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# Political Regime and Social Spending in Spain: A Time Series Analysis (1850-2000)

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**Abstract:** Over the past century and a half, Spain has had a tumultuous political history. What impact has this had on social policy? Democracy has had a positive effect on both the levels of social spending and its long-term growth trend. With the arrival of democracy in 1931, the transition began from a traditional regime (with low levels of social spending) to a modern regime (with high levels of social spending). Franco's dictatorship, however, reversed this change in direction, retarding the positive growth in social spending. At the same time, the effect of left-wing parties was statistically significant only in the nineteen-thirties (prior to the Keynesian consensus) and in the period of the Bourbon Restoration (when the preferences of low-income groups were systematically ignored).

JEL Codes: I30, H53, N30.

Keywords: Welfare State, Dictatorship, Democracy, Redistribution, Spain, History of social policy.

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## 1. Introduction

Polanyi (2001[1944]) described the social history of the nineteenth and twentieth centuries as the result of a double movement. One of these movements was an unprecedented growth of market mechanisms, while the other was the parallel development of “a network of measures and policies (...) designed to check the action of the market relative to labour, land, and money” (p. 79). This process, he added, “may happen in a great variety of ways, democratic and aristocratic, constitutionalist and authoritarian” (p. 259). Even today, however, there is no consensus on the impact of the type of political regime on the development of social policy. Initially, one would expect the expansion of suffrage and the advancement of democracy to have a positive effect, as suggested by Lindert (2004) and Haggard and Kaufman (2008). However, there are also examples of social policy being developed under nondemocratic governments, such as that of Bismarck’s Germany. Indeed, Mulligan et al. (2010) and Cutler and Johnson (2004) take the view that dictatorships also have incentives to increase social spending, whether for reasons of economic efficiency or to achieve political legitimacy. In Spain, the development of social policy has taken place in the midst of a tumultuous political history, experiencing periods of census suffrage, universal male suffrage, dictatorship and democracy. This has made Spain into an interesting case study. Certainly, Spain’s most important difference with respect to Western Europe emerged after World War II. At that time, democracy became well established in most European countries, while Franco’s dictatorship in Spain lasted until 1976/77. According to Tusell (2005), “if there exists a crucial break in the history of Spain, it is the one that occurred [during the Francoist dictatorship] after the civil war” (p. 11). One must ask, therefore, how these specific historical characteristics affected the development of social policy, and what lessons can be drawn from the Spanish case about the relation between the type of political regime and growth in social spending.

To answer these questions, this study has examined the relation between the political regime and growth in social spending in Spain in the period 1850-2000 by means of a time series analysis. The Spanish case is interesting because, as noted earlier, the country went through numerous changes of political regime between 1850 and 2000. In addition, the advancement of democracy was not linear. One can find democratic and dictatorial periods with relatively low levels of income and social spending (such as the dictatorship of Primo de Rivera in the 1920s and the democratic experience of the Second Republic in the 1930s) and democratic and dictatorial periods with relatively high levels of income and social spending (such as the last decade of Franco’s dictatorship and today’s democracy). This provides variability for the econometric analysis. In addition, an analysis of social spending from the sort of long-term perspective proposed here is interesting for a number of reasons. The development of social policy is, in fact, a long-term process. In the Spanish case, as in the case of many European countries, the origins of social policy can be traced back to the late nineteenth and early twentieth centuries. Also, this process typically has a cumulative effect. The legislative momentum of a period often carries over into subsequent periods. If the historical perspective is not taken into account, it is easy to give credit to the wrong regime. However, most of the quantitative studies on the determinants of social

spending focus on shorter and typically more recent periods of time. Espuelas (2012), for example, found that southern European dictatorships had a negative impact on social spending in 1950-80, using panel data for 15 European countries. The main counterfactual in this case was the experience of other democratic European countries. Would these results remain if we analyse the impact of regime change within the same country across time?

The results obtained here indicate that democracy had a positive effect both on the levels of social spending and on its long-term growth trend. Indeed, the arrival of democracy in 1931 initiated a process of modernisation in the patterns of social spending, moving from a *traditional* regime (with low levels of social spending) to a *modern* regime (with high levels of social spending), which was interrupted by Franco's dictatorship. At the same time, the effect of left-wing parties was more significant in the 1930s (prior to the Keynesian consensus) and in the Bourbon Restoration (when the preferences of low-income groups were systematically ignored) than in today's democracy. The paper is organised as follows. The next section gives an overview of the main theories addressing the relation between democracy, political parties and the welfare state. Section 3 outlines the history of social policy in Spain. Section 4 analyses the impact of the type of political regime on social spending and section 5 sets out the conclusions.

## **2. Democracy, Political Parties and the Welfare State**

Early studies on the origins of the welfare state attributed its emergence and subsequent development to changes caused by economic growth and industrialisation, which generated new social needs at the same time as the traditional social protection systems of rural societies were being eroded. In this context, it became necessary to find new solutions, which involved rising levels of state interventionism (Kerr et al. 1964, Pampel and Weiss 1983). Wilensky (1975), in fact, considers that economic growth and the ageing of the population (one of the principal by-products of economic growth) are the most important factors to account for the growth in social spending in advanced countries. Other studies, however, have accorded greater importance to the role of political factors to understand the differences among countries with similar income levels and demographic structures. According to Lindert (2004), for instance, the gradual expansion of voting rights had a positive effect on the growth of social spending between 1880 and 1930. Bringing low-income groups into the political process led to increased political support for redistributive policies. In a similar vein, Haggard and Kaufman (2008) and Espuelas (2012) contend that democracy had a positive effect on social spending in Europe and in several developing countries in the period after World War II.

To the extent that the expansion of suffrage to all citizens shifted the median voter downward, these findings are consistent with the Meltzer and Richard's (1981) hypothesis. In democracy, one would also expect a convergence between political parties toward the preferences of the median voter (Downs 1957). However, political parties do not always behave as the perfect agents of voters. They typically have their own interests and preferences, and often have the ability to set the political agenda. When they choose which laws and proposals are debated and which ones are not, they can push the result (at least in part) away from the preferences of the median voter and closer to their own preferences

(Krehbiel 2004). This means that if there are political parties ideologically committed to the development of social policy, they can influence the political agenda by prioritising social issues, and vice versa. If there are parties opposed to social spending growth, they can have an influence in the opposite direction. Congleton and Bose (2010), indeed, take the view that the growth in social spending that occurred in many developed countries between 1960 and 1985 can be explained in part by ideological changes over time. However, the theories that have, doubtless, paid the most attention to the role of political parties in the development of social policy are the so-called *power-resource* theories.

According to these theories, democracy is positive for social policy, but it is seen as a necessary condition, not a sufficient one. For democracy to have a positive effect, the working class must take advantage of the opportunities afforded by democracy, organising in trade unions and strong political parties (Korpi 1983). Hicks (1999) contends that the mobilisation of the working class did, in fact, play a key role in the initial stages of social policy. By 1920, only those countries that had a strong labour movement had introduced three of the four most important types of social insurance: workplace accident compensation, old-age pensions, health insurance and unemployment insurance<sup>1</sup>. However, Hicks also notes that the role of social democracy became blurred after the Second World War, when the Keynesian consensus prevailed. Only in the nineteen-seventies and eighties, when that consensus began to break apart, did social democracy again resume a prominent role in the defence of the welfare state within some countries. Wilensky (1981), however, maintains that Catholic parties, more than social democratic parties, were the greatest proponents of the development of social policy after the Second World War, although Manow and Van Kersbergen (2009) point out that this was the case primarily when they had to compete electorally against social democratic parties.

