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“The determinants of social spending in Spain, 1850-2005
Are dictatorships less redistributive?”

The development of the Welfare State has been largely studied, especially for the period after World War II, when the Welfare State experienced a very rapid growth in many Western countries. However, most studies on the subject focused on the affluent democracies, where the Welfare State developed earlier and faster. The objective of this paper is to analyze the evolution of social spending in Spain from a comparative perspective. Firstly, a new series of the Spanish social spending evolution between 1850 and 2005 is provided. This new series has been estimated after the careful examination of public budgets and information coming from the social security institutions. The new estimates fit the OECD definitions and they not only include central government’s spending, but also local and provincial governments’ social spending. After describing the main trends in the evolution of the Spanish social spending some international comparisons are shown. The objective is to identify periods of convergence or divergence between the Spanish and the European path of social spending.

Next, the determinants of social spending in Spain are analyzed paying special attention to the impact on social policy of long periods of non-democratic governments. The political economy of social spending has been extensively analyzed, but the role played by dictatorships in the development of the welfare state is still controversial. The political economy models linking inequality and redistribution (Meltzer y Richard 1981, Persson and Tabellini 1994, Alesina and Rodrik 1994) and the “social democratic theories” (Korpi 1983, Esping-Andersen 1985, Hicks 1999) seem to implicitly suggest that the Welfare State is less likely to develop under dictatorships. Nevertheless, authors like Lindert (2004) or Mulligan et al (2002) concluded that democracies not necessarily spend more than dictatorships.

This paper assesses the impact of long periods of dictatorships on social spending by estimating an econometric model. Six “similar” European countries with different political histories (Spain, Portugal, Italy, France, Ireland and Greece) are included in the analysis. The period covered is 1960-2005. The analysis not only focuses on the

aggregate level of social spending but also on its distribution among different categories (unemployment, pensions, health care...). If dictatorships are less redistributive they would spend less on the more redistributive programs as, for example, unemployment compensation, which tends to benefit poorer and non qualified workers. In addition to the political variables, some other variables usually considered crucial for the development of the welfare state (like the level of GDP, the aging of population, or the level of openness) are also included in the analysis.

Finally, in order to determine if non-democracies are less redistributive than democracies, the way that social protection is funded is also analyzed. One might consider the percentage of public subsidies received by the social insurance funds as an indicator of redistribution (systems mainly funded by public subsidies can be considered more redistributive than those mainly funded by social contributions of the insured people). In order to capture this redistributive effect, some figures about the social protection institutions' revenues are also analyzed.

Keywords: Welfare State, Determinants of Public Social Spending, Redistributive politics, Spanish Social Policy