



Dictatorships and Social Policy

The Logic of Social Spending in Authoritarian Regimes

PHD DISSERTATION
WRITTEN BY

ANGELO VITO PANARO
PHD CANDIDATE
FACULTY OF POLITICAL AND SOCIAL SCIENCES
SCUOLA NORMALE SUPERIORE
PIAZZA STROZZI, 50123 FIRENZE

*SUPERVISOR: PROFESSOR MANUELA MOSCHELLA,
DEAN OF THE FACULTY OF POLITICAL AND SOCIAL SCIENCES:
PROFESSOR DONATELLA DELLA PORTA*

A mia sorella, mio fratello, mia madre e mio padre
A Donatella, Manuel, Maria Lucia e Giuseppe

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Chapter One

Introduction

*Is Russia a democracy? What about Ukraine, Nigeria, Indonesia, Turkey, or Venezuela?
There was a time when these were simple questions of regime classification.
But the empirical reality in these countries is a lot messier than it was two decades ago,
and so, in a way, is the never-ending dialogue on how to think about and classify regimes.*

(Diamond 2002)

The literature on authoritarian regimes is several decades old and has gone through significant phases of research. The bulk of academic contributions focuses on regimes' economic performance and endurance, while less attention has been devoted to the policy-making process in those contexts. One of the reasons for this pattern in authoritarian research is the idea that autocratic policy-making is strictly top-down and societal participation is quite limited, therefore meaning that policy decisions reflect only autocrats' interests (Boix and Svoboda 2013). Recent contributions, however, demonstrate that autocrats do not live in isolation (Geddes 1999) or govern with the mere use of repression and power (Gandhi and Przeworski 2007); they also distribute 'carrots' to their citizens in order to acquire political consensus (Gallagher and Hanson 2009). In light of those contributions, the aim of this dissertation is to investigate which factors drive policy decisions in authoritarian contexts. More specifically, this dissertation aims to answer the following research questions: What are the determinants of social spending in authoritarian regimes? And how autocrats allocate public expenditure across different sectors?¹

¹ In this dissertation, I use the terms 'autocracies' and 'dictatorships' interchangeably to refer to non-democratic regimes.

To answer such questions, I build on past research on authoritarianism and develop a new and inclusive approach that captures both the economic and political factors that influence policy decisions in authoritarian contexts. Economic growth is usually associated with better economic and social outcomes. On one hand, it enlarges the pool of goods and services that governments can tap into, and on the other hand, it steers citizens' demand for social benefits and investments. Also, Meltzer and Richard (1981) argue that better economic performance impinges on the income of the median voter in democracies and the members of the ruling coalition in autocracies. That being said, countries differ very much in terms of economic performance. For instance, countries that rely on the production and export of natural resources, such as oil and gas, face more challenges in fostering economic growth. In fact, natural resource endowment seems to be more of a curse than a blessing in both democratic and autocratic regimes (Auty 2001; Brunnschweiler 2008; M. L. Ross 1999b; Sachs and Warner 1999).

Economic performance and natural resource endowment, however, are not the only factors that steer the allocation of public goods. While economic growth helps us to detect patterns of social spending, economic performance does not always translate into social policy decisions. In fact, I hypothesize that there are other factors that might influence the relationship between economic growth and social policy decisions. For instance, despite different economic situations, the Cuban regime under Fidel Castro from 1959 to 2008 differed from the Italian Fascist regime under Benito Mussolini in many aspects, including the political ideology, level of repression, institutional settings and size of the ruling coalition. Thus, more than a single perspective is required to analyse variations of social spending across authoritarian regimes.

By combining different approaches, this dissertation aims to strengthen our understanding of autocratic policy-making and explain different patterns of social spending, particularly in the health and education sectors, across authoritarian regimes. Additionally, the dissertation aims to provide theoretical reasoning and empirical means to save Western democracies. In 2018, Freedom House published a report titled 'Democracy in Crisis', which argues that the overall state of democracy has deteriorated to its lowest point in most countries over the last decade: 'for the 12th consecutive year, countries that have suffered democratic setbacks outnumbered those that registered gains' (Freedom House 2018, p.1). The report shows that the number of countries considered to

be ‘free’ or ‘partially free’ decreased from 2007 to 2017, whereas the number of countries classified as ‘not free’ increased by more than 3% over the same decade. Both the Economist Intelligent Unit (2019) and the Variates of Democracies (V-DEM) (2019) reports on the current state of democracy depict a very similar picture. In particular, the Economist Intelligent Unit (2018) concludes its analysis by saying that ‘this year [2019] is the worst democratic performance since 2006’ (EIU 2019, p.1). Overall, nowadays, we witness a decline in political participation, civil rights and electoral pluralism in consolidated Western democracies, while autocracies remain strong and long-lived regimes worldwide. In light of such considerations and empirical evidence, the ultimate goals of this work are to unravel the dynamics of policy decisions in non-democratic regimes and to identify why and how authoritarianism survives and consolidates worldwide.

1.1 History of Dictatorship(s)

A good point of departure for analysing policy decisions in non-democratic contexts is to look at the roots of authoritarianism and reflect upon how authoritarian regimes have developed in history. As Cicero says in ‘De Oratore’ (55 B.C.), ‘historia magistrate vitae’. That is, by looking at the historical evolution of dictatorships, it is possible to disentangle the regimes’ inner institutional characteristics and identify political and economic factors that drive autocrats’ policy decisions.

The term ‘dictatorship’ was used for the first time during the Roman Empire (Nicolet 2004). When internal rebellions or external war were threatening the stability of the Empire, the Roman Senate appointed one of the two consuls of the Republic as dictator. The dictator had no limitations on his use of political power, but he had to abdicate from his position as soon as the old political and constitutional order was restored. It was only after few years, when the Senate began to fear the indiscriminate use of power in the hands of a single man, that it implemented a term limit of no more than six months.

Between 501 and 202 B.C., 76 dictators were legitimised by the Senate to use military power to confront foreign invasions or domestic rebellions. All of them

eventually devolved the power back to the Senate. In 46 B.C., however, the Senate extended the term limit from six months to ten years at the request of Consul Gaius Julius Caesar. However, once he became dictator, Julius Caesar abolished the term limit and proclaimed himself 'dictator for life'.

After the Roman experience with dictatorship, the term was seldom used during the Middle Ages. However, it was revived in 1793, when the French National Convention established a provisional government aiming to serve as a dictatorship for a revolutionary group: the Committee of Public Health. The French experience completely changed the meaning of the term 'dictatorship'; for the first time, dictatorship was associated with political control of a (revolutionary) group of people over the rest of the population.

Enriched with a group connotation and a revolutionary goal, the term was then used by Karl Marx and Friedrich Engels to refer to a transition period in which an entire class of people takes over the rest of the population and guides the masses towards 'the abolition of class distinctions . . . the abolition of all the relations on production . . . the abolition of all the social relations . . . and to revolutionizing all the ideas that result from these social relations' (Marx 1984, p. 123). Marx and Engels' idea of the 'dictatorship of the proletariat' was revived a few years later when Vladimir Lenin made it the slogan of the 1917 Russian Revolution. After the Communist Party took over and established the Union of Soviet Socialist Republics (USSR), the dictatorship of the working class was slowly replaced with the dictatorship of members of the Communist Party and the Politburo. In 1922, when Joseph Stalin became the Secretary General of the Communist Party, the nature of the communist dictatorship changed again. With the concentration of power in the hands of one strong leader who controls the political agenda and uses military power to repress people, the emergence of a new ideology that pervades every aspect of the society and the elimination of opposition groups, the communist dictatorship transformed itself into a new kind of dictatorship: a totalitarian regime.

By the beginning of 1930s, two other types of dictatorships emerged: the National Socialist government in Germany and the Fascist government in Italy. Those regimes were similar to the Soviet regime; all were characterised by a well-equipped ideology, the absence of any social or political pluralism and extensive political mobilisation. In addition, both the German and Italian dictatorships had a charismatic leader with unlimited political power and encompassing control over individuals' private lives.

During that time, repression and military power were used for mass extermination to create a new race. The historical German experience in particular demonstrates that there were no limits to the brutality of the regime, the pervasive presence of the state in every aspect of life and the imposition of a new society.

To sum up, the term ‘dictatorship’ has evolved over time and changed meanings based on historical events. First, it was used by the Romans to refer to a type of political regime in which one leader holds unlimited power for a short time and makes policy decisions for the well-being of citizens. Then, the Soviet regime brought about the group dimension and reinforced the importance of control over the masses. Interestingly, before the end of the 19th century, the term was not imbued with the pejorative meaning it has today. The rise of National Socialism in Germany and Fascism in Italy added the components of unlimited power in the hands of a group of people and the presence of a charismatic leader who intervenes in every aspect of society to impose an ideology.

1.2 The World of Modern Dictatorships

Are all modern dictatorships equal? And how are political power and economic structures organised in these regimes today? In light of the historical evolution of dictatorship, it is reasonable to assume that non-democratic regimes differ greatly in many aspects. The literature on authoritarian regimes gives us plenty of typologies to describe the roles of formal and informal institutions in modern autocracies. These contributions help us to better grasp the extensive variation across current authoritarian regimes.

Classifying modern autocracies

Autocracy differs from democracy because political participation and public contestation are constrained (Dahl 1971) and political power is in the hands of a narrow group of people (Olson 1993). Przeworski et al. (2000), among others, note that the majority of current authoritarian regimes are ruled by a chief executive or prime minister who has, in most cases, been selected through elections. Thus, they distinguish between dictatorships with divided and monolithic regimes. Divided dictatorships are characterised by the presence of a legislature and/or political parties, while monolithic regimes do not have

any elections or legislature. Based on similar assumptions, Diamond (2002) uses multiparty electoral competition and the degree of political competitiveness within the regime to classify autocracies in two groups. The first group includes politically closed authoritarian regimes, in which no electoral competition is allowed, while the second includes electoral autocracies, in which some form of electoral competition is allowed.

Formal institutions, such as elections and legislatures, have acquired tremendous attention in the authoritarian regime literature. Recently, Levitsky and Way (2010) distinguished between ‘competitive authoritarianism’ and ‘non-competitive authoritarianism’ based on the type of institutions adopted by the ruler. Competitive authoritarian regimes include ‘all authoritarian regimes in which opposition forces use democratic institution to seriously contest the executive power’(Levitsky and Way 2010, 33). Non-competitive authoritarian regimes are those that either do not have any democratic institutions or those in which institutions serve as mere ‘window dressing’. In addition to the degree of competitiveness proposed by Diamond (2002), Levitsky and Way (2010) use three distinctive features to classify dictatorships: (1) the presence of democratic institutions, such as elections and civil liberties; (2) the status of opposition; and (3) the level of uncertainty.

Many current contributions draw attention to the role of formal institutions. Cheibub, Gandhi and Vreeland (2010) classify authoritarian regimes based on two distinctive criteria. First, they use the concept of hereditary succession to distinguish between monarchies and other dictatorships. Monarchies are ruled by one person who bears the title of ‘king’ and who has a hereditary successor. Second, the authors check from where the head of the government has been appointed. If the head of the government is part of the armed forces, the dictatorship is classified as a military dictatorship, and if he is not, then it is classified as a civilian dictatorship. Interestingly, they highlight that all types of autocracies feature the rule of so-called ‘inner sanctums’: ‘dictators frequently establish inner sanctums where real decisions are made and potential rivals are kept under close scrutiny’ (Gandhi 2008, p. 20). Monarchies, for instance, rely on family and kin networks. Military rulers use juntas or groups of armed forces to make policy decisions and confine potential rivals. Civilian dictators create a political body, such as a bureau or party, to co-opt potential opposition groups.

A very similar approach to Cheibub, Gandhi and Vreeland's (2010) typology is the classification proposed by Hadenius and Teorell (2007) and Wahman, Teorell and Hadenius (2013). Their classification is based on different ways of maintaining political power: (1) hereditary succession or lineage, (2) use of military force and (3) popular elections. Following this logic, they disentangle electoral regimes into no-party, single-party and limited-multiparty regimes based on the extent of party competition within the country.

A different approach to authoritarian regime classification was proposed by Geddes (1999) and Geddes, Wright and Frantz (2014). According to them, modern dictatorships can be distinguished by their informal institutions, which are 'a set of formal and informal rules and procedures used by the ruling coalition to select national leaders and implement new policies' (Geddes 1999, 116). That is, they are all the rules that identify the group from which the leader can come and that actually influence policy choices. Based on this definition, Geddes, Wright, and Frantz (2014) identify four different types of authoritarian regimes: military, personalist, single-party and amalgamations of the three types. Each is characterised by different types of ruling coalitions, different procedures for decision-making, different procedures for choosing leaders and different ways of responding to the opposition (Geddes 1999). In military regimes, for instance, there is a group of officers that determines who will lead the country and influences the policy-making process. In personalist regimes, power is mostly concentrated in the hands of a single officer who has successfully marginalised other representatives of the ruling coalition. Hence, he is the only one who can make policy decisions. Finally, single-party regimes are characterised by the presence of one political party that exercises some power over the leader, controls the career paths of officials, organises the distribution of benefits to supporters and mobilises citizens to vote.

Recently, the informal institution approach has received increased attention as a way to explain policy decisions in authoritarian regimes (Bueno de Mesquita 2003). According to this approach, many autocracies hide *de facto* rules that constrain political choices behind a façade of formal democratic institutions (Geddes, Wright, and Frantz 2014). Thus, focusing on power-sharing commitments (Boix and Svolik 2013; Magaloni 2008) and the ways in which autocrats legitimise their positions of power (Croissant and Wurster 2013; Dukalskis and Gerschewski 2017; von Soest and Grauvogel 2017) can

provide a more comprehensive picture of how modern dictatorships work.

Empirical evidence of modern autocracies

Figure 1.1 shows the overall number of countries with each type of autocratic regime according to Wahman, Teorell and Hadenius's (2013) classification. As it can be seen, the number of military and single-party regimes was very high from 1970 to 1990. Yet, with the advent of the third wave of democratisation (Huntington 1991a), an increasing number of countries shifted from closed to electoral regimes. Some authoritarian regimes transitioned to democratic regimes, especially in Latin America, while others established institutions such as elections and legislatures. This pattern is shown in the steep curve for limited-multiparty regimes. Since 1990, the number of countries that have established institutions has sharply increased², and electoral regimes remain the most common type of autocracy today.

Figure 1.2 illustrates the number of countries and types of autocratic regimes that have existed from 1946 to 2010 according to Cheibub, Gandhi and Vreeland's (2010) classification. Similar to Figure 1.1, this graph shows that military regimes were very common in the second half of the 20th century, but they slowly diminished in favour of civilian dictatorships. As mentioned before, Cheibub, Gandhi and Vreeland (2010) define civilian dictatorships as those regimes in which the leader does not belong to either the military or a royal family. Hence, unlike when Wahman, Teorell and Hadenius's (2013) classification is applied, Figure 1.2 shows that authoritarian regimes in which the ruler is not a member of the military junta or the royal family are more common today than both monarchies and military regimes.

Independent of the type of classification, both figures suggest that authoritarian regimes differ greatly in terms of the presence of elections and legislatures and the type of head of government. Military regimes were the most common type of dictatorship until the 1990s, when, instead of democratising their countries, an increasing number of autocrats established nominally democratic institutions to secure their positions of power.

² According to Hadenius and Teorell (2007), limited-multiparty regimes include all autocracies (also monarchies and military regimes) that hold elections and have legislatures.

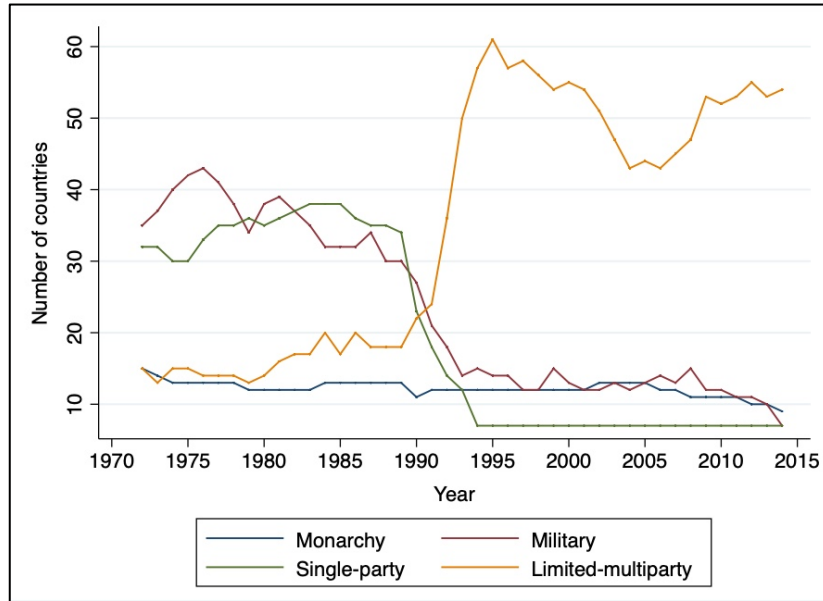


Figure 1.1 Number of authoritarian regimes from 1970 to 2014 according to Wahman, Teorell and Hadenius's (2013) classification

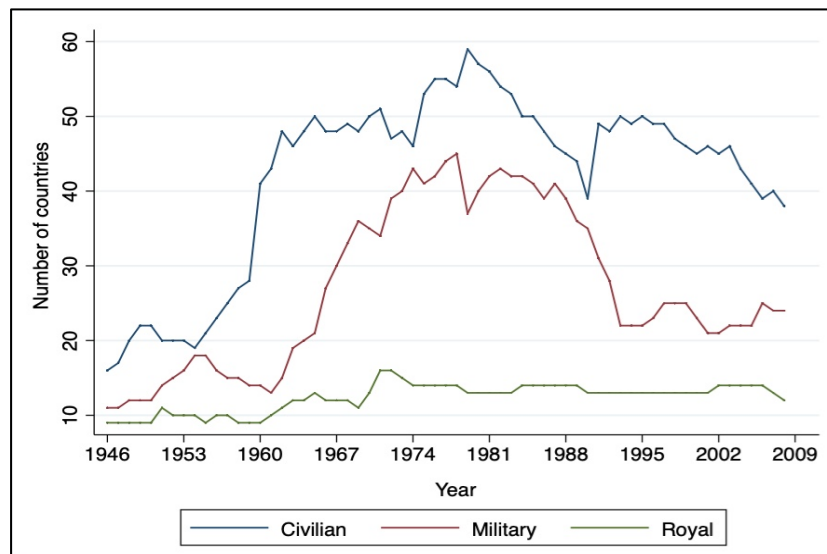


Figure 1.2 Number of authoritarian regimes from 1970 to 2010 according to Cheibub, Gandhi and Vreeland's (2010) classification

Those regimes have managed to survive longer than both military regimes and monarchies. Nowadays in fact, limited-multiparty regimes are the most common type of autocracy in the world.

1.3 The Puzzle

A missing piece in the research on authoritarian regimes is that autocrats differ not only in terms of the institutions they establish but also in terms of policy decisions and outputs. Figure 1.3 and 1.4 show the current levels of public health and education expenditure in authoritarian regimes³ in five geographical areas – Central Asia and Eastern Europe⁴, Latin America, the Middle East and Northern Africa, Sub-Saharan Africa and East Asia—from 1995 to 2014. As we can see, the regimes differ greatly in terms of public spending. While Latin American autocracies report consistently higher levels of public spending on both health and education, the level of expenditure in East Asian autocracies is much lower. In addition, the trends across those regions differ. For instance, the level of public spending on health has increased in Latin American and Sub-Saharan African countries since the early 2000s, but it has remained stable in post-Soviet autocracies and countries located in the Middle East and North Africa region.

However, Figures 1.5 and 1.6 contradict these trends. Figure 1.5, which illustrates the average level of public expenditure on healthcare, shows that the highest spenders are Cuba, Croatia, Bosnia and Herzegovina, Lesotho and Jordan, while the lowest spenders are Bangladesh, Indonesia, Democratic Republic of Congo, Pakistan and Myanmar. As we can see, these countries differ enormously in their levels of public health expenditure. The average level of health spending in Cuba – the highest spender – is almost eight times the average level of health spending in Myanmar – the lowest spender. Figure 1.6 shows the average level of public expenditure in education in the top five and bottom five autocracies in the same period. Similar to the previous figure, there is significant variation in the average levels of public education expenditure across autocracies, with Cuba – the highest spender – having almost ten times the expenditure of Zambia – the lowest spender.

What drives public spending in authoritarian regimes? Why do Cuba, Lesotho and Croatia spend more on health than Myanmar, Pakistan and the Democratic Republic of Congo? And why do autocracies that spend more on health not spend a lot on education,

³ Autocracies are defined according to Hadenius and Teorell's (2007) classification based on data from 1990 to 2014.

⁴ In this group, I also include the Caucasus and four countries such as Albania (1995-2001), Bosnia and Herzegovina (1995-2014), Croatia (1995-1999) and Macedonia (1995-2001).

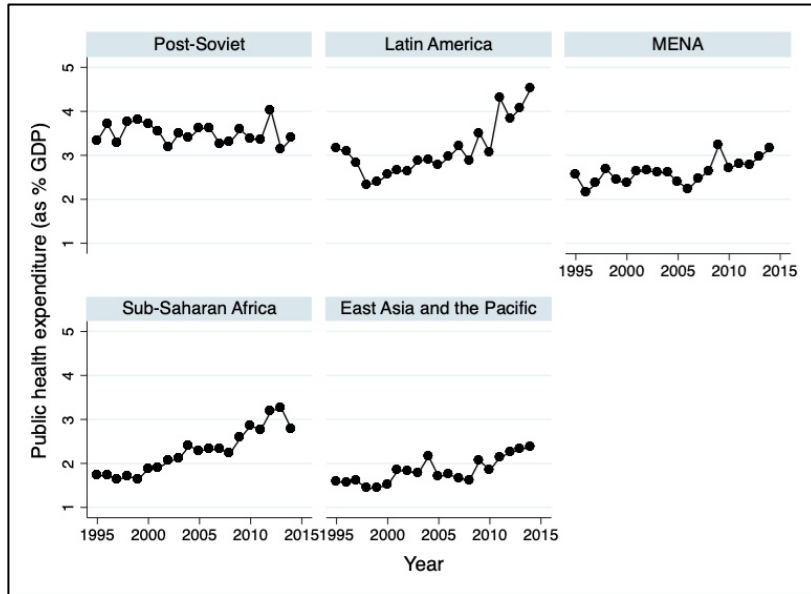


Figure 1.3 Public health expenditure (as a percentage of GDP) across five geographical regions

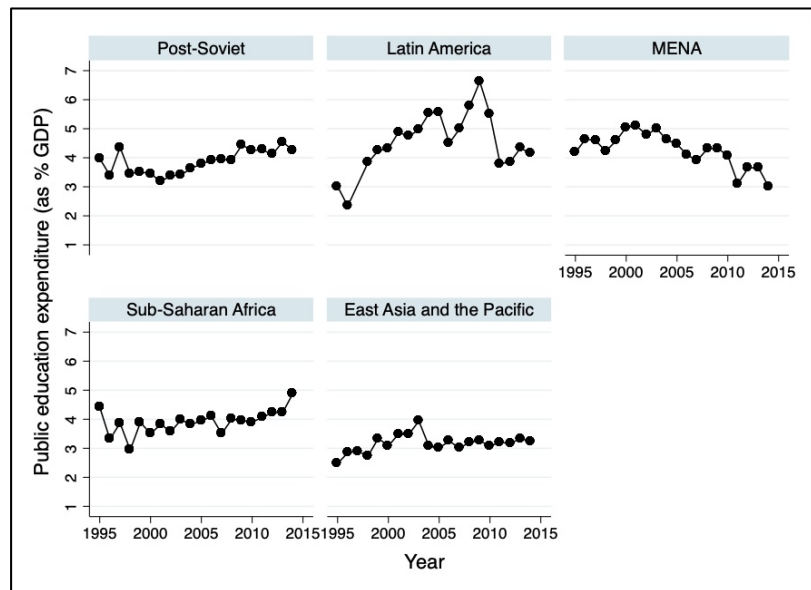


Figure 1.4 Public education expenditure (as a percentage of GDP) across five geographical regions

and vice versa? Why do authoritarian regimes in Latin America tend to spend more than all other autocracies in the world? Why do non-democratic regimes in Asia have the lowest levels of public spending on both health and education compared to other countries? Is there a trade-off between health and education expenditure? Do institutions

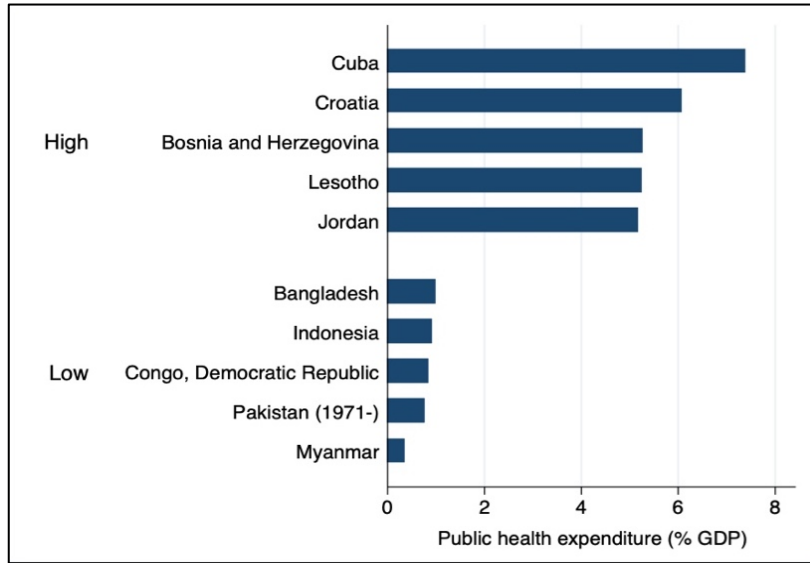


Figure 1.5 Public health expenditure (as percentage of GDP) in the top five and bottom five autocracies

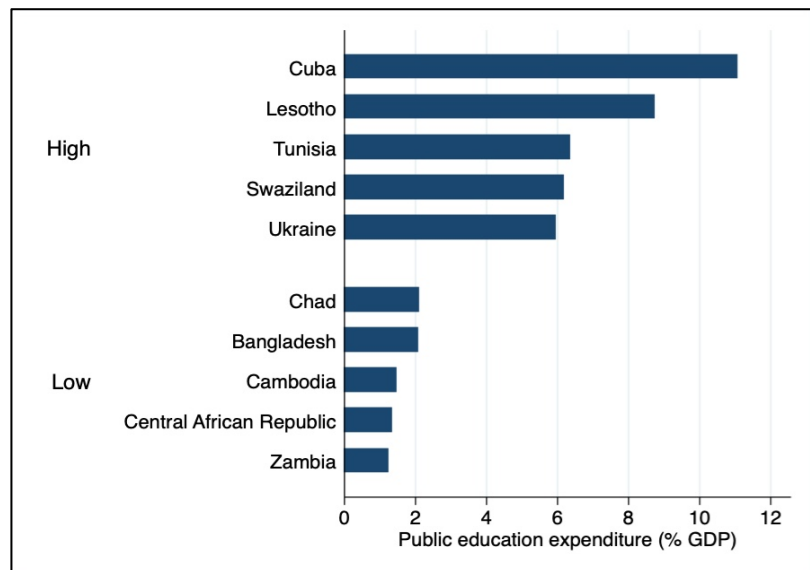


Figure 1.6 Public education expenditure (as percentage of GDP) in the top five and bottom five autocracies

play a role in explaining such patterns? These are some of the questions that triggered the research on social spending in authoritarian regimes that is presented in this dissertation. The main research question – what are the determinants of public social spending in authoritarian regimes? – stems from those questions and builds on them.

1.4 The Argument in Brief

To detect patterns of social spending in authoritarian regimes, I build on previous research that conducted social policy analysis of both developed and developing countries, and I elaborate a new theoretical approach. Prior academic contributions help to identify the factors that trigger social spending in democratic contexts. However, the theoretical framework I propose in this dissertation shows that there are other factors such as the type of the ruling coalition, the level of institutionalization and the level of military spending that should be taken into account when analysing social policy decisions in the context of authoritarianism.

As argued before, economic performance is a good predictor of public spending in democracies. In particular, functionalist theories and rentier state literature point to countries' economic growth and natural resource endowment as key determinants of social spending. That is, better economic performance and natural abundance increase the amount of resources at the government's disposal. Following this logic, I reason that economic performance and natural resource endowment influence the allocation of resources to social sectors in authoritarian regimes. Similarly, I argue that the effects of globalisation shape the incentives for leaders to provide more or less distributive policies. Economic performance creates the conditions for more or less distribution of resources, but it does not always directly translate into more social spending; actors' interests and political institutions also influence decisions to allocate more or less to social sectors. Here, I argue that differences in the organisation of power across authoritarian regimes reflect differences in the resulting policy decisions. For instance, in closed regimes, where political power is in the hands of a single person, such as the king or emir, I should expect the decision-making process to be more limited compared to regimes in which the leader's position depends on the support of a larger ruling coalition and opposition groups. That is, if the stability of the regime depends on the preferences of the members of the winning coalition, the implemented policies should also reflect those preferences. China is a good example in this regard. As much political power is retained by the Chinese Communist Party (CCP) rather than the president (Boulder 1999), policy decisions reflect the interests of the ruling coalition and the most powerful groups in the tradable industries (Steinberg and Shih 2012; Teets 2017). Built on those assumptions, I would expect to

witness different levels of public spending across authoritarian regimes with different levels of institutionalisation.

Additionally, autocracies differ greatly in the way they legitimize their positions of power. Some countries, such as North Korea, China and Cuba, have followed a socialist ideology for many years, while the Argentinian government under Videla (who held power from 1962 to 1981) and the current government in Central African Republic have governed with repressive measures and without any political ideology. The way in which a leader and his ruling coalition legitimize his position in power and rule the country shape their interest in distributing more or less resources.