Shifting the focus slightly, Bradley et al. (2003) contend that if, instead of analysing aggregate levels of social spending, one examines the ability of social policy to reduce inequality (after taxes and transfers), then left-wing governments show a clearly positive effect on social policy. The reason is that in countries dominated by Christian democrats, social benefits may be relatively generous, but social policy tends to reproduce market inequalities. By contrast, in countries with a greater prevalence of left-wing governments, social policy is more redistributive. These results, in turn, are consistent with the three types of welfare regimes set out by Esping-Andersen (1990).

However, apart from debates over the ideology of the party in government, there is no consensus on the role of democracy *per se*. Mulligan et al. (2010), for instance, find that democracies are not more active than dictatorships in promoting growth in social security spending. Indeed, they take the view that political institutions are irrelevant in this sense. In line with Wilensky (1975), they claim that the really important variables are economic growth and the ageing of the population. Either of these variables would translate into growth in social security spending independently of the mechanisms of political participation. The authors do not explain the alternative mechanisms that could come into action, but they suggest that it would be because of the efforts of pressure groups or for efficiency reasons. According to Sala-i-Martin (1996), for example, pensions improve the

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<sup>1</sup> Hicks (1999) considers that a strong labour movement exists when at least 20% of the labour force is affiliated with a trade union or when the workers' parties (socialists, social democrats, labour party or communists) receive over 20% of the votes in elections.

average stock of human capital in the economy, thereby generating positive externalities on economic growth and productivity. This would explain why both dictatorships and democracies have promoted their expansion. Cutler and Johnson (2004), for their part, do not deny the importance of political factors, but they also think that dictatorships can stimulate the development of social policy in order to achieve political legitimacy and hold onto power.

This same idea has been echoed by Acemoglu and Robinson (2005), who nonetheless give more attention to the incentive problems behind it. In a dictatorship, all formal political power, or *de jure* power, is in the hands of the governing elite. Only if the citizens are able to solve their problems of collective action and organise successfully can they achieve a certain *de facto* power that might pose a real threat to the government. At that point, the government will have incentives to make social concessions and maintain itself in power. However, as all *de jure* power is in the hands of the government, it will have no reason to keep its social promises as soon as the opposition demobilises and its *de facto* power diminishes. If citizens know this, they will not put trust in the government's social promises and they will refuse to demobilise. In other words, even if the government is interested in making social concessions, for these concessions to be carried out, it will have to find a way to solve its commitment problems and make credible promises. But even in this case, the levels of redistribution in a dictatorship are lower than in a democracy. The main reason is that the *de facto* power of the citizens is temporary and, therefore, the levels of redistribution will only partially reflect the preferences of the majority of the population.<sup>2</sup>

From a historical perspective, the package of measures approved by Bismarck in Germany would be a typical example of this sort of behaviour. Bismarck himself acknowledged in his address in the Reichstag in 1881 that the measures were partly a response to “the excesses of the socialists”<sup>3</sup>. In the terms used by Acemoglu and Robinson, the *de facto* power of the German labour movement had succeeded in forcing social concessions from the government. *Power-resource* theories have focused their attention primarily on the role of left-wing parties in democracy. However, following the logic of Acemoglu and Robinson (2005), the role of the labour movement (and generally of any other opposition movement) could be equally important in non-democratic contexts. As shall be seen below, this is actually what is suggested by a number of qualitative studies on the history of Spanish social policy.

### 3. History of Social Policy in Spain

At the close of the nineteenth century, a portion of the Spanish political elite began to express support for the development of social policy. They thought that it could be an effective means to safeguard political stability amid the advance of the labour movement and industrialisation. The publication of the encyclical *Rerum Novarum* in 1891 (in which the Church acknowledged that private charity was not enough to solve social problems) and the package of social measures applied by Bismarck in Germany served as model and

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<sup>2</sup> The assumption here, which is also made by Acemoglu and Robinson (2005), is that the elite is a minoritarian group that is relatively wealthy and, therefore, opposed to redistributive policies.

<sup>3</sup> Cited in Rimlinger (1971), p. 112.

inspiration. At the same time, the introduction of universal male suffrage in Spain in 1890 aroused fear in some political sectors. Cánovas del Castillo (who was prime minister several times between 1875 and 1897) was himself convinced that there could not be “universal suffrage without having a little sooner or a little later the practicing of state socialism” (p.30). This is why he saw Bismarck’s social policy as “a farsighted conception of the political necessities created by the impotence of the old economic dogmas, combined with (...) the agitation of the proletariat and the existing political system [universal male suffrage]” (p. 38). In that context, the government decided to create the Commission of Social Reforms in 1883. Its most important work was the so-called “Spoken and Written Information (1889-1893)”, a detailed study on the situation of the working class that compiled a great deal of information and implicitly acknowledged the existence of the “social problem”. However, the effort was not translated into any specific measure. In the early twentieth century, social protection in Spain still depended on private charity and the public system of poor-relief instituted with the Law of 1849.

The path toward social insurance was opened with the Law of Occupational Accidents of 1900. The impact of this measure, however, was very limited. Benefits legally set by the government were very low and enterprises often failed to fulfil their commitments due to the lack of inspection (Silvestre and Pons, 2010). Shortly afterwards, in 1908, the government set up the National Institute of Social Insurance (INP in Spanish, for *Instituto Nacional de Previsión*). The INP was charged with managing the so-called *Retiro Obrero*, or “Worker’s Retirement”, a state-subsidized, voluntary system for old-age pensions. This new programme, however, also grew very slowly. In 1918, the total number of insured persons stood at only 78,166, representing in the vicinity of 1% of the labour force (Elu, 2010). After World War I, social legislation received a new impetus. From 1917, there was intense social unrest as a consequence of the economic imbalances caused by the war and the contagious effect of the Russian Revolution. The government tried to regain political stability through a policy of social concessions, and became more willing to support compulsory insurance. In 1917, the government organized a Conference of Social Insurances, where it made a commitment to create a comprehensive system of social insurances (which were supposed to include insurance covering occupational accidents, old-age, illness, maternity and unemployment). A scheme for unemployment insurance and a scheme for health and maternity insurance were discussed both in the INP and the parliament between 1917 and 1923. The socialist party (which in 1910 had won its first seat in parliament) demanded in its parliamentary speeches that the government fulfil its social promises. However, the only program that came to fruition was the *Retiro Obrero Obligatorio*, or “Compulsory Worker’s Retirement”, a compulsory old-age pension system created in 1919 (Elu 2010, Pons and Vilar 2014).

Even though Cánovas del Castillo was convinced that universal suffrage would lead inevitably to socialism, the progress of social policy in Spain was very slow during the period of the Bourbon Restoration (1874-1923). According to Guillén (1990), corruption, electoral fraud and *caciquismo* (a system of patronage and dominance by local bosses that was particularly widespread in rural areas) enabled the political elite to ignore bottom-up demands, especially in the years before World War I. From this point of view, the few social achievements that occurred before 1914 would primarily have been top-down initiatives coming from the political elite itself. Other authors, by contrast, take a more nuanced view and contend that this top-down shift in attitude cannot be explained without

the “Disaster of ‘98” (the political crisis occurring after the independence of Cuba and the Philippines) and the gradual growth of the labour movement (Gabriel 2004, Castillo and Montero 2008). However, even at times of social unrest (such as after World War I), the government was unable to keep its social promises.

