expenditures do not match. As for case studies, they tend to be confined to a small number of countries, precisely those for which a link between welfare and aid seems least problematic.

This article argues that the relationship between aid and welfare can be better specified with a new understanding of the welfare state. The comparative literature on the welfare state suggests three indicators that can help assess and interpret a country's commitment to domestic justice: the level of expenditures, the partisan orientations of governments, and the institutional attributes of the welfare state. Existing studies of the relation between aid and welfare have used the first two indicators—domestic spending and partisan politics—to explain the linkage. We argue that the third approach, mostly associated with the work of Gösta Esping-Andersen, can do much to improve available explanations. Before introducing this approach, however, it seems important to test the first two in a similar fashion, to evaluate, in the end, the respective utility of the different indicators.

The spending and partisan hypotheses

The empirical relationship between the welfare state and foreign aid can first be examined with aggregate spending and partisan indicators. For foreign aid, the OECD data on official development assistance (ODA) as a percentage of GNP constitute the best measure. Besides being standard, this indicator also has political significance, since the international community expresses aid targets in these terms. Other measures of generosity—the multilateral character of a country's contribution, a high grant-loan ratio, or the proportion of aid that is untied—also tend to be in line with this aid level.21 For the welfare state, the equivalent spending indicators are total public expenditures and total social transfers, both as percentages of GNP. Following Jürgen Kohl, we define social transfers as the sum of the OECD data for "social security benefits" and "social assistance grants." Conventional in comparative studies of the welfare state, these spending indicators increasingly are questioned for their neglect of needs, of purposes and instruments, and of taxation. These criticisms will be considered below, but as a starting point, measures of expenditures remain unavoidable.22 More complex, partisan indicators reflect the orientations of

Foreign aid 529

parties and their presence in the cabinet. The specific methodology is outlined below, as we discuss the partisan hypothesis. The cases considered include most members of the OECD Development Assistance Committee (DAC). In 1990–91, DAC development assistance stood at $53.8 billion, almost 90 percent of total world aid. Although the DAC comprised twenty countries in 1992, our study considers only the sixteen for which long statistical series are available. The study starts with data from 1965, around the time foreign aid became a general, stable, and institutionalized foreign policy objective, and goes to 1988 or 1989, depending on the availability of data.

Table 1, which presents the correlations between welfare state and foreign aid spendings for selected years, suggests that these two types of expenditures are indeed related.

Table 1 indicates an association between welfare state expenditures and foreign aid from 1975 to 1988. While these correlation coefficients provide no more than a general perspective, two observations seem warranted. First, 1975 stands out as a breaking point. That year, spending variables became clearly significant, and they remained correlated for the rest of the period, with basically stable relationships. This result, which strengthens the impression of a link between welfare and aid, must be interpreted in its historical context. Indeed, both the welfare state and the foreign aid regime became mature in the 1970s. In terms of expenditures, note Göran Therborn and Joop Roebroek, the contemporary welfare state is not “an elderly institution” but rather a product of the 1960s and 1970s. As for the aid regime, it was only in 1970 that the international community adopted a specific target, which was set at 0.7 percent of the donors’ GNP and meant to be reached by the middle of the decade. The second observation that can be drawn from Table 1 is that contrary to our expectations, which gave primary importance to welfare expenditures, total spending is slightly more correlated with foreign aid than social transfers.

Superficially, the relatively good fit between total spending and foreign aid might be taken as supportive of the conventional view of welfare programs as outcomes of a general commitment to state intervention. Implicit in this viewpoint is the idea that policies are best understood in general financial terms and that states are consistent spenders, regardless of the program involved. This idea has a long pedigree in social science. At the end of the nineteenth century, Adolph Wagner suggested that increases in real per capita income and new requirements related to industrialization could together account for the growth of the public sector. Revised after World War II and
TABLE 1. Correlations between total public spending, social transfers, party composition of government, and official development assistance, 1965–88

<table>
<thead>
<tr>
<th></th>
<th>Total spending R^b</th>
<th>Social transfers R^c</th>
<th>Party composition of government R^d</th>
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<tbody>
<tr>
<td>1965</td>
<td>.14</td>
<td>.22</td>
<td>−.32</td>
</tr>
<tr>
<td>1970</td>
<td>.28</td>
<td>.26</td>
<td>−.43</td>
</tr>
<tr>
<td>1975</td>
<td>.60**</td>
<td>.42</td>
<td>.39</td>
</tr>
<tr>
<td>1980</td>
<td>.71**</td>
<td>.62**</td>
<td>.08</td>
</tr>
<tr>
<td>1985</td>
<td>.65**</td>
<td>.54*</td>
<td>.05</td>
</tr>
<tr>
<td>1988</td>
<td>.64**</td>
<td>.53*</td>
<td>.31</td>
</tr>
</tbody>
</table>

^aOfficial development assistance, total spending, and social transfers are taken as percentages of gross national product. For the period 1965–88, there are twenty-four observations for each country, with the exception of Denmark, for which no data before 1971 are available. Aid data for France were corrected, using Organization for Economic Cooperation and Development (OECD) sources, to exclude transfers to the Overseas Departments and the Overseas Territories of France.