Compared to authoritarian regimes, the decision-making process in democracies is more inclusive, as the government is selected by the citizens through free and fair elections and opposition groups can gain access to the political arena. Additionally, the political power in a democracy is not in the hands of a leader or a group of people, but is distributed across different actors. Following this line of reasoning, democratic regimes are more sensitive to citizens' preferences, and thus they distribute more goods and services and invest more in education than authoritarian regimes. Based on this logic, authoritarian regimes that undergo a period of democratisation should show more social spending compared to long-standing dictatorships.

1.5 Research Design and Methodology

The empirical analysis described here draws on time-series cross-sectional (TSCS) data. TSCS data consist of 'repeated observations (often annual) on the same fixed political units (usually countries or states)' (Beck 2001, 271). The number of units is fixed, and all inferences of interest are conditional on the observed units (Beck 2001). The advantage of using TSCS data is that it combines the possibility to study inter-unit differences (cross-sectional analysis) with intra-unit dynamics (time-series analysis).

The panel sample includes 93 authoritarian regimes from between 1995 and 2014. This period was selected for two reasons. First, with the advent of the third wave of democratisation (Huntington 1991b), an increasing number of countries shifted from dictatorships to democracy. In the same period, the third wave of democratisation brought

about the emergence of a new type of authoritarian regime: electoral autocracies (Schedler 2006) or competitive authoritarianism (Levitsky and Way 2010; 2002). Beginning in the 1990s, many autocrats began to establish nominally democratic institutions, such as elections and legislatures. Therefore, this period allows me to control for variation in institutional settings across authoritarian regimes. The second reason is that it is the longest time span and the most recent period for which data are available. Data on public health expenditure for non-democratic regimes are incomplete before 1995, and data on public education expenditure are more limited after 2014 (Dahlberg et al. 2018).

Countries have been identified as autocratic according to Hadenius and Teorell's (2007) classification. As we have seen, the literature on authoritarianism provides many typologies for non-democratic regimes (Geddes, Wright, and Frantz 2014; Cheibub, Gandhi, and Vreeland 2010; Gandhi 2008a). Yet, in their classification, Hadenius and Teorell (2007) theorise that autocracy and democracy are two faces of the same coin, employing a quantitative threshold based on a continuous measure from full democracy and full autocracy. I believe that by looking at democracy and autocracy not as two distinctive categories, but as two ends of the same continuum, I can better analyse within-regime variations.

To estimate the determinants of public expenditure on health and education, I use pooled ordinary least squares (OLS) regressions with panel-corrected standard-errors estimators (PCSE). This technique has been widely used in large-N studies on social spending in both developed and developing countries (Avelino, Brown, and Hunter 2005; Huber, Mustillo, and Stephens 2008; Kaufman and Segura-Ubiergo 2001; 2001; Obinger and Kittel 2003; Wibbels 2006). According to Beck and Katz (1995), PCSE produces efficient estimators when units and contemporaneous heteroskedasticity remain the same over time. In particular, they suggest combining PCSE specifications that control for different variances of the errors across units (panel heteroskedasticity) with an autoregressive distributed lag (ARDL) approach to solve serial problems in the error process. More specifically, they suggest adding a lagged dependent variable on the right side of the equation to control for serial correlation.

Data on public health and education expenditure are collected from the World Bank dataset (2018) and the World Development Indicators (2018), and data on economic

growth come from the Government Financial Statistics of the International Monetary Fund (IGFS) and the World Economic Outlook (WEO) database (2017). Finally, oil and gas production data are retrieved from the Michael Ross and Mahdavi Oil and Gas dataset (2015), while data on political ideology come from the Inter-American Development Bank's database of political institutions (DPI) (2015). Overall, all data and variables are collected from the Quality of Government dataset (2018).

1.6 Plan

The dissertation is organised into five chapters. Chapter 2 reviews the literature on social policy and welfare states in both developed and developing contexts, presenting the theories and approaches used by scholars to explain variations in social policy output worldwide. The chapter is organised into four sections. The first presents the historical symbiosis between social policy and authoritarianism, and the second discusses the concept of social policy. The third section discusses welfare state theories for Western democracies, while the fourth section presents different approaches that have been used to analyse social policy in developing countries. The chapter ends with some reflections on the state of the art regarding social policy and suggestions for further development of the literature.

Chapter 3 elaborates on the theoretical framework and main hypotheses. To this end, the chapter discusses the effects of both economic factors, such as economic growth, economic structure and globalisation, and political factors, such as the level of institutionalisation, political ideology and strength of opposition groups, on the allocation of public expenditure in health and education sectors. The resulting hypotheses stem from both previous contributions to the literature and preliminary empirical evidence.

Chapter 4 describes a pooled time-series analysis performed to test the hypotheses presented in Chapter 3. Specifically, the chapter displays descriptive statistics for the variables of interest and shows the relationship between the covariates and the dependent variables. The results demonstrate that economic growth is negative in relation to social spending in authoritarian regimes, as higher levels of GDP growth are associated with lower levels of public spending in both health and education. Contrary to the rentier state theory, the analysis shows that authoritarian regimes do not use natural resource rents to

distribute benefits to their population, as rent-seeking autocracies have lower levels of health and education spending compared to resource-poor autocracies. Finally, regarding the political factors, the empirical analysis demonstrates that both the size of the winning coalition and the level of institutionalisation partially influence policy decisions. Military regimes have the worst health and education expenditure compared to monarchies and civilian regimes. Instead, more institutionalised regimes, such as one-party and limited-multiparty regimes, have significantly higher levels of public health and education expenditure compared to traditional regime types. Though, one-party regimes perform better than limited-multiparty regimes suggesting that party competition does not play a pivotal role in shaping policy decisions in autocracies. Additionally, political ideology has a different effect on health compared to education spending.

Chapter 5 summarises the main hypothesis and concludes with a recapitulation of the main findings. It highlights the contributions of this dissertation and presents two challenges to the research on social policy in authoritarian regimes. First, it discusses the importance of studying public policy in authoritarian regimes and the need to abandon Western categories. Second, it argues that there is a need to further investigate other factors such as actors' policy preferences and opposition strength. To this end, we should collect more data on individual oppositions groups' preferences and resources. Finally, there is a need to study the relationship between military and social spending more in details as both policies are complement to each other and can better predict patterns of social spending in authoritarian regimes.

Overall, this work highlights the role of economic performance, natural resources and both informal and formal institutions in shaping policy decisions in authoritarian regimes and points to some directions for future research. Hopefully, it is the first of a long series of future contributions on the dynamics of authoritarianism and social policy analysis.

Chapter Two

Previous Research on Social Policy and Welfare

Defining clear concepts is a fundamental prerequisite for a good research in social sciences since one may be a very good researcher by having expectational technical and methodological skills and yet remains an 'unconscious thinker' if he or she lacks skills in mastering the 'theory' (Sartori 1970).

The literature on public social policy and welfare has gone through significant phases of research (Myles and Quadagno 2002). While classic studies mostly focus on the emerge and evolution of welfare systems in Western democracies such as Canada, Australia, New Zealand, the USA and European countries, less attention has been devoted to the research of social policy and welfare systems in developing countries and more specifically, to social policy interventions in authoritarian context (Mares and Carnes 2009; Forrat 2005).

This chapter serves as guide for the reader to delve into the comparative social policy literature and discuss major theories and approach that have been developed for both developed and developing countries. The chapter is organized in four sections. The first one presents the evolution of social policy interventions in Europe and its relationship to authoritarianism, while the second one discusses the concept of welfare state. The third section instead, is devoted to discuss welfare state theories for Western democracies - functionalist and neo-Marxist theories, power-resource and institutionalist approaches and the globalization school. Lastly, the four section presents different approaches to analyse social policy in developing countries. The chapter concludes with a paragraph that summarizes the analytical approaches for both developed and developing countries and introduces the reader to a new inclusive theoretical framework for the research on social policy in non-democratic context.

2.1. Social Policy in Historical Perspective and the Legacy of Authoritarianism

Scholars in the literature on social policy have long been discussed about the emerge of modern welfare state and the introduction of first social policy interventions. Some scholars affirm that modern welfare state is of recent origins as the first time the term ‘welfare state’ was used was to describe the Great Britain’s social policy interventions that took place in 1945 (Briggs 1961). Others however, contend that first social services were adopted well before the rise of modern welfare state (Paine 2006). In order to better understand the evolution of modern social policies, it is therefore very important to pose attention to the historical events that led to the implementation of first social policy interventions in in Europe.

By the end of 16th century, many European governments decided to adopt poor relief measures aiming at reducing mounting poverty (Charlesworth 2010). Among others, the British Parliament was the first to pass the English Poor Law in 1597 assuring that each parish was responsible to maintain its poor inhabitants. Only four years later a second law was passed affirming ‘the principle of a compulsory assessment for relief of the poor as an essential portion of [England’s] domestic policy’ (Nicholls 1898; Boyer 1990). The example of the Great Britain however, was subsequently accompanied by other European countries. In 1642 the Swedish government adopted the Beggar Law which stated that each parish was required to have an alms-house. Religious institutions who were formally in charge of taking care of the poor, raising single-child and providing support for ill people began to share the responsibility with the state (Charlesworth 2010). Between 1525 and 1544, the Netherlands experienced a period of impressive economic and population growth and a number of towns that were taking closer control of the existing charitable institutions, started to establish first integrated poor relief systems (Gunn, Grummitt, and Cools 2007).

Those forms of social assistance are rudimentary examples of the modern welfare state. In fact, it was the advent of the second industrialization in the 18th century that created a landmark in the history of social policy. By that time, many people left their villages and moved to urban areas where they could find more promising working opportunities. Though, together with new jobs, industrial workers had to face new social

risks linked to unemployment and sickness. The pressure from the working class on one hand, and the duel between the State and the Church as providers of social assistance on the other hand, created the conditions for the adoptions of first social insurance programs.

The Prussian Chancellor Otto Von Bismarck, considered as the father of modern welfare state, was the first to introduce the concept of 'social insurance'. (Briggs 1961). His *Socialpolitik* refers to the implementation of three laws: the sickness insurance law introduced in 1883, the law on accident insurance adopted in 1884 and the laws on disability and old pension in 1889. Despite this new social architecture, the *Socialpolitik* did not contribute to reduce social insecurity and poverty instead, it was only used as a political instrument by Bismarck to buy-off some of the revolutionary Social Democrats, appease the working class, and ward off the spectre of socialism (Offe 1972).

With similar political aims in mind, other European countries also established social insurance programs. The Austrian statesman Eduard von Taaffe for instance, introduced the bill on workers' sickness insurance in 1888 in order to secure the political support of the working class (Jenks 1965). Similarly, the Swedish government formally created its modern welfare system with the enactment of the Poor Law in 1847 and the adoption of the 'Poor Relief People' laws in 1900. These laws created a poor-care system entirely managed by the state and separated from the church as well as pension schemes inspired by the workers' insurance introduced in Germany (Edebalk 2009). Few years later similar policy measures were also adopted in other countries such as Denmark (1891-1989) and Belgium (1984-1903). All of them were aiming at securing political support and reducing the spectre of socialism in those countries (Offe 1972).

The advent of the First World War brought about drastic changes in economic and social architectures. Above all, there was a reformulation of the economic and social needs in every nation, especially in relation to policies in education and social assistance in both democratic and autocratic regimes. During that time, the state increases its dominance in both economic and social life which consequently led to an increase in public social spending and the abandon of *laissez-faire* principles, especially in Western economies (Polanyi 1944). Italy and Germany are explanatory cases of this trend. In the case of Italy, the advent of fascism initially produced a block in the evolution of welfare state. Few years after Mussolini took power in fact, the regime hindered the adoption of social insurance against diseases and employment (Cherubini 1977). It adopted

discretionary welfare policies favouring the middle-class while at the same time damaging the working class and in particular, those workers employed in the agricultural sector (Ferrera, Fargion, and Jessoula 2012). It was only with the adoption of ‘*Carta del Lavoro*’ in 1927 and the formation of a new corporatist state that we witness an expansion of social policy commitments. Italy thus increased public spending in social protection from 3.9% in 1922 to 5.5% in 1927 and reached 14.4% in 1940 (Ferrera, Fargion, and Jessoula 2012). A similar controversial experience in social policy happened in Germany, under the National Socialism (Mason 2003). In his book “*Social Policy in the Third Reich*” (1997) Timothy Mason illustrates the importance of social and labour policies between 1933 and 1936 for the consolidation of the regime. After dealing with the inherited costly and underfinanced welfare system which initially posed serious constraints to the regime’s flexibility in the area of social policy, in 1933 Adolf Hitler established the German Labour Front and only two years later, he created the German Labour Service. In addition, by the mid-1930s Hitler transferred much of the state budget to the education sector and introduced the Youth Law that changed the status of Youth Associations into State Organizations (Mason 1997). From 1930 to 1936 the Nazi regime adopted several employment creation programmes which contributed to increase the level of wages and living standards (Mason 1977). On the other hand however, we witness increasing investments in heavy industry at the expense of consumer manufacturing and working class (De Witt 1978). Thus, Nazi welfare policies had a twofold goal: on one hand they served to eliminate economic hardships following the Great Depression and increase the living standard of the middle-class while on the other hand, much of the public revenues were directed to strategic sectors such as the military. Interestingly then, social and labour policies were used by both Italian and German autocratic leaders to create a strong and well-structured welfare system aiming at acquiring and maintaining public support as well as financing those sectors there were strategic for the survival of the regime (Giorgi 2019).

As Titmuss (1958) and Obinger, Petersen, and Starke (2018) aptly demonstrate, there is an intrinsic nexus between wars and welfare. War in fact, impacts on political systems by creating the conditions for increasing demand of social protection, fostering the state capacity to implement policy reform, re-centralizing state decisions and recalibrating power resources in industrial sectors (Obinger, Petersen, and Starke 2018).

Hence, the advent of the Second World War created a big pressure on the newly-formed welfare systems in Europe. More specifically, the emerge of new social risks linked to old-age and sickness together with increasing unemployment levels and the formation of a stronger and more organized working-class, contributed to the rise up demand for health and social assistance. In order to face those challenges, the government of the Great Britain adopted the '*Beveridge Plan*' in 1944. Different from the Bismarckian model, this plan was inspired by universalistic principle and the idea of equal opportunities (Fraser 1984). The aim of the Beveridge Plan was not to pull-back socialist ideas but to address social problems on the road of reconstruction, extend social rights to all segments of population and increase solidarity and integration (Kolmar 2007). The Labour party eventually adopted the Beveridge report and consequently, implemented new social laws such as the National Insurance Act in 1946 and the National Health Service Act 1946. Overall, the government crated a welfare system that provided rate universal contributions in exchange for flat rate universal benefits (Kolmar 2007). As stated above, some scholars conceive 1940s British social policies interventions as the foundation of modern welfare state because those policies were based on a central role of the state in providing social assistance, health benefits and education services to citizens (Briggs 1961).

During the second half of the 20th century however, we witness a reshuffle of economic and social life. The post-war prosperity led to an expansion of welfare commitments and social spending in all Western countries. The 'golden age' of welfare states (Esping-Andersen 1994) was characterized by a change in Western countries' traditional welfare systems into more comprehensive systems of universal benefits (Quadagno 1987). At the same time however, the collapse of the Soviet Union on one hand, and the emerge of new economies on the other, called for a reshuffling of welfare state providers. The launch of sweeping economic reforms in South-East Asia countries, driven by neo-liberal principles and the expansion of capital markets, reduced the role of the state in the social sphere in the favour of market provision (Crone 1993; Hort and Kuhnle 2000). Conversely, newly emerged Central Asian countries found themselves stuck in the legacy of the Soviet welfare system based on universal principles but completely underfinanced (Kulzhanov and Rechel 2006; Akimov and Dollery 2008; Buribayev et al. 2016). These political dynamics together with mounting domestic and

international pressures on mature welfare state and the transformation of Western economies from manufacturing-based to service-based (Pierson 2001) opened the way for a new role of social policy in advanced economies. Nowadays, the emerge of private actors and the increasing economic and political interdependency among countries in fact, asked for a recalibration of welfare state (Hemerijck 2013).

To sum up, the history of social policy is conceived as a series of events and incidents essentially linked by the continuum of time (Gough 1979). This section does not aim to provide an exhaustive historical analysis of social policy interventions and welfare state formation but it gives us the opportunity to look back at the past and reflect on why first measures of health and social assistance were adopted and how they slowly transformed into modern welfare state. Interestingly, this historiographic review shows that the introduction of first poor relief measures and social insurances in Europe was under non-democratic regimes such as Germany with Otto Von Bismarck and Austria with Von Taaffe. Those policies were aimed at reducing popular uprising and suppressing the spectre of socialism rather than by the social needs of the population and the generosity of enlightened leaders (Segura-Ubierno 2007). Thus, it is important to keep in mind that the history of public social policies is intertwined with the history of authoritarianism.

2.2. How to Define Social Policy and Welfare State

Before proceeding with a review of the theories on social policy and welfare state, it is important to clearly define these two concepts. When talking about social policies, I refer to a set of policies adopted by governments to enhance the welfare of their citizens and the overall social well-being in the society (Midgley and Livermore 2009) There are many ways in which the government can reach this goal. For example, it can provide social services to the most vulnerable groups such as old and young people or direct resources through income maintenance programs to unemployed and disable groups of people or invest in education and health services. Social policies deal with all these aspects of social life such as health, housing, education and income (Midgley, Surender, and Alfes 2019). The concept of ‘welfare state’ has been widely used to address those policies. Generally,

the definition of welfare state can be divided into outcome and output perspectives (Green-Pedersen 2004). While the first mostly focuses on the effect of social policies on the population (i.e. level of inequality), the latter refers to the type of policy measures adopted by governments.

According to the outcome-perspective, the term 'welfare state' is defined as 'a state in which organized power is deliberately used through politics and administration in an effort to modify the play of market forces in three directions: by guaranteeing individuals and family a minimum income; by narrowing individuals exposure to social insecurity and by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services' (Briggs 1961). Following this logic, scholars argue that the aim of the welfare state is to maintain certain standards of income, nutrition, health, education and house to every citizens (Wilensky 1975), provide equal access to social assistance and insurance (Haggard and Kaufman 2008) or secure a minimum of welfare to the population and guarantee an adequate accumulation of human capital through public investments in health and education (Segura-Ubierno 2007). Overall, the outcome perspective defines welfare state according to the policy outcomes produced with health, education and social assistance measures.

The outcome perspective was very popular in social policy research until the end of the 20th century, when scholars began to question the role of the state as a guarantor of citizen's well-being. On one hand, the centrality of the state in social sectors was slowly eroded in favour of neoliberal ideology that drove Western economies to a liberalization of social services and the adoption of 'market-based' regulations (Kus 2006). On the other hand, neo-Marxist scholars began to criticize the welfare state as an attempt of the state to reproduce social classes (Polanyi 1944; Esping-Andersen 1990). In neo-Marxist perspective, state intervention is motivated by state's perceived threat to political and social stability rather than the actual social need of the population (Piven and Cloward 1971). In his path-breaking book '*The Three Worlds of Welfare Capitalism*' Esping-Andersen (1990) defines welfare state as 'an agent of social stratification' and criticizes the centrality of the state as well as the 'welfare-statism' because he affirms that the state is only one of the providers of citizen's well-being together with social organizations, family networks and firms.

Based on those criticisms, by the end of the 20th century there has been a shift in

the definition of welfare state from an outcome perspective to a policy-centred perspective which is nowadays the most commonly used approach in the study of social policy and welfare (Green-Pedersen 2004). According to the policy-centred approach, welfare state is defined by looking at the type of policies implemented by the state to respond to social problems linked to sickness, old-age or unemployment together with policies in education, health and pension (Spicker 2014). Contrary to the outcome-perspective, it reflects on which policies should be included in the definition of welfare state rather than the resulting outcome. Following this logic, Green-Pedersen (2004) defines welfare state as ‘any type of policy that includes cash transfers to households (i.e. pensions, unemployment benefits and child allowances) and social services such as health care, child care, elder care and social housing as well as education’. Based on this definition therefore, welfare state includes different types of social policies stemming from health, education and social protection.

To sum up, the concept of welfare state is a multi-faceted concept and there is no single definition that is a priori better or worse than others (Green-Pedersen 2004). Throughout the years and across geographical areas, social policies have changed very much and thus, it is an ambitious attempt to identify a single and universal definition of welfare state. Here, I define social policies as a series of actual policies and programs adopted by the government aiming at improving people’s well-being. The literature offers two perspectives that shed light on either the type of policies used by the state (policy-centred based) and the results of the implementation of those policies (outcome-based). In this dissertation, I use a policy-centred perspective to the definition of welfare state for two reasons. First, my research question looks at the policy side instead of the outcome. I am not in fact, interested in whether social policy expenditures in authoritarian regimes reduce the level of inequality but in which factors impinge on the level of social expenditure in those contexts. The second reason rests on theoretical grounds. The policy-centred perspective broadens our understanding of welfare state as it includes any type of social policies that deal with health, education and income. In fact, I do believe that by focusing only on social protection, we run the risk of excluding other important dimensions from the research on welfare state.

2.3. Theories of Social Policy and Welfare in Developed Economies

In this third part of the chapter I will present the main theories to the study of welfare state in developed economies. Those theories constitute the building blocks in the literature of social policy as they provide us different lenses of analysis to study the transformations of welfare systems in advanced economies. More specifically, those theories include functionalist and power-resource theory, the neo-institutionalist approach and globalization studies.

2.3.1. Functionalist theories

Functionalist theories use a macro-approach to answer the following research questions: What factors account for the expansion of the welfare state that took place in industrialized nations between 1950s and 1970s? And what are the consequences of such event? As the word ‘functional’ suggests, those theories are grouped in together because they conceive the evolution of social policy as a natural and passive response to social and economic transformations that took place throughout the 20th century (Gough 1979). In fact, they assume that there is no space for political actors and other external factors as trigger of welfare development.

In this subsection I will present the three main functionalist theories based on the logic of industrialism, modernization and capitalism. Additionally, special attention is dedicated to neo-Marxist approach as it differs from other functionalist theories because it criticizes the welfare architecture as a product of modern capitalist society. Finally, each paragraph concludes with some of the critics that have been moved to each approach.

Logic of Industrialism

The research on welfare state has long conceived industrialization as a key component of the emerge and evolution of modern welfare state (Chris Pierson 2004). More specifically, classic studies argue that industrialization produces both the need and

conditions for the rise of welfare commitments (Wilensky and Lebeaux 1958). On the supply-side industrialization boosts economic growth and produces the material ground for state intervention into social sectors whereas on the demand-side, changes in the production system contribute to the emerge of new social risks. Historically the impressive economic growth that characterized European countries after the second industrial revolution thrust people to abandon their villages and move to urban cities. As a consequence, traditional village-based social security system was eroded because a new demand for social protection linked to the risks of unemployment and sickness slowly emerged (Wilensky and Lebeaux 1958; Pryor 1968; Kerr, Harbison, and Dunlop 1960; Pampel and Williamson 1989; Rimlinger 1971). Additionally however, the shift from village-based to worked-based protection schemes intensified the vulnerability of those groups outside of the labour market such as the old and young (Myles and Quadagno 2002).

More recent studies argue the Post-World War II economic expansion thrust a similar effect. While investigating the structural determinants of social expenditures in Europe between 1950s and 1970s, Harold Wilensky's *'The Welfare State and Equality'* (1975) argues that the post-war economic boom with subsequent demographic and bureaucratic changes contributed to the expansion of welfare state in Europe. Wilensky's assumptions rest upon the idea that social programs are influenced by different levels of economic development. That is, a better economic performance increases fiscal revenues of the state and enhances its capacity to successfully respond to new social demand. A stronger version of this theory affirms that industrialization not only triggers welfare effort but that similar levels of economic development lead to convergent evolutionary paths of social commitments. Scholars supporting the convergence hypothesis argue that developed countries benefit from a larger pool of resources and have stronger state capacity which eventually lead them to similar levels of welfare effort (Zöllner 1963). However, a milder version approach to the logic of industrialism demonstrates that countries at similar levels of per capita income diverge very much in their welfare effort and other factors such as demographic differences and administrative and organization architecture steer policy decisions (Boix 2001; Wilensky 1975).

Studies based on the logic of industrialism can therefore be divided in two different schools of thoughts. On one hand, Zöllner (1963) argues that industrialization is a

sufficient and *necessary* condition for the expansion and convergence of welfare commitments in Europe while on the other hand, Wilensky (1975) demonstrates that economic development is a *necessary* condition for the evolution of welfare state in Europe but that other factors such as population aging and administrative capacity of the state influence the evolution of welfare state. Over the years however, there has been many criticisms to the this approach. First, countries that underwent through a process of industrialization such as the United Kingdom should have built up a welfare system before other country-laggards but as we have seen in the previous section, first welfare systems were established in other countries such Germany, Austria and Sweden who later experienced a process of industrialization. Second, those theories conceive economic performance as the only *means* to account for welfare state expansion without paying any attention to the role of other political factors such as party politics, balance of power among political forces as well as different political ideology (Myles and Quadagno 2002). As we will see in the following paragraphs, there are plenty of studies that demonstrate other factors other than economic development and demographic changes steer trends of social expenditures.

Logic of modernization

Pierson (1991) defines the theories of modernization as “politicized version of the logic of industrialism thesis” as it represents a middle-range theory between the logic of industrialism and the logic of capitalism. Following the logic of modernization in fact, some scholars consider the expansion of social policy as a systematic response to the economic and social transformations but they mostly focus on technological changes and the expansion of civil rights. More specifically, they argue that functional requirements of industrialization create the conditions for the development of the welfare state. Yet, different from the logic of industrialism, they highlight the importance of technological transformations and civil rights as key determinants of the emerge of welfare state in Western democracies. Galbraith (1989) for instance, argues that it was the process of technological changes that triggered the adaptation of economic models (with following economic growth and larger fiscal revenues) and state structure (with higher levels of state capacity and more redistributive benefits) in Europe during the industrial revolution. Following a similar logic, Flora and Heidenheimer (1981) consider the welfare state as a

result of a “general phenomenon of modernization”. That is, they stress the importance of production and technological changes and combines them with political modernization, state tradition and welfare capitalism.

A second contribution to the logic of modernization supports the idea that the welfare state eliminates the essential causes of class struggle and democratizes popular access to the state (Esping-Andersen 1990). The work of T.H. Marshall “*Citizenship and Social Class*”(1963) supports this idea and bridges the logic of modernization with the logic of capitalism. More specifically, he argues that civil rights developed alongside with the dissolution of feudalism and the emergence of capitalism. While feudal contract between a lord and a vassal preserves the a class-based system where each individual cannot overcome his own status but at the same time retains his own undertakings, a new political and economic system that emerged after the Second World War is based on a contract that is ‘an agreement between men who are free and equal in status but not necessary in power’ (Marshall 1963, pp.34). Therefore, Central to the logic of a capitalist system is the illusion of equality achieved through the expansion of civil rights in world of mounting social and economic inequality. In this view social policies are linked to the expansion of civil rights but they are functional to the development of capitalism.

“The Poor Law was also an aid, not a menace, to capitalism because it relieved industry of all social responsibility outside the contract of employment while sharpening the edge of competition of labour market”
(Marshall 1964, pp.35)

Overall, the modernization approach conceives socio-economic development as a *necessary* conditions for the creation and development of welfare state and thus, only industrialized and urbanized societies eventually adopt social insurance system (Flora and Alber 1981). Yet, the triggers of welfare state - technological transformations and expansion of civil rights – are only functional to the consolidation of capitalism. With the benefit of hindsight, those theories does not fully explain the emerge of welfare commitments in Latin America (1970s-1980s) and East Asia (1980s-1990s). Some countries such as Brazil, Uruguay, Chile, Taiwan and Singapore for instance experienced a tremendous economic growth during since 1980s which were followed by an expansion

of social commitments (Haggard and Kauffman 2008). Yet, despite the development and reform of social policy among middle-income countries, we witness no enlargement of civil rights in countries such as Taiwan and Singapore. Therefore, the logic of modernization does not fully explain the emerge of welfare state outside of the Western cluster.

Logic of capitalism and neo-Marxist theories

Socio-economic transformations are not separate from the way in which economic activities are organized. As we have seen before, industrialization and civil rights are linked to a new system of production. Proponents of the logic of capitalism affirm that there is a strong relationship between the emerge and development of capitalism as a system of production and accumulation of capital and the expansion of welfare commitments (Jessop 2002). As other functionalist theories, it conceives the evolution of social policy as a natural response to socio-economic transformations yet, it differs from them as it argues that the history of social policy is intertwined with the history of capitalism and therefore the development of the welfare state is seen as a response to the need of advanced industrial capitalism (Gough 1979; P. Pierson 2000). More specifically, the logic of capitalism posit that “welfare state is a feature that is present in all advanced capitalist countries” (Gough 1978) and therefore industrialist together with advanced capitalism are the both necessary conditions for the rise of welfare systems.

The pioneering work of Esping-Andersen ‘*The Three Worlds of Welfare Capitalism*’ (1990) argues that ‘the mainsprings of modern social policy lie in the process by which both human needs and labour power became commodities’. More specially, he affirms that social policy already existed prior to modern capitalism but capitalism transforms social need into a new type of commodities that can be sell and buy as other commodities (Esping-Andersen 1990). The welfare state therefore become a system of stratification with an active role in ordering social relations. The process of de-commodification of social needs is very well explained by Karl Polanyi in his book ‘*The Great Transformation*’ (1944). He recalls the history of modern society to demonstrate that the rise of market-economies is intertwined with social and political transformations that took place at the end of XX century. That is, the development of a market system based on the idea of self-regulation had profoundly influenced not only the system of

production but also domestic and international political equilibria. Tradition of modern economic thought sustained the idea that a self-regulated market which adjusts itself through the price mechanism would produce material welfare. As a consequence, the state should intervene only to pose remedy to market failures. That is, welfare state is justified only in the absence of market equilibria. Polanyi criticises classical liberal theories and identifies a fundamental contradiction in the laissez-faire capitalism to entirely commodify labour power. The commodification of labour power and social needs helps capitalism to reproduce itself while at the same time sows the seed for its own self-destruction (Polanyi 1944).