In 1923, after the military coup and the installation of the dictatorship of Primo de Rivera (1923-1930), the momentum of the preceding years ground to a halt. The proposed schemes for unemployment and maternity insurance were completely abandoned. However, pre-existing insurances, such as workplace accident insurance and old-age pensions, continued to operate; and subsidies for large families were created in 1927, a policy that was consistent with Catholic social morality and the influence acquired by the Church during the dictatorship (Velarde 1990). Indeed, the dictatorship strove for social pacification through a combination of repression and the establishment of corporatist formulas. The CNT, which was the anarchist trade union and the largest at the time, was persecuted, but at the same time joint committees were created to try to regulate collective bargaining with the participation of the UGT, the socialist trade union (Pérez Ledesma 1990). With the advent of the Second Republic (1931-36), which is viewed by Linz et al. (2005) as the first truly democratic period in the history of Spain, social legislation received a new impetus. Progress was particularly striking in the first two-year period, when there was a socialist presence in the government (Samaniego 1988). The Constitution of 1931 recognised the right to social security. Between 1931 and 1932, maternity insurance (which delivered maternity-leave benefits and healthcare during childbirth for working women) came into effect; a state-subsidised system of voluntary unemployment insurance was set up; occupational accident insurance was made compulsory<sup>4</sup> and coverage was extended to agriculture. Also, a plan was devised to unify social insurances, with the aim of creating a single system of social security encompassing maternity and old-age insurances, which were already in existence, along with new insurances covering illness, disability, orphans and widows. Finally, the government put heavy investment into public works to combat unemployment, especially in rural areas, and strove to carry out an agrarian reform to reduce social unrest in the countryside and to consolidate the democratisation process initiated in 1931. However, the outbreak of the civil war (1936-39) thwarted these latter plans.

After the civil war, Franco’s dictatorship combatted social unrest through a combination of severe political repression and a precarious social safety net, which was fundamentally targeted at low and medium-income industrial workers. Most of the social insurance schemes created before the civil war continued to operate, but the dictatorship abolished the voluntary unemployment insurance and shelved the Republican project of social insurance unification. New insurances, however, were also created. In 1938, for example, before the end of the civil war, a family allowance called *Subsidio Familiar* was introduced. This offered bonus payments to all (male) wage-earners based on the number of children (starting with the second child). The family allowance was largely the result of the anti-feminist and pro-population-growth ideology of the dictatorship (Espuelas 2012). Retirement pensions were overhauled in 1939, becoming fixed-sum pensions. Rural workers were initially excluded, but they were reincorporated shortly afterwards, in 1943. Disability and widows’ pensions, for their part, were introduced as a specific case of old-

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<sup>4</sup> Before the reform in the nineteen-thirties, companies were free to choose between paying benefits for occupational accidents directly to their workers or joining an employers’ mutual insurance scheme.



age pensions in 1947 and 1956, respectively (note, however, that these benefits had already been envisaged in the Republican project for unified social insurances, in 1936).

In 1942-44, a compulsory health insurance scheme (SOE in Spanish, for *Seguro Obligatorio de Enfermedad*), was set up and became a key piece in the dictatorship's political propaganda (Pons and Vilar 2014). At first, coverage was limited to industrial workers. Agricultural permanent and casual workers were not incorporated into the SOE until 1953 and 1958, respectively. Occupational health insurance, for its part, was not put into operation until 1947, even though the framework law had originally been approved in 1936, in the second republic. However, the insurance that lagged the most was unemployment insurance, which was not instituted until 1961 (Espuelas 2013). In addition to this network of independent social insurance schemes, the dictatorship also created the so-called Labour Mutualism (or *Mutualismo Laboral* in Spanish). Formally, it was a series of mutual associations financed and administered by employers and workers, grouped into branches or sectors of activity. In practice, however, Labour Mutualism was tightly regulated and overseen by the state (setting benefit levels, access conditions, the amount of employers' and workers' contributions, etc.). This turned it *de facto* into a parallel system to the official social insurance schemes (De la Calle 1994).

This piecemeal approach started to be corrected with the Social Security reform of 1967. Existing social programmes were brought together under a single, more streamlined social security system, and coverage was extended to all wage earners (instead of limiting it only to low and medium-income workers). However, Spanish social policy continued to marginalise the population without stable ties to the labour market; and the funding of social security continued to rely on employers' and workers' compulsory contributions (with almost no public funding) during the entirety of the dictatorship. In spite of the limitations, social spending began to grow rapidly after the 1967 reforms. This increase also coincided with a period of rapid growth in the Spanish economy. According to Rodríguez Cabrero (2004), the development of social policy in this period was "the necessary response to late Fordism (...) and to an urbanising society" (p. 76). To the extent that this response was a *necessary* one, it follows that the dictatorship was not a significant obstacle to the development of social policy. Guillén (2000) went slightly further. According to her, Francoist leaders pushed for social insurances to improve the regime's political image, and in some cases (such as that of health insurance), the dictatorship was even more effective than democracy when it came to ignoring pressure groups that opposed compulsory insurance (such as employers, insurers and medical professionals).

Navarro (2000), by contrast, contends the political repression of the Francoist dictatorship was particularly severe on the labour movement and low-income groups in general, halting the development of social policy. Comín (2010), indeed, considers that dictatorship and the welfare state are incompatible concepts and that the development of the welfare state requires some kind of social pact. Social dialogue, in fact, did play a crucial role in the transition to democracy. In 1977, the Moncloa Pacts were signed against a backdrop of acute economic crisis. Representatives of workers, employers and the main political parties agreed to moderate wage demands and to accept policies geared toward macroeconomic stability and the control of inflation in return for greater social protection, progressive fiscal reform and the consolidation of political freedoms. The Moncloa Pacts were crucial for the consolidation of democracy and economic stability. But in addition, the introduction

of income tax in 1977 broke one of the most important barriers that the dictatorship had held in place against the development of social policy. From then on, rising government subsidies were allocated to social security institutions (which had previously been funded almost exclusively through compulsory contributions from employers and workers). Between 1981 and 1986, access to healthcare was made universal. In 1982, welfare benefits for disabled persons improved dramatically and in 1990, new non-contributory benefits for old age and disability were introduced. Also in the nineteen-nineties, the governments of Spain's autonomous communities gradually introduced minimum income programmes for low-income families.