^bTo calculate total spending, we followed the OECD 1985 aid review and used data for the category “total current disbursements” provided in the “Accounts for general government” tables of the OECD National Accounts (see below). Unlike the OECD aid review, however, we considered the expenditures of all levels of government to be more representative for a study of the welfare state.

^cSocial transfers include data for the categories “social security benefits” and “social assistance grants” from the OECD National Accounts (see below). The definitions of these two categories may vary from one country to another (exact definitions are provided at the end of the OECD tables).

^dThe party composition of government score is based on the parties’ left–right orientations and on their representation in cabinet (in terms of seats). The precise methodology is presented in Blais, Blake, and Dion, “Do Parties Make a Difference?” (see below). We are thankful to the authors, who gave us access to their data.


sometimes associated with the public choice idea of an inexorable autonomous growth of public spending. Wagner’s “law,” and complementary sociological hypotheses stressing the importance of industrialization and modernization, informed most of the early research on the welfare state.27 Empirical confirmations, however, failed to materialize, largely because the notion of an almost mechanistic across-the-board growth of public spending proved too simplistic.

In his study of eighteen OECD countries from 1960 to 1975, David Cameron found no support for Wagner’s law; on the contrary, public spending seemed to grow faster in countries with slower economic expansion. According to Cameron’s model, the strength of leftist parties and the openness of the economy explained most of the variation in public spending. For welfare programs alone, findings were similar. Economic growth predicted welfare state development only when samples of nations large enough to include both developed and underdeveloped countries were constructed or else when time-series analyses covering most of the postwar period were used. As soon as comparisons focused on the OECD alone, on shorter periods, or on specific programs or policies, economic explanations failed. Because small differences within the OECD constitute the core issue at stake with foreign aid, an interpretation stressing broad notions of capacity and interventionism may not be sufficient.

Cameron’s critique of the spending explanation introduces a second type of approach developed by political scientists to account for the welfare state. Contrary to the industrialism–public choice view, which portrays the development of state intervention as an outcome of economic growth and state building, the “parties matter” interpretation stresses the political foundations of welfare programs and presents them as products of partisan and social conflicts. With Cameron, authors such as Francis Castles, Douglas Hibbs, Walter Korpi, and John Stephens understand the welfare state as a class issue and establish a causal link between the mobilization of the working class—through trade unions and political parties—and the expansion of social spending. Assuming parties are not equally favorable to state intervention, proponents of this approach have associated, with more or less success, leftist governments with higher levels of total and social expenditures. As a redistributive form of government intervention, foreign aid should follow a similar logic.

We tested the relationship between partisan orientations and foreign aid with data from a recent study on the impact of parties on total public spending. For each country, this study assigned a score according to the left–right orientations of the different parties and to their presence in the cabinet for

each year between 1965 and 1988. Table 1 presents the correlations between these partisan scores and aid levels. Contrary to total and social spending, none of the partisan tests proved significant. While parties may matter in the formulation of aid policies, as suggested by various qualitative studies, left–right partisan orientations do not generate a statistically significant explanation of foreign aid behavior. These findings must be understood in light of the results obtained thus far by empirical studies of partisan influence. In their review of the question, André Blais, Donald Blake, and Stéphane Dion conclude that conflicting findings do not permit "a clear answer as to whether parties of the left spend (hire) more than those of the right." In their own study, these authors found no more than a small partisan effect on public spending.

To assess thoroughly the partisan dimension of foreign aid, a full study—beyond the scope of this article—would be necessary to test a series of competing measures of partisan variables.

Of the two hypotheses discussed thus far, only the first one, based on spending variables, proved significant. These findings on spending, however, mask important exceptions. Austria and Italy, for instance, combine high levels of domestic spending with ungenerous foreign aid records. In his study, Lumsdaine suggests an "analysis of the residuals" is instructive, but he recognizes that the explanations that can be offered "are necessarily conjectural, and run the risk of becoming ad hoc.” To make sense of the aggregate relationships we have identified above and of the evidence provided by case studies without resorting to conjectural explanations, an understanding of the welfare state that goes beyond spending and partisan indicators seems necessary.

**Foreign aid and types of welfare state**

Before we can introduce the third hypothesis on the relationship between the welfare state and foreign aid, it is important to identify the cases left unexplained by the spending hypothesis. Simple scattergrams offer a detailed image of the welfare–aid relationship and indicate clearly the countries that

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33. For a qualitative comparative analysis that identifies a partisan effect, see Lumsdaine, *Moral Vision in International Politics*, pp. 119 and 161–67.

34. Blais, Blake, and Dion, “Do Parties Make a Difference?” pp. 40–62. The quotation is drawn from p. 47.


appear exceptional. Figures 1–5 locate the main DAC countries according to their positions in terms of social transfers and foreign aid for the years 1965, 1970, 1975, 1980, and 1988, respectively. Averages for each variable are indicated to help situate each case within the set.37

37. Contrary to usual DAC statistics, our averages are not weighted. Tables for total spending are presented elsewhere as part of the same research project. See Jean-Philippe Thérien and Alain Noel, “Welfare Institutions and Foreign Aid: Domestic Foundations of Canadian Foreign Policy,” *Canadian Journal of Political Science* 27 (September 1994), pp. 529–58.
As mentioned earlier, the relationship between social transfers and development assistance has been stable for more than a decade. Important exceptions exist, however, and can be grouped in two sets: countries that are less generous than expected, given their level of domestic social transfers, and countries that are more generous than expected.