Following a similar logic, neo-Marxist scholars strongly criticise welfare state as a by-product of advanced capitalist societies. By comparing the United States and European countries, Claus Offe (1972) demonstrates how those countries, although among the wealthiest economies in the world, are associated with a large proportion of people who starve and suffer. Policy makes are more driven by the idea of composite those who are ‘victims’ of capitalism rather than pursuing the political goal towards universal welfare. This demonstrates that the logic of capital accumulation and industrial growth coexists with the logic of unmet human needs and the services of welfare state are meagre compensation for the new problems arising with industrial growth and social-demographic transformation. Moreover, the historical development of welfare state follows the political goals of “*compensation*” and ‘*offset*’ capitalist problems rather than the path of improvement and the widening of life chances.

“Welfare state is more accurately defined as “capitalism for the poor, and socialism for the rich. Rather than ‘creeping socialism’, it [welfare state] is the most generous underwriter of large business enterprises in capitalism’s short but glorious history’ (Offe 1972)

To sum up, the logic of capitalism argues that welfare state can be seen as both a state response to capitalist failures and as an important achievement of the working-class. This contradiction lies at the heart of the nature of capitalism itself. That is, capitalism increases industrial production, triggers economic growth and creates new jobs while at the same time, causes new social risk, destroys traditional family support and produces a

new mass of unemployed people. Similarly, the welfare state has intrinsically both negative and positive features (Gough 1978). On one hand, the welfare state helps capitalism to reproduce itself because if left on its own, free market would destroy its own foundations (Polanyi 1944). On the other hand, it poses social control over market forces and helps to compensate the population for the commodification of labour power.

Overall however, there are two major critics to the functionalist approach. First, at the theoretical ground, it is a deterministic theory. Scholars in fact, neglect the importance of actors, policy makers, ideologies and institutions outside of the economic world. Functionalist theories, in fact look at the welfare state as response to the system of advanced capitalism and leave no or very little space for actors, policy makers, ideologies and institutions in the development of welfare. As Offe points out, “the development of welfare state seems to be immune to ideological chatter” and “neither the dynamics of bureaucracy nor human impotency vis-à-vis political problems lies at the root of welfare problems. Rather, the inherent, institutional constraints of a capitalist economy confound every effort of the welfare state to solve its internal difficulties”.

Second, in terms of methodology, functionalist theories are based on quantitative and large-N studies which look at the level of social expenditures to account for the development of welfare state. Yet, as Esping-Andersen points out (1990), social expenditures are ‘epiphenomenal to the theoretical substance of welfare state’ and thus it would be more complete to include small-n studies or use other policy indications such as social policy coverage or the level of poverty and inequality to answer the questions of what drives the emergence of welfare state in western democracies.

2.3.2. The Power Resource Approach

With the end of the economic boom and the decline of social spending in the 1990s, the research on welfare state moves to a different turn. Scholars of a new generation were interested in accounting for variations rather than expansion of welfare commitments. More specifically they aimed to answer the question ‘Why do industrialized economies produce different systems of social protection and social insurance?’ (Rothstein and Teorell 2008). Representatives of this new school of thought found that economic and

financial pressures do not translate directly into welfare state outcomes. Rather, politics mediates the effects of economics on welfare, determines the shape of expenditure cuts and how they are turned into distributive outcomes (Cook 2007) More specifically, they assume that distribution of power among political actors and institutional architecture account for variations of welfare spending in capitalist democracies (Myles and Quadagno 2002).

The first theory of welfare state using a 'politics matter' approach is the power resource theory which emphasises the rule of elections, political parties and labour organizations. More specifically, this theory rests on the assumption that distribution of power between left parties and labour organizations on one hand and central-right wing parties and business groups on the other determine differences in the size and distribution of welfare state across countries (Stephens 1979; Korpi and Palme 2003). Among others, Gerhardt Lenski (1966) was one of the first to demonstrate that formal institution of parliamentary democracy such as universal suffrage and free and competitive elections together with the ability of workers to organize in political and social groups generate different redistributive outcomes. Follow a similar way of reasoning, Christopher Hewitt (1977) argues that democracy is conducive of more egalitarian redistributive programmes only if lower classes use their votes to elect class-based parties that represent the working-class interest. Additionally, in 1983 Walter Korpi supports the idea that major differences in welfare state spending and entitlements among the capitalist democracies is explained by looking at the type of political party in power. That is, in countries where left parties, such as Social Democratic parties, govern aligned with strong trade unions, it is reasonable to see an expansion of welfare state spending and entitlements whereas in countries where corporate organizations and central-right wing political forces we should expect a contraction of welfare spending (Korpi 1985).

The power-resource theory remained predominant throughout the 1980s, until some Western democracies experienced a political reshuffle in their party organization. With right wing parties taking power in the United States and the United Kingdom, the power resource theory was questioned. Some scholars in particular criticized it as it underplayed the role of the state in shaping social programs and the expansion of welfare state (O'Connor and Olsen 1998). In addition, scholars emphasize the effect of electoral

institutions and party competitions over party politics positions and ideology (Häusermann, Picot, and Geering 2013).

2.3.3. Neo-Institutionalist and Polity-Centered Approach

Built on these critics, in 1990s the research on social policy and welfare shifted from a society-based to an institutional-based approach focusing mostly on institutional features in Western democracies (Myles and Quadagno 2002). This new neo-Weberian ‘state-centred’ theory brings back the state as an active provider of social assistance and benefits and argues that together with the administrative systems and bureaucracies, the state is an important actor in the evolution of social policy (Orloff and Skocpol 1984; Immergut 1990; Huber, Ragin, and Stephens 1993).

Following this logic, historical institutionalists argue that early developments of state structures limit the range of alternatives for future policies (Thelen 1999). Therefore, social policies are ‘locked in’ on a particular path of development which makes it difficult for various stakeholders to reform or retrench the already implemented programs. Institutions are deeply-rooted in the society and therefore changes is quite rare. While studying social policy in United States, Theda Skocpol (1992) argues that change in welfare state is mostly produced by unexpected events rather than an evolutionary pattern since institutions do not easily change.

The neo-institutionalist perspective therefore brings back the central role of the state and the institutional features of government as determinants of policy choices. This approach was particularly prominent among scholars comparing social policy in the United States with European countries in order to assess whether and how the institutional differences impinge on social policy decisions (Skocpol 1992). Those studies emphasize the importance of a centralized policy-making process together with insulation of the executive from parliamentary and electoral process (Immergut 1990), the party discipline in reducing interest groups pressures (Maioni 1998) and the role of corporatist decision-making structures in producing a state response to social needs (Huber, Ragin, and Stephens 1993).

The neo-institutionalist approach has acquired increasing attention in the comparative social welfare research over the last years of the 20th century (O'Connor and Olsen 1998). In contrast to the society-centred approach which emphasises the role of elections and the aggregation of political interests from below, the neo-institutionalist approach highlights the organization and structure of state institutions (Skocpol 1996).

Overall the 'politics matters' approach adds a new important dimension to the research on social policy and welfare: it does not consider only the 'generosity' of welfare (i.e. social spending) but also the 'extension' of it by looking at the core principles behind social programs, the fiscal revenues and the role of political actors in the policy-making process.

2.3.4. The Role of Globalization

Since the 1990s, scholars have been engaged in an intense debate over the nexus between economic globalization and welfare state (Genschel 2004). The collapse of the Soviet Union shifted public attention towards the dangers connected with the triumph of capitalism and the consequent increasing internationalization of the economies were seized on as particular causes of concern. Many scholars in fact believe that the globalization of markets has left no choice for governments but to pursue neoliberal policies (Garrett 1998). 'Good government' became synonymous of 'market-friendly government' and the global competition left no room for leftist economic policy alternatives (Garrett 1998). While investigating the tension between the role of national governments and economic globalization, Layna Mosley (2005) demonstrates that economic globalization affect countries in different ways. More specifically, she argues that not all countries suffer from the negative effects of economic openness instead, national governments still retain 'room to move'. To date, there are three different schools of thought that analyse the effect of globalization on welfare state (Genschel 2004).

The 'globalist school' argues that the welfare state is subjected to market pressures that stem from increasing international competition. This competition limits the effectiveness of the welfare state and produces a convergence around the minimalist welfare state structure (Swank 2002). Since national government cannot control capital

mobility anymore, they have no room of manoeuvre to implement national monetary policy that could balance the economy in negative periods. As a consequence, intense international competition reduces state ability to implement counter-cyclical fiscal policy that are more effective and less costly. With its hands tied, the state has no other alternative but to reduce the amount of resources allocated to social services and therefore retrenchment of welfare state is inevitable (Cerny 1995; Scharpf and Schmidt 2000).

Instead, the second school – ‘globalization sceptics’ – supports the idea that although globalization of capitals has undermined the autonomy of the state in both fiscal and monetary policy, it does not impinge on its capacity to finance public spending (Genschel 2004). Over the past twenty years in fact, public spending in Western democracies has not universally decreased whereas we have witnessed different trajectories of social spending. Genschel (2004) and Rodrik (1998) for instance, argue that the welfare state continues to provide ample social insurance against international market risks as well as compensation to those who lose from international competition. Therefore, globalization alone does not have any real effects on the welfare state: the welfare state remains a distinctive elements of modern societies and cross-national differences survive as there can be other alternatives to the free market capitalism (Garrett 1998).

The representatives of the last school of thought believe that the problems of the welfare state are self-inflicted. Globalization is a consequence of inner problems of welfare arrangements. Economic openness and welfare state issues are connected but the correlation has the opposite direction that the one supported by the globalist school. In the late 1970s, a decline in the economic growth has produced a massive shift from employment to manufacturing activities. This shift has contributed to lower productivity levels which in turns translated into an even sharper decline of economic growth. The inability of the state to stimulate economic growth has produced an increase in the unemployment levels and a decline in the real wages (Pierson 1998). Welfare state problems are therefore linked to the type of economic model implemented and globalization of trade, services and people is only the consequence of inherited problems of those economic models.

To sum up, there is a broad and solid literature that sheds light on the condition under which welfare state and social policy emerged in western democracies. Functionalist theories look at the process of industrialization, technological change and civil rights as

the engine of social policy and welfare. Those theories very well explain the emerge of welfare state in Europe, the United States and Canada after the Second World War. Yet, they fail to address the issue of different evolutionary patters. On the other hand, the ‘politics matter’ approach that includes the power-resource theory and the neo-institutionalist perspective, gives more attention to the institutional setting, the aggregation of preferences and the concentration of political power as key factors for the classification of welfare state regimes (Esping-Andersen 1990). Lastly, a new politics of welfare state takes into account the effect of an increasing interconnected world where financial and economic globalization seems not to leave any space for the state.

2.4. Social Policy in Developing Countries

So far this chapter has reviewed only theories of welfare state development and social policy interventions in developed economies. Over the last decades however, more attention has been devoted to social policy dynamics in Latin America (Brown and Hunter 2004; Cruz-Martinez 2017; Franzoni 2008; Martín-Mayoral and Sastre 2017; Altman and Castiglioni 2009) Central and South-East Asia (Ibrahimov et al. 2010; Bercuson 1995; Singh and Laurila 1999; Lim 2005; Buribayev et al. 2016; Amagoh and Bhuiyan 2010; Aizhan and Saipinov 2014; Hill 2013) and Africa countries (Eibl 2020; Gumede 2018; Cassani and Carbone 2016; Amoah 2020). Those contributions call for new approaches in the research on social policy in developing contexts (Forrat 2005; Mares and E. Carnes 2009). Hence, this fourth section of the chapter reviews the current state of the art in the research on social policy and welfare in developing economies. Initially, I introduce theories based to the diffusion of ideas and best practices among countries. Scholars in fact, demonstrate that ideas stemming from cultural legacy and international organizations are very powerful instruments in steering policy decisions, especially in the developing world. Then, I discuss the impact of regime type and democratization process on welfare systems in Latin America and South-East Asia. The last two sub-sections review the “power constellation theory” in the Latin American studies and present new approaches based on actors’ interests and policy preferences which have been quite influential in the public policy literature.

2.4.1. Policy Diffusion Theories

With the exception of the theories on globalization, all the theories that we have discussed for developed economies highlight the importance country's domestic factors such as economic performance, institutions and the distribution of power. Yet, contemporary public policy analysis contends that policy decisions are also influenced by the diffusion of ideas and best practices among countries. Some scholars posit that the way in which leaders perceive problems and the kind of policy solutions they adopt is affected by the relationship among countries as well as by the international context (Simmons, Dobbin, and Garrett 2006). Based on this argument, Beland (2007) posits that “understanding the effect of ideas and assumptions on the social and economic world is essential for explaining the way in which these actors can bring about changes in one policy area”.

More specifically, the diffusion approach argues that political and economic interdependencies among political systems influence country's policy-making process and the subsequent policy decisions (Obinger, Schmitt, and Starke 2013). Policy diffusion is defined as “the process by which policy choices in one country affect the policy choices in other countries” (Meseguer and Gilardi 2009, 528). After an initial discussion in the work of Collier and Messick (1975), the diffusion approach has become an important strand of analysis in the welfare state research (Obinger, Schmitt, and Starke 2013; Kuhlmann et al. 2020). Much of the attention is devoted to the ways in which ideas can influence policy decisions. Obinger, Schmitt, and Starke (2013) for instance, identify four different types of mechanisms – learning, emulation, competition and coercion – that lead to policy diffusion. Importantly, each type of mechanism depends on some conditional factors such as the geographical location, ideological positions of central political actors, type of economic system and the legacy to pre-existing policies (Obinger, Schmitt, and Starke 2013).

For many years the bulk of the contributions has been on western democracies and on the coercive power of European Union (Kuhlmann et al. 2020; Meseguer and Gilardi 2009; Obinger, Schmitt, and Starke 2013). Yet, since the end of the 20th century, we witness a rise of the diffusion approach in the research on social policy in developing countries. This shift is linked to the evidence that first form of social policy programs were present in poor countries outside of the Western hemisphere well before

industrialization took place (Esping-Andersen 1994). The absence of material and political conditions which, according to the functionalist theories, should trigger welfare expansion, has shifted scholars' attention to other potential co-founders of social policy development.

Nowadays, there is an abundant literature that looks at the role of ideas in the developing world. Some scholars contend that one way through which policy ideas were diffused in the Global South is through colonialism. Midgley (1984) for instance, argues that missionaries and religious charities fostered the diffusion of Western welfare practices and European social services to their colonies which in many cases, still perpetuate the same colonial social practices and services, despite the de-colonization period. Other scholars however contends that ideas have been spread in developing countries through international organizations and geographical proximity (Armingeon 2007). Many contributions in fact, point to the role of the International Monetary Fund (IMF), the World Bank (WB) and the International Labour Organization (ILO) as pivotal actor in addressing social policy decisions in Latin America and South-East Asia throughout the 1980s and 1990s (Betz and Neff 2017; Kaufman and Nelson 2004; Mok and Kühner 2017; Zhang and Zhu 2019; Gu 2016) Among others, Weyland (2005) demonstrates that the spread of pension privatization in Latin America was mostly driven by regional concentration and neighbour effects. He argues that policymakers cannot avoid to consider social reforms in neighbouring countries as the effect of those policies are immediately available and they often have a regional impact.

Overall, the diffusion approach for social policy in developing countries pinpoints to the role of ideas and best practices that diffused through, colonial heritage, international organizations and regional proximity. Nowadays, those factors are considered as main driver of social policy reforms in Latin American and South-East Asian countries. Contrary to functionalist theories, the diffusion approach helps us to explain why and how countries that do not underwent through a period of industrialization ended up to adopt social services and practices. Additionally, it also provides a new lens of analysis to the evolution of the social policy that distances itself from the rational-based perspective and looks at imitation mechanisms. However, one shortcoming of this approach is that it can hardly explain divergence in social welfare systems among neighboured countries. Especially in the case of non-democratic regimes, diffusion

mechanisms may lead to policy convergence in some cases but sometimes, policy decisions are taken according to domestic structure factors or simply in the interests of a group of people that is in power. The next sub-section will help us to detect those other factors.

2.4.2. Regime Type and Democratization Process

It is very common practice in the research on social policy in developing countries to look at the effect of regime type and democratization on policy decisions. Scholars conducting regional studies in fact, very often include regime type as a control variable in their analysis (Avelino, Brown, and Hunter 2005; Lake and Baum 2001; Przeworski et al. 2000; Martín-Mayoral and Sastre 2017; Brown and Hunter 2004). Those studies demonstrate that democracy is associated with more pressures for redistribution and higher levels of social spending compared to non-democratic regimes as electoral competition (Przeworski et al. 2000), a bigger size of the franchise (Lindert 2004) and interest-groups mobilization (Haggard and Kaufman 2008) create a more inclusive policy-making process and a favourable institutional context for the implementation of social policy decisions. Non-democratic regimes instead, are associated with lower levels of social expenditures because the decision making process here is hierarchical and strictly top-down and thus, actors outside of the political arena do not get access the policy process. As a result, some scholars argue that policy commitments in non-democratic regimes are more limited (Martín-Mayoral and Sastre 2017; Brown and Hunter 2004; Huber, Mustillo, and Stephens 2008).

However, there are several reasons to contradict this argument. First, nondemocratic regimes in Europe were among the first to adopt social insurance legislation and support the expansion of social programs under conditions of limited suffrage – see Bismarck in Germany and von Taaffe in Austria (Mares and E. Carnes 2009). Esping-Andersen (1990, p. 15) also posits that “the thesis that democracy leads to larger welfare states confronts the historical oddity that the first major welfare state initiatives occurred prior to democracy”. Second, Mares and Carnes (2009) demonstrate that among developing countries worldwide a large number of social insurance programs were adopted by non-

democratic governments. Similarly, Knutsen and Rasmussen (2018) show that authoritarian regimes are not immune to policy pressures and they are not less likely than democracies to adopt old-age pension schemes.

Overall, the research on the effect of regime type on social policy decisions is quite controversial. On one hand, scholars argue a hierarchical decision making process in authoritarian regimes reduces the incentives for the leaders to implement social policies compared to democracies that have a more widespread and better financed welfare system (Acemoglu and Robinson 2006; Boix 2003; Haggard and Kaufman 2020). On the other hand, some scholars contend that autocracies are not immune to distributive pressures and, on net, they are not associated with lower social spending compared to democracies (Mulligan and Gil 2002; Mares and E. Carnes 2009; Knutsen and Rasmussen 2018). I believe that to overcome the controversial effect of regime type on social policy decisions, we should look at political regimes not as static building-blocks but as institutions that transform over time. In this regard, democratization studies help us to better understand different dynamics of social policy in the Global South.

The third wave of democratization (Huntington 1991b) brought about many countries in Latin America and Central and South-East Asia to transit to a democratic regime. Over years, the democratization process has attracted scholars attention to investigate whether this process has been accompanied by a vigorous change in countries' welfare systems. Among others, Boix (2003) argues that economic development and social policies sustain democratization. Countries with higher per capita income tend to have higher level of social spending. In addition, better economic performance triggers democratization process which in turn, indirectly lead to expansion of social programs. Similarly, Haggard and Kaufman (2008) demonstrate that regime transformation made a difference in the development of welfare systems in Latin American and East Asian countries as democratization triggered political competition and social expenditure.

Those studies provide a more comprehensive understanding on the relationship between regime type and social policy. By looking at the dynamics of regime transformation, scholars demonstrate that the process of democratization rather than the regime type *per se* plays a pivotal role in developing more inclusive and better financed welfare systems. Nonetheless, democratization studies do not address variation in both democratic and autocratic regimes. Those studies in fact assume that regime

transformation may only incur from autocracy and democracy and do not consider the extensive variation that exists across both autocracy and democracy. The next chapter deals with this problem and makes an additional step towards the elaboration of the theoretical framework.

2.4.3. Power Constellation Theory

The attention to the regime type and democratization processes has considerably improved our understanding on social policy dynamics in the developing world. Yet, this approach has proved to be less useful in explaining cross-national variations in policy outputs among non-democratic regimes (Mares and E. Carnes 2009). Democracy and autocracy provide different playgrounds where political actors interact and take decisions on whether and how allocate money to social sectors. Yet, the relationship among members of the ruling coalition or between the leader and his population may vary substantially in those regimes. As we have seen for developed countries, the distribution of power between different groups shape the interaction across different actors as well as subsequent policy decisions (Korpi 1985). Built on these assumptions, Huber and Stephens (2012) develop a new theoretical framework to explain the development of social policy in Europe and in Latin America: the *Power Constellation Theory*. This theory looks at the power relations in three separate arena: domestic, state international arena. In the domestic levels, the power is distributed between different classes and political parties. Huber and Stephens (2012) show for instance, that Latin American countries led by social democratic parties developed more quickly and more extensive social services compared to other countries governed by Christian democratic parties. At the state level instead, the authors argue that the concentration of power between the state and the population impact on the formation of a welfare state. Based on the work of Immergut (1990), they posit that the capacity of the state to effectively implement social programs and the presence of veto points offer different opportunities for groups outside of the ruling coalition to initiate welfare reforms. Finally, similarly to the diffusion approach, they highlight the importance of international constellations of power and the liberalization of capital markets on welfare state formation.

Overall, power constellation theory provides an additional step in the analysis of social policies in developing countries by looking at how the distribution of power across different social classes shape social policy decisions. Clearly, this theory builds on the power-resource theory that I discussed in the previous section (Korpi 1985) but it adds on it two more lenses of analysis, namely the state-society relation and the international arena.

2.4.4. Policy Preferences and Actors' Interests

All the approaches there were discussed so far investigate social policy dynamics by adopting a state-perspective. However, as Esping-Anderson rightly put it (1990), the state is only one of the providers of social policy since there are other actors that invest in education and provide health and social assistance (Gough 2013). In particular, the public policy literature highlights how individual actors' preferences and economic and social interests may influence policy decisions.

A masterpiece in the research on the relationship between actors' preferences and policy decisions is the work of Meltzer and Richard (1981). According to the median voter's theorem, government spending and taxes depends on the preferences and demand for redistribution of the median voter. In the case of democracies, the general equilibrium between government size and redistributive policies is conditional upon the presence of a majoritarian voting system which allows the vote with median income among enfranchised citizens to be decisive. However, the authors conclude that this equilibrium can be reached also in non-democratic contexts where the decisive individual may be a dictator, a monarch or a member of the military juntas. Following a similar logic, other scholars pinpoint to the preferences of leaders (Thomas and Grindle 1990; Yoshimatsu 2012), interest groups (Böhmelt 2015; Klimovich and Thomas 2014; Purcell 1973) and international organizations (Rondinelli, McCullough, and Johnson 1989; Andrews 2013; Béland and Orenstein 2013; Queisser 2000) in shaping patterns of social expenditures in developing countries.

Another strand of research instead, pinpoints to leader' interests in increasing levels of public social expenditure. Some scholars in fact argue that governments in the

developing countries tend to implement new policies in health and education as they expect higher social and political rate of return as well as to secure their position in power. Gupta, Verhoeven, and Tiongson (2002) for instance, demonstrate that spending in health and education is justified by autocrats' interests to create better social conditions for their citizens which in turns, reduce the probability of being overthrown. Similarly, Cassani (2017) demonstrates that authoritarian governments use social services as instruments to legitimize their position in power. That is, leaders adopt new measures of social assistance as a way to secure their position in power.

As the power-constellation theory demonstrates, academic contributions on actors' preferences and interests highlight the importance of domestic dynamics while studying social policy in developing countries. While a state-centered perspective explains variations in social policy by looking at changes in economic structures and institutions, those theories demonstrate that actors' preferences and interests shape the evolution of welfare system, especially in non-democratic regimes.

2.5. Concluding remarks

Comparative social policy literature has gone through significant phases of research. For many years, there has been lots of attention to the emerge and evolution of welfare state in Western democracies. Though, recent contributions challenge the western-perspective and provide new and stimulating approaches to the study of social policy and welfare in developing countries.

In this chapter, I conduct a brief historical analysis on the introduction of first social policy measures and then, I review the most important theories of social policy and welfare for both developed and developing countries. Overall, the chapter points out two important take-home points.

First, the literature on social policy and welfare is vast and abundant. Since the adoption of the first poor relief measures in the 17th century, scholars have produced different theories and approaches to explain variations in social policy decisions and welfare state architecture across time and space. Yet, the literature also shows that there is no single theory that, alone, can account for the overall evolutionary dynamics of social

policy. Each theory gives us one lens of analysis to study such dynamics though, as we have seen throughout the chapter, those theories have also substantial drawbacks. Built on this evidence, I believe that a better way to investigate social policy dynamics is to include different lenses of analysis in the elaboration of a theoretical framework. In doing so, the next chapter includes several economic and political factors that I hypothesize would explain patterns of social expenditure in authoritarian regimes.

Second, this review shows that there is an old and strong bond between social policy and authoritarianism. For many years the literature on social policy has been focused on democracies but authoritarian regimes have always adopted social policy measures. What is more, modern welfare state was born under conditions of authoritarianism. The comparative social policy literature and in particular, recent academic contributions on the relationship between regime types and social policy decisions comprehensibly demonstrate that regime type is an important factor to should be taken into account when studying social policy. However, those contributions do not provide sufficient attention to the variation that exists across authoritarian regimes. For this reason, this dissertation has the ambition to fill this gap by shedding light on the dynamics of authoritarianism and their effect on social spending.

Chapter Three

Public Spending in Authoritarian Regimes: A New, Inclusive Theoretical Approach

The research program on social policy needs to broaden its horizon beyond the democratic cases, to consider whether the benefits of democracy hold, if not why not, and under which conditions authoritarian regimes may be responsive to the interests of the poor.
(Haggard and Kaufman 2008)

In this chapter, I elaborate on the theoretical framework and main hypotheses used to study patterns of public health and education expenditure in authoritarian regimes. As shown in Chapter 2, the literature on social policy is quite vast, although limited attention has been paid to authoritarian welfare systems. When elaborating on the theoretical framework and main hypotheses, I draw on previous contributions to social policy analysis and the research on authoritarian regimes. Preliminary empirical evidence is used to elaborate on the hypotheses about the identified determinants and their effects on patterns of public spending in authoritarian regimes. To this end, I take into account factors that influence both the supply and demand for social spending.

The theoretical framework aims to provide a twofold contribution to the literature on welfare states and authoritarian regimes. First, it lays out a comprehensive approach to study social policy dynamics outside of democratic clusters. In doing so, it combines factors that have been widely used to study social policy in democratic regimes with the constitutive elements of authoritarianism. Second, I postulate that institutions in authoritarian regimes are not mere window dressing; they influence the stability of the regime and the type of policy that is implemented (Gandhi 2008a; 2008b; Gandhi and

Przeworski 2007). Relying on these assumptions, I develop a typology of authoritarian regimes that sheds light on different types of institutions and their effects on social spending.

The chapter is organised into two sections, each of which develops different hypotheses according to two macro-approaches. The first section presents the hypothesised effect of economic determinants, such as economic performance and structure, on policy decisions. These factors have been widely used in the study of social policy in Western economies. Yet, very little attention has been devoted to the effects of those factors in authoritarian contexts. Furthermore, based on preliminary empirical evidence, I hypothesise that the relationship between economic performance and public spending in authoritarian regimes strongly depends on natural resource endowment. Thus, I assume that the production of natural resources, such as oil and gas, would impinge upon government size. The second part of the chapter focuses on the political and institutional determinants of public spending. As shown in the Introduction, authoritarian regimes differ among themselves as much they differ from democracies (Geddes 1999). This section analyses in more detail the extensive variation across authoritarian regimes by focusing on the size of the winning coalition and formal institutions, such as elections and party competitions. While economic determinants affect the resources that each autocrat can tap into, both coalition size and formal institutions determine the need and incentives for autocrats to distribute resources. Finally, the last section takes into account the strength of potential opposition groups and their ability to influence policy decision-making. The chapter concludes with a summary of the theoretical assumptions and main hypotheses.

3.1. Economic Determinants

In this section, I describe the mechanisms and effects of three economic factors on patterns of public spending on health and education in non-democratic contexts: the country's (1) economic development, (2) natural resource endowment and (3) economic openness. As noted in the previous chapter, the research on social policy takes into account at least one of these factors while analysing the evolutionary patterns of welfare

efforts in both developed and developing countries. Thus, it is very common for social policy scholars to use one indicator that refers to either economic development or openness of the country in their studies. Preliminary evidence and theoretical assumptions, however, suggest that the relationship between economic performance and allocation of public expenditure is influenced by other factors. The rentier state theory, for instance, demonstrates that whether countries rely on the production or exports of natural resources directly affects a country's economic performance and indirectly influences policy decisions.

This section is organised in a cumulative way. Initially, each paragraph presents the theoretical assumptions drawn from the comparative social policy literature, and then preliminary empirical evidence is presented to test whether those assumptions hold true in authoritarian contexts. The resulting hypotheses stem from both theoretical reasoning and initial empirical evidence. Importantly, the empirical analysis conducted in this chapter does not aim to provide exhaustive evidence on such a relationship, but to provide a first glimpse into the effects of economic and political determinants on public social expenditure.

