DOCUMENTS DE TREBALL

DE LA FACULTAT D'ECONOMIA I EMPRESA

Col·lecció d'Economia
E08/209

The determinants of social spending in Spain (1880-1960):

Is Lindert right?*

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Abstract: The main objective of this paper is to analyse the origins of the welfare state in Spain using the theoretical framework designed by Peter Lindert. With this aim, we offer an econometric analysis of the factors that determined the evolution of the Spanish social spending between 1880 and 1960. By using new quantitative evidence, we constructed a panel-data set divided in five years periods with the percentage of social spending disaggregated in three groups: health care, social security and welfare. Our analysis allows us to put the Spanish case within the international debate on the historical determinants of the welfare state. The results obtained highlight a number of interesting features specific to this country. On the one hand, Spanish social spending as a percentage of GDP remained relatively low compared to the figures recorded by other countries during the period under study. On the other hand, demographic factors played a determining role in the initial stages of the development of welfare state, while economic growth had a more ambiguous influence. The political and public finance variables also exercised some influence on the growth in public spending. However, globalisation was not a motivating force behind the welfare state in Spain.

Resumen: El principal objetivo de este artículo se centra en analizar los orígenes del Estado de Bienestar en España a partir del marco teórico elaborado por Peter Lindert. Con este fin, se ofrece un análisis econométrico de los factores que determinaron la evolución del gasto social público en este país entre 1880 y 1960. Utilizando nueva evidencia cuantitativa, se construyó un panel de datos por quinquenios con el porcentaje de gasto social respecto al PIB desagregado en tres partidas: sanidad, seguridad social y beneficencia. El análisis permite insertar el caso español en el debate internacional y los resultados revelan interesantes singularidades de este país. De un lado, el gasto social público en España mantuvo unos porcentajes relativamente bajos respecto al PIB en comparación con otros países. De otro, los factores demográficos desempeñaron un papel determinante en las etapas iniciales del desarrollo del Estado de bienestar, mientras que el crecimiento económico ejerció una influencia más ambigua. Las variables políticas y fiscales también influyeron en el comportamiento del gasto social. Sin embargo, la globalización no ejerció ninguna influencia significativa en el proceso de configuración del Estado de Bienestar en España.

Introduction

The evolution of the welfare state was one of the most significant events of the twentieth century. Its emergence meant a radical change in the role played by the state in the economy while, at the same time, it triggered the creation of new mechanisms of social protection in a system that had previously only known the traditional measures provided by the Church and family. These first legal systems of social security were set up to provide cover against the risks of accidents in the workplace, old age, sickness and unemployment. Later, in some countries, they were expanded to include the building of social housing for working-class families and family benefit schemes to foster demographic growth. At the same time, governments expanded their budgetary functions by implementing a radical transformation in the level and internal structure of public spending and in the sources of state finance. There can be little doubt that the formation of the welfare state required a new philosophy in the drafting of public budgets and in the application of tax policy.[1] In this new context, taxes were no longer solely a means for collecting resources, but rather became anti-cyclical instruments and tools of redistribution. Meanwhile, government objectives of balancing budgets and monetary stability gave way to a greater concern for social equity and economic growth.

The origins of the welfare state can be traced back to the early twentieth century, when many European countries created and began to subsidise the first systems of social security[2]; and in some of them (primarily the countries of northwest Europe) major changes were recorded in their levels of social spending before 1930[3]. However, most quantitative studies examining the causes and forces that made possible the advent of the welfare state have centred on the period following World War II, in all likelihood because it was during

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[1] Comín (1996), p. 160.
[2] See Flora (1983).
[3] See Lindert (1994).

these years that the welfare state experienced its most rapid expansion. However, Peter Lindert (1994, 2004), drawing on information from the International Labour Office, undertook one of the most exhaustive international quantitative studies of the determinants of social spending between 1880 and 1930. In general, Lindert found that the spread of suffrage, Protestantism and the ageing of the population had a positive effect for the growth in social spending, while the increase in per capita income and the percentage of the working population engaged in agriculture had a much less decisive impact.

In the case of Spain, the origins of modern social policy remain largely unexplored, at least in quantitative terms. And in fact, the studies that have been carried out on this period are, on the whole, descriptive in nature, tending to focus on the historical evolution in social legislation. Thus, this study seeks to fill this void by analysing the origins of the welfare state in Spain using the theoretical framework designed by Lindert (1994, 2004). The rest of this paper, therefore, undertakes an econometric analysis of the factors that determined the evolution in social spending in Spain between 1880 and 1960.