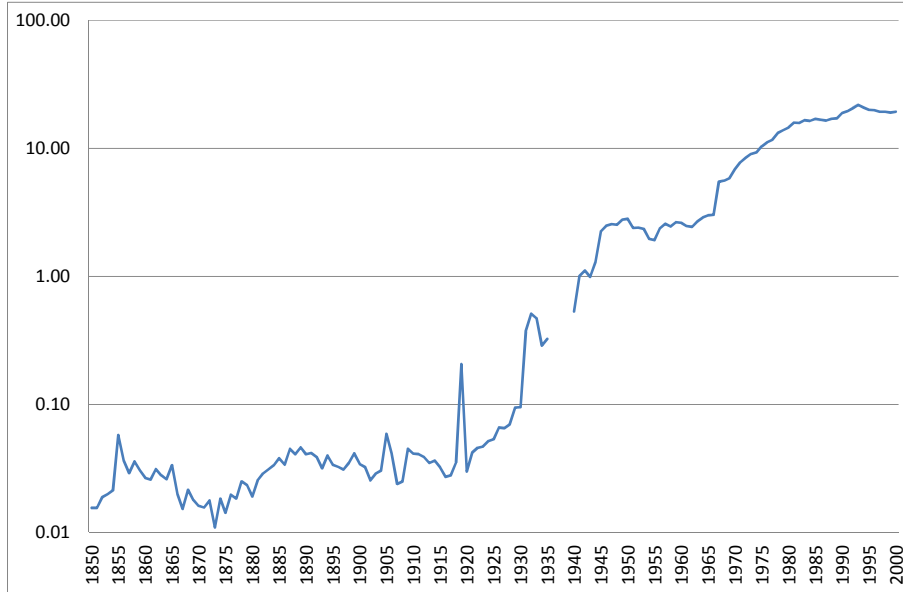
All of this represented a gradual improvement in social provision and it permitted coverage to be expanded to sectors that do not have stable ties to the labour market (although the levels of generosity of the non-contributory benefits lagged far behind those of contributory benefits). Despite the advancements, however, there were moments at which the development of social policy appeared to decelerate during democracy too. One example is provided by the years of the so-called industrial restructuring, in the nineteen-eighties. Another comes with the years after the signing of the Maastricht Treaty in 1992-93, when economic policy was primarily targeted at controlling the public deficit and inflation. However, it would be precipitate to conclude that the consolidation of democracy slowed the growth in social spending. In fact, from an analysis of the qualitative information available, one can find examples of progress and stagnation in social legislation during democratic periods and dictatorial ones alike. To be more conclusive, a more systematic analysis needs to be carried out.

#### **4. Political Institutions and Social Spending in Spain**

##### **4.1. Data and Variables**

The aim of this section is to analyse the impact of the type of political regime on social spending in Spain, by means of a time series analysis. Figure 1 shows the evolution of public social spending in Spain between 1850 and 2000 as a percentage of GDP. The data come from Espuelas (2013), and fits the OECD's definitions of social spending. As can be seen, social spending in Spain remained practically stagnant with minor fluctuations until the First World War. At that point, a mild period of growth began (after a peak in 1919) and this did not stop during the dictatorship of Primo de Rivera. In 1931, a rapid growth in social spending occurred after the advent of the Second Republic; while social spending remained stagnant between 1945 and 1965, during Franco's dictatorship. Subsequently, a new period of growth in social spending began in 1966/67; and it continued to be very rapid during the transition to democracy, until it finally began to stabilise at relatively high levels from 1993 onwards.

**Figure 1. Public social spending in Spain (1850-2000) as a % of GDP**



Source: Espuelas (2013). Note: The series includes social spending by Spain's central government (and its autonomous agencies), the autonomous communities (or regional governments) since their creation after the restoration of democracy in 1977, and the benefits of all social insurance programs. Social spending by municipal and provincial councils is not included for two reasons. First, the development of social spending in Spain was the sole responsibility of central government and the autonomous communities that absorbed part of its competences after the restoration of democracy in 1977. Second, the series offered by Espuelas (2013) has many gaps in the social spending of municipal and provincial councils that entailed an unnecessary loss of information in light of the econometric analysis. Following the previous studies of Lindert (2004), the pensions of civil servants have also been excluded from the analysis because they do not represent benefits for the whole of the population. Rather, they have been considered the result of the particular employment relation between the State and its employees and have therefore been treated like the collective insurances offered by many companies to their employees.

At a glance, it is again hard to find a clear pattern between the evolution of social spending and the type of political regime. For a more formal analysis of the role of political regime in the development of social spending in Spain over the long run, the following equation has been estimated:

$$SS = \alpha_0 + \beta_1 PR + \beta_2 PM + \beta_3 Z + \varepsilon_1 \quad (1)$$

where *SS* is *Social Spending* expressed as a % of GDP; *PR* is the *Political Regime* in power at each moment; *PM* is the extent of *Political Mobilisation*, and *Z* stands for a set of control variables. The data on social spending used here are the ones shown in figure 1. To measure the impact of *Political Regime*, the political history of Spain has been divided into several periods based on the definition of democracy provided by Boix et al. (2012). According to these authors, a country is democratic if it meets a few minimum requirements. It is considered democratic, firstly, if it holds competitive elections (that is, if the executive must answer to the voters and if the elections are free, without coercion by

the executive or electoral fraud or corruption); and secondly, if at least 50% of the male population can vote. From here, they have created a new database with a dichotomous indicator on the existence of democracy, which includes 219 countries in the period 1800-2007. According to their data, Spain has been democratic in the period 1931-36 and from 1977 to the present. Even though the other periods were not democratic, they were also not homogeneous from an institutional viewpoint. Before the First World War, for example, Spain had universal male suffrage (although *caciquismo*, fraud and electoral corruption prevent considering it a democracy). Prior to 1890, there was census suffrage and after the Spanish civil war, the country was ruled by a military dictatorship.

For the purposes of this paper, it is interesting to examine whether each of these political regimes had a differentiated impact on social spending. Lindert (2004), for instance, notes that democracy had a positive impact on social spending, but that the most negative effect was not the result of dictatorships but rather of elite democracies (with census suffrage). Accordingly, the years in which Spain was not democratic have been divided into three periods: the years of census suffrage (when only a small portion of the population was allowed to vote); the years of universal male suffrage (when most of the male population was allowed to vote, but as noted before the elections were not competitive), and the years of dictatorship that followed the military coups of 1923 and 1936-39. In the econometric analysis, therefore, three *dummy* variables have been introduced, taking a value of one in the years of universal male suffrage (1868-77; 1890-1922), democracy (1931-36; 1977-2000) and dictatorship (1923-30; 1939-76), and taking a value of zero otherwise<sup>5</sup>. The years of census suffrage or elite democracy have been used as a baseline<sup>6</sup>.

In addition to political regime, the analysis has included a variable called, for the sake of simplicity, *Political Mobilisation*. The reason for this is that several of the theories mentioned in section 2 hold that the political regime is conditioned by the political pressure that citizens or given organised groups are able to exert from below. According to the *power-resource* theories, for example, for a democracy to have a positive effect, the working class must take advantage of the opportunities afforded to them by democracy and vote for left-wing political parties. To test this hypothesis, the analysis has included a *dummy* variable in the years of democracy, taking value one in the years in which there were left-wing governments and zero otherwise<sup>7</sup>. The data come from Linz et al. (2005)

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<sup>5</sup> The years of the Spanish civil war, 1936-39, have been excluded from the analysis because of the lack of data.

<sup>6</sup> The years that are categorised here as dictatorship coincide with the years for which the variable *xconst* (*executive constraint*), devised by Marshall and Jagers (2010) as part of the Polity IV project, takes value 1, that is, when the executive has unlimited authority. The years of dictatorship also coincide with the years for which the polity index (also from the Polity IV project) takes the lowest values (-7 in most years). In turn, the years of democracy coincide with the years in which the polity index takes the highest values (varying between 7 and 10). The remaining years (which are categorised here as census suffrage and male suffrage) take intermediate values (varying between -6 and 6). For the econometric analysis, however, preference has been given to using the dichotomous variables explained above. The reason for this is that the polity index is a continuous variable and this means assuming that the effect of the political regime is linear (and in the following order: democracy > census democracy > dictatorship). However, this is not necessarily the case (Lindert 2004) and, in any event, it is the hypothesis that this paper wants to test.