3.1.1. Economic Development

Functionalist theories in the welfare state literature assume that changes in economic structure and socio-demographic characteristics influence the allocation of public goods in social sectors. Those studies aptly demonstrate that processes of industrialisation and urbanisation created the conditions for the expansion of welfare commitments in the second half of the 20th century and led to the golden age of the European welfare state (Wilensky 1975; Cutright 1965; Flora and Heidenheimer 1981; Pampel and Williamson 1989)

Following this logic, it is possible to identify two mechanisms that relate economic development to the size of governments in Western democracies. First, changes in the production system increase the amount of goods and services at the government's disposal. As the classic Solow-Swan growth model shows, a more efficient production system increases a country's economic performance and, all other economic and political conditions being equal, leads to an expansion of public activities over private ones (Solow

1970). Better economic performance creates the conditions for higher levels of social public spending in developed economies because those sectors attract more than two-thirds of governments' budget⁵. Second, the demand for collective goods, such as health and education, is income-elastic and therefore increases as income grows (Wagner 1883; Segura-Ubiergo 2007). One example of such a relationship occurred with the emergence of the working class and improvement in living conditions by the end of the 19th century, which prompted an increase in the demand for state intervention to cover new social risks linked to unemployment, old age and sickness (Briggs 1961; Hay 1993). In short, economic performance has both direct and indirect effects on public expenditure. On one hand, it increases the amount of resources at governments' disposal, and on the other hand, it stimulates demand for state intervention. Overall, better economic performance increases the size of the public sector compared to the private one and induces higher levels of social spending.

Based on this logic, recent contributions demonstrate the pivotal role of economic development in the social spending of developing countries (Altman and Castiglioni 2019; Cruz-Martinez 2017; Huber, Mustillo, and Stephens 2008; Przeworski et al. 2000). While studying cross-sectional differences in social policy outcomes in Latin America, Eastern Europe and East Asia, Haggard and Kaufman (2008) find evidence that the economic context affects the politics of welfare reform in all geographical areas. More specifically, economic growth creates more opportunities for 'spenders', or the political actors that argue for expansion of social commitments. Similarly, Brown and Hunter (1999) show that authoritarian and democratic regimes in Latin America tend to behave differently based on their economic performance. That is, authoritarian regimes with lower levels of GDP per capita also have lower levels of social spending compared to democratic regimes. Yet, as economic performance declines, the difference between democratic and autocratic regimes grows. Altogether, those studies demonstrate that a country's economic performance has a positive effect on social spending.

Figures 3.1 and 3.2 provide some initial evidence regarding the relationship between economic performance and health and education expenditure in all authoritarian regimes from 1995 to 2014.

⁵ See Eurostat Statistics 48/2019, OECD Statistics Dataset (2019).

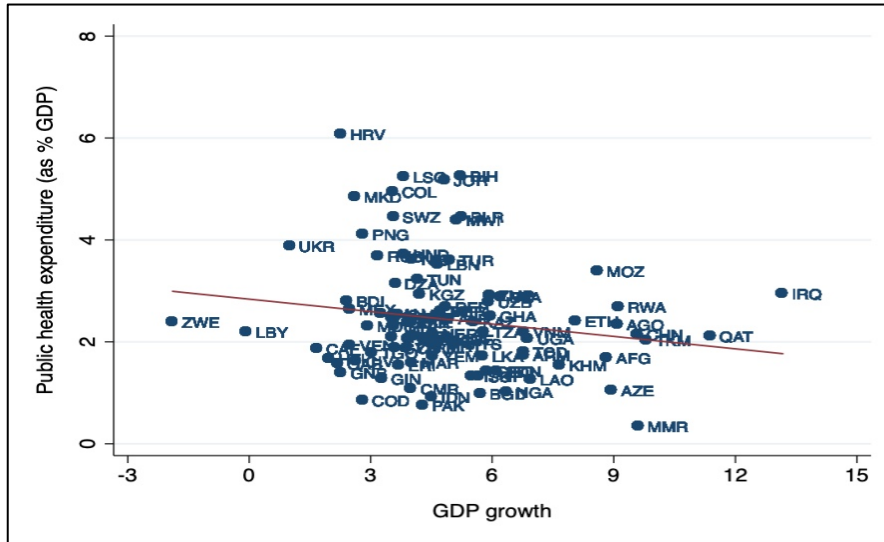


Figure 3.1 GDP growth rate and level of health expenditure (as a percentage of GDP), average (1995–2014)
 Source: Quality of Government Dataset (QoG 2018)

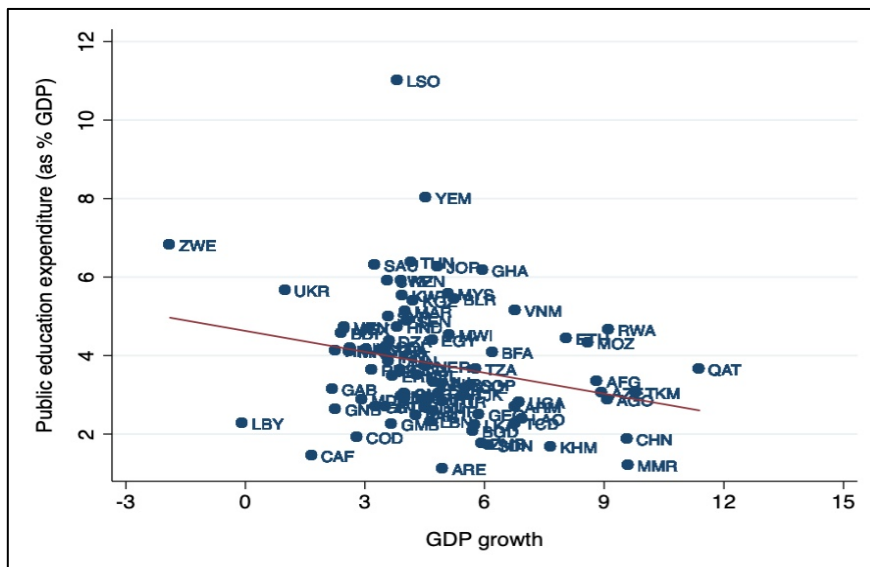


Figure 3.2 GDP growth rate and level of education expenditure (as a percentage of GDP), average (1995–2014)
 Source: QoG (2018)

Both figures suggest a negative relationship between the average GDP growth rate and the average level of public expenditure on education and health in each country. Based on this preliminary evidence, it seems that higher GDP growth rates are negatively related to levels of social spending in authoritarian contexts. Interestingly, Figure 2 shows that

some countries, such as the United Arab Emirates, Myanmar and the Central African Republic, report significantly low levels of education expenditure compared to other autocracies, while Lesotho and Yemen are among the biggest spenders in education⁶. Since the Ministry of Education of Lesotho established an inclusive education system in 1991, public spending on education has risen exponentially (Mosia 2014). In Yemen, spending on education increased from 5.1 to 6.1% of the GDP from 1996 to 2000, and it reached 10% of the GDP in the first years of the 2000s (World Bank 2002; Yuki 2003). Despite impressive education spending, neither Lesotho nor Yemen have the best economic performance. On average, the GDP growth rate of Lesotho was about 3.8%, while Yemen's GDP growth rate was 4.5%. Compared to Iraq (13.17%), Qatar (11.38%) and China (9.58%), these values are quite low. Additionally, Myanmar also features an inverse relationship between these two dimensions.

GDP growth is a good indicator of a country's economic performance, but growth does not affect all groups in the same way; the gains from economic growth may be distributed differently across different income groups. Hence, GDP per capita provides a better picture of the overall well-being of citizens, as it captures the extent to which economic performance translates to a population's income. Additionally, countries differ greatly in terms of population size. The population of China, for instance, is eight times larger than the population of Cuba⁷.

Figures 3.3 and 3.4 plot the levels of public education and health expenditure with the log of GDP per capita for the overall sample of autocracies. Despite the theoretical assumption of a positive relationship between economic growth and social spending, both figures suggest that social expenditure increases with GDP per capita until a certain point, when an inverse trend can be observed. Thus, both figures point to an inverse U-shaped relationship between social expenditure and economic performance and suggest that this relationship might be influenced by a country's natural resource endowment and level of economic openness. In fact, the group of countries with the highest GDP per capita are either oil-producing economies, such as the United Arab Emirates, Qatar, Saudi Arabia

⁶ Figure 3.1 and 3.2 does not include Cuba, for which there are no data on GDP growth, or Iraq, for which there are no data on education expenditure.

⁷ See the World Bank Database (2020).

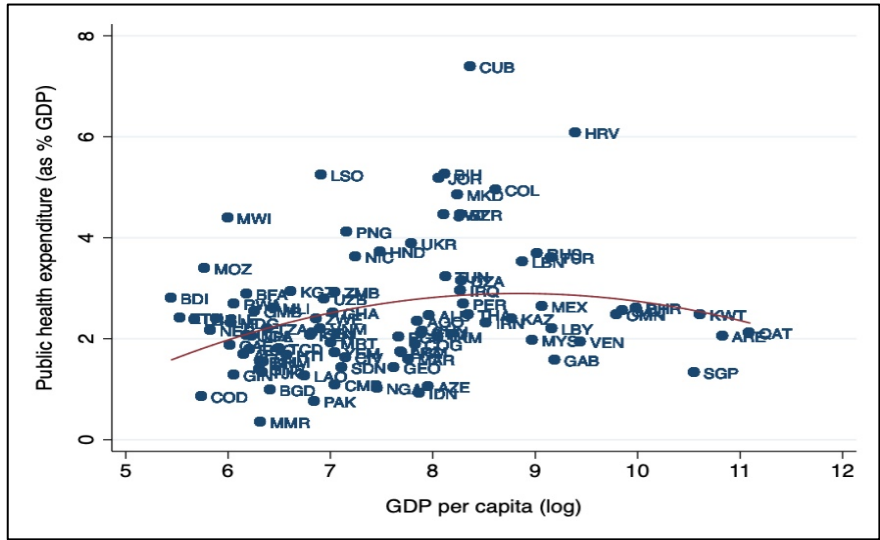


Figure 3.3 Changes in GDP per capita and level of health expenditure as a percentage of GDP, average (1995–2014)
 Source: QoG (2018)

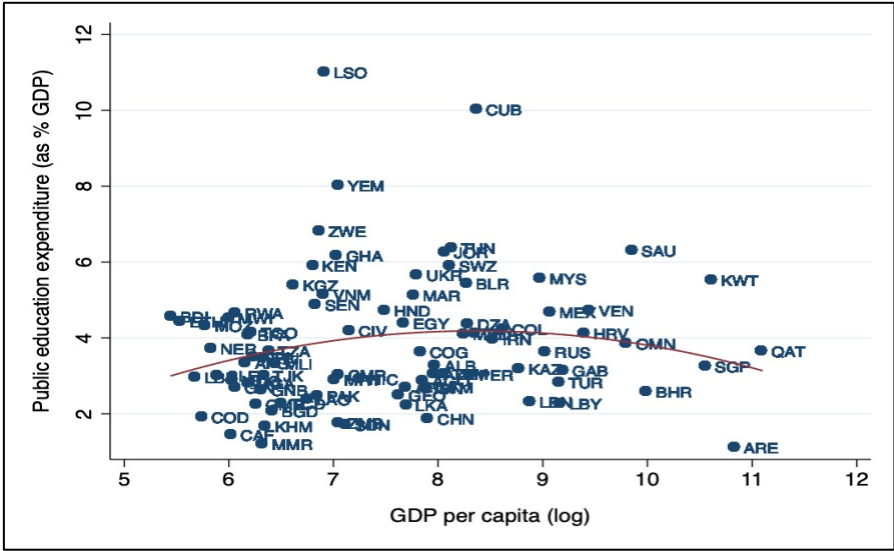


Figure 3.4 GDP per capita (log) and level of education expenditure as a percentage of GDP, average (1995–2014)
 Source: QoG (2018)

and Kuwait, or opened economies, such as Singapore. These countries report lower levels of social spending compared to, for instance, Cuba, Yemen and Lesotho. Below, I will discuss in greater detail the association between social spending and those potential cofounders.

Overall, based on this preliminary empirical evidence, there are two considerations that can be inferred about the relationship between economic performance and social spending. First, countries with a higher GDP growth rate tend to have lower levels of public spending. Second, the tentative fitting lines show that, for more positive changes in GDP per capita, there is a higher level of public spending on both health and education until a certain point, when an inverse relationship is observed. This preliminary evidence suggests that the correlation between GDP per capita and social spending is not linear, and other factors, such as oil revenues and trade openness, may influence this relationship. This discussion led to the elaboration of the following hypotheses:

H1.a: There is a negative relationship between GDP growth and the level of public expenditure on health and education.

H1.b: The relationship between GDP per capita and public health and education expenditure follows an inverse U-shaped curve, suggesting that the relationship is not linear.

3.1.2. The Rentier Effect

In light of the above discussion, natural resource abundance may influence the government's decisions about the allocation of public expenditure and thus deserves closer attention. The rentier state theory can help to detect the effect of natural resources on economic growth and the stability of the regime (Auty 2001; M. Ross 2012; Sachs and Warner 1999; Wright, Frantz, and Geddes 2015) as well as on policy decisions (M. L. Ross 2001) and outcomes (Daniele 2011).

The term 'rentier state' refers to those countries that receive substantial amounts of external rents on a regular basis (Mahdavy 1970). Rents, conceived as the surplus that is generated from the production of natural resources, such as oil, gas and minerals, allow policymakers to distribute revenues directly from their pockets. The rentier state literature

demonstrates that resource endowment directly impacts a country's economic development but indirectly influences the regime's stability and public expenditure. The direction of the effect of natural resource endowment on economic growth, however, remains controversial. One group of scholars argues that the production of natural resource is positively linked to a country's economic development. That is, countries with higher levels of natural resource production grow faster than those who do not rely on natural resources (Brunnschweiler 2008; Mahdavy 1970). Other scholars, however, contend that economic development in resource-rich countries tends to diminish over the long term (Bulte, Damania, and Deacon 2005), and therefore, resource abundance is negatively associated with economic growth (Sachs and Warner 1999). A common thread among those contributions is that the effect of natural resources on economic growth depends on, among other factors, the type of indicator – production or exports of natural resources as a percentage of GDP – and the type of resources under investigation (Daniele 2011; M. L. Ross 1999a; 2015).

Natural resources not only directly influence economic growth but also indirectly affect a regime's stability and the allocation of public expenditure. Michael Ross (2001), for instance, demonstrates that there are three mechanisms through which oil wealth affects authoritarian regimes' endurance and public spending. First, in oil-rich countries, leaders tend to adopt a low level of fiscal taxation because they rely on revenues stemming from the oil industry. Low taxation leads to less demand for political accountability, which in turn increases the stability of the regime (*taxation effect*). Second, oil wealth leads to greater spending on patronage and social spending because the distribution of benefits to some actors in oil-rich countries is less costly and dampens pressure for democratisation (*spending effect*). Third, oil revenues prevent the emergence of independent social groups that may hamper a regime's stability (*group formation effect*). The overall logic of Ross's argument is that oil revenues are often used by authoritarian leaders to relieve social pressures and prevent political demands that might undermine a government's survival. According to the rentier state literature, we should expect resource-rich autocracies to have higher levels of public spending in the health and education sectors compared to resource-poor autocracies.

Number	Country Name	Oil and Gas Income (Per Capita)
1	Qatar	31065
2	Kuwait	21905
3	United Arab Emirates	13204
4	Oman	8576
5	Saudi Arabia	8565
6	Libya	5145
7	Gabon	4375
8	Bahrain	3851
10	Turkmenistan	3099
11	Venezuela	2786
12	Russia	2277
13	Kazakhstan	2110
14	Azerbaijan	2057
15	Algeria	1940
16	Iraq	1888
17	Angola	1790
18	Congo	1689
19	Iran	1586
20	Malaysia	1030

Table 1 Summary of the top 20 oil- and gas-producing authoritarian regimes, average (1995–2014)
Source: Michael Ross and Paasha Mahdavi, QoG (2014)

Table 1 reports the average production of oil and gas per capita in the top 20 authoritarian regimes between 1995 and 2014. I decided to focus on oil and gas production per capita for two reasons. First, scholars demonstrate that oil and gas are the two most influential resources affecting a regime’s economic performance and stability (M. L. Ross 1999a; Auty 2001). Second, as I have discussed above, the level of natural resource production per capita is a more representative indicator of a country’s natural resource wealth than the amount of exports since the latter considers only the revenues that stem from the export of those resource and does not take into account the amount of oil and gas that is consumed nationally. Thus, total production per capita concede us to control for the overall production of the country as well as the population. This allows countries such as

Russia or China to be compared with countries such as Cuba or Bahrein, which differ greatly in terms of population.

Overall, Table 1 shows that natural resources are not confined to a certain geographic area. The 15 biggest oil producers are located in the Middle East (Qatar, United Arab Emirates, Oman, Saudi Arabia, Kuwait, Bahrain), North Africa (Algeria and Libya), Sub-Saharan Africa (Gabon), Latin America (Venezuela) and Central Asia (Turkmenistan, Azerbaijan, Kazakhstan and Russia). Yet, the variation among those countries is quite considerable. Qatar – the first in terms of oil and gas income per capita – produces more than four times the amount of natural resources produced by Oman – the fourth country in terms of oil and gas income per capita. This variation shows that few non-democratic regimes have oil- and gas-driven economies while the majority are poor in natural resources.

Figures 3.5 and 3.6 illustrate the relationship between the level of oil and gas production per capita (shown on the horizontal axis) and the average country-level health or education expenditure (shown on the vertical axis)⁸. As expected, both figures show that the majority of countries have very low levels of oil and gas income, and only few countries – Saudi Arabia, Oman, the United Arab Emirates, Kuwait and Qatar – have a large amount of natural resources. Those figures lead us to argue that the total oil and gas wealth does not affect social spending, and therefore, the rentier argument does not apply when analysing variation in the level of public spending on the health and education sectors across authoritarian regimes. Yet, there are some theoretical and empirical considerations that need to be addressed.

First, the distribution of oil and gas production is positively skewed; only few countries have high levels of oil or gas income per capita, and the majority of them do not change. This translates to very low variation in the level of oil and gas production. Second, some scholars show that oil wealth has different effects on autocratic endurance and regime stability, and we should distinguish between short-term (change in oil wealth) and long-term (level of oil wealth) effects (M. Ross 2015). In light of these considerations, it is reasonable to assume that it is not the level of oil and gas production that affects public spending, but changes in oil and gas production.

⁸ Data refer to the period from 1995 to 2014.

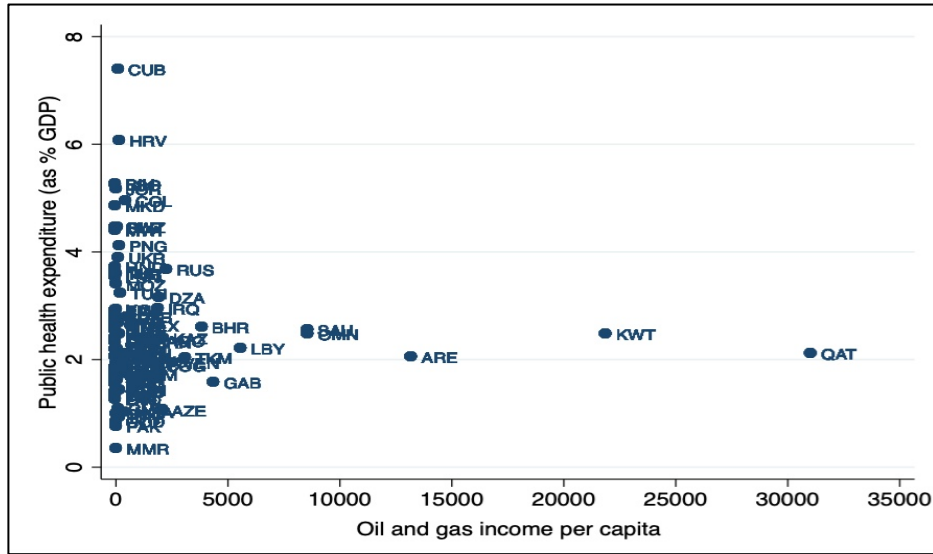


Figure 3.5 Level of oil and gas income per capita and public health expenditure, average (1995–2014)
Source: QoG (2018)

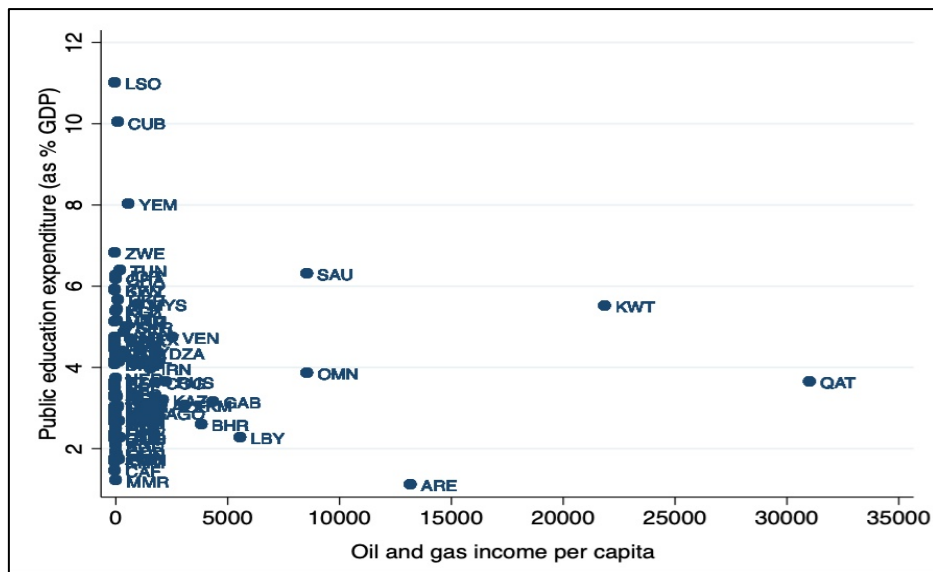


Figure 3.6 Level of oil and gas income per capita and public education expenditure, average (1995–2014)
Source: QoG (2018)

Figures 3.7 and 3.8 show the previous relationship based on changes in oil and gas wealth per capita rather than the level of wealth. As we can see, both figures show that there is almost no effect of changes in oil and gas production on the levels of health and education expenditure. Figure 3.7 shows a slightly positive relationship between oil and gas changes

health expenditure is influenced by natural resource abundance. Figure 3.8 suggests that there is no rentier effect on education expenditure, and therefore the level of education expenditure does not depend on changes in oil and gas production.

Overall, while the rentier state theory argues that resource-rich economies have higher levels of public spending, both Figures 3.7 and 3.8 suggest that changes in natural resource production do not influence public spending on the health and education sectors in authoritarian regimes. Following this evidence, I developed a second hypothesis:

H2: Oil and gas resources have no effect on health and education expenditure in authoritarian regimes, and changes in the production of natural resources do not affect social spending.

3.1.3. Globalisation: opportunity to expand or retrench?

The previous two hypotheses highlight the importance of the domestic structure of the economy. Yet, the allocation of public spending in a country's budget depends not only on its internal economic structure but also external factors. Both preliminary evidence in the previous sections and common wisdom demonstrate that global capital mobility and international market pressures shape policy decisions (Rudra and Haggard 2005; Swank 1998; 2002; Wibbels 2006).

As noted in the previous chapter, there are two schools of thought regarding the effect of globalisation on government size. The 'race to the bottom' hypothesis suggests that economic globalisation limits the expansion of welfare states and produces a convergence around minimalist welfare structures (Swank 2002). This logic implies a competition for the lowest distribution of social benefits. Conversely, the 'race to the top' argument posits that economic openness and international capital mobility increase the demand for public sector intervention and that governments use social policies to compensate their citizens for the emergence of new, externally induced economic and social risks. Although there is no agreement on the direction the effect of globalisation on government size, in light of previous empirical evidence, there are valid reasons to

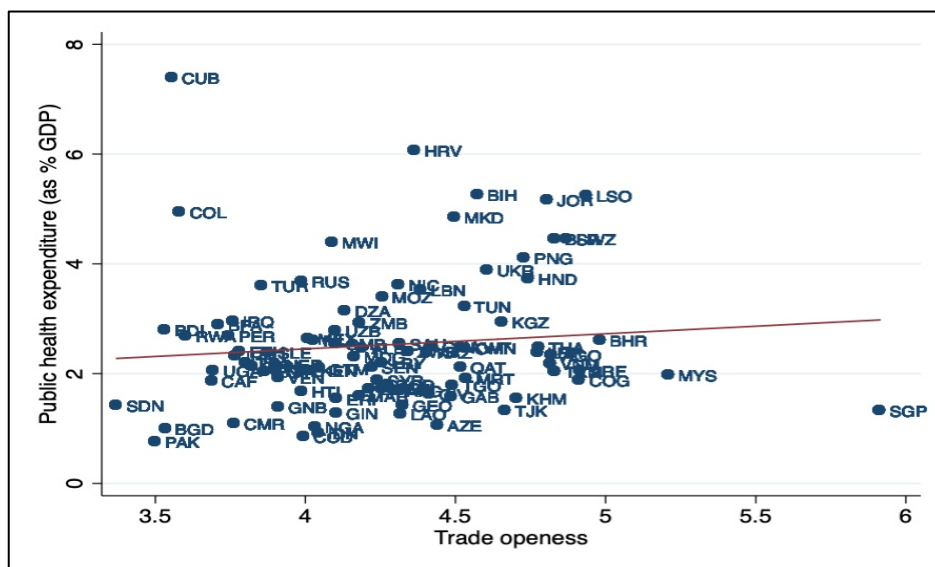


Figure 3.9 Trade openness and level of health expenditure as a percentage of GDP, average (1995–2014)
Source: QoG (2018)

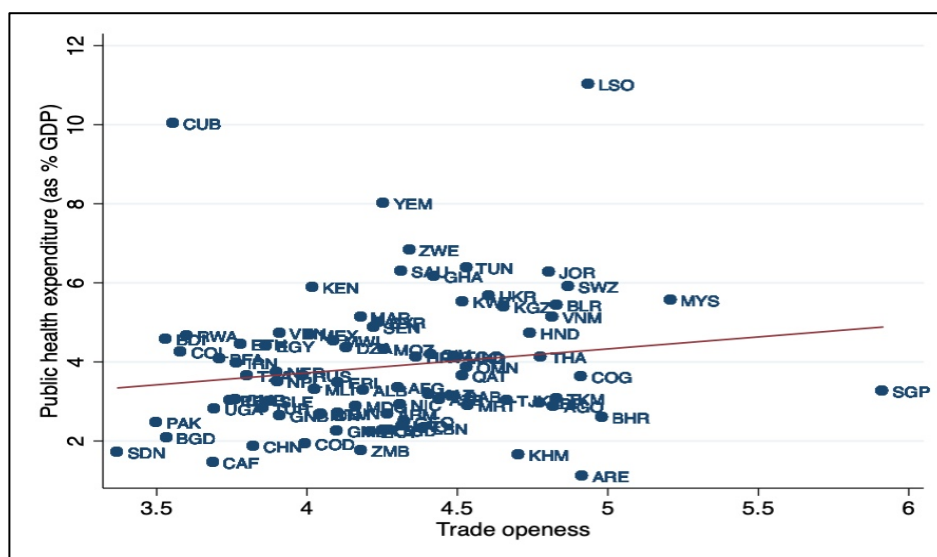


Figure 3.10 Trade openness and level of education expenditure as a percentage of GDP, average (1995–2014)
Source: QoG (2018)

believe that globalisation may influence the relationship between economic growth and social spending. Additionally, scholars also demonstrate that economic openness is an important factor that should be taken into account while studying policy decisions (Mosley 2005; Rodrik 1998).

Figures 3.9 and 3.10 plot changes in the level of public spending for health and education on the vertical axis and log levels of trade openness on the horizontal axis. Similar to the oil and gas income per capita, I use the change of trade openness to illustrate this relationship as the majority of dictatorships are economically closed. Both figures suggest that there is a positive relationship between economic openness and social spending. That is, countries with higher levels of trade openness are correlated with higher levels of social spending⁹. This preliminary evidence supports the compensation argument and therefore leads to the formulation of the following hypothesis:

H3: There is a positive relationship between public expenditure in health and education and economic openness in authoritarian regimes. Thus, positive changes in trade openness are associated with positive levels of public health and education spending.

3.2. Political Determinants

So far, I have discussed whether globalisation and economic performance have direct and indirect effects on public health and education expenditure in authoritarian regimes. Yet, some scholars contend that an increase in the amount of resources at the government's disposal due to better economic performance does not necessarily translate into more public spending since political factors mediate the effect of economic performance on policy decisions (Esping-Andersen 1990; Myles and Quadagno 2002).

Hence, in this second part of the chapter, I elaborate on three sets of hypothesis that pinpoint the political determinants of social expenditure. First, I take into account the level of institutionalisation across non-democratic regimes. As shown in the introduction, non-democratic regimes differ greatly in terms of the presence of elections and the extent

⁹ The case of Singapore is an outlier and may mislead the interpretation of the relationship between health and education spending with trade openness. As it can be seen, Singapore has the most opened economy among all the authoritarian regimes, yet it does not display significantly high levels of social spending compared to other autocracies.

of party competition within the country. A recent strand in the literature on authoritarian regimes highlights the role of institutions in shaping policy decisions (Gandhi 2003; 2008b; 2008a; Pepinsky 2014). Based on similar assumptions, I hypothesise that different levels of institutionalisation influence decisions on social spending. A second political variable of interest is governments' political ideology. As many studies in the welfare state literature demonstrates, political ideology is crucial for understanding the variation in social spending across countries (Cameron 1978; Huber, Ragin, and Stephens 1993; van Kersberg 1995; Korpi 1985; Stephens 1979; Wilensky 2002). Based on these contributions and initial evidence, I hypothesise that those factors influence policy decisions in authoritarian contexts. Finally, while the first two political variables capture the supply side of state intervention into social sectors, the last hypothesis sheds light on the demand side of state intervention and, more specifically, on the strength of the opposition groups.