Among the countries that appear less generous than expected, Austria and Italy stand out because they remain in the southeast corner for all years.
FIGURE 3. Social transfers and official development assistance as percentages of gross national product (GNP), 1975

Sources. See Table 1.

between 1965 and 1988. France (with transfers to the Overseas Departments and Overseas Territories subtracted), the Federal Republic of Germany, Norway, and Belgium also appear in this subset, but not consistently and always on its upper border. When these countries stand below the DAC average for foreign aid, they remain within the standard deviation range; Austria and Italy, on the other hand, are usually beyond this range.
In the second set of exceptions, countries that prove more generous than expected, no country is consistently present. Australia, Britain, Canada, and the United States at the beginning of the period and Finland at the end are the only cases. The most striking case is Australia, which remains atypical until the early 1980s. With the United States in 1965, Australia is also the only case to equal or exceed the standard deviation of the DAC average (in 1965, 1970, and 1975). In its own way, Finland also appears atypical, since it presents a dramatic
shift toward a more generous stance in the 1980s, after years of lower commitment.

For each of these atypical cases, one could find specific, more or less ad hoc foreign policy explanations. Austria, for instance, was dubbed an economic egoist, satisfied with the status quo and little involved with Third World countries, while Italy was characterized as a passive, deferential country,
divided and uninterested in foreign affairs.\textsuperscript{38} Such explanations, however, do not sit well with an interpretation stressing the importance of domestic welfare commitments.

In fact, spending indicators may not be the best tools to represent state activity. If we understand aid and welfare programs as expressions not only of capacity, overall interventionism, or social democracy but also as expressions of social values embedded in specific political institutions, we can shift the emphasis away from spending and toward more meaningful evaluations. As mentioned above, such a shift currently is taking place in comparative studies of the welfare state, where more attention is now paid to history, institutions, and specific approaches and programs. Aware of the limitations of earlier models based on spending indicators, specialists have focused, in the 1980s, on the various forms taken by welfare institutions. Some authors have concentrated on particular programs or pursued detailed historical case studies.\textsuperscript{39} Others have tried to identify types of welfare states characterized by similar historical evolutions and institutional patterns. Esping-Andersen, the foremost proponent of the latter approach, uses a variety of indicators to distinguish conservative, liberal, and social democratic types of welfare state. For our purpose, Esping-Andersen's perspective seems most promising because it is both specific and explicitly comparative.

While he admits countries are rarely pure types, Esping-Andersen associates welfare institutions with a few basic models, identified by the conservative, liberal, and social democratic labels.\textsuperscript{40} In each model, welfare programs are designed according to particular principles that were imposed through decisive conflicts over market and political processes. Built from above, the conservative welfare state typically institutionalizes corporatist arrangements that espouse existing social categories and preserve them from the challenges posed by capitalist development and new social forces. The German welfare state, for instance, initially designed by Bismarck to counter social democracy, was less an attempt to correct market failures or to create new rights than a way of maintaining the status quo in a rapidly changing context. A variety of programs were created to meet the needs and demands of different social and labor market categories, and they basically reproduced the existing social order. With time, the initial structures progressed and spending increased, but the link between employment or social status and entitlements remained. The growth


\textsuperscript{39} These authors are surveyed briefly in Pierson, Beyond the Welfare State? pp. 96–101.

of welfare represented less a rising commitment to justice than an ever
renewed reaction to the challenges of modernity. By contrast, the liberal
welfare state appears less ambiguous, because it does not counter but
complements market outcomes. Two mechanisms are involved: individual
insurance, to protect the majority from various risks without detracting from
the market logic; and residual, means-tested social programs, to provide a last
recourse for those unable or unwilling to insure themselves. Typical of
Anglo-Saxon democracies, liberal welfare states resist interventionism, remain
suspicious of demands for social support or redistribution, and tend to spend
moderately. Finally, a third type, the social democratic welfare state, breaks
with both the status quo and the market logic to extend to social protection the
logic of democratic rights. The working principle here is universality; social
democratic welfare programs are seen less as complementary measures
targeted toward selected groups than as embodiments of a shared conception
of citizenship. In this perspective, social spending appears in a more positive
light and, as is the case in Scandinavia, is more likely to be at a high level.

A cursory consideration of Esping-Andersen's welfare state typology already
provides interesting hints about the welfare-aid relationship. Consider, for
instance, Austria, one of the most striking exceptions identified in Figures 1–5.
The country appears doubly odd. First, it spends much domestically but little
abroad, thus contradicting Wagner-type arguments about public choices.
Second, contrary to partisan accounts, Austria remains ungenerous over the
years, in spite of a social democratic party strong enough to be included in most
governments since 1949.41 From the institutional welfare-state point of view,
however, the Austrian case appears clearer. A typical conservative welfare
state, Austria spends much domestically but associates social protection with
important social controls and distributes assistance through a variety of
status-differentiated schemes.42 Initiated by conservative governments, the
country's welfare institutions created special provisions for various categories
of salaried employees but at the expense of measures that would have included
all workers. In power, the Austrian Socialist Party (SPÖ) reformed welfare
institutions but, forced to compromise, it proved unable to alter fundamentally
their conservative features. "For the Austrian SPÖ," note Esping-Andersen
and Korpi, "the price of full employment has been a sanctioning of the
remnants of corporatist status segregation in the welfare state, unbroken
guarantees of wage restraint, and, perhaps most significantly, the tolerance of
high wage, income and property inequalities." As a result, Austria ended with
"one of the most inegalitarian overall income distributions in the West" and, as
such, appeared unlikely to display a strong commitment toward international
redistribution.43