The analysis proposed here allows us to overcome certain traditional limitations of Spanish historiography in this field. On the one hand, the use of a historical series of social spending data with a greater degree of disaggregation enables us to analyse the individual behaviour of each group of social costs in a more detailed fashion. On the other, the length of the study period breaks with the traditional barrier of separation that the country's Civil War has represented for many previous studies.[4] Finally, we should stress that our analysis allows us to add the Spanish case to the on-going debate within the international literature regarding the determinants of the welfare state, but on this occasion using data drawn from national sources that are richer and more abundant than the

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[4] Most studies of the welfare state in the Spanish historiography have focused on the pre-Civil War, e.g. the trilogy written by Montero (1988), Cuesta (1988) and Samaniego (1988), or the post-war period, e.g., Molinero & Ysàs (1985), Giner (1994), Gadea (1996), Rodríguez Cabrero (2004) and Vilar (2006). Exceptions exist, including Comín (1996).

information available in the international statistical yearbooks used by Lindert in his influential analysis.

1. Theoretical framework

Historically, the data indicate that in the most advanced economies social spending as a percentage of gross domestic product grew throughout the nineteenth century, accelerated between 1880 and World War II and reached its period of maximum splendour in the decades following this conflict (Table 1).[5] This rapid advance was stemmed after 1980 and its relative participation in the domestic product has increased very little since. These long-term trends came to be shared, sooner of later, by the countries of the OECD, which constitute the subjects of most empirical studies.[6] However, while a common pattern can be discerned, it is also true that the social policies applied in each country did not result in the development of identical systems of social cover. Taking this as its starting point, economic theory has tried to identify the common forces that gave rise to the welfare state and caused it to expand in the most advanced countries and to determine the factors that caused different structures of welfare to originate in economies of a similar level of development.

Table 1. Social transfers as a percentage of GDP in Europe (1880-1980)

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[5] In line with Lindert (2004), I, p. 11.
[6] A large body of case studies and international comparisons of the trajectories taken by social policies in the long term exists. See for example Rimlinger (1971), Heclo (1974), Flora & Heidenheimer (1981), Castles (1985), Esping-Andersen (1985) and Pierson (1994). An interesting critical analysis of these studies is found in Amenta (1993) and (2002).

	1880	1930	1980
Germany	0.50	4.96	23.0
Austria	0	1.43	23.2
Belgium	0.17	0.56	25.4
Denmark	0.96	3.4	29.1
Finland	0.66	2.97	18.5
France	0.46	1.08	21.1
Greece	0	0.07	11.5
Italy	0	0.1	18.6
Holland	0.29	1.15	26.9
Norway	1.07	2.39	18.5
Portugal	0	0	12.7
Spain	0	0.074	15.9
Sweden	0.72	2.6	28.8
United Kingdom	0.86	2.69	17.9
European Mean	*0.41*	*1.68*	*20.80*

Source: Lindert (1994) and (1996).
Including: a) for 1880 and 1930: welfare expenditure, pensions, health care and housing; b) for 1980: spending on pensions, health care, welfare, unemployment benefit, housing and expenditure on active labour policies.

The economic literature on the determinants of social policy is very extensive, so much so that it is not possible to review it in detail here. Thus, without any intention of being exhaustive, we find that contemporary studies of the modern welfare state start in the decades following World War II, a period marked by the golden age of capitalism accompanied by a rise in social spending.[7] The earliest empirical studies concluded that economic and demographic factors were at the root of the welfare state (Wilensky, 1975). On the one hand, advancing industrialization generated new demands for public spending as the networks of social support typical of agrarian societies, centred around the family and tradition, were weakened. In this context, the state acquired new functions that involved providing greater protection for a

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[7] In line with Myles & Quadagno (2002), p. 36 and ff.

population that was becoming increasingly wage dependent, and whose general welfare needed to be upheld so as to guarantee an available workforce and in order to maintain a consensus within a complex urban society (Kerr et al., 1960). On the other hand, these processes of economic growth were accompanied by demographic changes resulting from increased life expectancy and the ageing of the population.[8] From this perspective, countries with similar levels of development converged towards what were also similar levels of welfare (Rimlinger, 1971). But economic and demographic factors could not be used to explain the existence of different structures of welfare in these economies.

This limitation led to the search for other determinants of social spending. Authors such as Korpi (1989), Palme (1990) and Kangas (1991) concluded empirically that the main differences in the welfare models of the capitalist democracies lay in two arms of political pressure wielded by the popular classes in order to ensure greater participation in social benefits: electoral processes and the strength of the trade unions.[9] On the one hand, the shift from census suffrage, typical of elitist democracies at the end of the nineteenth century, to universal suffrage made it possible for a percentage of the low income population, which favoured social transfers, to have an influence on political decisions.[10] Later, capturing the working-class vote meant that leftwing parties

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[8] Demographic ageing has become a key variable and one that is significantly positive for the historical analyses of welfare (Pampel & Wiliamson, 1989, Hicks & Mishra, 1993 and Mulligan et al., 2002). Lindert (2004, I, p. 183 and ff.) points out that the "age effect" in the period leading up to World War II can serve as a proxy for other variables that had a positive effect on social transfers such as the change in life ratios (life expectancy and fertility) and the migratory flows that they caused. On the other hand, the progressive ageing of the population in the developed countries at the end of the twentieth century has favoured social transfers, although this effect can be annulled if the growing weight of the retired population threatens the financial sustainability of the system.