Similar to the previous section, this part of the chapter is organised in a cumulative way. First, I briefly present the contributions from the literature, discuss their applicability to authoritarian contexts and then present preliminary evidence that leads to the formulation of the hypotheses.

3.2.1. The Level of Institutionalisation and the Size of the Winning Coalition

Autocrats do not govern in isolation and only with repressive tools. As for democratic regimes, leaders in authoritarian regimes need political support to secure their position in power (Geddes 1999). To acquire political support, autocrats can use either military power and repression, which is usually costly and not always effective (Wintrobe 1998), or provide policy concessions to their citizens (Gandhi and Przeworski 2007). Policy concessions, however, require a place where citizens' preferences are revealed. By establishing institutions such as *elections* and *legislatures*, autocratic leaders allow opposition groups to enter the political arena, and they create a locus where autocrats gain information about citizens' preferences (Gandhi and Przeworski 2007). Thus, according to Gandhi (2008b), more institutionalised regimes should provide more policy

concessions. Following this logic, in her work, Gandhi (2008b) tests whether elections and legislatures influence patterns of social spending across all authoritarian regimes from 1972 to 2002. However, she finds no statistical evidence on the effect of elections on public social spending. As the author herself argues, no empirical evidence is due to the lack of data on social expenditures, which reduces the sample size to about 17% as well as the use of an aggregate dependent variable that does not disentangle the dynamics of public spending for each of the sectors (i.e. education, health and pension). Despite the lack of evidence, other scholars demonstrate that autocrats are not immune to institutions when it comes to social policy decisions. Cassani and Carbone (2015), for instance, demonstrate that more competitive autocracies – defined as authoritarian regimes where there are limited forms of political participation – in Africa tend to outperform less competitive regimes in terms of welfare development and social spending. Another study worth of notice is the book of Bueno de Mesquita (2003), in which he demonstrates that institutions for selecting leaders and the distribution of power among various actors influence leaders' incentive to promote different types of policy. Regarding social expenditure, he argues that the size of the winning coalition affects the leader's decision to spend on public versus private sectors. That is, regimes with a large coalition size commit more resources to education and health than small-coalition governments. Following a similar logic, in his recently published book, Eibl (2020) posits that social spending in authoritarian regimes is affected by the size of the coalition in power. That is, regimes that rely on the support of broader coalitions tend to shield their population from social spending cuts. He also demonstrates that this behaviour is more accentuated in authoritarian regimes where networks of patronage and distribution are more institutionalised.

In line with these contributions, I expect that both formal and informal institutions would affect the decisions regarding public expenditure in authoritarian regimes. On one hand, formal institutions allow different groups to participate to the decision-making process and provide a channel for citizens to voice their demands for more social benefits, while the size of the winning coalition determines the leader's incentive to distribute public goods to members outside of the ruling coalition. Overall, then, there are two aspects that should be taken into account: the level of institutionalisation and the size of the winning coalition.

	Level of Institutionalisation	
Type and Size of Winning Coalition	Electoral Competition	Party Competition
Family	Traditional Monarchy	
	Electoral Monarchy	No-Party
		One-Party
		Limited-Multiparty
Military Groups	Traditional Military	
	Electoral Military	No-Party
		One-Party
		Limited-Multiparty
Citizens	Traditional Civilian	
	Electoral Civilian	One-Party

Table 2 Typology of authoritarian regimes

Table 2 illustrates a typology for authoritarian regimes according to (1) the type and size of the winning coalition, (2) the presence of elections and (3) the extent of party competition. Importantly, the theoretical underpinning of this classification is based on a three-step cumulative logic.

The first distinctive dimension takes into account the role of informal institutions, such as the *type and size of the ruling coalition* that supports the leader. Monarchs substantially rely on the support of family members and kin networks, which are very small in terms of size. Contemporary monarchies are particularly common in the Middle East and North Africa, where rulers bear the title of king or emir, such as in Saudi Arabia, Oman, Kuwait, Jordan, Qatar, Bahrain and Morocco. In military regimes, the leader is selected from the armed forces and he rules with the support of officials or members of the military council. Hence, the winning coalition from which he needs support is bigger than in monarchies. Today, those regimes are less common than monarchies, and most of

them are located in Africa, such as the Republic of Congo, the Democratic Republic of Congo, Eritrea, Guinea-Bissau and the Central African Republic. Importantly, there is no relationship between military regime type and military spending (Please refer to Figure A. 10 in the Appendix). Finally, civilian dictatorships are characterised by a larger winning coalition compared to both monarchies and military regimes. Here, the leader does not have a ready-made organisation on which he can rely, but he creates his own type of organisation, such as a political party, once in power. Today, civilian dictatorships are the most common type of autocracy in the world.

The second constitutive element of this typology is the presence of *elections*, which makes it possible to distinguish between traditional and electoral autocracies. This distinction is not new, and it has been widely used in the research on authoritarian regimes (Gandhi and Lust-Okar 2009; Schedler 2006). However, previous studies distinguish autocracies between closed and electoral regimes by combining elections and legislatures with party competition (Gandhi 2008b). The typology presented here distinguishes between traditional monarchy, military and civilian dictatorships and electoral ones, in which political power is transferred through elections. While traditional autocracies include regimes that differ in the type and size of the winning coalition, none have elections. Autocracies with elections include those in which there are *de jure* elections for the chief executive or for members of the legislature. Importantly, elections are not free and fair, as in the case of democracies, but they constitute a channel through which political power is legitimately transferred across members of the winning coalition. Traditional civilian dictatorships are extremely rare nowadays. This type of regime is a party-based autocracy that is ruled by one political party but does not have elections, such as the case of German Nazi Party from 1933 to 1945 and the Italian National Fascist Party from 1922 to 1943. Today, however, even North Korea, one of the most closed and repressive dictatorships in the world¹⁰, holds elections for its national legislature every four years.

The last constitutive element of this typology is the level of party competition. Electoral monarchies and military or civilian regimes differ in the extent to which the leader or the winning coalition allows internal political competition. In the case of *no-*

¹⁰ According to the Economist Intelligent Unit Report (2018) and Freedom House Report State of Democracy (2018).

party regimes, there are no political parties that are allowed to compete, and competition is allowed only among individual candidates. Importantly, this category is only valid for monarchies¹¹ and military regimes¹² because the distinctive characteristic of civilian dictatorships is the presence of a political organisation (i.e. political party) from which the leader is supported, and thus no-party civilian dictatorships do not exist theoretically. In a *one-party regimes*, all parties but one are forbidden (formally or de facto) from taking part in elections. A small number of non-party candidates may be allowed to take part and be elected, or there may be satellite parties that are autonomous in name but cannot take an independent position. As a consequence, there is a single party that dominates political competition in those regimes. The last type of electoral regime is *limited multiparty*. This type of regime has parliamentary or presidential elections in which (at least some) candidates are able to participate formally independently of the ruling regime. Yet, elections are rigged, and leaders may allow competition between no more than two parties, as in the case of Malaysia.

Overall, this typology builds on the work of Gandhi (2008b), Hadenius and Teorell (2007) and Wahman, Teorell and Hadenius (2013), though it is innovative in two ways. First, this approach is based on three elements that capture both formal and informal institutions. So far, previous classifications have focused on either the type of winning coalition and different segments of society from which autocrats need support (Geddes 1999; Geddes, Wright, and Frantz 2014) or on the type of institutions used to identify the head of the government (Cheibub, Gandhi, and Vreeland 2010; Gandhi 2008a). A third, more recent classification elaborated by Hadenius and Teorell (2007) and Wahman, Teorell, and Hadenius (2013) is closer to the type of classification I develop here, though it focuses on different modes of political power maintenance, and it does not take into account the type and size of the winning coalition. Second, this typology allows one to capture the extensive variation that exists across non-democratic regimes and that is not limited in space or time. As discussed in the introduction, before the third wave of democratization (Huntington 1991a), the number of electoral regimes was quite limited, and more non-electoral regimes were more common. This typology has the advantage of

¹¹ This is the case for Bahrain, Kuwait, Oman and Swaziland.

¹² This is the case of Uganda from 1995 to 2005.

		Level of Institutionalisation			
		Low	Medium Low	Medium High	High
Size of the Winning Coalition	Small	Traditional Monarchy	No-Party Monarchies	One-Party Monarchies	Limited-Multiparty Monarchies
	Medium	Traditional Military	No-Party Military	One-Party Military	Limited-Multiparty Military
	Big	Traditional Civilian	No-party Civilian	One-Party Civilian	Limited-Multiparty Civilian

Table 3 Typology of authoritarian regimes according to the level of institutionalisation and the size of the winning coalition

breaking down the distinction between closed and electoral autocracies and contemporaneously sheds light on the role of informal institutions (i.e. type and size of the winning coalition) in shaping policy decisions.

Having said so, it is possible to identify six different regime types according to the size of the winning coalition and the level of institutionalisation. Table 3 illustrates those representative cases. On the horizontal axis, there are different levels of institutionalisation (low, medium, high) while on the vertical axis, there are different sizes of the winning coalition (small, medium, big). The regime type with highest levels of institutionalisation and biggest coalition size is limited-multiparty civilian dictatorship, while traditional monarchy has the lowest levels of institutionalisation and the smallest group size. Military regimes have a bigger coalition size than monarchies, but smaller than civil dictatorships. Military juntas or councils are bigger than family networks but relatively smaller than parties. Moving along the horizontal axis, we have traditional, one-party and limited-multiparty regimes. Importantly, it should bear in mind that (1) no-party civilians do not exist in practice and (2) no-party monarchies and military regimes are a residual category of traditional autocracies.

Overall, I assume that differences in the size of the winning coalition and the level of institutionalisation would influence social spending. First, the size of the winning coalition creates different incentives for the leaders to provide policy concessions. A bigger winning coalition means that a large amount of people must be assuaged by the leader, and therefore, in governments with bigger winning coalitions, the leader would distribute more social benefits than when the winning coalition is smaller. Second, institutions provide opportunities for opposition groups to enter the political arena and consequently influence policy decisions. Hence, I assume that institutions would foster political participation and thus more institutionalised regimes would distribute more social benefits than less institutionalised regimes. This translates to different levels of public social spending across no-party, one-party and limited-multiparty regimes.

Following this line of reasoning, Figure 3.11 illustrates the average public spending in health and education for different sizes of the winning coalition. As discussed above, monarchies have the smallest ruling coalitions, while civilian dictatorships have the largest ones. As can be seen, the figure shows that monarchies tends to outspend military regimes in terms of both health and education, while civilian dictatorships have almost the same levels of health spending compared to monarchies. This preliminary evidence hints at the assumption that military regimes are the worst performers in terms of social spending, while monarchies and civilian autocracies tend to spend more in social sectors.

Figure 3.12 shows the level of institutionalisation that can be captured in four types of regimes: traditional, no-party, one-party and limited-multiparty regimes. As we can see, no-party and one-party regimes tend to outperform traditional regimes in terms of health and education expenditure. Interestingly, limited-multiparty regimes have lower levels of social spending compared to one-party and no-party regimes but higher levels compared to traditional regime types. This hints at the assumption that higher levels of institutionalisation reflect higher levels of social spending in authoritarian regimes.

Overall, there are two important assumptions that can be made. First, when accounting for the size of the winning coalition, military regimes report lower levels of public spending compared to all other types of autocracies, suggesting that those regimes may use instruments other than social policy to secure their position power (i.e. military

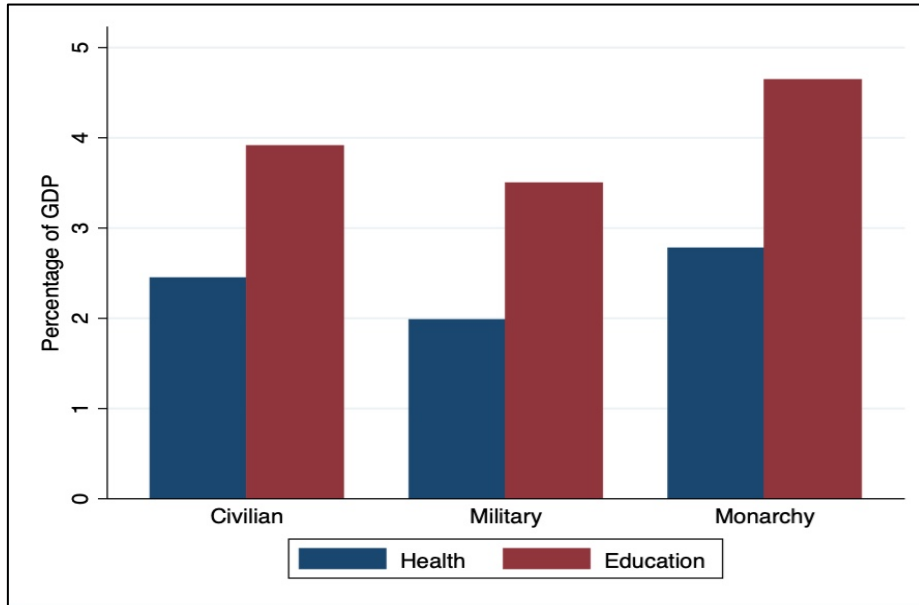


Figure 3.11 Health and education expenditure across different regime types (size of the winning coalition), average (1995–2014)
Source: Cheibub, Gandhi and Vreeland (2010)

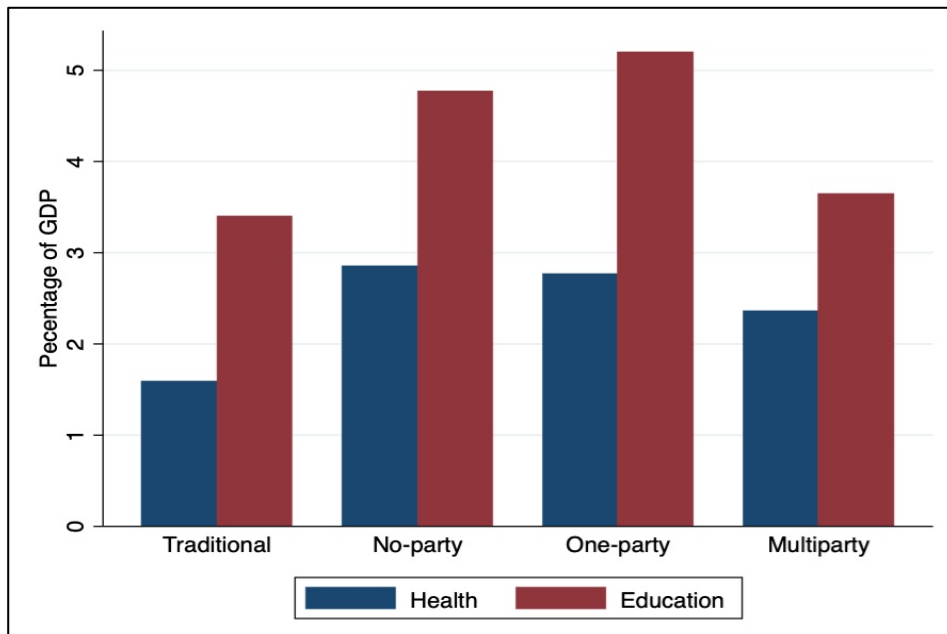


Figure 3.12 Health and education expenditure across different regime types (level of institutionalisation), average (1995–2014)
Source: QoG (2018)

spending). Second, the level of institutionalisation affects the level of social spending as more institutionalized regimes – no-party, one-party and limited-multiparty regimes – spend more than traditional autocracies. Yet, when it comes to party competition, one-party regimes spend much more than all other types of electoral regimes, such as no-party and limited-multiparty. This discussion led to the elaboration of the following hypotheses:

H4.a: Military regimes spend less than monarchies and civilian dictatorships.

H4.b: Authoritarian regimes with higher levels of institutionalisation have higher levels of public expenditure on health and education compared to traditional regime type.

H4.c: Among electoral regimes, one-party autocracies spend more than no-party and limited-multiparty regimes.

3.2.2. The Role of Political Ideology

Although most authoritarian regimes fit in one of the categories identified above, the need for political support and the subsequent decision on the level of social spending may be influenced by other political factors, such as the ideology used by the leader to legitimise his position in power. As we saw in the previous chapter, the literature on comparative social policy demonstrates that political ideology plays a pivotal role in shaping patterns of social spending in both developed and developing countries.

Those scholars argue that the distribution of power between left parties and labour organisations on one hand and central–right-wing parties and business groups on the other determine differences in the size and distribution of welfare states across countries (Huber, Ragin, and Stephens 1993; Korpi 1985; Stephens 1979; Huber and Stephens 2012). Intuitively, it is reasonable to consider variation in the political ideology as a key

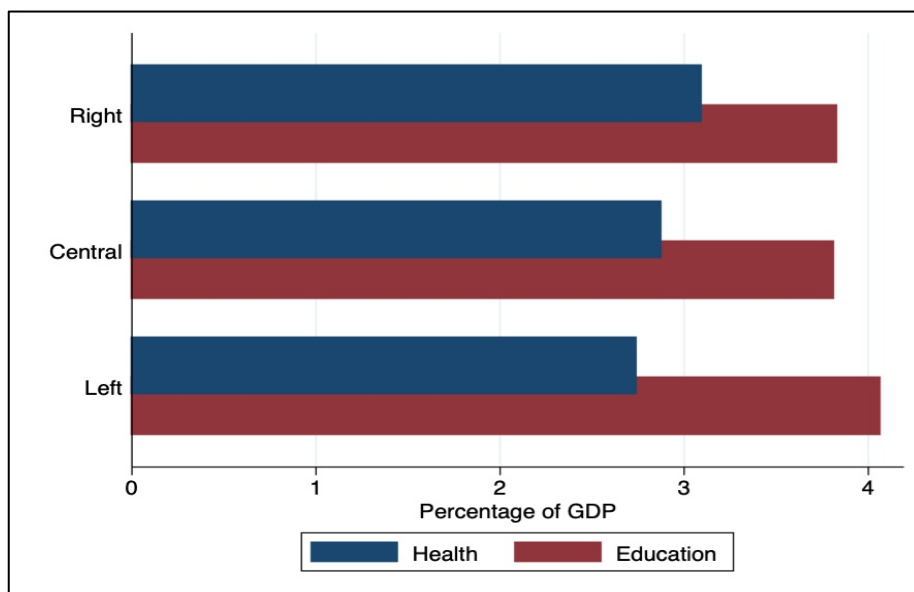


Figure 3.13 Political ideology and public health and education expenditure as percentage of GDP, average (1995–2014)
Source: QoG (2018)

factor when analysing policy decisions across non-democratic countries. The Cuban regime of Fidel Castro, for instance, is very different from regimes located in the Middle East and North African region, where leaders legitimise their positions and power using different political ideologies based on religious beliefs and economic performance (Dukalskis and Gerschewski 2017; Gerschewski 2013). Following this line of reasoning, I should expect autocracies with a left-wing ideology to adopt different types of policies compared to right-wing autocracies.

Figure 3.13 shows the amount of public spending on health and education in regimes with different types of ideologies. Here, ideology is defined according to the largest governmental party’s orientation¹³, which is divided into three groups: right-wing, left-wing and central orientations. This figure shows differences in the health and education sectors across different orientations. Right-wing governments tend to spend more on health compared to other regimes, while left-wing governments spend much more on education. Interestingly, regimes with central ideology also have relatively high

¹³ See Dahlberg et al. (2018).

levels of public spending on education compared to central and right-wing regimes. Overall, the assumptions of the power-resource theory seem to not be entirely supported. Based on this evidence, the fifth hypothesis was developed:

H5: Right-wing autocracies spend more on health than central and left-wing autocracies. Left-wing autocracies spend more on education compared to central and right-wing autocracies.

3.2.3. The Strength of Opposition Groups

So far, I have focused on the supply side of public spending and the determinants that drive autocrats' policy decisions, such as formal and informal institutions and political ideologies. In the last section of this chapter, I want to shed light on the demand side of public spending and, more specifically, on the role of opposition groups, defined as all groups that are outside of the government, in the autocratic policy-making process.

For many years, scholars contributing to the literature on authoritarian regimes have contended that political power in those regimes is strongly centralised in the hands of a leader, which consequently constrains opposition groups' access to the policy process (Fearon 1994; Lake 1992). Autocrats often suppress other groups' voices in order to eliminate dissent and reduce the probability of being overthrown. Based on this assumption, some scholars argue that opposition and interest groups in non-democratic regimes have only a marginal role in the policy process because they are not independent (Hrebendar, McBeth, and Morgan 2008) and are mostly co-opted by the ruler (Albrecht 2005; Hasmath and Hsu 2016).

Yet, other scholars demonstrate there are some groups that manage to gain access and influence the policy process despite the closed and hierarchical political context of authoritarian regimes. For instance, Steinberg and Shih (2012) provide evidence that interest groups in China strategically influenced policy decisions in the tradable industry to keep the exchange rate undervalued between 2003 and 2006. Similarly, Teets (2017)

demonstrates that strong policy networks in China successfully influence elites' conception of policy problems and the range of policy solutions. Those single-case studies demonstrate that autocracies are not immune to groups' pressure and that stronger groups may influence policy decisions. However, to what extent can the strength of opposition groups affect social spending decisions?

In previous chapters I have assumed that autocrats use public spending as a way to secure their position in power. Stronger opposition groups, however, may challenge the stability of the regime. Though, the success of a rebellion depends on the organisation of the opposition as well as on the ability of the autocrat to repress dissent (Gandhi and Przeworski 2007). The stronger the opposition, the higher the probability of overthrowing the leader. As a consequence, autocrats who face stronger opposition groups have more incentives to distribute public goods than those in which opposition groups are weaker. In empirical terms, however, it is very difficult to measure the actual strength of opposition groups in authoritarian regimes, as data on those groups are extremely difficult to collect. Hence, I use the *number of years of democratic experience* as a proxy for the strength of opposition groups. Regimes that have undergone a period of democratisation face a higher threat to autocratic stability, as some segments of society are already organised and capable of using pre-existing structures. Under these circumstances, banning existing parties is a more difficult task than simply not allowing new parties to form. As a result, rulers who inherit a democratic legacy may be unable to prevent opposition even when it is weak.

Figure 3.14 illustrates patterns of public expenditure on health and education based on the number of years that a country was classified as democratic according to Wahman, Teorell and Hadenius's (2013) classification. The histogram shows that while health expenditure seems to be unaffected by the years of democratic experience, education spending decreases for countries with two to seven years of democracy but subsequently increases. Overall, it seems that the years of democratic experience do not reflect a clear pattern on health and education spending in authoritarian regimes. Following this evidence, I hypothesise the following:

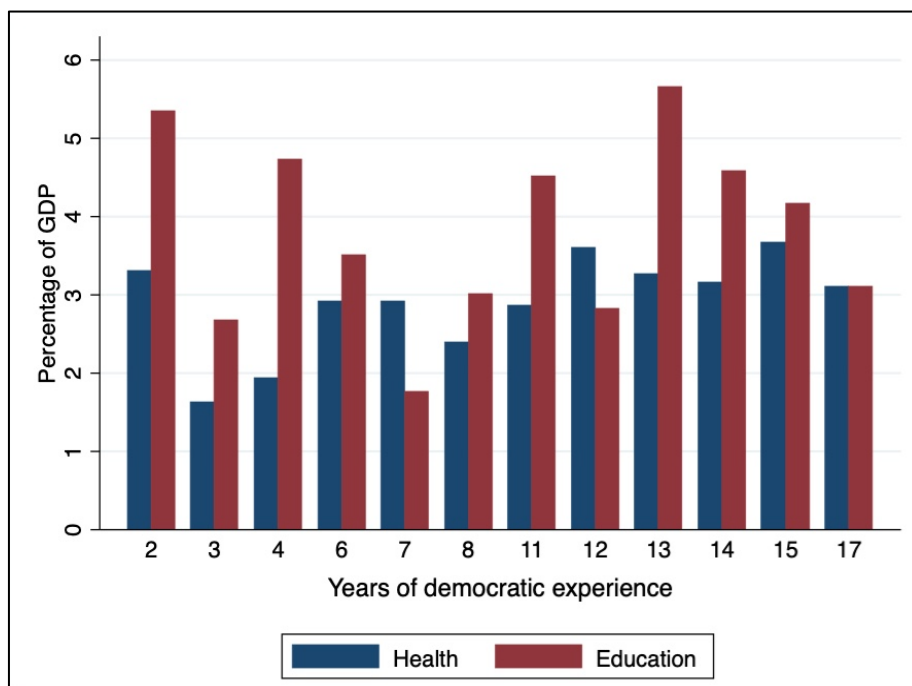


Figure 3.14 Years of democratic experience and public health and education expenditure as a percentage of GDP, average (1995–2014)
Source: QoG (2018)

H6: The strength of opposition groups does not affect government decisions on public expenditure in authoritarian regimes. In particular, regimes that have undergone a period of democratisation do not differ from long-lived autocratic regimes in terms of public spending in health and education.

3.3. Concluding remarks

In this chapter, I elaborate on a new, inclusive approach for studying patterns of social expenditure in authoritarian regimes. To this end, I argue that economic performance determines the pool of resources from which autocrats can tap into but it does not always translate into policy decisions. Instead, economic structure, coalition size and the level of institutionalisation affect the need for autocrats to distribute resources. The assumption underlying the theoretical framework is that autocrats do not live in isolation; like

democratic leaders, they need to acquire political support from either members of the ruling coalition or actors outside of the political arena. They use public expenditure in social sectors such as health and education as an instrument to acquire political support and secure their position and power.

This chapter is divided into two parts. In the first part, I hypothesise that economic conditions determine the pool of goods that autocrats can tap into and distribute to their citizens. Surprisingly, preliminary evidence suggests that economic performance, expressed in terms of GDP growth, is negatively associated with public expenditure in health and education, while GDP per capita predicts positive patterns of public spending in both sectors. Yet, the preliminary evidence also shows that there might be other factors, such as natural resources and economic openness, that influence this relationship. In light of the rentier state theory, I hypothesise that changes in oil and gas production do not have any effects on the levels of health and education expenditure. Finally, while discussing the effect of globalisation on social spending, I argue that countries that open up their economies tend to compensate their citizens for the loss of competitiveness by distributing more public goods.

In the second part of the chapter, I take into account both political and institutional factors that may affect policy decisions. More specifically, I look at the level of institutionalisation based on the presence of elections and the extent of party competition and the type and size of the winning coalition. After elaborating on a typology for authoritarian regimes, I hypothesise that more institutionalised regimes tend to distribute more than less institutionalised ones. Regarding the role of political ideology, I assume that left-wing governments tend to spend more on education than other autocracies, while right-wing autocracies spend more on the health sector. Finally, I consider the strength of opposition groups and their role in influencing policy decisions. To account for this factor and due to the lack of other potential indicators, I use the number of years of democratic experience as proxy for opposition strength. Theoretical reasoning would assume that periods of democracy enhance the strength of opposition groups, as the cost for the leader to remove such groups is higher than in regimes that never experience democracy. However, based on the preliminary evidence, I hypothesise the strength of opposition groups does not influence public spending in either the healthcare or education sector.

The purpose of this chapter is to lay down theoretical foundations that guide the empirical analysis presented in the next chapter. To do so, I build on previous research on social policy in developing countries and combine it with initial evidence of the dynamics of social spending in authoritarian regimes to develop an inclusive and comprehensive approach to the study of social policy in non-democratic contexts.

Chapter Four

Determinants of Health and Education Spending in Authoritarian Regimes: A Time-Series-Cross-Sectional Analysis (1995-2014)

Political scientists have enjoyed increasing success in extracting information from numerical data. Thanks to the work of political methodologists in the last decade or two, we have imported and adapted statistical approaches from other disciplines, created new models from scratch, and applied these models in every empirical subfield
(Beck and Katz 2011)

This chapter presents the empirical analysis for the determinants of public spending in health and education across authoritarian regimes. The chapter is divided in six sections. The first one presents the data and more specifically, how the dataset has been created. The second section discusses dependent, independent and control variables that are included in the empirical analysis and displays the descriptive statistics for the variables of interest. In the third section, I present the analytical technique and discuss model specifications used to assess the hypothesized effect of the covariates on the dependent variables. In this section I also discuss the missing values problem for education expenditure and a method that deals with missingness in time-series-cross-sectional (TSCS) data. Finally, the last section discusses the results of the analysis. The chapter ends with a summary of the empirical evidence drawn from the models and a discussion on further analysing on social spending in non-democratic regimes.

4.1 Dataset

One of the reasons why social policy analysis in authoritarian regimes is still sketchy is linked to the difficulties in collecting data and the lack of a recent fine-grained dataset on social policy in those regimes (Forrat 2005). Over the years however, many scholars have successfully attempted to collect those data and creates more extensive datasets. Among others, Przeworski et al. (2000) developed a dataset that includes data on health spending for 141 countries between 1950 and 1990. Similarly, Bueno de Mesquita (2003) created a global sample on health and education spending in all countries from 1960 to 1999. More recently, Haggard and Kaufman (2008) and Segura-Ubiergo (2001) developed a dataset for both democratic and authoritarian regimes in Latin America and East Asia. A more recent and inclusive dataset for authoritarian regimes was developed by Jennifer Gandhi in 2008. She used the Government Financial Statistics of the International Monetary Fund (IGFS) to collect data on central government expenditures in autocracies from 1946 to 2002. Although this dataset is very informative, the data for public education, health and social security are marginal. The sample size for those indicators in fact, includes less than 700 country-years observations. More recently, Eibl (2020) and Richter and Viola (2010) developed the Global State Revenues and Expenditures (GSRE) dataset which includes data on state budget for 150 countries between 1946 to 2006. Yet, when it comes to expenditure in health, education and social protection the overall sample size shrinks to less than 500 country-year observations for authoritarian regimes.