41. The Austrian Socialist Party (SPÖ) participated in coalition governments from 1949 to 1966
as well as after 1983; it formed one-party cabinets from 1970 to 1983.
42. Esping-Andersen, The Three Worlds of Welfare Capitalism, pp. 53 and 60.
43. The quotations are drawn from p. 194 of Gösta Esping-Andersen and Walter Korpi, "Social
To move beyond single cases, we must consider Esping-Andersen’s welfare indicators. Because countries are rarely pure cases, Esping-Andersen designed a series of indicators to characterize the various welfare programs of each state according to their conservative, liberal, or socialist attributes. A universal health care program, for instance, would be considered a socialist attribute, while the predominance of private pensions would be a liberal characteristic. Adding up the various attributes for 1980, Esping-Andersen obtained composite scores indicating the levels of conservatism, liberalism, and socialism present in each of the OECD’s welfare states. Sweden, for instance, ranked low on liberalism and conservatism (two scores of 0) and high on socialism (8), and the United States, high on liberalism (12) but low on conservatism and socialism (0). Other countries presented mixed attributes. Canada, for example, scored low on conservatism (2), medium on socialism (4), and high on liberalism (12). Simple correlations between Esping-Andersen’s welfare state attributes and development assistance indicate that socialist attributes are strongly correlated with foreign aid while conservative and liberal attributes are not. To confirm these results and put them in perspective, we have run regression analyses for welfare state attributes, to which we have added the variables considered earlier. Table 2 presents the most interesting findings.

The regression analyses confirm our third hypothesis, as well as the findings discussed earlier. First, and most important, socialist attributes emerge as the best explanatory variable, being highly significant in both simple and multiple regressions. Second, alone or in combination with other variables, total and social spending variables also prove significant. Table 2 omits the results for total spending because in multiple regressions social spending provides the best complement to the socialist attributes variable. Third, partisan orientations remain insignificant, even when combined with other variables. Essentially, the more welfare states have socialist attributes, the more generous are their development assistance policies. As we might expect from the findings of Table


45. Since Esping-Andersen’s scores are based on 1980 data, we used 1980 data for other variables as well. Ideally, the analysis should be replicated for other years. Given the structural character of welfare state attributes, however, the results would probably be congruent with those presented here, as is suggested by the discussion of the cases that follows Table 2. [To make sure data for 1980 were not unrepresentative, we also tested the equations with a 1971–89 aid average. The results were essentially the same, with adjusted $R^2$ of .61, .31, and .76, for socialist score, social transfers, and their combination, respectively. Regressions for the independent variables not included in Table 2 (total spending and party composition of government) and for various combinations of independent variables also confirmed the findings presented above. To guarantee the robustness of our results, we ran sixteen regressions where, each time, a different case was omitted. Again, the findings proved stable.]
TABLE 2. Regression analyses of the relationship between Esping-Andersen's scores for socialist attributes, social transfers (independent variables), and official development assistance (dependent variable) for 1980a

<table>
<thead>
<tr>
<th></th>
<th>Socialist score</th>
<th>Social transfers</th>
<th>Socialist score and social transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted $R^2$</td>
<td>.56</td>
<td>.34</td>
<td>.74</td>
</tr>
<tr>
<td>Socialist coefficient</td>
<td>.07 (4.49)*b</td>
<td></td>
<td>.06 (4.72)*</td>
</tr>
<tr>
<td>Transfers coefficient</td>
<td></td>
<td>.03 (2.93)*</td>
<td>.02 (3.22)*</td>
</tr>
<tr>
<td>F-value</td>
<td>20.15*</td>
<td>8.61*</td>
<td>21.97*</td>
</tr>
</tbody>
</table>

Social transfers and official development assistance are expressed as percentages of gross national product.

bt-values are in parentheses.

*p < .01.

Sources. See Tables 1 and 3.

1, a better account of foreign aid levels is obtained when we add the social spending variable to socialist attributes, but the key explanatory factor remains the socialist attributes variable.

Proponents of the partisan approach could be prompted to interpret these findings as an indirect confirmation of the social democratic hypothesis, insofar as leftist parties would determine socialist attributes, if not foreign aid. As a matter of fact, according to Evelyne Huber, Charles Ragin, and John Stephens, socialist welfare state attributes are correlated with social democratic incumbency.46 Still, one should keep in mind that we could not establish a direct partisan effect. Further, contrary to socialist attributes, liberal and conservative attributes had no significant impact on the level of foreign aid (and were thus also omitted from Table 2). The best and most immediate explanation seems less partisan than institutional. Indeed, socialist attributes explain not only the international behavior of social democratic welfare states but also that of liberal and conservative welfare states.