<sup>7</sup> Quantitative studies addressing the *power-resource* hypothesis generally include parties with ties to the labour movement (socialists, social democrats, communists, labour parties, etc.) and sometimes also include "other" left-wing parties. See, for example, the database prepared by Swank (2013) for the post-

and the expected sign of this variable is positive. Also, in the years of *universal male suffrage*, the political process was not fully democratic (as noted earlier), but there was a certain pluralism and the socialist party was allowed to stand for election. The *power-resource* theories refer exclusively to democratic periods. However, as noted in section 2, it seems reasonable to assume that social democracy might also have had a positive effect on social spending even in periods that were not fully democratic. For this reason, the regressions also include the interaction between the variable for *universal male suffrage* and the percentage of the socialist party's seats in the Spanish parliament in that period. The expected sign of this variable is positive. Once again, the data come from Linz et al. (2005).

Lastly, following the model of Acemoglu and Robinson (2005), the political mobilisation of opposition groups during the years of dictatorship might potentially have some impact on social spending. In the final years of Franco's dictatorship, opposition movements (among which the labour movement played a very significant role) took on growing importance (Tusell 2005). Because these movements were underground, however, there is no data to determine precisely the extent of political mobilisation, either in the labour movement or in the political opposition in general<sup>8</sup>. To measure government's response to bottom-up pressure, the analysis has used the number of changes of government in the preceding five years as an indicator of political instability. The data come from Urquijo (2001). This variable, however, does not *exclusively* reflect the opposition's ability to mobilise under dictatorship. It also reflects possible *internal* government crises (due to succession crises or to external shocks, such as an economic crisis). Nevertheless, these crises are windows of opportunity that increase the effective pressure that can be exerted by the opposition (Acemoglu and Robinson 2005). As a result, they do not affect the core argument. What is relevant here is whether the government increases social spending when it is unstable and *needs* political legitimacy. The expected sign of this variable is positive.

The control variables include GDP per capita, the percentage of the population over 65 years old, the degree of trade openness, the level of inequality, and government's fiscal capacity. The figures on GDP per capita come from Prados de la Escosura (2003). The data on the percentage of the population over 65 years old come from Nicolau (2005). The degree of trade openness is measured as the sum of imports plus exports divided by GDP. The figures come from Tena (2005). Inequality figures correspond to the Gini index prepared by Prados de la Escosura (2008), and the government's fiscal capacity has been measured by the ratio between the central government's tax revenues and the outstanding public debt (also of the central government). The larger this quotient is, the greater the state's fiscal capacity is understood to be. The expected sign of this variable is, therefore, positive. The data come from Comín and Díaz (2005). All the variables are expressed in logarithms to derive elasticities.

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1950 period. In the Spanish case, all of the left-wing governments that held power in the years of democracy enjoyed the support or presence of the socialist party. As a result, there is no difference here.

<sup>8</sup> Given the lack of information, one possible alternative would be the number of strikes. However, from the end of the civil war to 1963, there is no statistical information on strikes either. After the war, the dictatorship punished strikes as crimes of sedition, and were not decriminalised until the nineteen-sixties –and only if they called for economic demands– (Maluquer de Motes and Llonch 2005).

## 4.2. Results

Since the analysis involves time series, before moving onto the regression analysis, it has first been tested whether or not the time series are stationary. The augmented Dickey-Fuller test and the Phillips-Perron test have been applied to the series included in the model. The results appear in table 1. As can be seen, the series are not stationary. All of them are integrated series of order one,  $I(1)$ . Then, it has been tested whether the series are cointegrated. To do this, the Engle-Granger cointegration test has been applied to the residuals of the OLS estimation in table 3. The results of the Engle-Granger cointegration test appear in table 2. As can be seen, they confirm that the series are cointegrated. When the series are cointegrated, the OLS estimator is consistent, but it presents problems of asymptotic bias and is not an efficient estimator. Therefore, in order to give robustness to the analysis, the results are presented not only for the Least Squares estimation, but also for the estimations obtained using Dynamic Least Squares (DOLS) and Fully Modified Least Squares (FMOLS). Both of these methods can deal with possible problems deriving from the existence of a cointegration relation. The first method does so by including lags and leads of the stochastic regressors in differences, while the second uses a semi-parametric correction of the least-squares estimator (Stock and Watson 1993, Phillips and Hansen 1990). Both estimators are equivalent and asymptotically efficient. The results of the regressions appear in table 3.

[Table 1]

[Table 2]

[Table 3]

As can be seen, the control variables are significant and, in general, have the expected sign. The ageing of the population, for example, presents a positive and statistically significant sign, in line with the studies of Lindert (2004) and Mulligan et al. (2010). GDP per capita, by contrast, presents a negative sign. To some extent, this might be explained by the fact that in the early years of the sample and particularly in the final decades, GDP rose continuously while social spending remained rather stable. In this respect, it seems that the effect of *modernisation* is captured in the regressions by the ageing of the population (which is, in part, a by-product of economic growth). With respect to the effect of inequality, the results show a negative correlation with social spending. This suggests that the median voter models do not hold in the long run, and confirms the findings of recent research suggesting that inequality prevents social spending growth (Barth and Moene 2015, Espuelas 2015, Gärtner and Prado 2016). The degree of trade openness, for its part, shows a positive sign. Apparently, the demand effect proposed by Rodrik (1997) predominated over the *race to the bottom* effect, confirming the results by Sáenz et al. (2013) also for Spain in the period 1960-2000.

As for the political variables, the results show that the introduction of universal male suffrage in 1890 had a *gross* negative effect. However, the coefficient associated with the percentage of the socialist party's seats has a positive sign, which is significant in all equations and greater than the negative coefficient of male suffrage. Taking into account

that this variable is a percentage that ranges between 0 and 100, the size of the coefficient indicates that the negative effect of universal male suffrage would be offset by less than 1% of the seats being occupied by social democrats. These results confirm that *caciquismo*, corruption and electoral fraud were successful in neutralising the potential positive effect of universal male suffrage. But, at the same time, they suggest that even in a fraudulent system like that of the Bourbon Restoration, political leaders were not entirely immune to demands *from below*. To the contrary, the results indicate that the political elite became willing to make social concessions in the face of the electoral advance of social democracy (despite the latter never rose above a very low level of representation). This confirms the importance that qualitative studies have placed on the rise of the labour movement in the beginnings of social policy in Spain (Gabriel 2004, Castillo and Montero 2008). Also, this concurs with the results of Curto-Grau et al. (2012), which show how public investment in roads in the period 1880-1914 was partly motivated by the government's pursuit of political stability. Indeed, the gradual (and small) increase in electoral representation of Spanish social democracy after 1910 coincided with a period of increased social unrest. In that sense, it is likely that the positive statistical effect of social democracy is, in fact, capturing the elite reaction to that increase in political instability (and not only the effect of the electoral growth of social democracy).<sup>9</sup>

Democracy, for its part, has a clearly positive effect on social spending. The size of the coefficient associated with this variable is significant and much greater than in the case of male suffrage and the dictatorship. The results, therefore, indicate that the extension of voting rights to the whole of the population had a positive impact on social spending growth. At the same time, the coefficient associated with the dictatorship variable is not statistically significant, which indicates that its impact on social policy was similar to that of the years of census suffrage or elite democracy (our baseline period). By contrast, the number of government changes in the years of dictatorship does have a positive effect and is statistically significant. This suggests that dictatorships responded to political instability with rises in social spending. However, the size of the coefficient is much smaller than that of the democracy variable. Therefore, the positive effect of political instability falls far short of offsetting the negative effect that derives from the absence of democracy. This confirms Espuelas' (2012) results, who also found a negative impact of southern European dictatorships on social spending, but using panel data instead of time series.