To overcome the lack of data, I have spent the last three years to collect data and develop a new and more recent dataset that includes 1860 observations ($N \times T$) for public expenditure in health and education for ninety-three authoritarian regimes (N) between 1995 and 2014 (T). This period has been selected for two reasons. First, with the advent of the third wave of democratization (Huntington 1991a), we witness an increasing number of countries shifting from dictatorships to democracy. In the same time, the third wave of democratization brought about the emerge of a new type of authoritarian regime: electoral autocracies (Schedler 2006) or competitive authoritarianism (Levitsky and Way 2002, 2010). Starting from 1990s, many autocrats in fact, began to establish nominally democratic institutions such as elections and legislatures. Therefore, this period allows to control for variation in the institutional settings across authoritarian regimes. The second reason is that it is the longest time-span and the most recent period for which data are

available. Data on public health expenditure for non-democratic regimes are missing before 1995 while data on public education expenditures are more limited after 2014 (Dahlberg et al. 2018) .

For what concerns the unit of analysis, the dataset includes ninety-three countries that have been classified as non-democratic regimes according to Hadenius and Teorell (2007) regime type classification. There is a twofold explanation for this decision. First, it is a theoretical choice. The literature on authoritarianism provides many typologies of authoritarian regimes (Cheibub, Gandhi, and Vreeland 2010; Gandhi 2008b; Geddes, Wright, and Frantz 2014). Yet, in their classification, Hadenius and Teorell (2007) theorizes autocracy and democracy as two faces of the same coin. That is, they employ a quantitative threshold based on a continuous measure from democracy to autocracy. I believe that by looking at democracy and autocracy not as two distinctive categories but as two ends of the same continuum, I would be able to better analyse within-regime variations. The second reason is methodological. Hadenius and Teorell (2007) classification combines both formal and informal institutions. Their classification builds up on different modes for autocrats to maintaining political power and shed lights on the institutional settings across non-democratic regimes. One of the hypotheses that I have elaborated in the previous chapter assumes that the level of institutionalization conceptualized according to the presence of electoral institutions and party competition influences social spending (H4). Therefore, Hadenius and Teorell (2007) typology provides better indicators to capture the hypothesized effect.

The countries in the sample are located in five different geographical areas: Eastern Europe and post-Soviet Union, Latin America, Middle-East and North Africa, Sub-Saharan Africa and East Asia and the Pacific (see Table A.3 in the Appendix). The data matrix includes only countries that have been authoritarian for more than three consecutive years because (1) countries that have been autocratic for a shorter period are commonly classified as semi-democracy rather than fully authoritarian regimes (Knutsen and Nygård 2015) and (2) those countries have a democratic legacy which could affect the analysis of the determinants of social spending in non-democratic contexts.

Finally, the dataset excludes countries with a population lower than 1million as small-size countries are outliers in terms of population and could influence the estimation

Variables	Description	Total Observations	Hypothesized Effect(s) ^a
Dependent Variables			
Public Health Expenditure	Total government spending on health as a % of GDP.	1837	
Public Education Expenditure	Total government spending on education as a % of GDP.	946 ^b	
Independent Variables			
<i>Economic Factors</i>			
Economic Performance	GDP growth rate (%).	1756	- / -
Economic Performance	GDP per capita in constant 2010 US dollars	1816	+ / +
Rentier Effect	Total amount of oil and gas production in 2014 US Dollar	1860	= / = ^c
Trade	Sum of exports and imports of goods and services measured as a share of gross domestic product.	1785	+ / +
<i>Political Factors</i>			
Size of the winning coalition	Monarchy, Military, Civilian regimes	1860	+ / +
Level of institutionalization	Traditional, No-party One-party regime, Limited-Multiparty	1855	+ / +
Ideology	Largest Party Government Orientation	1659	+ / + ^d
Democratic experience	Years for which a country has been democratic	1860	= / =
Control Variables			
Repressive Authoritarianism	Military Expenditure as % of GDP	1620	- / -
Population size	% of population 14 and younger	1857	+ / +
- Under 14	% of population aged 65 and older	1857	+ / =
- Above 64			
Ethnic Fractionalization	Index of ethnic Fractionalization	1837	- / -

Table 4 Description of the Variables and Hypothesized Effects
Source: Quality of Government (2018)

Note: ^a The first sign refers to hypothesized effect on health spending while the second sign refers to the hypothesized effect on education spending; ^b It refers to the panel sample size before multiple imputation; ^c The 'equal' sign refers to no effect on either health or education expenditure ^d The hypothesized effect is that right-wing spend more in health while left-wing more in education;

of the coefficients¹⁴. From a theoretical point of view, it is also misguided comparing China, the most populated country in the world¹⁵, with countries that have less than 1 million inhabitants.

4.2 Description of the Variables

Table 4 summarizes the measures for dependent and independent variables as well as the hypothesized effects of each of the covariates. The first group of variables shown in the table includes the dependent variables – public expenditure in health and education as a percentage of GDP – while the second group refers to the economic factors such as GDP growth, GDP per capita, oil and gas income per capita and trade openness. The third group instead, includes indicators accounting for the political dimension. More specifically, it refers to the size of the winning coalition and the level of institutionalization according to the presence of elections and the extent of party competition, the political ideology of the regime and democratic experience. In the following paragraphs I will also shed light on the importance of control variables that could influence the relationship between dependent and independent variables.

Dependent Variables

Measures for the dependent variables are the total level of public expenditure in health and education as a percentage of GDP. Data for both variables come from the Worldwide Governance indicators dataset (2017)¹⁶. *Public health expenditure* includes of all current and capital spending from both central and local government budgets. It also includes external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds

¹⁴ For this reasons I exclude countries such as Antigua and Barbuda, Bhutan, Brunei, Comoros, Djibouti, Equatorial Guinea, Fiji, Maldives, Seychelles, Solomon Islands, Suriname, Tonga. In addition, Taiwan is also excluded as there are not data on the population size.

¹⁵ See UN Database (2018) <https://www.un.org/en/databases/>

¹⁶ Please, find here the link to the dataset <http://info.worldbank.org/governance/wgi/#home>

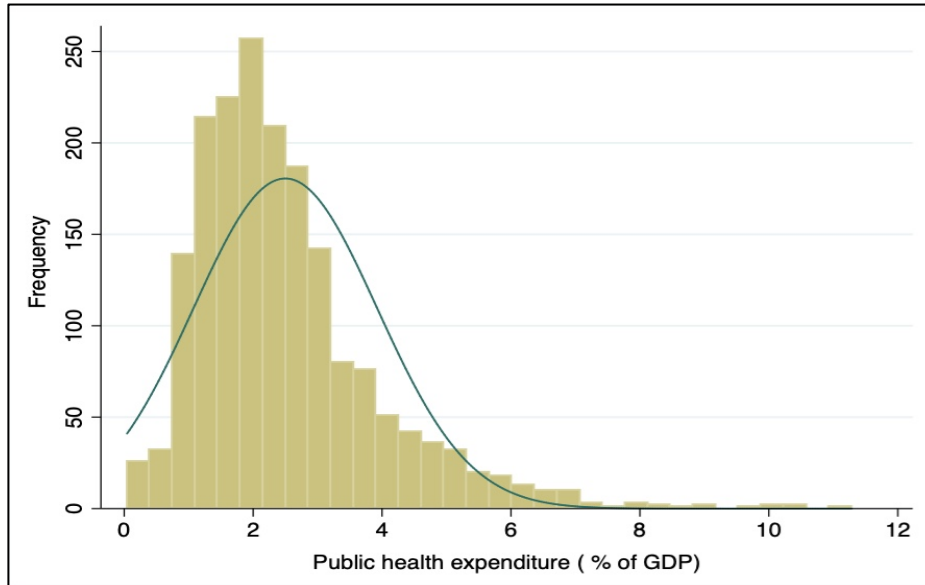


Figure 4.1 Distribution of public health expenditure as a percentage of GDP (1995- 2014)
 Source: Quality of Government Dataset (QoG) 2018

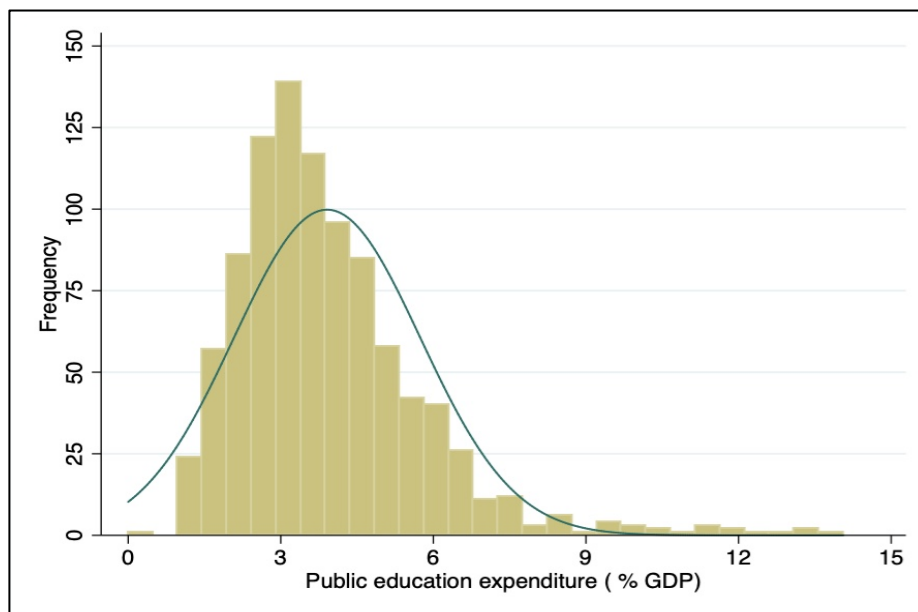


Figure 4.2 Figure 1 Distribution of public education expenditure as a percentage of GDP (1995-2014)
 Source: Quality of Government Dataset (QoG) 2018

(Dahlberg et al. 2018). Unfortunately, no data is available for regional-level spending. *Public education expenditure* instead, includes current and capital spending from the general government budget. General government refers to central, regional and local

governments (Dahlberg et al. 2018). Additionally, it includes expenditures that are funded by transfers from international sources and used by the government to finance educational services.

The choice of those two indicators has a twofold motivation. The first motivation is entirely theoretical. The research question that animates this dissertation is ‘what are the determinants of social spending in authoritarian regimes?’. Thus, I adopt an inductive research strategy based on empirical observations about different trends in social spending across authoritarian regimes to build up a new approach which would explain these patterns. Second, although some scholars criticize public expenditure to be “epiphenomenal to the theoretical substance of welfare states... as it is difficult to imagine anyone struggling for spending per se” (Esping-Andersen 1990), this is not the case in authoritarian regimes. By allocating social benefits to some sectors, dictators enhance the support of those groups that benefit from the resource allocation. For instance, different levels of spending in education show different needs for the autocrats to acquire support from young population. Therefore, social spending is a good indicator to how autocrats allocate their resources. Moreover, there is a very long tradition of studies in the comparative social policy research that investigates the determinants of social spending in developing economies and which argue that social spending gives a good picture of the dynamics of policy decisions in those contexts (Martín-Mayoral and Sastre 2017).

Figure 4.1 and 4.2 show the distributions of both public health and education expenditure as a percentage of GDP over country-years observations. As we can see, both distributions are positively skewed suggesting that we have only few observations of high levels of public expenditure in both health and education. Values for health spending range between 0 and 11.5 percent of GDP. Countries with the lowest levels of health expenditures are the Democratic Republic of Congo, Myanmar, Indonesia and Pakistan whereas countries with the highest levels of health expenditures are Cuba, Lesotho, Bosnia Herzegovina, Jordan and Croatia. In the case of education spending instead, the top-five are Cuba, Lesotho, Tunisia, Ukraine and Swaziland while the lowest-five countries are Zambia, Cambodia, Bangladesh and Chad.

Independent Variables

The second and third groups account for both economic and political factors that shape policy decisions in social sectors. Among others, GDP growth rate (%) and GDP per capita relate to the economic performance of the countries. GDP growth rate refers to the year-on-year changes in the overall amount of goods and services produced in a country to the same country. GDP per capita instead, refers to gross domestic product divided by midyear population. Data for the GDP per capita are expressed in constant 2010 US dollars as it allows to compare levels of GDP per capita across countries. Both of them are continuous variables. Data on GDP growth are taken from the World Economic Outlook (WEO) database (2017) while data for GDP per capita come from the World Bank dataset (2017). Among other economic factors, the rentier effect is computed by adding overall levels of oil and gas production in a country. Data on oil and gas production are collected from Michael Ross and Mahdavi Oil and Gas dataset (2015)¹⁷. Finally, trade openness is operationalized as the sum of exports and imports of goods and services measured as a share of GDP. Data for this indicator are retrieved from the World Bank dataset (2017). Both trade and rentier variables are continuous variables.

Based on the theoretical expectations elaborated in the previous chapter, I expect that political factors such as the size of the winning coalition, the presence of elections, the extent of party-competition, political ideology and opposition strength would also account for patterns of social spending. The first group of political factors refer to the size of the winning coalition which I operationalized according to Cheibub, Gandhi, and Vreeland (2010) typology. They authors in fact, classify autocracies in military, civilian and royal. The dataset though ends in 2008 and thus, I collect information about political and institutional changes in those regimes to continue their classification until 2014. The necessary information about those regimes are collected from the V-Dem (2019) dataset and cross-check with data on political regime from the QoG dataset (2018). The second cluster of political factors are operationalised using different types of authoritarian regimes. To this end, I recode Hadenius and Teorell (2007) and Wahman, Teorell, and Hadenius (2013) typologies in four autocratic regime type according to which I expect

¹⁷ Please, find here the link to the dataset
<https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/ZTPW0Y>

different levels of institutionalization. Ideology is defined as the party's government orientation along the left-right dimension with respect to economic policy. However, in the case of traditional monarchy and traditional military, ideology accounts for the political orientation of the group in charge. This variable is a categorical variable equals 1 if largest government parties are either conservative or Christian democratic or right-wing, 2 if largest government parties defined as liberal and centrist (i.e. those government parties that advocate for strengthening private enterprises and liberal reforms) 3 if largest government parties are communist, socialist or social-democratic and 0 for all those cases that do not fit in the previous categories as the party orientation is not on economic issues but on other topics (i.e. religion). Data for political ideology are collected from the Inter-American Development Bank's database of political institutions (DPI) (2015)¹⁸. Finally, I use a proxy for the strength of opposition groups that reflects the sum of years for which a country has remained democratic. This variable is a discrete variable that ranges between 0 and 17.

Overall, the total number of the observations for all independent variables is sufficiently high not to worry about panel sample size and potential problems in the estimation of the parameters. Yet, ideology reports slightly lower number of observations. Data for political ideology on authoritarian regimes are very difficult to collect. In order to increase the sample size I attempted to merge data on political ideology from other sources such as Varieties of Democracies (V-DEM) dataset (2019) and Cheibub, Gandhi, and Vreeland's (2010) dataset. However, in the case of V-DEM, ideology (*v2exl_legitideolcr*) is expressed in terms of claims used by the leader to legitimize their position in power. As the scope of this dissertation is not to shed lights on variations in legitimation claims, this indicator does not seem appropriate. Regarding Cheibub, Gandhi, and Vreeland's (2010) dataset instead, data for ideology cover only half of the time-span under investigation as it ends in 2008. Having said so therefore, the DPI indicator on political ideology seem to be the most appropriate.

¹⁸ Please, find here the link to the dataset <https://mydata.iadb.org/Reform-Modernization-of-the-State/Database>

Control variables

In addition to the above-mentioned variables, it is highly reasonable to assume that the relationship between dependent and independent variables is influenced by other factors. In particular, I assume that military expenditure, ethnic fractionalization and population size would mitigate the effects of the covariates on the dependent variables.

Some scholars argue that the extent to which an authoritarian regime is repressive affects social policy decisions. While analysing trajectories of social spending in Latin America between 1970 and 2000, Huber, Mustillo, and Stephens (2008) find evidence that most repressive authoritarian regimes - in terms of human rights violations - tend to keep public spending in health and education quite low compared to less repressive regimes. According to the authors, highly repressive regimes are interested in suppressing potential mobilization of lower classes and blue-collar unions which are usually the beneficiaries of public health and education services. Similarly, Pribble (2011) argues that most repressive authoritarian regimes in Latin America from 1990s to early 2000s have lower levels of coverage in both risk prevention policies –policies that seeks to prevent social risks via investment in human capital – and risk coping programs – policies that address risk through subsidies and direct intervention. That being said, it is reasonable to expect that military spending would negatively influence the level of social spending across authoritarian regimes. For this reason, I include a continuous variable that accounts for the level of military expenditure as a percentage of GDP. Data are collected from the SIPRI Arms Transfers Database (2018)¹⁹ and include all current and capital expenditures on armed forces, defence ministries and paramilitary forces.

Many scholars however, pinpoint to the importance of ethnic fractionalization in affecting social policy both directly and indirectly. First, ethnic homogeneity is associated with higher degrees of trade union organization (Huber and Stephens 2001) which reflects larger and stronger opposition groups. In the case of ethnically divided societies, opposition groups tend to be segmented and thus, have lower probability to access and influence policy decisions. Second, Easterly et al. (2003) demonstrate that ethnic and linguistic fractionalization variables are very likely to determine both economic success in terms of GDP growth and measures of welfare and policy quality. In light of these

¹⁹ Please, find here the link to the dataset <https://www.sipri.org/databases>

contributions, I expect that more ethnically divided society would spend less in social provision as members of the ruling coalition belong to the dominant ethnic group. To this end, I include a variable for ethnic fractionalization which captures differences in racial and linguistic characteristics within a country's population. The variable is continuous but bounded between 0 and 1.

Finally, I include two control variables for the amount of population. In particular, I add a percentage for the amount of population that is 65 years and older on the total population and the percentage of the total population which is under 14 years old. It is in fact, mostly likely that an older population would positively affect the demand for health services while a younger population would shape demand for education expenditure (Huber, Mustillo, and Stephens 2008).

4.3 Estimation Technique

There has been an intense debate about the appropriate model and estimation technique to analyse time-series cross sectional (TSCS) for many years on. TSCS data consist of "repeated observations (often annual) on the same fixed political units (usually countries or states)" (Beck 2001). In TSCS data the number of units is fixed and all inferences of interest are condition on the observed units (Beck 2001). The advantage of using TSCS data is that it combines the possibility to study inter-unit differences (cross-sectional analysis) with intra-unit dynamics (time-series analysis). A very common and widely used technique in comparative social policy research is to model TSCS data using pooled ordinary least squares (OLS) regressions. OLS however, produces unbiased and efficient estimators if the error process meets the Gauss-Markov assumptions. That is, errors in all regressions should be independent and identically distributed across all units (Raffalovich and Chung 2014). Those conditions however, are most of the time violated in TSCS data (Janoski and Hicks 1994) and thus, the literature points to three problems that should be addressed when using pooled OLS regressions for TSCS data.

The first issue relates to the temporal dynamics in the error term. OLS would produce unbiased but inefficient estimates if there is serial correlation in the error terms. Serial correlation refers to the correlation of the errors for one country with previous

errors of the same country. Granger and Newbold (1974) demonstrate that if we don't take into account the autocorrelation structure of the errors from the regression equations, we may end up with a model that produces spurious correlation. (Beck and Katz 1995) suggest two specifications to handle the temporal dynamic process in TSCS data: control for serial correlation by either modelling on a first-order autoregressive (AR1) process or adding the lagged dependent on the right-side of the equation (LDV). Both specifications are two cases of a more general Autoregressive Distributive Lag model (ARDL) which has been widely used in the literature on social policy (Avelino, Brown, and Hunter 2005; Kaufman and Segura-Ubiergo 2001; Martín-Mayoral and Sastre 2017; Wibbels 2006).

Both the second and the third issues instead, deal with problems of cross-sectional variability. More specifically, the second problem refers to the contemporaneous correlation of the errors across units. That is, the error term for one country may be correlated with the errors for other countries at the same point in time. Contemporaneous correlation is very common in TSCS data and is usually caused by the presence of time-invariant unit characteristics. To avoid this problem, Beck and Katz (1995) propose to combine ARDL with a panel-corrected standard errors (PCSE) specification when using pooled OLS regressions. The authors however, also posit that PCSE specification leads to unbiased estimators in the case of panel heteroskedasticity - different variance in the error term across units. In fact, they argue that PCSE produce efficient estimators when unit-specific effects are deterministic and they are not correlated with the lagged dependent variable. In other words, PCSE produces efficient estimators when units and contemporaneous heteroskedasticity stay the same over time.

4.4 Model Specifications

The model specifications discussed in this section refer to the elaboration of the appropriate model to analyse both political and economic determinants of public health and education expenditure. In doing so, I build on Beck and Katz (1995, 2011) approach and consider the implications of using models in level or in change. In attrition, extensive attention is devoted to model the temporal dimension and serial correlation in the data at

hand. Finally, I address problems of missingness in education expenditure and develop a multiple imputation technique to deal with such issue.

Dependent Variable: Levels vs Change

In addition to the above-mentioned econometrics problems of serial and spatial correlation and panel heteroskedasticity, the literature on social policy highlights another problem that needs to be addressed when using pooled time series analysis to estimate the effect of the determinants of social spending. Some scholars estimate models in differences by using change from year to year in social spending as dependent variable (Kaufman and Segura-Ubiergo 2001; Martín-Mayoral and Sastre 2017; Wibbels 2006) while others estimate models in levels (Avelino, Brown, and Hunter 2005; Huber, Mustillo, and Stephens 2008; Huber and Stephens 2001). As Martín-Mayoral and Sastre (2017) rightly put it, the difference between estimate models in levels or in change depends on both theoretical and methodological considerations that refer to (1) the research question (2) the expectations about the relationship between dependent and independent variables and (3) econometrics issues.

Regarding the first issue, the research question that animates this work is to investigate the determinants of long-term changes across countries. That is, why do some authoritarian regimes spend more on average in health and education than other non-democratic regimes? To this end then, the level of social spending seems to be a better indicator than yearly change data as the latter best captures short-term policy choice in social spending while models in levels provide a better picture of the long-term effect of the determinants of public social expenditure (Huber and Stephens 2001). Second, expectations about the relationship between independent and dependent variables point to levels rather than changes. As we have seen in the previous chapter, I hypothesized that all the economic variables – GDP growth, GDP per capita, oil and gas income per capita and trade openness – affect levels of public spending. Third, the decision between using models in level and change also depends on the existence of serial correlation in the error terms which may lead to underestimation of the standard errors. I discuss this point more in details in the next paragraph.

Time-series specification

There are several specification for time-series model and it important to adequately address them at the outset. The generic static specification for TSCS data is:

$$Y_{it} = X_{it} \beta + \varepsilon_{i,t}$$

Where Y_{it} is the dependent variable and X_{it} is the vector of all the covariates. This specification is static as changes in the covariates instantaneously affect the dependent variable with no delayed effect. However, as discussed above, serial correlation is very common in TSCS data and static models seldom match the reality. Beck and Katz (2011) suggest to use either a serially correlated error (SCE) model or a lagged dependent variable (LDV) approach to handle temporal dynamics in TSCS data. Serially correlated error model:

$$Y_{it} = X_{it} \beta + \rho Y_{i,t-1} + v_{i,t} + \varepsilon_{i,t}$$

assumes that the error term $v_{i,t} + \varepsilon_{i,t}$ follows a first-order autoregressive (AR1) process. Though similarly to the static model, the vector of the covariates X_{it} is supposed to have an immediate effect on Y . This model is useful when it is possible to assume that the effect of X is immediate as well as empirical evidence that there is an AR1 process in the error term. The lagged dependent variable (LDV) model instead, allows for more flexibility in the error term. In particular, the LDV model

$$Y_{it} = X_{it} \beta + \rho Y_{i,t-1} + \gamma X_{i,t-1} + \varepsilon_{i,t}$$

assumes that the effect of X decays geometrically over time although, it never completely disappears. Differently from a AR1 model then, the effect of the covariates in the LDV model is not immediate and remains over certain periods.

		χ^2 statistic	p-value
Health	No trend	197.92	0.261
	Trend	294.39	0.000
Education	No trend	115.94	0.057
	Trend	229.093	0.000

Table 5 Panel unit root for health and education expenditure
Source: Quality of Government Dataset (QoG) 2018

The difference between an AR1 model and a LDV model is almost negligible. In particular, Beck and Katz (2004, 17) argue that “there is literally no difference whether one uses the AR1 error model or the LDV model in terms of whether the model has a lagged dependent variable” because both of them have a lagged dependent variable on the right-side of the equation and correct for serial correlation in the error term. Yet, their work has sparked some discussion on the use of the lagged dependent variable in TSCS models. Achon (2000) for instance, demonstrates that if there is a trend in the data, the use of a lagged dependent variable suppresses the explanatory power of other covariates. Similarly, Huber, Mustillo, and Stephens (2008) suggest to use a first-order autoregressive model (AR1) since it already corrects for serial correlation in the error process.

In light of these considerations, I conduct a Im–Pesaran–Shin panel unit root test on my data to check whether there is serial correlation in the error terms. I chose this test as it accounts for different autoregressive processes across the units. Table 4 reports the findings for various specifications of the test. As we can see, when time trend is included, the *p-value* for both health and education is essentially zero and thus, it is possible to reject the null hypothesis that all series have a unit root. The conclusions from the test specifications suggest that the series are trend stationary and an autoregressive process of order 1 in the error term (AR1).

The Model

Following the methodological considerations discussed above, the model presented here is based on pooled OLS regressions correcting for first-order autoregressive process – the

value of Y at time t depends on the values of Y at time $t-1$ – and panel-corrected standard error estimates. In addition, as the augmented Im–Pesaran–Shin panel unit root test detects a time-trend in both health and education, I include time dummies for lustrous periods such as 1995-2000, 2000-2005, 2005-2010, 2010-2014. Overall, the general version of the model can be specified as follows:

$$\Delta Y_{it} = D\alpha + t\theta + X_{it}\beta + Y_{i,t-1}\rho + \sum_{q=1}^q \varepsilon_{i,t-q}\rho_q + \varepsilon_{i,t}$$

where $\Delta Y_{i,t}$ is the dependent variable and refers to the difference between $Y_{i,t}$ and $Y_{i,t-1}$ where Y refers to either level of public expenditure in health or in education as a percentage of GDP in country i in time t . X_{it} is a vector of covariates for unit i in time t and β is the vector of parameters that apply to X_{it} . $D\alpha$ is a vector for country dummy variables (or fixed-effect) and $t\theta$ is the time trend which is captured by lustrous dummy variables. The stochastic component of the model distinguishes between two components: (1) $\sum \varepsilon_{i,t-q}\rho_q$: is the sum of unobserved factors specific for the unit i in time t and (2) $\varepsilon_{i,t}$ is the white-noise for the model and specific to the time point and unit. Finally, ρ_p is the autoregressive parameter that applies to the effect of the dependent variable Y_{it} .

In addition, I include country-fixed-effects in the model for two reasons. First, both the Hausman test which compares the fixed versus random effects models, and the Wald test show significance levels for country-fixed effects suggesting that this model should be preferred. Second, the inclusion of country-fixed effects allows us to control for potential omitted variable bias. In fact, when including country-fixed effects, I assume that there is some variation in the dependent variable that is not captured by the covariates and depends on the inner characteristics of the countries.

Overall, I develop two models that corrects for spatial correlation and contemporaneous correlation with panel-specific error correction (PCSE) estimates for the error term in each panel. Yet one model accounts for serial correlation by following an first-order autoregressive process (AR1) and panel-specific autocorrelation structure while a second model deals with serial correlation using the autoregressive distributive (ADL) approach and thus, including the lag of the dependent variables as a regressor. As

discussed above, the difference between these two models is almost neglectable as they both correct for serial correlation but they differ in the extent to which the effect of the covariates on the dependent variable changes over time. In both models, I include country-dummies to control for omitted time-invariant variables and lustrous-dummies to account for the time-trend.

Robustness check

To check for robustness in the results, I develop additional models based on OLS-regressions with *fixed-effects* and *robust-cluster estimators for standard errors*. Fixed-effects in particular, control for unobserved characteristics of the countries that are assumed to be time-invariant while robust-cluster variance estimators deals with panel heteroskedasticity and serial correlation in the error term. More specifically, robust-cluster estimators is a variant of the *Eicker-Huber-White* estimator which controls for heteroskedasticity in the standard error and remains valid also in the presence of serial correlations of the error terms within unit (Roger 1993). Though, while robust-cluster estimators are valid to control for *within* country variation, they provide biased coefficients in the case of correlation in the error terms *between* units. Yet lustrous-dummies and fixed-effects help to deal with such problem. In particular, fixed-effects control for potential omitted variable bias and country-specific factors while time-dummies deal with the effect of the covariates on dependent variables in all units at the same point in time. Estimators for fixed-effects models with robust-cluster standard error are summarized in Table 7 and 8.

Overall, the robust-cluster OLS estimators do not provide different results. All variables of interests show the same effects as in the case of PCSE estimators but there are only some changes in the levels of significance across the variables. For instance, estimated coefficients for GDP per capita, GDP growth and oil and gas production per capita are always significant together with estimates for one-party. Interestingly, results for political ideology differ suggesting that central-wing autocracies have higher levels of education spending compared to other regimes. Though, once accounted for fixed-effects, this coefficient is not statistically significant. Therefore, it is possible to conclude

that both OLS robust-cluster estimators and PCSE estimators do not differ in their results once accounted for fixed-effects and time-effects.

4.5 Dealing with the Missing Values Problem: Multiple Imputation Technique

Before proceeding with empirical analysis, there are some problems that should be carefully addressed. First, despite the effort of having a complete dataset, there are some countries that have no data on either health or education expenditure such as North Korea and Somalia and which are therefore, excluded from the panel sample size. Second, the time-series for health and education expenditure varies very much in terms of missingness. While the time-series for public health expenditure has only 23 missing values (1.24 % of the total panel sample size)²⁰, the time-series for public education expenditure presents more than 45 % of missing (see Table 6).