While it is tempting to associate high (low) scores for conservative or liberal welfare attributes with a low (high) level of foreign aid, our regression results suggest such an inference is erroneous. A brief discussion of a few specific cases help explain these statistical findings. Belgium, for instance, belongs to the cluster of conservative welfare states, with the highest score for conservative attributes (8); yet, until the 1980s its aid level remained above the average. Likewise, Canada has the highest score for liberalism but always stands near the average. At the other end, countries with low scores for conservatism (the United States) or for liberalism (Austria) do not necessarily rank among

generous donors. The key is always the country’s score for socialist attributes.
Belgium and Canada, no matter how conservative or liberal, belong to the
cluster of countries with a medium level of socialism (scores of 4). The United
States and Austria, for all their low scores on conservatism or liberalism, are
most importantly at the bottom of the scale for socialism (scores of 0 and 2).

A single variable, welfare state socialist attributes, provides a strong
statistical explanation of foreign aid levels, a statistical explanation that
accounts well for many of the exceptions that puzzle proponents of the
spending or partisan hypotheses. The Austrian case, for instance, now appears
relatively straightforward, since Austria scores low on socialism (2). Likewise,
the Italian case, identified above as puzzling, appears clearer once we note that
Italy and the United States are alone in obtaining a score of 0 for socialist
attributes. As noted by Frederic Spotts and Theodore Wieser, in Italy “almost
every economic and social group has its own program” for “pensions,
unemployment compensation, health benefits and family allowances” and
thousands of social security and welfare agencies administer funds contributed
by members, employers, and the state. Unable to reform such an intricate
system, Italy stands far remote from the social democratic, universalist idea of
the welfare state.47

On the basis of socialist welfare state attributes, Esping-Andersen identifies
three clusters of countries. These clusters are, overall, good predictors of
foreign aid levels. Table 3 presents Esping-Andersen’s socialism clusters, along
with scores for conservative and liberal attributes and data for average
development assistance for the 1971–89 period.

The table’s “strong socialism” cluster includes Denmark, Norway, Sweden,
Finland, and the Netherlands, all generous like-minded aid donors, except
Finland, which did not catch up the others until the 1980s. The Finnish
anomaly, however, can be explained from the point of view of welfare
institutions: generous contributions to the international aid regime were
delayed just as the development of Scandinavian-type welfare programs was
itself delayed. A late economic developer and a country with both a smaller
social democratic party and weaker trade unions, Finland remained a welfare
laggard until the 1970s. When it developed its welfare institutions, however, the
country followed the Scandinavian pattern of comprehensive, rights-based,
universal programs, only with lower levels of benefits and services.48 In the late

47. Spotts and Wieser, Italy, p. 140. For pensions alone, Italy has 120 occupationally distinct
48. See Gösta Esping-Andersen and Walter Korpi, “From Poor Relief to Institutional Welfare States:
The Development of Scandinavian Social Policy,” in Robert Erikson, Erik Jørgen Hansen, Stein Ringen,
and Hannu Uusitalo, eds., The Scandinavian Model: Welfare States and Welfare Research (Armonk, N.Y.:
M. E. Sharpe, 1987), pp. 39–74; and Tarmo Haavisto and Ari Kokko, “Politics as a Determinant of
Economic Performance: The Case of Finland,” in Magnus Blomström and Patricio Meller, eds., Diverging
Paths: Comparing a Century of Scandinavian and Latin American Economic Development (Washington,
TABLE 3. Esping-Andersen’s index scores for socialist, liberal, and conservative welfare state attributes and 1971–89 official development assistance (ODA) average as a percentage of gross national product (GNP)

<table>
<thead>
<tr>
<th></th>
<th>Index scores for socialism</th>
<th>Index scores for liberalism</th>
<th>Index scores for conservatism</th>
<th>1971–89 ODA average as a percentage of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>.69</td>
</tr>
<tr>
<td>Norway</td>
<td>8</td>
<td>0</td>
<td>4</td>
<td>.85</td>
</tr>
<tr>
<td>Sweden</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>.79</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>.29</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>.86</td>
</tr>
<tr>
<td>Australia</td>
<td>4</td>
<td>10</td>
<td>0</td>
<td>.49</td>
</tr>
<tr>
<td>Belgium</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>.52</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
<td>12</td>
<td>2</td>
<td>.47</td>
</tr>
<tr>
<td>Germany</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>.40</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4</td>
<td>12</td>
<td>0</td>
<td>.23</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
<td>6</td>
<td>0</td>
<td>.38</td>
</tr>
<tr>
<td>Austria</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>.22</td>
</tr>
<tr>
<td>France</td>
<td>2</td>
<td>8</td>
<td>8</td>
<td>.45</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>.27</td>
</tr>
<tr>
<td>Italy</td>
<td>0</td>
<td>6</td>
<td>8</td>
<td>.21</td>
</tr>
<tr>
<td>United States</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>.24</td>
</tr>
</tbody>
</table>


1970s and 1980s, Finland experienced rapid economic growth; as characterized by Jan Otto Andersson, during what elsewhere were years of retrenchment, “the construction of the welfare state . . . continued slowly but progressively.”49 In the wake of these transformations in the mid-1980s, the Finnish government overhauled its aid program and increased its contributions dramatically.50 Far from being an exception, Finland’s delayed involvement in the aid regime confirms our account.

More heterogeneous, the “medium socialism” cluster in Table 3 includes Australia, Belgium, Canada, Germany, Switzerland, and the United Kingdom.