Lastly, the results show that, unlike what happened in the period of the Bourbon Restoration, the presence of left-wing parties in government during the years of democracy did not have any significant effect on social spending. This is partly explained by the arrival of democracy *per se*, which obliged *all* parties to take into account the preferences of *all* voters (including low-income voters). By contrast, it is reasonable to assume that before the advent of democracy left-wing parties were the ones that (for ideological reasons) most took into account the preferences of low-income groups. Also, the emergence of the Keynesian consensus in Europe after the Second World War further helped to blur the distinctions among parties on the left and right of the political spectrum (Hicks 1999).

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<sup>9</sup> The problem when it comes to distinguish between the effect of the electoral growth of social democracy and that of increased social unrest is that there is no data, starting in 1850, to control for the latter. In any case, both aspects were in fact the result of the same process, which is the political crisis of the Bourbon Restoration period.

In Spain, the (belated) equivalent of the Keynesian consensus came with the Moncloa Pacts of 1977, in which the main political parties agreed, as noted earlier, to implement a policy of wage moderation and inflation control in return for a progressive fiscal reform and the expansion of social policy. As a result, social spending began to grow rapidly from the outset of democracy, including the first centre-right governments of the UCD party (Union of the Democratic Centre) and later socialist governments (1982-96).

[Table 4]

At the same time, since the end of the nineteen-eighties (during the industrial restructuring) and above all since the signing of the Maastricht Treaty in 1992-93, socialist governments and centre-right governments of the *Partido Popular* (1996-2000) have put greater priority on policies to control the public deficit and inflation than on the expansion of social spending. In the years of the Second Republic, however, the qualitative evidence suggests that the consensus in favour of social policy was smaller and that the socialist party (together with other left-wing parties) actually went to great lengths to put social issues at the centre of the political agenda (Samaniego 1988). To test this possibility, the regressions in table 3 have been repeated, but this time including a multiplicative variable for the years of the Second Republic. The results appear in table 4, but they must be interpreted with caution because this period was very short and, therefore, there are few available observations. As can be seen, the left-wing governments during the Second Republic effectively had a positive impact on social spending. This seems to confirm, as suggested by Hicks (1999), that the role of social democracy was more significant before the so-called Keynesian consensus.

The results shown so far indicate that democracy had a positive effect on social spending in Spain. However, one potential concern when analysing the relation between the political regime and social spending arises with the possible issue of endogeneity. To the extent that social spending contributes to political stability, it might condition the type of political regime. At the same time, Boix (2003) considers that if there are many redistributive pressures, high-income groups can prefer nondemocratic regimes. Both cases would raise an issue of inverse causality. There might also be a problem of omitted variables affecting the coefficients of the variables of interest. To make the analysis more robust, the estimations in table 3 have been repeated, but this time using instrumental variables. The results appear in table 5. As instruments for the political regime (which, in this case, are three variables: democracy, dictatorship and universal male suffrage), I have used the percentage of the working-age population that has completed secondary education and the type of political regime (democracy, dictatorship and universal male suffrage) in other southern European countries: Italy, Greece and Portugal<sup>10</sup>. In column 1.

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<sup>10</sup> As in the Spanish case, each of these countries has been classified as democratic following Boix et al. (2012). As for the remaining years, they have been classified as “dictatorship” for those years in which the variable *xconst* of Marshall and Jagers (2010) takes a value of 1 and as “universal male suffrage” for those years in which the right to vote formally existed but Boix et al. (2012) do not consider them fully democratic periods. The figures for the percentage of working-age population with secondary education or greater have been calculated from Núñez (2005); since 1964 they have been linked to the series provided by IVIE (2014).



I have instrumented simultaneously for the three variables relating to political regime (democracy, dictatorship and universal male suffrage). In columns 2 through 4, I have instrumented for each of these variables individually (the instrument used for democracy has been democracy in southern Europe and the completion rate for secondary education; for dictatorship, dictatorship in southern Europe and the completion rate for secondary education; and for male suffrage, male suffrage in southern Europe and completion rate for secondary education). In all of the regressions (from columns 1 to 4), a redundancy test has been applied. The instruments that did not pass the test were eliminated from the regressions.

[Table 5]

The reason to use these instruments is that the political and institutional context of the other countries of southern Europe is likely to have conditioned the evolution of the political regime in Spain, for example, through an imitation effect or diplomatic pressures. However, there is no apparent reason to assume that social spending in Spain had any impact on the political regime existing in other countries. Similarly, it is possible that demands for democratisation increase if the adult population has a higher level of education, but current social spending cannot have a significant influence on the current stock of education, which depends on decisions taken many years earlier. Nor is there any theoretical reason to expect that the political regime of a neighbouring country or growth in the stock of human capital *per se* will cause a rise or fall in social spending. In addition, as table 5 shows, the instruments are reasonably strong. The first-stage F-statistic is above 10 in all of the equations. In equations 1 and 3, where the number of instruments exceeds the number of regressors, the p-values from the Sargan test are clearly greater than 0.1. This indicates that there is no evidence that the instruments are correlated with the error term.

With respect to the results, the size and sign of the coefficients of the variables of interest are similar to those in table 3. Democracy has a positive and highly significant effect on social spending; universal male suffrage (in a context that cannot be considered fully democratic) has an initially negative effect that becomes easily offset by the socialist party's parliamentary seats, and dictatorship has no statistically significant effect. It seems, therefore, that the results using instrumental variables confirm the results obtained using least squares. Indeed, according to the Durbin-Wu-Hausman endogeneity test, there is no evidence to reject the null hypothesis that the regressors are exogenous. This is not entirely surprising if we take into account that, as noted earlier, both high and low levels of social spending in Spain occurred under democratic and nondemocratic regimes.

#### 4.3. Political Regime and Long-Term Trends

The analysis presented so far, based on *dummy* variables, captures the “average” impact of each political regime, once we have taken into account the effect of the control variables. However, when one looks at the evolution of social spending over the long run, one does

not see a steady trend with (more or less abrupt) step changes associated with changes in the political regime. Instead, in the Spanish case one can observe two clearly differentiated patterns or social spending *regimes*, along with a long transition process between them (figure 1). The first regime, which could be called the *traditional regime*, is characterised by low levels of social spending, and covers the time-period between 1850 and the nineteen-thirties. The second regime, or *modern regime*, extends from the nineteen-seventies to the present day and is characterised by high levels of social spending. This long-term pattern is partly determined by the cumulative nature of social policy. In Spain, as in many European countries, the growth in social spending over time is explained by the gradual introduction of new social programmes, often in an ad hoc and piecemeal way. Also, in countries like Spain in which the development of social policy was based on the creation of Bismarckian social insurances, the first social programmes were often limited to certain segments of the population, typically industrial workers with medium or low income. In this way, the growth in social spending can also be explained by the gradual expansion of coverage to the entirety of the population and by the improved generosity of social benefits.

In the Spanish case, however, the transition process from the *traditional* regime to the *modern* regime of social spending was not linear, but went through periods of stagnation and of rapid growth. It is interesting, therefore, to ask what impact the political regime had on the transition process. Indeed, in the context of this transition from a *traditional* regime with low social spending to another with high social spending, one would expect the impact (if any) of the political regime to consist primarily in changes in the long-run growth trend and not so much in changes in levels. To test this possibility, the regressions in table 3 have been repeated with the inclusion of a *dummy* variable (taking value 1 for the post-1931 period and zero for the preceding years), and also a time trend for the post-1931 period (which takes value 1 in 1931, increases linearly in the subsequent years, and takes value zero prior to 1931). It should be recalled that 1931 saw the proclamation of the Second Republic, Spain's first democratic regime. Therefore, with these variables, the aim is to capture the potential change in trend and levels associated with the arrival of democracy. Together with these variables, it has been also included a time trend for the post-1931 period, squared. The reason for this is that one would expect the rate of growth to moderate once high levels of social spending have been achieved (that is, once the transition from the *traditional* regime to the *modern* regime of social spending is complete). Lastly, to capture the effect of Franco's dictatorship, the regressions also include the interaction between the years of Francoist dictatorship and the post-1931 *dummy* variable as well as the interaction between the Francoist dictatorship and the post-1931 trend. The results appear in table 6.