Missing values are a recurrent issue in large-N studies on comparative research but they should be address accordingly. Scholars identify two problems associated with missingness (Little and Rubin 2002; Luengo, Sáez, and Herrera 2012). First, missing values reduce the overall sample size and produce a loss of valuable information for the variables of interest. Second, missing values may lead to severe selection bias and overestimations of the parameters. Many scholars in fact, point out to the effect of missing values on their contributions' empirical evidence (Rodrik 1998; M. Ross 2006; Timmons 2005). One way to deal with missing values is listwise deletion which consist in deleting all the observations for which there are missing values. According to King et al. (2001), listwise deletion is a preferable technique of dealing with missingness if 1) the analysis model a linear relationship between X and Y 2) there are no variables in the dataset that could be used to collect information about missing values 3) missingness of covariates in the analysis model is not a function of dependent variable and 4) the number of observations that are left after listwise deletion should be so large that the loss of

²⁰ Missing values refers to five countries: Afghanistan (1995-2001), Iraq (1995- 2002), Liberia (1995- 1997) and Zimbabwe (1995-1999).

	Total number of countries	Total Missing Values	Total Obs	Percentage of Missing
Health Expenditure	93	23	1860	1.24
Education Expenditure	93	914	1860	49.14
Education expenditure (with listwise deletion)	87 ^a	0	946	0
Education expenditure (with multiple imputation)	60 ^b	0	1200	0

Table 6 Patterns of missing data for public health and education expenditure

Source: Author's elaboration from the Quality of Government Dataset (QoG) 2018

Note: ^aThe panel sample includes also one country-year observation in education expenditure

^bThe sample includes only countries with more than 7 obs in education expenditure.

efficiency from listwise deletion does not create biases induced by other conditions (i.e. loss of information for other covariates).

First, I assume that there is a linear relationship between Y - public education expenditures - and some of the covariates in the model ²¹ and the third condition is not a concern in my data as some missing values follow a pattern of missing completely at random (MCAR). There are six countries for which there is no data for the entire time period of investigation²², five countries for which there is one country-year observation²³ and three countries for which there are only two country-year observations²⁴. For this reason, those countries are excluded from the panel sample when analysing patterns of education expenditure. Conditions two and four should be taken into account seriously. For what concerns condition two – availability of variables to collect information for imputing missing values – it is reasonable to believe that the dataset includes some variables that can be used to collect such information. As King et al. (2001) suggest, most datasets in political science have already information about patterns of missing values. Following this logic, I find that data on private education spending, health expenditures

²¹ Please, refer to the next sections where I discuss model specifications

²² Those countries are Bosnia Herzegovina, Haiti, Iraq, Nigeria, Papua New Guinea and Uzbekistan.

²³ Those countries are Algeria, Libya, Myanmar, Turkmenistan and United Arab Emirates.

²⁴ Those countries are Democratic Republic of Congo, Honduras and Liberia

and population size are correlated with patterns of education expenditure and therefore, can be used to collect information about such variable²⁵. Regarding the four condition instead, Table 6 summarizes the number of countries and the total amount of country-year observations for education expenditure in the case of listwise deletion. As we can see the number of countries drops from 93 to 79. In addition, the overall sample size shrinks from 1860 observations to less than 950 observations leading to a loss of valuable information for other covariates (49% of missingness) . Hence, since conditions two and four are not met, listwise deletion does not seem to be the appropriate technique to model missing values in my dataset.

King et al. (2001) propose a different approach to deal with missing data problems and which builds on the concept of multiple imputations. This approach has been extensively used by social scientists dealing with missingness in time-series cross-sectional (TSCS) data (Manly and Wells 2015; Penn 2007; Schenker et al. 2006; Stasavage 2005). The overall logic behind multiple imputation technique is to extract information from the already observed variable in the dataset via a statistical model and then, impute the missing values based on the information extracted. According to King et al. (2001), the most important assumption in order to use multiple imputation is that missing values should be missing completely at random (MCAR). This means that patterns of missingness should be uncorrelated with all the other variables in the model and therefore, missing is purely at random (King et al. 2001). After a careful analysis on patterns of missingness in my data, I argue that those patterns follow a MCAR process as missing values do not depend on none of the variables of interest²⁶ (Please refer to Table A.3 and A.4 in Appendix for a graphical representation of the distribution of the missing values across regime types and regions).

Honaker and King (2010) suggest a two-step approach to multiple imputation. First, they suggest to impute m values for each missing items and create M completed datasets. In order to do so, a fundamental assumption is that variables are jointly multivariate

²⁵ Those variable that refer to education spending in the private sector (wdi_expedus; wdi_expedut) and health expenditure (wdi_exph, wdi_exphpu) and population size (unna_pop, wdi_pop14 wdi_pop1564) from QoG Dataset

²⁶ Countries excluded from the imputation as missing values are more than half of the time period: Bosnia and Herzegovina, Haiti, Iraq, Nigeria, Papua New Guinea, Uzbekistan, Algeria, Libya, Myanmar, Turkmenistan, United Arab Emirates, Democratic Republic of Congo, Honduras, Liberia

normal²⁷ and therefore, missing values can be imputed linearly on any of the variables that are in the dataset and are correlated with the missing values of the variable of interest. This procedure produces M imputed dataset which give measures of the central tendency of the missing cases and the uncertainty about them. The second step consists in running a statistical method that we would use in case of no missing values on each of the M imputed dataset. To this end, they advise to use a predictive model that is based on the expectation maximization (EM) method and which simulates random draws of coefficient estimates ($\hat{\theta}_m$) and variance-covariance matrix $V(\hat{\theta}_m)$ on posterior distribution for each model M . Finally, they suggest to combine all M simulated parameters into one single matrix. In order to make things easier, they elaborated a software package called Amelia II which allows to combine the second step in one single syntax for the R statistical software²⁸. This procedure has the advantage to deal with 1) dataset where missing values are endemic (i.e. countries do not collect information because it is costly) 2) missingness problems in the data structures that differ very much from the overall sample population (i.e. exclusion of some countries from the analysis though countries that they are classified as autocracies). Overall then, according to Honaker and King (2010), using multiple imputation with a predictive model based on EM algorithm would produce more accurate imputations, increase the efficiency of the estimators and reduce bias.

Built on this logic, I adopt a similar approach to overcome the problem of missing values for public education expenditure. The first step is to impute the missing values for the dependent variable by using multivariate normal regression on other observed variables that provide information about patterns of missingness. Following this logic, I use all the variables in my dataset²⁹ to create m imputation ($m=914$) and twenty-five new imputed datasets ($M=25$)³⁰. Collectively, those dataset give measures of the central

²⁷ Although variables are not perfectly normally distributed, the authors argue that ‘if there exists information in the observed data that can be used to predict missing data, multiple imputation from this normal model will always dominate current practice’

²⁸ This package has been elaborated for the R statistical software. Yet, the authors have subsequently elaborated a script for the STATA statistical software as well (see <https://gking.harvard.edu/amelia>)

²⁹ Honaker and King (2010) suggest to use all the variable in the dataset to maximize the information in the dataset and compute more reliable estimations for the MI values. Also, EM algorithm takes more information from the variables that are more correlated with the variable of interest than from the less correlated ones.

³⁰ There is not a rule of thumb for the right amount of imputation that should be conducted. Though, Honaker and King (2010) demonstrate that already 5 or 10 imputed dataset provide unbiased and efficient estimations for the missing values.

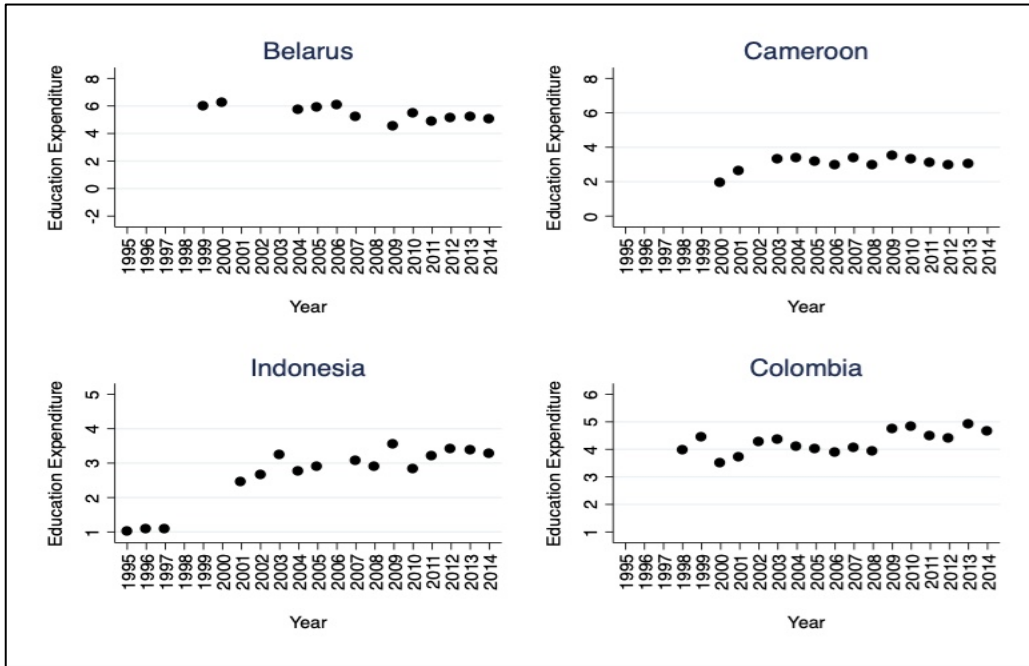


Figure 4.3 Public education expenditure in the case of listwise deletion
Source: Quality of Government (QoG) Dataset 2018

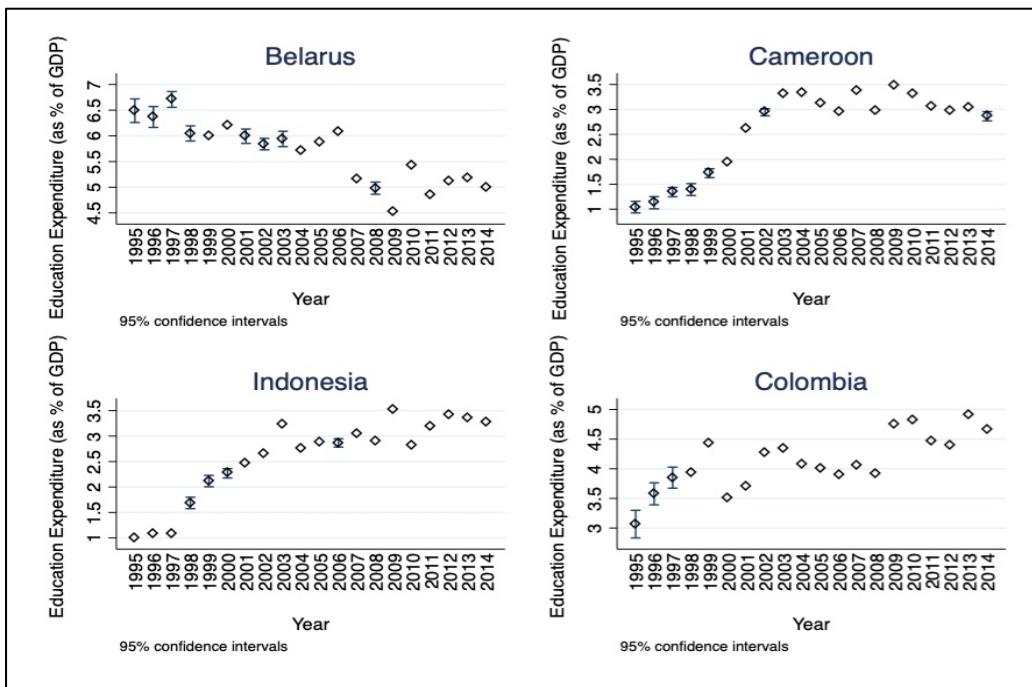


Figure 4.4 Public education expenditure with mean imputed values
Source: Quality of Government (QoG) Dataset 2018

tendency of the missing cases and the uncertainty about them. Subsequently, I run the regression on each of the imputed dataset M to compute estimates of the variables of interest.

Importantly, the number of observations for each country should be higher than the number of parameters used for imputation and therefore, I have to drop all countries that report less than 7 observations for the variable of interest. Finally, I simulate random draw the coefficients and standard errors for each of the M analysis and I combine the results into the points estimates for the parameter of the statistical model.

Figure 4.3 and 4.4 provide a descriptive evidence of the difference between listwise deletion and multiple imputation data in four countries. Fig. 10 shows the level of public education expenditure in Belarus, Cameroon, Indonesia and Colombia in the case of listwise deletion. As we can see, there are several missing values in each country. However, we can see that there is a clear pattern in each of the country of interest. It thus, seems reasonable to assume that values for public education expenditure do not vary from one year to another but there is a trend in the time series. Figure 11 shows the imputed values for the same countries. The rhombus sets the mean imputation value while the bar shows the confidence intervals at level 95% from each imputed value. Both figure shows how confidence intervals capture 95% of the correct points estimates for the dependent variable. It is important to bear in mind that, when using the approach proposed by Honaker and King (2010), we impute missing values conditional on the structure of the dataset and simulate random draw using a maximum likelihood estimation. Therefore, it is an iterative process that is very time consuming.

4.6 Empirical Analysis

Determinants of health expenditure

Table 7 reports the estimated coefficients for the levels of health expenditure in four models. Model 1 is the baseline model while Model 2 reports the estimated coefficients of OLS regressions with fixed-effects and robust-cluster estimators for standard errors. Model 3 and 4 instead, are the complete models as they estimate the coefficients using OLS regressions with AR1 specification and PCSE estimation technique.

<i>Explanatory Variables</i>	OLS	FE	PCSE	PCSE (LDV)
	Model (1)	Model (2)	Model (3)	Model (4)
Health expenditure (t -1)				0.564*** (0.0603)
GDP growth	-0.0116*** (0.00409)	-0.0108*** (0.00414)	-0.00811** (0.00330)	-0.0102*** (0.00334)
Δ GDP p.c.	0.450* (0.771)	0.255** (0.911)	0.213*** (1.163)	0.340** (0.648)
Δ GDP p.c. ²	-0.0612* (0.0480)	-0.112* (0.0579)	-0.192*** (0.0729)	-0.0826** (0.0402)
Δ Oil and gas production p.c.	-0.0985*** (0.0323)	-0.0970*** (0.0349)	-0.128*** (0.0320)	-0.0837*** (0.0302)
Δ Trade Openness	0.229** (0.112)	0.128 (0.121)	0.175 (0.114)	0.115 (0.0913)
Size of the winning coalition				
Military	0.387 (0.125)	0.050 (0.284)	0.017 (0.145)	0.096 (0.156)
Civilian	0.297 (0.263)	0.468 (0.295)	0.313** (0.168)	0.391* (0.172)
Level of institutionalization				
No-party	0.0814 (0.176)	0.0756 (0.177)	0.195 (0.108)	0.0359 (0.111)
One-party	0.384*** (0.143)	0.400*** (0.146)	0.0316*** (0.0822)	0.392* (0.0740)
Limited-multiparty	0.0372 (0.0401)	0.0456 (0.0405)	0.0312 (0.0390)	0.0356 (0.0412)
Political Ideology				
Right	0.843* (0.0962)	0.882* (0.0984)	0.555* (0.0876)	0.813 (0.0594)
Centre	-0.291** (0.113)	-0.266** (0.116)	-0.213 (0.108)	-0.0115 (0.0726)
Left	0.0143 (0.0790)	0.0141 (0.0808)	0.0526 (0.0676)	0.0331 (0.0520)
Democratic experience	0.0540** (0.0226)		0.0825*** (0.279)	0.018** (0.134)
Δ Military expenditure	0.132*** (0.0495)	0.158*** (0.0514)	0.284*** (0.0530)	0.124*** (0.0433)
Population (65>)	0.0682* (0.0358)	0.108** (0.0509)	0.155*** (0.0566)	0.00872 (0.0368)
Ethnic Fractionalization	-0.0214 (0.570)		-0.598*** (0.924)	-0.930* (3.083)
Constant	-0.748** (1.186)	-1.39** (0.497)	-0.44** (1.765)	-0.279 (1.690)
Country-effects	No	Yes	Yes	Yes
Time-effects	No	No	Yes	Yes
Observations	1,443	1,443	1,443	1,443
Time-period	1995-2014	1995-2014	1995-2014	1995-2014
Number of countries	87	87	87	87

Table 7 Estimated error-correction model: determinants of health expenditure

Panel-corrected standard errors in parentheses with standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. Reference category for size of the winning coalition is *monarchy*; Reference category for level of institutionalization is

All the time-variant independent and control variables have been lagged by one year to avoid problems of endogeneity and spurious correlation. Model 3 and 4 controls for country-effects which, as discussed above, allow to control for potential omitted variable bias. Overall then, the results that are shown in Model 3 and 4 are more conservative but, at the same time, more accurate.

As we can see, all models report negative and statistically significant coefficients for GDP growth suggesting that countries with higher levels of GDP tend to spend less than countries with lower levels of GDP growth. Interestingly, GDP per capita is positive and statistically significant and therefore, positive changes in GDP per capita are correlated with positive changes in health expenditure. However, as hypothesized, the square term of GDP per capita is also statistically significant but negative. This suggests that the effect of GDP per capita is not linear and tend to be inverse for countries that have higher levels of economic performance. This results validates the hypothesis that GDP per capita is not linear correlated with health expenditure but the relationship follows an inverse U-shape curve.

The analysis also shows that natural resource abundance plays a rule in public health expenditure. In all models in fact, the coefficient is negative and statistically significant suggesting that rent-seeking autocracies spend less in health than resource-poor autocracies. In addition, contrary to what hypothesized, trade openness is positive and statistically significant only in Model 1 while there the estimated coefficients in other models although positive are not statistically significant.

Regarding the political factors, the type of the winning coalition weakly predicts patterns of health expenditure. More specifically, the coefficients for civilian dictatorships is positive and statistically significant in Model 3 and 4 suggesting that civilian dictatorships spend more in health than monarchies. Yet, H4.a. is only partially confirmed as there is a no difference in the level of health spending between monarchies and military regimes. Instead, results for the level of institutionalization show a specific patterns: estimated coefficients for one-party regimes are positive and statistically significant in all the four models. Additionally, results for political ideology corroborate the *H6*. Model 1, 2 and 3 in fact, show that right-wing autocracies spend more than all other autocracies in health sector though, the coefficient is not significant in Model 4.

Democratic experience is positive and significant in Model 1, 3 and 4 leading to the conclusion that more years of democracy are correlated with higher levels of health spending.

Interestingly, different from what hypothesized, changes in military spending are positive and statistically significant across all models suggesting that autocracies that spend more in military sector also spend more in healthcare compared to other autocracies. This may be explained by the fact that military expenditure does not only capture the level of repression within the country but also the amount of resources devoted to military actions. Countries such as Afghanistan, Syria, Rwanda Congo, Iraq, Bosnia and Herzegovina that have underwent to civil wars during the period under investigation, also report higher levels of social spending in healthcare sectors. Finally, as expected ethnic fractionalization is negative and statistically significant in Model 3. That is, more divided autocracies tend to spend less than more homogeneous societies. Finally, aged population is positive and statistically significant in Model 1, 2 and 3.

Overall then, Model 1 and 2 analyses the determinants of health expenditure using simple OLS regressions with (Model 2) and without fixed-effects (Model 1). Instead, Model 3 and 4 uses OLS regressions with PCSE estimation technique. Yet, Model 3 deals with serial correlation by employing a first-order autoregressive process (AR1) while Model 4 uses the lagged-dependent variable (LDV) approach. Those models are more conservative but, at the same time, more accurate than the other ones.

Determinants of education expenditure

Table 8 summaries the results for education expenditure using the multiple imputation technique as discussed above. The models are constructed following exactly the same logic as the previous ones. Overall, we see that the coefficient for the lagged dependent variable is positive and statistically significant in Model 4 suggesting that previous values of education expenditure are positively correlated with current values of education expenditure, as expected. Similar to health expenditure, GDP growth is negative and statistically significant all models while GDP per capita is positive and statistically significant while the square term of GDP per capita is negatively correlated with education expenditure.

<i>Explanatory Variables</i>	OLS	FE	PCSE (AR1)	PCSE (LDV)
	Model (1)	Model (2)	Model (3)	Model (4)
Education expenditure (t -1)				0.453*** (0.0995)
GDP growth	-0.0252*** (0.00715)	-0.0247*** (0.00720)	-0.0174*** (0.00580)	-0.0223*** (0.00535)
Δ GDP p.c.	0.972*** (1.502)	0.169*** (1.663)	0.280** (1.981)	0.613** (1.718)
Δ GDP p.c.2	-0.504*** (0.0942)	-0.585*** (0.103)	-0.289** (0.120)	-0.238** (0.103)
Δ Oil and gas production p.c.	-0.163** (0.0778)	-0.177* (0.0949)	-0.295*** (0.0713)	-0.218*** (0.0616)
Δ Trade Openness	0.245 (0.213)	0.0737 (0.229)	-0.151 (0.254)	-0.365 (0.204)
Size of the winning coalition				
Military	-0.745** (0.492)	-0.867** (0.639)	-0.660** (0.928)	-0.231** (0.860)
Civilian	-0.635 (0.710)	-0.575 (0.738)	-0.394 (0.969)	-0.00233 (0.889)
Level of institutionalization				
No-party	0.329 (0.430)	0.129 (0.427)	0.0493 (0.340)	0.0481 (0.430)
One-party	0.373** (0.310)	0.338* (0.322)	0.287** (0.260)	0.0842** (0.290)
Limited-multiparty	0.0944 (0.0694)	0.0397 (0.0706)	0.0275 (0.0675)	0.0211 (0.0761)
Political Ideology				
Right	-0.546*** (0.157)	-0.512*** (0.164)	-0.540*** (0.177)	-0.363*** (0.138)
Centre	-0.555* (0.241)	-0.723 (0.253)	-0.246 (0.220)	-0.246 (0.185)
Left	0.156* (0.181)	0.157* (0.189)	0.244** (0.170)	0.274* (0.177)
Democratic experience	0.00544 (0.0280)		0.017*** (0.303)	0.063*** (0.209)
Δ Military expenditure	0.276*** (0.0848)	0.352*** (0.0899)	0.559*** (0.106)	0.315*** (0.0788)
Population (<14)	-0.0428 (0.0467)	0.0653 (0.0795)	0.0701 (0.0703)	0.0362 (0.0550)
Ethnic Fractionalization	-0.328 (0.704)		-0.58*** (4.958)	-0.78*** (4.577)
Constant	0.0684 (0.915)	0.0459 (0.163)	0.392 (0.860)	0.172* (4.526)
Country-effects	No	Yes	Yes	Yes
Time-effects	No	No	Yes	Yes
Observations	987	987	987	956
Time-period	1995-2014	1995-2014	1995-2014	1995-2014
Number of countries	76	76	76	70

Table 8 Estimated error-correction model: determinants of education expenditure
Panel-corrected standard errors in parentheses with standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. Reference category for size of the winning coalition is *monarchy*; Reference category for level of institutionalization is *traditional regime*; Reference category for ideology is *no-ideology*.

This result supports the evidence that economic performance, expressed in terms of changes of GDP per capita, positively influenced education expenditure but its effects tend to dissipate over the long-run. As in the case of health expenditure, those estimated coefficients confirm a non-linear effects of GDP per capita on education expenditure.

Regarding political factors, estimated coefficients for military dictatorships are statistically significant and negative. Military regimes are in fact, correlated with lower levels of education expenditure compared to monarchies as well as civilian dictatorships who are negatively correlated with education expenditure but their coefficients are not significant. The level of institutionalization instead, is positive correlated with the level of spending in education as one-party and limited-multiparty regimes have higher levels of spending compared to traditional regime types. However, only estimated coefficients for one-party regimes are statistically significant.

Similar to the case of healthcare sector, political ideology does play a pivotal role in partially explaining patterns of education expenditure. In particular, right-wing governments are correlated to lower levels of education compared to other ideology-led governments. Finally, democratic experience is positive and significant in Model 1, 3 and 4. Similar to the case of healthcare sector, military spending is positively correlated with ethnic fractionalization is negatively correlated to the level of education expenditure.

4.7 Further Analysis

Economic variables

In light of such considerations, it is important to investigate the effect of GDP per capita on health and education expenditure. As we have seen in the previous chapter, it is highly reasonable to expect that the effect of GDP per capita on social spending is influenced by oil-wealth and trade-openness. Thus, a further analysis is conducted to assess whether GDP per capita has a non-linear effect on both health and education expenditure, once controlled for the level of oil and gas production.

Table 9 and 10 show the interaction effects between oil and gas production per capita and GDP per capita on health and education expenditure. As we can see from both

	Oil and Gas production p.c.	
	Low	High
GDP growth	-0.00 (0.00)	0.00 (0.00)
Δ GDP p.c.	0.63 (0.00)	2.00** (0.89)
Δ GDP p.c. ²	-0.01 (0.00)	-0.12** (0.05)
Observations	838	821
R-squared	0.67	0.84
Number of countries	55	51

Table 9 Effect on level of health expenditure: Interaction analysis of oil and gas production per capita and GDP per capita. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

	Oil and Gas production p.c.	
	Low	High
GDP growth	-0.00 (0.01)	-0.01 (0.01)
Δ GDP p.c.	6.36*** (1.37)	3.84** (1.75)
Δ GDP p.c. ²	-0.40*** (0.09)	-0.26** (0.11)
Observations	463	419
R-squared	0.94	0.93
Number of countries	50	44

Table 10 Effect on level of education expenditure: Interaction analysis of oil and gas production per capita and GDP per capita. Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

tables there are two conclusions that can be drawn. First, there is no effect of GDP per capita on health expenditure in the case of resource-poor countries while, it has a non-linear effect on resource-rich countries. In particular, positive changes in GDP per capita are associated with an increase in the level of health expenditure for oil-and-gas producing autocracies but such effect is lessened as over time. Second, there is a similar non-linear effect on education expenditure in both resource-poor and resource-rich countries suggesting that there is no difference in the effect of GDP per capita on

education expenditure across rentier and non-rentier states. Overall then, the effect of economic performance expressed in terms of GDP per capita on both health and education expenditure is not linear but such relation is expressed in a quadratic curve. Furthermore, effect of GDP per capita on education expenditure is similar in resource-rich autocracies and resource-poor autocracies but not in the case of health expenditure. A positive increase in GDP per capita is reflected in higher levels of spending in the short-run in rentier states but there is no effect on resource-poor autocracies.

Political variables

Figure 4.5 and 4.6 report the marginal effect of independent political and institutional variables on both health and education spending. Those coefficients are taken from the LDV model, as illustrated above in Table 7 and 8. Figure 4.5 shows that there is no effect of military regimes on health expenditure while civilian dictatorships have a positive effect on health expenditure. Surprisingly, the level of institutionalization only partially explains social spending. While more institutionalized regimes such as no-party, one-party and limited-multiparty regimes tend to spend more in healthcare compared to traditional types, limited-multiparty regimes spend less than regimes with lower levels of party competition such as one-party regimes. In particular, the effect of one-party regimes is positive and significant compared to all other regimes. Furthermore, there is a significant impact of democratic experience on health expenditure. That is, countries that have undergone through a process of democratisation differ from long-living autocracies in terms of health and education expenditure. Finally, as hypothesized, right-wing political ideology has a positive marginal effect on health expenditure while left-wing regimes tend to spend more in education sector.

Figure 4.6 shows the marginal effects of the same variables for the levels of education expenditure. Differently from health sector, the size of the winning coalition has a negative effect on education expenditure. Military and civilian dictators in fact, have a negative impact on education spending. Instead, as noted before, the level of institutionalization influences education spending. Both one-party regimes and limited-multiparty have a positive marginal effect on education expenditure. In addition, as

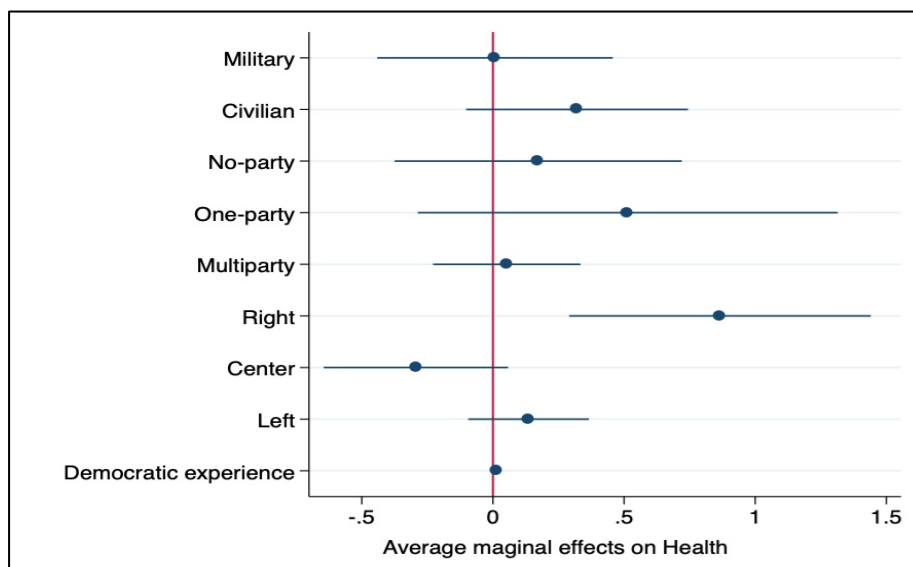


Figure 4.5 Average marginal effects of political determinants on health expenditure

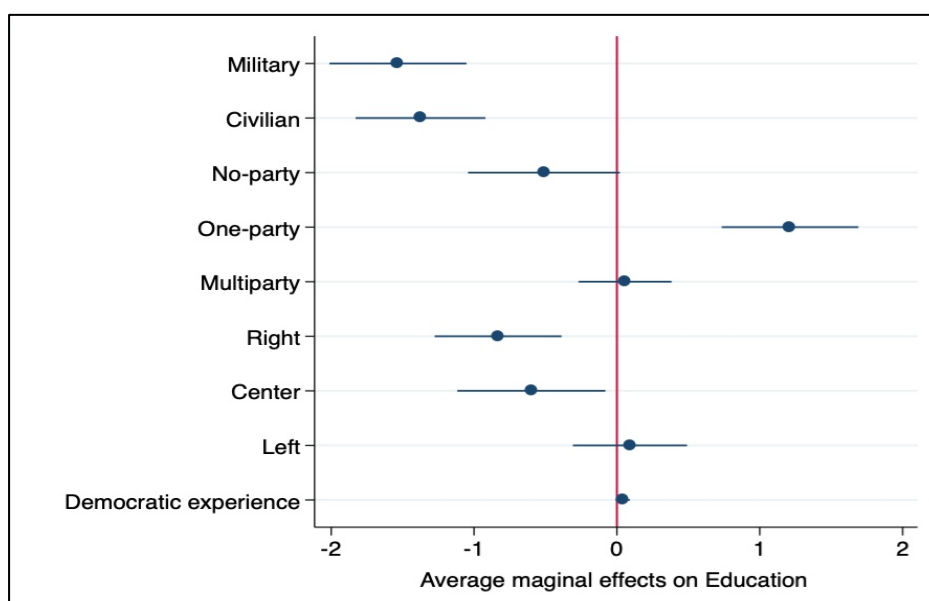


Figure 4.6 Marginal effect of political and institutional variables on education expenditure

hypothesized, left-wing governments spend more than right-wing governments since their effect on education expenditure is positive while the effect for right-wing government is the opposite. Finally, as for health expenditure, there is a weak positive effect of democratic experience on education expenditure.