For the years considered in Figures 1-5, these countries usually were found near the aid level averages, that is, within the standard deviation range. The only exception is Switzerland, which has an aid performance typical of the low socialism cluster. While this result does not fit our model, it can nevertheless be related to the ambiguous character of Switzerland's welfare institutions. The Swiss welfare state has socialist attributes mainly because its programs have a universal character. While the public philosophy is one of solidarity, social benefits remain modest and the country can be considered a welfare laggard. Switzerland is the least redistributive of the ten welfare states studied in the early 1980s by the Luxemburg Income Study Project. Because it regroups intermediary cases, one would expect the medium socialism cluster not to appear as straightforward as the other two. In fact, in the 1971–89 period, with the exception of Switzerland, the relationship between welfare institutions and foreign aid remains strong, even among these middle-of-the-road countries.

In the last cluster of Table 3, we find countries with little or no socialist attributes and with low aid levels. Overall, the fit is very good since these countries all stand well below the average, except for France, which is more typical of the middle cluster. To account for France’s relative generosity, one could point to the particularly strong relationship between France and its former colonies, the main recipients of French bilateral aid, or to France’s desire for independence, prestige, and rayonnement in the international arena. More congruent with our argument, however, is the observation that, although conservative, the French welfare state embodies elements that make it akin to the welfare states of the middle cluster. Delayed, and developed by the right on the basis of existing institutions, the French welfare state maintains incomes more than it redistributes them and is funded through regressive payroll taxes. Typically Bismarckian, France expanded coverage and benefits without challenging existing institutional arrangements, which “survived under the vigilant eyes of beneficiaries,” as John Ambler points out. At the same time, and contrary to other conservative welfare states, French politics always gave a prominent place to the republican notion of social solidarity.

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The ideal of solidarity usually was insufficient to counterbalance demands to preserve existing arrangements, it facilitated reforms that extended coverage and encouraged participation along what Douglas Ashford sees as “social democratic lines.” The latest social reform of importance, the 1988 *revenu minimum d’insertion*, referred directly to this tradition of solidarity, to establish what amounts to a universal program of minimum income.

Of all the cases considered, Finland, Switzerland, and France are the only ones that do not display a close correspondence between welfare socialist attributes and foreign aid and require more specific accounts. In each case, however, these specifications can be provided through a discussion of welfare state characteristics and are thus in keeping with our general explanation. Finland’s delayed involvement in the foreign aid regime was in tune with the late development of its welfare state, and the Swiss and French anomalies, less easily explained, can nevertheless be associated with the ambiguity of the welfare principles institutionalized in those countries. In any case, compared with the competing domestic explanations (i.e., the spending and the partisan hypotheses), the institutional perspective we propose appears satisfying even if we grant two genuine exceptions. It offers a simple parsimonious account that generates strong statistical findings and allows us to understand outlying cases. The institutional hypothesis also lends itself to case studies, where the situation of a country within the DAC and over time could be analyzed more thoroughly, with references to its evolving welfare state arrangements.

No matter how important, institutions cannot explain fully a country’s evolution. Major changes, in particular, are likely to require partisan and collective actions aimed at transforming established values and principles. When they prevail, however, new ideas are embodied in institutions and, in this way, become potent political instruments. Institutionalized principles such as universality function as causal mechanisms and help explain why welfare states act predictably in the international arena. Better than spending behavior, partisan dynamics, or public opinion, such principles capture fundamental aspects of a country’s domestic politics. As such, they provide useful insights to link domestic and international behavior.

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57. On Canada, for instance, see Thérien and Noël, “Welfare Institutions and Foreign Aid.”


Domestic institutions and the evolution of international cooperation

Defined by shared values and principles, and subject to rules and collective scrutiny, the foreign aid regime constitutes an obvious case of international cooperation, a situation in which “actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination,” according to Keohane. The emergence and evolution of cooperation occupies a growing place in the contemporary analysis of international relations. Analysts, however, have paid insufficient attention to the domestic foundations of cooperation. This situation is paradoxical given that international relations approaches are all, in a sense, defined by reference to the nature of domestic politics. Even realists understand international anarchy in such terms, as a system without any government. Neo-Marxists and liberals, on their part, attach great importance to the second image idea that internal factors determine interstate relations but, like realists, they have not succeeded in fully incorporating domestic factors in their analyses.

In a recent review of theories of international cooperation, Helen Milner argues that this neglect of domestic politics prevents scholars from explaining how national interests are constructed and evolve, how national strategies are selected, and how international agreements are ratified domestically. “The biggest gains in understanding international cooperation in the future,” Milner concludes, “are likely to come from domestic-level theories.” This call for the study of domestic politics is not without precedents, and the lack of good second image studies is recurrently underlined. Two interrelated factors may account for this persisting dissatisfaction. First, the hold of the realist approach on the international relations discipline and the widespread adoption of the systemic perspective have encouraged scholars to understand states as individual, coherent units and to leave domestic politics aside. Second, the division of labor in political science has not facilitated the integration of comparative scholarship into international relations explanations.


How do international relations scholars consider domestic politics? Usually, as a second-level source of inputs for the international system, best understood as "domestic influences" shaping foreign policy. While a list of such influences could be long, three major streams of domestic explanation can be identified on the basis of the independent variables they stress: behavioral explanations focused on public opinion, pluralist accounts based on groups and parties, and institutional interpretations attentive to the state and related institutions. Together, these explanations give good reasons to think that public opinion, group and partisan demands, and institutional structures contribute to shape foreign policy. All the same, a pervasive sense of dissatisfaction suggests that more needs to be done to go beyond existing studies of foreign policy and integrate domestic factors into international relations theory.