[Table 6]

As can be seen, both the post-1931 *dummy* variable and the post-1931 time trend have a positive and statistically significant effect. As one would expect, the square of the post-1931 time trend, for its part, shows a negative and statistically significant sign. This suggests that the arrival of democracy in Spain not only entailed an increase in the levels

of social spending, but also caused a change in its long run trend, accelerating the growth rate of social spending. Subsequently, once high levels of social spending had been reached, the growth rate again levelled out. With respect to the role of the dictatorship, the interaction between the years of dictatorship and the post-1931 *dummy* variable is not statistically significant. However, the interaction between the dictatorship and the post-1931 time trend has a negative sign and is statistically significant. Rather than an abrupt return to the pre-1931 levels, the negative effect of the dictatorship consisted in reversing the acceleration in social spending initiated in 1931. In other words, Franco's dictatorship halted the modernisation process (the transition from the *traditional* regime to the *modern* regime of social spending) that began with the arrival of democracy in 1931.

This, in turn, suggests that the best way to analyse the impact of the political regime on the evolution of social spending does not always involve analysing the changes occurring in the years immediately before or after a regime change. As has been seen, the effect can be more gradual than an abrupt step change. Guillén (1992), for instance, found that, although "these regime changes [occurring in Spain] would lead one to expect radical discontinuities" (p. 119), "the most salient feature of social policy during the Spanish transition to democracy was its high degree of continuity" (p. 137). By taking a broader perspective, however, one can much better appreciate the effect of the regime change and, in this case, the negative impact of Franco's dictatorship.

## 5. Conclusions

Although the importance of political factors for the growth of social spending has sometimes been denied, the results of the Spanish case show that they were indeed important. In Spain, democracy had a clearly positive effect on both the levels of social spending and its long-term growth trend. The arrival of democracy in 1931 saw the beginning of a modernisation process that involved a shift from a *traditional* regime of social spending (characterised by very low levels of social spending) to a *modern* regime of social spending (with high levels of social spending). This process of transformation, however, was interrupted by Franco's dictatorship, which reversed the change in trend initiated in 1931 and slowed the ultimate growth in social spending. The dictatorship did not force a sudden return to pre-1931 levels. Rather, as noted earlier, it curbed the growth in social spending initiated previously. This means that the negative effect of the dictatorship on the levels of the social spending would only become visible after some time. This, in turn, would help to explain why some studies have failed to identify the negative effect of dictatorships (and not only in Spain). If instead of taking a long-term perspective such as the one used in this paper, the analysis adopts a perspective that is too short-term, it is possible to do not capture this negative effect. The results from this study also show that analysing changes in the long run trends instead of only changes in levels can be useful to understand the true nature of the impact of the type of political regime on social spending.

The results of the regressions show other interesting nuances about the role of political factors. Political instability during the years of dictatorship gave rise to modest increases in social spending, although they were entirely insufficient to offset the negative effect of the lack of democracy. On the other hand, the introduction of universal male suffrage in

the late nineteenth century (in a context of *caciquismo* and widespread electoral fraud) had no positive effect on social spending. What did have a positive effect, by contrast, was the weak electoral growth of social democracy (and more generally the growth of the labour movement and social unrest) in this same nondemocratic context. Apparently, the political elite of the Bourbon Restoration were reacting, at least partly, to demands *from below*, although the levels of social spending remained very low throughout the entire period. During the years of democracy, by contrast, left-wing governments are observed to have had no significant effect on social spending (with the exception perhaps of the nineteen-thirties). This is explained partly by the effect of democracy *per se* (which obliged *all* parties to take into account the preferences of *all* citizens), but also by the emergence of the Keynesian consensus (whose belated equivalent in Spain came with the Moncloa Pacts of 1977). As a result, the role of left-wing parties was certainly more visible in the nineteen-thirties (prior to the Keynesian consensus) and in the Bourbon Restoration (when the preferences of low-income groups were systematically ignored).

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## Tables

**Table 1. Unit root tests (in levels and differences)**

Variables	Test specification: constant		Test specification: trend and constant	
	Augmented Dickey-Fuller test	Phillips-Perron test	Augmented Dickey-Fuller test	Phillips-Perron test
	t-Statistic	t-Statistic	t-Statistic	t-Statistic
In levels				
Log(social spending)	-0.060	0.050	-1.849	-2.039
Log(GDP per capita)	1.706	2.076	-0.467	-0.269
Log(population 65)	3.711	3.278	0.164	-0.259
Log(Gini)	-2.545	-2.446	-2.535	-2.437
Log(openness)	-2.108	-2.049	-2.694	-2.600
Log(fiscal revenues/public debt)	-0.840	-0.743	-1.761	-1.580
In differences				
Log(social spending)	-16.243***	-17.229***	-16.217***	-17.362***
Log(GDP per capita)	-9.589***	-9.589***	-9.920***	-9.896***
Log(population 65)	-14.610***	-14.558***	-15.728***	-15.238***
Log(Gini)	-14.349***	-14.438***	-14.302***	-14.392***
Log(openness)	-10.241***	-13.403***	-10.265***	-13.397***
Log(fiscal revenues/public debt)	-8.823***	-8.851***	-8.794***	-8.823***

Null hypothesis: the variable has a unit root, \* rejection at 10%, \*\* rejection at 5%, \*\*\* rejection at 1%.  
Sources: see text.

**Table 2. Engle-Granger cointegration test**

Model specification	t-statistic
constant	-10.358***
trend and constant	-10.407***

Note: test from the regressions shown in table 3.  
Null hypothesis: series are not cointegrated, \*\*\* rejection at 1%.



**Table 3. Political regime and social spending in Spain (1850-2000)**

Dep. variable: Log(social spending)	OLS			DOLS			FMOLS		
Male suffrage	-0.472	[0.098]	***	-0.571	[0.129]	***	-0.525	[0.096]	***
Male suffrage * socialist MPs	0.688	[0.172]	***	0.572	[0.282]	**	0.709	[0.168]	***
Democracy	1.874	[0.243]	***	1.753	[0.353]	***	1.842	[0.239]	***
Democracy * left government	0.088	[0.107]		0.096	[0.157]		0.119	[0.104]	
Dictatorship	0.357	[0.224]		0.160	[0.336]		0.326	[0.219]	
Dictatorship*government turnover	0.370	[0.058]	***	0.468	[0.115]	***	0.406	[0.057]	***
Log(GDP per capita)	-1.694	[0.290]	***	-1.875	[0.388]	***	-1.913	[0.280]	***
Log(population 65)	1.841	[0.695]	***	2.846	[0.961]	***	2.313	[0.690]	***
Log(Gini)	-0.696	[0.259]	***	-0.895	[0.382]	**	-0.744	[0.257]	***
Log(openness)	0.360	[0.119]	***	0.115	[0.186]		0.308	[0.118]	**
Log(fiscal revenues/public debt)	-0.006	[0.083]		-0.008	[0.125]		-0.003	[0.081]	
Constant	12.383	[2.923]	***	13.680	[3.877]	***	14.458	[2.824]	***
Time-trend	0.016	[0.006]	**	0.016	[0.009]	*	0.017	[0.006]	**
Adjusted R-squared	0.990			0.993			0.991		
S.E. of regression	0.263			0.221			0.257		
Obs.	147			147			147		