4.8 Discussion

Overall this chapter tests whether hypothesized effect of political and economic factors influence patterns of social spending in authoritarian regimes. The empirical analysis demonstrates that (1) public spending in health and education is sticky and follows a time-trend because previous values of public expenditure capture most of the current variation (2) the effect of political and economic factors on health spending differ from that on education expenditure. Table 11 and 12 summarize the findings in relation to the hypotheses elaborated in Chapter 3.

Economic performance – expressed in terms of GDP per capita and GDP growth – has an effect on both public spending in health and education. That is, higher levels of GDP growth are negatively associated with public spending in health and education while GDP per capita has a non-linear effect on spending in both sectors. Additionally, while Ross (1999) argues that rentier states have higher levels of social spending as they can distribute their rents directly out of their pockets, the empirical analysis in this chapter demonstrates that authoritarian regimes with higher levels of oil and gas production per capita display significant lower levels of public spending. Contrary to the rentier state theory therefore, authoritarian regimes do not use rents from the production of oil and gas to more distribute more benefits to their population.

Regarding the political factors, the empirical analysis demonstrates that autocratic institutions have a different impact on policy decisions. Electoral regimes such as one-party and limited-multiparty display higher levels of both health and education expenditure yet, higher levels of party competition is not associated higher levels of spending. One-party regimes in fact, have significant high levels of public health and education compared to limited-multiparty regimes. That being said, compared to all other regimes, traditional monarchies spend much more in education compared to military and civilian dictators while, civilian dictatorships spend more in health than other regime types. These considerations lead to affirm that the size of the winning coalition and party-competition are weak indicators for policy decisions.

Surprisingly, authoritarian regimes that report higher levels of military expenditure are associated with higher levels of public expenditure in both health and education. It is

Dependent Variable	H1a	H1b	H2	H3
Health expenditure (% GDP)	<i>Accepted</i>	<i>Accepted</i>	<i>Rejected</i>	<i>Rejected</i>
Education expenditure (% GDP)	<i>Accepted</i>	<i>Accepted</i>	<i>Rejected</i>	<i>Rejected</i>

Table 11 Summary of findings – economic determinants

Dependent Variable	H4a	H4b	H4c	H5	H6
Health expenditure (% GDP)	<i>Accepted</i>	<i>Accepted</i>	<i>Accepted</i>	<i>Accepted</i>	<i>Rejected</i>
Education expenditure (% GDP)	<i>Rejected</i>	<i>Accepted</i>	<i>Accepted</i>	<i>Rejected</i>	<i>Rejected</i>

Table 12 Summary of findings – political determinants

reasonable to believe that higher levels of military expenditure is linked to the presence of military conflicts and civil wars in the region which in turns, may affect the demand for health services and state assistance. Additionally, as we have seen in the Chapter 2, some scholars demonstrate that there is an intrinsic nexus between wars and welfare in western democracies. War in facts, creates the conditions for increasing demand of social protection while at the same time fosters the state to implement policy reform (Obinger, Petersen, and Starke 2018). That being said, the empirical analysis in this chapter supports the evidence that health, education and military spending in authoritarian regimes complement to each other. Finally, there is no evidence than democratic experience would improve the level of health and education expenditure. Contrary to our common wisdom, this results shows that some autocratic leaders may promote democracy in the country but leaving a vail of autocratic legacy in the allocation of resources.

Chapter Five

Conclusion

The central message for future research is that the effects of authoritarian institutions cannot be studied separately from the concrete problems of redistribution, policy making and regime maintenance that motivate regimes.
(Pepinsky, 2014)

Autocracy differs from democracy because the leader is not elected through free and fair elections, political participation is constrained and the power lies in the hands of a narrow group of individuals (Dahl 1971; Olson 1993). Yet, autocracies are not all equal, and dictators often differ in terms of policy decisions. For instance, some autocrats govern by providing extensive policy concessions to their citizens, such as Cuba under Fidel Castro or Italy under Mussolini, while others secure their position in power by distributing less and repressing their citizens, such as the current governments of North Korea and Turkmenistan. What factors drive the allocation of public goods in authoritarian regimes, and why do some autocrats adopt more extensive social spending than others?

So far, research on social policy has mostly focused on the emergence and evolution of social policy and welfare systems in Western democracies (Myles and Quadagno 2002). In particular, functionalist theories argue that changes in the production system and the accumulation of capital account for the expansion of social rights and spending in those contexts, while the power-resource approach and the neo-institutionalist perspective shed light on the organisation of power and the role of institutions. Yet, scant attention has been devoted to autocratic welfare states. Interestingly, the history of social

policy is intertwined with the history of authoritarianism. The Prussian Chancellor Otto von Bismarck, considered the father of the modern welfare state, was the first to implement social insurance programs by the end of the 1880s; both Mussolini and Hitler developed extensive social programs once they were in power (Manson 2008). Some scholars argue that autocratic institutions shape policy decisions (Cassani and Carbone 2016; Eibl 2020; Gandhi 2008b), while others contend that social policies only reflect autocrats' interests, as the decision-making process in those contexts is strictly hierarchical and opposition groups do not participate (Hasmath and Hsu 2016).

The argument in this work is that social policies are used by autocrats to acquire political consensus and secure their position of power. To this end, I argue that there are several economic and political factors that shape policy decisions. Building on previous works and preliminary evidence, I hypothesise that economic growth affects the pool of resources that each autocrat can tap into while at the same time impinging on the demand for state intervention in the social sector. However, autocracies with better economic performance are either resource-rich regimes, such as Kuwait, Qatar, the United Arab Emirates or Saudi Arabia, or report high levels of trade openness, such as Singapore. In this regard, contrary to rentier-state literature, which argues that resource-rich countries have higher levels of social spending, I argue that oil-rich autocracies tend to spend less than oil-poor autocracies because leaders in oil-rich autocracies have less incentives to distribute social benefits than those in resource-poor autocracies. Instead, trade openness fosters the demand for state intervention, as globalisation induces new economic and social risks for the most vulnerable groups and governments compensate by adopting new policy measures.

Economic growth, natural resource endowment and trade openness, however, do not always directly translate into policy measures. Political institutions and the size and type of the ruling coalition may mediate the effect of those factors on social spending decisions. Different coalition size, for instance, determine the need for autocrats to distribute resources. Autocrats that govern with the support of a smaller coalition size have less incentive to distribute public goods compared to regimes with larger coalition sizes, as the number of people that should be pleased is smaller. Although different from monarchies and civilian dictatorships, military regimes spend less on social benefits, as

their primary concern is the distribution of resources to members of the military juntas rather than to citizens.

Political institutions, such as elections and party competition, also influence social policy decisions. Political power in traditional regimes is maintained through informal networks of family members or military groups, and therefore, decision-making is characterised by a strong centralisation of power in the hands of the leader. Instead, electoral regimes allow for some form of political competition, which spurs more participation from oppositional groups in the decision-making process. Hence, the resulting policy decisions in electoral regimes reflect a broader constellation of interests compared to the one adopted in traditional regimes.

In light of such considerations, the next paragraphs discuss the main findings of this work and present potential pathways for research on social policy in authoritarian regimes in order to better understand policy selections in non-democratic contexts. Importantly, the following two paragraphs discuss the results according to the two macro-approaches—economic and political—that I have adopted through this work.

5.1 Overview of the Main Findings

Economic Development, Natural Resources and Globalisation

Empirical evidence demonstrates that economic performance has a double effect on social spending in authoritarian regimes. First, dictatorships that grow faster tend to spend less on both health and education compared to less economic-performing regimes. Importantly, this result is supported by the evidence that oil-and-gas-rich autocracies—countries with the highest levels of GDP growth—spend less in both sectors compared to oil-and-gas-poor countries—countries with the lowest levels of GDP growth. Second, GDP per capita also has a double effect on social spending. It boosts education and health spending in the short term, but this effect tends to disappear over the long run. Importantly, as for economic growth, positive changes in income per capita foster health expenditure in resource-rich autocracies, but there is no effect on resource-poor dictatorships.

Overall, both results demonstrate that an improvement in economic performance does not have the same effect on social spending in resource-rich or resource-poor autocracies. Additionally, the effect is different in the short run than in the long run. That is, an increase in the economic performance of the regime is reflected in higher levels of spending in the short term, but this effect tends to disappear over the long term. Similarly, to the conclusions reached by Kuznets (1955), this work demonstrates that income per capita has an inverse U-shaped effect on social spending.

Surprisingly, the effect of natural resources is negative. Countries such as Kuwait, Qatar, Bahrain and the United Arab Emirates spend less than resource-poor autocracies. Although this result contradicts the hypothesised ‘spending effect’ of natural resource abundance, elaborated on by Ross (2001), it is important to highlight that natural resource endowment is positively associated with the economic performance of the country. Therefore, for higher levels of oil and gas production, the income of the population increases, and therefore, people demand less state intervention than in the case of more poor societies. Overall, this evidence corroborates the idea that natural abundance is more of a curse than a blessing.

Finally, there is no substantive evidence to conclude that trade openness is linked with improved social outputs. In fact, countries such as Singapore — the most opened economy — do not display significantly different levels in both health and education spending than more closed regimes, such as Sudan.

Ruling Coalition, Political Institutions and Ideology

Regarding political factors, this work demonstrates that both the type of the ruling coalition and the level of institutionalisation determine different patterns of social spending, although the size of the ruling coalition only weakly impinges on policy decisions.

Military regimes are the worst performers in terms of education spending. In fact, those regimes have consistently lower levels of social spending compared to monarchies and civilian dictatorships. However, compared to monarchies, civilian dictatorships have higher levels of spending in health rather than in education. This result hints at the three

conclusions. First, the type of ruling coalition accounts for differences in the level of social spending, as monarchies, military and civilian dictators report different levels of spending. Second, autocrats in military regimes tend to distribute more benefits to the members of the ruling coalition rather than to their citizens. In fact, military regimes are far less responsive to the well-being of their citizens compared to monarchies and civilian autocracies. Third, civilian dictatorships spend much more on health than all other regime types, but monarchies are the biggest spender in education. Based on this evidence, monarchs are more attentive to the needs of the younger population compared to other regimes.

Interestingly, the level of institutionalisation partially explains the different patterns of social spending. Electoral regimes always outperform traditional regimes in both health and education expenditures, but differences in party competition do not relate to different levels of spending. In fact, one-party regimes spend more than both no-party and limited-multiparty regimes. This result provides an important contribution to the literature. As we have seen in Chapter 3, Gandhi (2008) did not find any statistical evidence of the effect of institutions on social spending. Yet, this work argues that not all institutions impact on policy decisions. Elections shape policy selections by allowing oppositional groups to enter the political arena and potentially influence social spending. However, once elections are established, the extent of party competition does not have any real impact on policy decisions. Building on this evidence and in line with the work of Meltzer and Richard (1981), we can argue that policy decisions in electoral autocracies reflect the preferences of the median actor that, in the case of electoral regimes, is the ruling governing party.

Finally, the effect of political ideology is twofold. Right-wing autocracies spend more on health than both central and left-wing regimes, while left-wing regimes have higher levels of spending in education compared to all other regimes. This result triggers further reflection on the effect of the right-left political ideology continuum on different policy issues. However, as we have seen in Chapter 4, data for political ideology is not complete for the period of investigation in which this research takes place, and many autocracies do not fit into the left-right ideological classification. Thus, this work urges for a re-classification of the left-right ideological dimensions using a different scale.

Democratic Experience, Military Expenditure and Ethnic Fractionalization

As discussed in Chapter 3, oppositional strength is quite difficult to operationalise. Little research has been conducted in this specific area and therefore, data on the material resources of those groups in authoritarian regimes are incomplete, as well as information about the size of their memberships. To deal with the problem of missing data for oppositional strength, I have assumed that democratic experience would provide a more favourable context for oppositional groups to voice their dissent and potentially enter the political arena. In light of such considerations, a greater amount of democratic experience would reflect stronger oppositional groups in authoritarian regimes. The analysis, however, does not hint at the strong effect of democratic experience on health and education expenditures. In fact, the empirical evidence in this work suggests that democracies have a slight positive effect on health expenditure, but no effect on education. This result shows that autocratic leaders may promote democracy in the country, but they still leave a veil of autocratic legacy in the allocation of resources.

Surprisingly, authoritarian regimes that report higher levels of military expenditure are associated with higher levels of public expenditure in both health and education. Importantly, as Figure A.10 and A.11 in the Appendix demonstrate, levels of military spending are not associated with military regime types as monarchies have higher levels of military spending compared to all other regimes. In view of such evidence, it is reasonable to assume that higher levels of military expenditure are linked to the presence of military conflicts and civil wars in the region, which in turn may affect the demand for health services and state assistance. Additionally, as seen in Chapter 3, some scholars demonstrate that there is an intrinsic nexus between war and welfare in Western democracies. War creates the conditions for the increasing demand for social protection, while at the same time fosters the implementation of states' policy reforms (Obinger, Petersen, and Starke 2018). That being said, the analysis supports the evidence that health, education and military spending in authoritarian regimes complement each other.

In line with my assumptions, ethnic fractionalisation negatively affects health and education spending. More divided societies tend to spend less on public goods than more homogeneous societies. This result is due to the fact that more divided societies also reflect divisions in political power. For instance, Myanmar and Pakistan are countries that have been ripped off by ethnic conflicts over the last twenty years, and yet, they both

show significantly low levels of health and education expenditures when compared to other autocracies.

5.2 Future Pathways in the Research on Autocratic Welfare States

Overall, this work aims to provide a solid understanding of the dynamics of social policy in authoritarian contexts. To this end, I developed an inclusive and comprehensive theoretical framework that sheds light on many aspects of policy selections in authoritarian regimes. Yet, this dissertation is not an exhaustive work on this topic; rather, these results are aimed at triggering new pathways in the research on autocratic welfare states.

First, there is a need to abandon the left-right political dimensions. In particular, we should disentangle autocracies according to the policy issue dimension in order to better understand policy selections in those contexts. The next step would be to draw a line between more inclusive and exclusive regimes in terms of health, education and social protection benefits and coverage. Very recently, some work has been done in this direction (Eibl 2020; Neundorf, Gerschewski, and Olar 2020), though much work is still needed.

Second, this project calls for further investigation on the relationship between military and social spending. As discussed throughout the dissertation, the majority of studies point to the crow-out effect of military expenditure compared to social policy. However, I demonstrate that military and social policies are positively linked to one another. In light of such evidence, there is a need to investigate which levels of military expenditure this relationship holds true to and how autocrats finance military and social spending simultaneously. In fact, this dissertation demonstrates that autocrats govern with both *carrots* (policies) and *sticks* (repressive measures) (Gallagher and Hanson 2009).

Last, the lack of data on oppositional groups is a real threat to the research on public policy in authoritarian regimes. To understand autocratic policy selection, one must address the preferences and capacities of different actors of relevance. Hence, identifying actors' preferences and resources is of fundamental importance to the study of policy decisions in non-democratic contexts. Moreover, the lack of data on oppositional groups'

resources and the scant attention to the preferences of actors that are outside the ruling coalition deeply hinder our understanding of policy processes in authoritarian contexts. To overcome such obstacles, we should shift our attention towards actors' preferences and collect additional data on oppositional groups in authoritarian regimes.

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Appendix

Table A.1. Summary of country-year observations by level of institutionalization (1995-2014)

	Number of Countries	Total Observations
Traditional Monarchy	35	151
No-party regimes	6	80
One-party regimes	10	149
Limited-Multiparty regimes	77	1063
Total	128 ^a	1443

Note: The panel sample includes only countries that have been autocratic for more than 3 consecutive years;

^a It also includes countries that have changed from one type of regime to another

Table A.2. Summary of country-year observations by the size of the winning coalition (1995-2014)

	Number of Countries	Total Observations
Traditional Monarchy	10	181
Traditional Military	36	419
Civilian regimes	77	872
Total	123 ^a	1472

Note: The panel sample includes only countries that have been autocratic for more than 3 consecutive years;

^a It also includes countries that have changed from one type of regime to another

Table A.3. Summary of country-year observations by geographical regions (1995-2014)

	Number of Countries	Total observations (only authoritarian)
Central Asia and Eastern Europe ^a	15	240
Latin America	9	91
Middle-East and North Africa	18	346
Sub-Saharan Africa	37	610
East Asia and the Pacific	15	258
Total	93	1545

Note: North Korea and Somalia are excluded from the sample as data for the dependent variables are completely missing; ^a It also includes the Caucasus and four countries such as Albania, Macedonia, Bosnia and Herzegovina and Croatia.

Table A.4. Years of authoritarianism for each country**Eastern Europe and post-Soviet Union**

Number	Country Name	Time Period	Frequencies
1	Albania	1995-2001	7
2	Armenia	1995 – 2014	20
3	Azerbaijan	1995 – 2014	20
4	Belarus	1995 – 2014	20
5	Bosnia and Herzegovina	1995 – 2014	20
6	Croatia	1995-1999	5
7	Georgia	1995-2003 2007-2011	14
8	Kazakhstan	1995 – 2014	20
9	Kyrgyzstan	1995 – 2014	20
10	Macedonia	1995-1997/ 2000-2001	5

11	Russia	1995 – 2014	20
12	Tajikistan	1995 – 2014	20
13	Turkmenistan	1995 – 2014	20
14	Ukraine	2000-2004/ 2011-2014	9
15	Uzbekistan	1995 – 2014	20
Total			240

Latin America

Number	Country Name	Time period	Frequency
1	Colombia	1995-2004	9
2	Cuba	1995 – 2014	20
3	Guatemala	2002-2005/ 2009-2010	7
4	Haiti	1995 – 2014	20
5	Honduras	1995-2014	6
6	Mexico	1995-1999	5
7	Nicaragua	2011-2013	3
8	Peru	1995-1999	5
9	Venezuela	1999-2014	16
Total			91

Middle East and North Africa

Number	Country Name	Time period	Frequency
1	Algeria	1995 – 2014	20
2	Bahrain	1995 – 2014	20
3	Egypt	1995 – 2014	20
4	Iran	1995 – 2014	20
5	Iraq	1995 – 2014	20

6	Jordan	1995 – 2014	20
7	Kuwait	1995 – 2014	20
8	Lebanon	1995 – 2014	20
9	Libya	1995 – 2014	20
10	Morocco	1995 – 2014	20
11	Oman	1995 – 2014	20
12	Qatar	1995 – 2014	20
13	Saudi Arabia	1995 – 2014	20
14	Syria	1995 – 2014	20
15	Tunisia	1995 – 2014	18
16	Turkey	1995-2001	8
17	United Arab Emirates	1995 – 2014	20
18	Yemen	1995 – 2014	20
Total			346

Middle East and North Africa (MENA)

Number	Country Name	Time period	Frequency
1	Angola	1995 – 2014	20
2	Burkina Faso	1995 – 2014	20
3	Burundi	1995 – 2014	20
4	Cameroon	1995 – 2014	20
5	Central African Republic	1995 – 2014	20
6	Chad	1995 – 2014	20
7	Congo	1995 – 2014	20
8	Congo, Democratic Republic	1995 – 2014	20
9	Cote d'Ivoire	1995 – 2014	20
10	Eritrea	1995 – 2014	20
11	Ethiopia	1995 – 2014	20
12	Gabon	1995 – 2014	20
13	Gambia	1995 – 2014	20

14	Ghana	1995 – 2000	6
15	Guinea	1995 – 2014	20
16	Guinea-Bissau	1995 – 2014	20
17	Kenya	2002 / 2009	9
18	Lesotho	1995 –2001	7
19	Liberia	1995 – 2014	20
20	Madagascar	2009 – 2014	6
21	Malawi	2001 –2014	14
22	Mali	2012 – 2014	3
23	Mauritania	1995 – 2014	20
24	Mozambique	1995 – 2006 2009 – 2014	18
25	Niger	1995 – 2003 2007 –2014	17
26	Nigeria	1995 – 2014	20
27	Rwanda	1995 – 2014	20
28	Senegal	1995 –1999	5
29	Sierra Leone	1995 –2006	12
30	Sudan (+South Sudan)	1995 – 2014	20
31	Swaziland	1995 – 2014	20
32	Tanzania	1995 – 2014	20
33	Togo	1995 – 2014	20
34	Uganda	1995 – 2014	20
35	Zambia	1995 –2007	13
36	Zimbabwe	1995 – 2014	20
	Total		610

Asia and the Pacific

Number	Country Name	Time period	Frequency
1	Afghanistan	1995 – 2014	20
2	Bangladesh	1999 – 2014	17
3	Cambodia	1995 – 2014	20
4	China	1995 – 2014	20

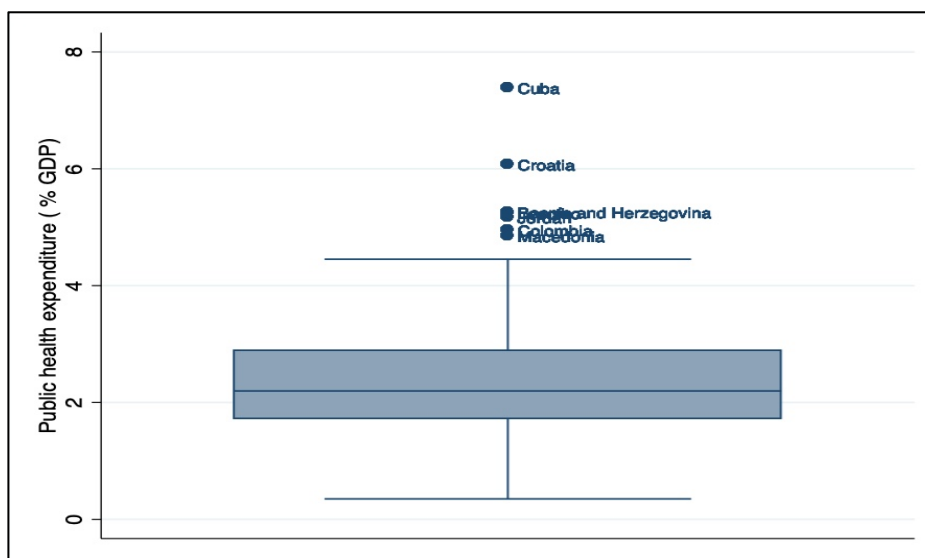
5	Indonesia	1995 – 2003	9
6	Laos	1995 – 2014	20
7	Malaysia	1995 – 2014	20
8	Myanmar	1995 – 2014	20
9	Nepal	1995 – 2014	20
10	Pakistan	1995 – 2014	20
11	Papua New Guinea	2008 – 2014	6
12	Singapore	1995 – 2014	20
13	Sri Lanka	1995 – 2002 2006 – 2014	17
14	Thailand	2006 – 2014	9
15	Vietnam	1995 – 2014	20
Total			258

Table A.5. Summary statistics

Variables	N	Mean	St.dev	Min	Max
Public Health Expenditure	1837	2.49	1.42	0.04	11.28
Public Education Expenditure ^a	1200	3.82	1.99	0.75	15.78
GDP per capita (log)	1816	7.52	1.32	4.75	11.19
GDP growth	1756	4.84	6.32	-64.18	10.52
Oil and Gas production per capita (log)	1152	5.22	2.73	-6.06	10.09
Trade openness (log)	1785	4.21	0.71	-3.86	6.10
Size of the winning coalition	1472	2.46	0.70	1	3
Level of institutionalization	1855	3.47	0.99	1	4
Political Ideology	1659	1.01	1.30	0	3
Years of democracy	1860	3.39	5.59	3	17
Military expenditure (log)	1620	0.67	0.70	-2.39	3.68
Population size (% Total)					
- Above 64	1857	35.69	9.79	13.08	50.22
- Under 14	1857	4.83	3.18	0.75	18.57
Index of Ethnic Fractionalization	1837	0.54	0.24	0.04	0.93

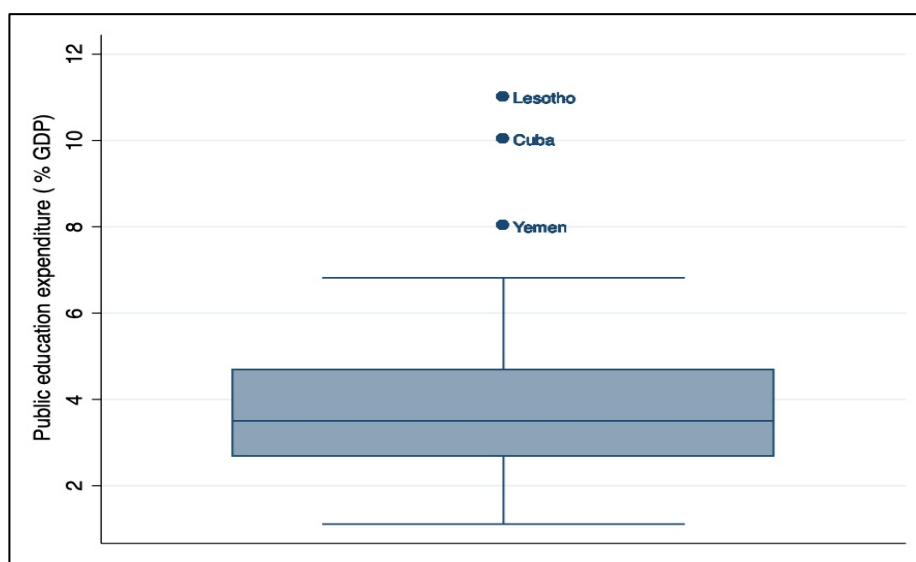
Note: ^a It refers to the panel sample after the multiple imputation and on which the analysis has been conducted

Table A.8. Distribution of the public health expenditure as a % of GDP, Average 1995-2014



Note: The inner box line represents the median value, while the upper whiskers refers to the 75th percentile and the lower whiskers refers to the 25th percentile. Values that fall out of the lines are considered to be outliers

Table A.9. Distribution of the public health expenditure as a % of GDP, Average 1995-2014



Note: The inner box line represents the median value, while the upper whiskers refers to the 75th percentile and the lower whiskers refers to the 25th percentile. Values that fall out of the lines are considered to be outliers

Table A.10. Military expenditure as a % of GDP across different regimes according to the size of coalition , Average 1995-2014

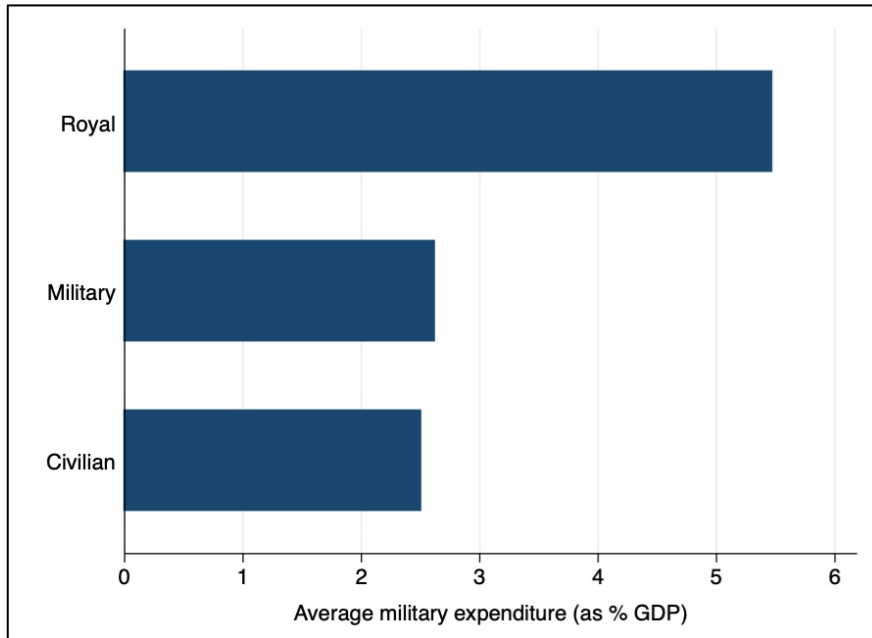


Table A.11. Military expenditure as a % of GDP across different regimes according to the level of institutionalization , Average 1995-2014