In recent years, the major approaches to the study of the domestic sources of foreign policy have undergone significant revisions. In each case, the purpose of new research was to go beyond the notion of mere inputs or influences to improve the analysis of the societal basis of foreign policies. Consider, first, public opinion. In the 1950s and 1960s, scholars generally portrayed public opinion on international affairs as volatile, unstructured, and ineffective—a conclusion that reinforced the realist inclination to see public participation as irrelevant for foreign affairs. Recent studies point in a different direction. In foreign affairs as in other areas of public life, public opinion now increasingly appears stable, structured, and influential. Citizens are not educated, informed, or decided on every issue, but their choices seem to reflect stable considerations entertained in a reasonable manner. Likewise, the study of pressure groups and parties has moved from a pluralist focus on punctual interventions to a more structured understanding of the organization of...
interests, of the formation of classes and coalitions, and of partisan strategies. As for institutions, the realist understanding of a more or less autonomous state is still very present, but it is gradually challenged by studies that look beyond bureaucrats and officials and toward specific state institutions.

In comparative politics, similar evolutions have taken place. Institutionalism, in particular, has moved away from early statist arguments to more specific, society-centered hypotheses. The present study uses the recent institutionalist scholarship on the welfare state to reassess the debate on the determinants of foreign aid and offer new insights on the domestic foundations of international cooperation. In line with recent studies on public opinion, groups and parties, and institutions, our findings suggest that a better understanding of the societal bases of foreign policy can do much to explain international cooperation. While we did not test the impact of autonomous state bureaucrats, public opinion, or interest groups, our results suggest that these factors are strongly mediated by the constraints and opportunities provided by institutionalized values and principles. More stable and less subject to sudden change than public opinion or group interests, institutions account well for the continuity of foreign conduct. More important, institutional factors capture the sociological dimension of political processes because they reproduce what, in a given society, stands as the legitimate or hegemonic consensus.

As mentioned above, previous studies have associated the welfare state with the foreign aid regime. These studies established a link between welfare and aid and suggested that the two policy areas were influenced by similar social values. For Lumsdaine, for instance, "concern about poverty and inequality, and belief in the wisdom of dealing with problems by including the less

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fortunate rather than by suppressing them, influenced thinking about both domestic and international policy” and explained the strong association between social expenditures and foreign aid. The specific contribution of our analysis is to introduce a new understanding of the welfare state and to probe further the idea that the values institutionalized in welfare programs influence foreign conduct. Like spending or partisan indicators, Esping-Andersen’s welfare state attributes are indirect measures of the political and social factors—including favorable values and principles—that may influence foreign aid. These new indicators, however, are particularly helpful because they capture the content and the political meaning of different welfare orientations. As such, they provide an improved picture of the social arrangements and values that are institutionalized in income-redistribution programs.

“Ideas that become institutionalized,” note Judith Goldstein and Robert Keohane, “play a role in generalizing rules and linking issue areas.” Such linkages, they argue, should be particularly important when actions require “persuasion rather than mere coercion, and when consistency of policy is demanded on the basis of principles institutionalized in the form of rules.” This seems to be the case with welfare and foreign aid. What we found was less a general propensity to spend than a consistency between specific institutionalized values and principles. Indeed, what appeared significant for foreign aid commitment was not welfare state institutions as such but rather specific institutional features, namely, welfare socialist attributes. Seemingly reciprocal, conservative and liberal welfare attributes proved not significant. Development assistance emerged as a choice defined less by negative constraints—whereby conservative or liberal states would be committed not to aid—than by a positive commitment—the capacity of a society to accept and institutionalize nonmarket principles of income distribution. Such a result warns us against a tendency, very present in early statist works, to consider the state in broad, sweeping terms. At the same time, the comparative character of the results suggests that the move away from the general need not be done through historical case studies, as is often the case with later statist or institutional studies. In his contribution to the current discussion on multilateralism, John Gerard Ruggie argues that institutionalists must go beyond generic depictions of international institutions and consider the form they take and the “principled meanings” they embody. Borrowed from comparative politics, our

72. Lumsdaine, Moral Vision in International Politics, p. 120.
understanding of the welfare state points in a similar direction and indicates how helpful can be a study of the forms and meanings of institutions.

Institutionalism has attracted much attention in recent years, in both comparative politics and international relations. The notion covers a broad and eclectic domain, but it nevertheless provides a conceptual bridge between the two disciplines. In the two disciplines, institutions are defined and understood in similar terms, and they suggest similar research strategies. Institutionalists, explain Kathleen Thelen and Sven Steinmo, “do not deny the broad political forces that animate various theories of politics ... they point to the ways that institutions structure these battles and in so doing, influence their outcomes.” In both comparative politics and international relations, the study of institutions also bifurcates to take two orientations, one closer to the positivist and rational-choice perspectives, the other more influenced by interpretive or reflective approaches. From the first standpoint, institutions are primarily understood as structures of constraints and opportunities that influence the choices and strategies of actors given their prior preferences. From the second, more interpretive perspective, the study of institutions aims precisely at explaining why actors adopt certain goals and not others. Focused on the values and principles embodied in welfare institutions, our analysis is closer to this second understanding of institutionalism. From this perspective, institutions “are not just another variable.” Their study helps understand how


80. Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” p. 9. From this point of view, Caporaso explains, institutions are not “something that agents ‘bump into’ or ‘run up against’ as they interact with one other.” They are “constitutive of the identities and powers of the agents in the first place.” See Caporaso, “International Relations Theory and Multilateralism,” p. 626.
the various variables identified by contending political theories combine in specific cases to produce relatively coherent and stable outcomes.