Note: estimation method is OLS in column 1, Dynamic Least Squares in column 2, and Fully Modified Least Squares in column 3. All regressions include a time-dummy for the period after the Spanish Civil War. Espuelas (2013) warns that there is a jump in his social spending series in 1967 due to problems in the original sources. To control for it, I have included a time-dummy for the period after that year. The main results remain when removing one or both of these time-dummies, although the general fit of the regressions decreases. Standard errors in brackets, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 4. Left-wing governments' impact before the Spanish civil war**

Dependent variable: Log(social spending)	OLS			DOLS			FMOLS		
Male suffrage	-0.434	[0.096]	***	-0.447	[0.125]	***	-0.485	[0.091]	***
Male suffrage * socialist MPs	0.699	[0.167]	***	0.571	[0.260]	**	0.699	[0.158]	***
Democracy	1.659	[0.245]	***	1.409	[0.351]	***	1.644	[0.234]	***
Democracy * left government	-0.031	[0.111]		0.027	[0.149]		0.030	[0.104]	
2nd republic * left government	0.811	[0.257]	***	1.699	[0.578]	***	0.787	[0.243]	***
Dictatorship	0.353	[0.217]		0.206	[0.320]		0.308	[0.207]	
Dictatorship*government turnover	0.312	[0.059]	***	0.370	[0.124]	***	0.345	[0.056]	***
Log(GDP per capita)	-1.530	[0.286]	***	-1.337	[0.417]	***	-1.743	[0.270]	***
Log(population 65)	2.238	[0.685]	***	3.047	[0.875]	***	2.548	[0.664]	***
Log(Gini)	-0.644	[0.251]	**	-0.442	[0.382]		-0.637	[0.244]	**
Log(openness)	0.290	[0.118]	**	0.066	[0.178]		0.240	[0.114]	**
Log(fiscal revenues/public debt)	0.049	[0.082]		0.121	[0.124]		0.063	[0.078]	
Constant	10.299	[2.904]	***	8.043	[4.325]	*	12.587	[2.742]	***
Time-trend	0.011	[0.006]	*	0.003	[0.010]		0.012	[0.006]	**
Adjusted R-squared	0.991			0.994			0.991		
S.E. of regression	0.255			0.212			0.247		
Obs.	147			147			147		

Note: For estimation methods see notes to table 3. Standard errors in brackets, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 5. Instrumental Variable regressions**

Dep. variable: Log(social spending)	(1)			(2)			(3)			(4)		
Male suffrage	-0.311	(0.185)	*	-0.482	(0.135)	***	-0.438	(0.128)	***	-0.643	(0.296)	**
Democracy	1.864	(0.394)	***	1.827	(0.515)	***	1.997	(0.392)	***	1.651	(0.433)	***
Dictatorship	0.461	(0.379)		0.322	(0.399)		0.498	(0.424)		0.144	(0.409)	
Male suffrage * socialist MPs	0.635	(0.217)	***	0.670	(0.236)	***	0.750	(0.229)	***	0.657	(0.173)	***
Democracy * left government	0.111	(0.111)		0.093	(0.111)		0.086	(0.102)		0.100	(0.105)	
Dictatorship*government turnover	0.345	(0.072)	***	0.368	(0.059)	***	0.362	(0.059)	***	0.369	(0.056)	***
Log(GDP per capita)	-1.470	(0.333)	***	-1.680	(0.307)	***	-1.719	(0.283)	***	-1.796	(0.325)	***
Log(population 65)	1.925	(0.827)	**	1.783	(0.866)	**	2.067	(0.882)	**	1.552	(0.817)	*
Log(Gini)	-0.603	(0.275)	**	-0.701	(0.249)	***	-0.702	(0.246)	***	-0.804	(0.304)	***
Log(openness)	0.263	(0.140)	*	0.354	(0.127)	***	0.373	(0.118)	***	0.407	(0.138)	***
Log(fiscal revenues/public debt)	0.056	(0.095)		-0.006	(0.079)		-0.009	(0.079)		-0.053	(0.110)	
Constant	10.068	(3.329)	***	12.276	(2.905)	***	12.35	(2.773)	***	13.57	(3.427)	***
Time-trend	0.012	(0.009)		0.017	(0.010)	*	0.014	(0.009)		0.023	(0.012)	*
Instrumented	Male suffrage		--			--			--	Male suffrage		
	Democracy		Democracy			--			--	--		
	Dictatorship		--			Dictatorship			--	--		
Instruments	Male suffrage (southern Europe)									Male suffrage (southern Europe)		
	Democracy (southern Europe)											
	Dictatorship (southern Europe)					Dictatorship (southern Europe)						
	Secondary school completion		Secondary school completion			Secondary school completion						
F-statistic, first stage	11.220		33.065			22.059				14.874		
Sargan test (p-value)	0.209		--			0.883				--		
DWH test (p-value)	0.629		0.918			0.699				0.536		
Observations	147		147			147				147		

Standard errors in brackets, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 6. Political regime and long-term trends in social spending (1850-2000)**

Dependent variable: Log(social spending)	OLS			DOLS			FMOLS		
Post-1931 dummy	2.062	[0.274]	***	1.905	[0.300]	***	2.018	[0.251]	***
Post-1931 trend	0.058	[0.014]	***	0.037	[0.017]	**	0.050	[0.013]	***
Post-1931 trend squared	-0.004	[0.000]	**	-0.001	[0.000]		-0.003	[0.000]	*
Post-1931 dummy*dictatorship	0.596	[0.472]		0.444	[0.689]		0.629	[0.443]	
Post-1931 trend*dictatorship	-0.041	[0.011]	***	-0.034	[0.016]	**	-0.041	[0.010]	***
Male suffrage	-0.387	[0.096]	***	-0.413	[0.111]	***	-0.410	[0.087]	***
Male suffrage * socialist MPs	0.667	[0.173]	***	0.372	[0.248]		0.650	[0.158]	***
Democracy * left government	0.054	[0.104]		-0.089	[0.135]		0.070	[0.094]	
Dictatorship	0.331	[0.219]		0.029	[0.267]		0.316	[0.200]	
Dictatorship*government turnover	0.264	[0.068]	***	0.378	[0.112]	***	0.296	[0.062]	***
Log(GDP per capita)	-1.341	[0.423]	***	-1.489	[0.594]	**	-1.449	[0.386]	***
Log(population 65)	1.866	[0.692]	***	2.752	[0.802]	***	2.187	[0.643]	***
Log(Gini)	-0.397	[0.259]		-0.376	[0.352]		-0.406	[0.242]	*
Log(openness)	0.364	[0.145]	**	-0.017	[0.222]		0.342	[0.133]	**
Log(fiscal revenues/public debt)	0.115	[0.097]		0.252	[0.132]	*	0.145	[0.088]	
Constant	8.814	[4.936]	*	10.777	[6.876]		9.795	[4.520]	**
Time-trend	0.008	[0.008]		0.008	[0.010]		0.008	[0.008]	
Adjusted R-squared	0.991			0.994			0.992		
S.E. of regression	0.252			0.211			0.244		
Obs.	147			147			147		

Note: For estimation methods see notes to table 3. Standard errors in brackets, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1