The postwar order was a complex arrangement of domestic and international institutions, and a number of studies have explored the relationship between these two dimensions. With respect to the welfare state and international relations, many diagnosed a mismatch. Early on, Gunnar Myrdal identified what he saw as the "moral ambivalence" of the welfare state, a product of democracy that would foster nationalism and protectionism, unless efforts were made to create what he called a "Welfare World." Ruggie used the notion of embedded liberalism to suggest that a compromise had in fact emerged between domestic interventionism and international liberalism. Robert Cox, on the other hand, stressed again the fragility of this same compromise and the vulnerability of the "welfare-nationalist state" against global economic forces. At the same time, others suggested that the relationship between the welfare state and international cooperation could also be one of complementarity. Stephen Krasner, for instance, presented the creation of the International Monetary Fund and of the World Bank as an extension of the Keynesian logic adopted at the domestic level by developed countries. Likewise, Stokke and Lumsdaine interpreted development assistance as a projection abroad of the welfare state ethics. In the same perspective, the present study established that the values and principles embodied in social democratic institutions created at the domestic level had a clear impact on the foreign aid regime. The acceptance of nonmarket income distribution at home proved effective in shaping the international conduct of states. Hence, institutions promoting domestic and international justice stood less in opposition than in a relation of complementarity. In this way, domestic politics played a role in the definition of international cooperation.

Conclusion

The end of the cold war gave much credence to the liberal critique of international realism and to the call for a better understanding of the domestic sources of international cooperation. The most fundamental international

changes of our era, noted Friedrich Kratochwil, resulted from domestic, not systemic, transformations; concentrated on systemic interactions, realist scholars failed to explain, let alone predict, these changes. As a result, international liberalism appeared reinforced, as a research program that offered many plausible insights to understand contemporary trends. "Welfare," wrote one observer, "not warfare, will shape the rules" of international politics.87

This study is inspired by the liberal perspective on two counts. First, it deals with the power of values and principles in international politics. Second, it explores the relevance of institutions and domestic politics for international cooperation. With respect to foreign aid, at least, the liberal perspective appears vindicated. Welfare principles institutionalized at the domestic level shape the participation of developed countries in the international aid regime. Previous studies suggested such a relationship. Imbeau, for instance, found a relationship between partisan orientations and aid contributions; Lumsdaine linked social spending and foreign aid; and Pratt and Stokke identified similar associations in case studies of the so-called like-minded countries. Our findings expand on these initial results. Because socialist welfare attributes capture the logic of solidarity that prevails within a society more directly than spending or partisan indicators, they best explain foreign aid contributions. Such an institutional approach accounts not only for variations in the volume of development assistance, but also for the fact that foreign aid orientations change slowly.

Of course, foreign aid constitutes a peculiar domain of international politics. Some would argue it is a minor, unrepresentative instance of international cooperation. In fact, aid constitutes a fundamental, enduring aspect of north–south relations and a major financial transfer. It is also a critical case for the realist, neo-Marxist, and liberal perspectives. Each approach has sought to interpret development assistance in a manner consistent with its vision of world politics. Realists see aid as an interested behavior, neo-Marxists as rooted in class relations and imperialism, and liberals as a form of humanitarianism. Our conclusion gives credence to both the liberal and the neo-Marxist points of view. Like liberals, we see aid as principled and rooted in domestic values. Like neo-Marxists, we see state actions as anchored in institutional arrangements that themselves result from class and partisan conflicts.89

88. Lumsdaine, Moral Vision in International Politics, p. 4.
89. Waltz discusses the similarities between the liberal and the Marxist understandings of international politics. See Waltz, Man, the State, and War, pp. 80–158.
An obvious limitation of comparative, institutional explanations is their tendency to take a static character. Although welfare institutions are usually stable, they are not immutable. New collective and political actions can change the rules of the game. To go beyond comparative statics, institutional explanations must incorporate social actors and conflicts and account for the emergence and transformation of hitherto stable arrangements. In periods of change, however, conceptions of justice should also play a major role, as they guide political movements and shape political debates.

In the end, one may also question the very distinction between a domestic and an international order, increasingly challenged by global economic, political, and social exchanges of all types. With respect to liberal democracy, however, the distinction remains operative. The domestic level is still the best arena for social movements and political parties to impose and institutionalize distinctive and meaningful conceptions of justice. One should keep in mind that while developed countries dedicate 25 percent of their GNP to social programs, they collectively allocate no more than 0.35 percent to development assistance. Whether they concern domestic welfare or foreign aid, conceptions of justice stand at the core of political debates and conflicts, and they provide a key mechanism to make various institutions and policies relatively coherent. Between the domestic and the international arenas, however, the commitment to redistribute remains very different.