[9] We should not forget though that democracies also offer means for the better off to put a stop to social policies through the use of lobbying and making donations to electoral campaigns, see Swenson (1996), Barro (1997) and Dixit & Londregran (1998).

[10] For Lindert (2004, I, p. 22) the predominance of electoral elites, where only a small part of the population with a certain economic status enjoyed the right to vote, is a key factor in explaining the small percentage of social spending of most countries before the 1880s.

showed a greater awareness of social questions.[11] In general, governments most dependent on the result at the ballot box, because of the nature of the electoral system or because of the high degree of government rotation, have shown themselves more likely to meet the demands of their electorate in order to retain power.[12] On the other hand, the organization of workers into unions gave them a greater capacity to demand that their social rights be upheld, above all by taking strike action. However, the effectiveness of these factors for promoting welfare policies depended on the degree of mobilization of the working classes in each country around unions and in political parties.[13] There can be little doubt that one thing is to enjoy the right to vote and to join a union and another to exercise that right.

The widening of suffrage for women has also received the interest of various authors. However, there is no general consensus as to the effect that this might have had on the evolution in social spending. For Lott & Kenny (1999) the female vote could have served to promote social transfers and the introduction of progressive taxation. However, Lindert (2004, I, p. 182) notes that the links are very unclear for a number of reasons. It is hard to imagine that women's voting preferences were so different from those of the men that they could condition social policies. Indeed, voting statistics do not show a clear pattern regarding women's voting preferences in a range of countries. Moreover,

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[11] Hicks & Swank (1992), Cusack (1997) and Snyder & Yackovlev (2000). However, Roemer (1998) points out that, if the voters differ both in income and ideology, the parties on the left can propose a limited redistribution to attract the richest voters nearest to their political ideas.

[12] Lindert (2004, II, p. 64). Lindert (2004, I, p. 183) adds that the positive effect of the rotation of governments can be conditioned in those countries in which the government needs to buy votes through extra transfers to appease the masses, widen social support and maintain power (the "bread and gladiators" effect).

[13] Huber et al. (1993) and Hicks (1999), but also Shalev (1983) and Esping-Andersen & van Kersbergen (1992). Van Leeuwen (1997, p. 765) highlights two factors favouring the long term unionisation of workers: an erosion of their position in the labour market, visible through the fall in real wages or unemployment, and the transfer of the workforce from agriculture into other sectors.

women won the right to vote in a context of greater social demands in which many economies had already begun to operate their social transfer programmes.

Some authors argue that the social cohesion of each country, dependent to a large extent on the preferences of the average voter, is crucial in explaining social spending policies.[14] From this perspective, the degree of affinity of the average voter with the highest income group or with the poorest sector is determined by two types of effect. On the one hand, the degree of ethnic homogeneity of the average voter with the recipients of transfers would favour their support for levying taxes on the highest incomes and for increasing egalitarian spending.[15] On the other hand, the possibility of increasing their future income and climbing the social ladder would lead the average-income voter to identify with the interests of the richest sector of the population, which would halt policies of public spending.[16] The opposite would occur in a society in which there was greater ethnic diversity or the internal mobility between income groups was more rigid. These effects were described by Lindert (2004, I, p. 186 and ff) with the apt expression *that could be me*.

Other authors believe the main determinant of social spending to be the size of the population or of the country rather than its ethnic or linguistic fragmentation.[17] Seen from this perspective, the smallest European states were more likely to offer social protection, due to their political stability and the greater openness and vulnerability of their economies. But authors such as Skocpol (1992) and Steinmo (1993) play down the "size of country" effect and emphasise instead their administrative organisation and internal institutional structure. In their opinion, autonomy and political decentralization in favour of

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[14] Alesina et al. (1999) and Alesina et al. (2001). Easterly & Levine (1997) find empirically a strong negative correlation in various countries between ethnic diversity, measured by language, and indicators of public goods. On this subject, see also Lindert (2004, I, p. 187).

[15] Metzler & Richard (1981). This thesis has not always been empirically demonstrated, see Borck (2007).

[16] Kristov et al. (1992), Piketty (1995a and 1995b) and Benabou & Ok (2001).

[17] Katzenstein (1985) and Gourevitch (1986).

regional governments puts a brake on the bureaucratic and financial capacity of the central state when implementing social measures. The opposite would occur in states with centralised political institutions.[18]

In current economic theory too an intense debate has been generated on the impact that globalisation might have on social spending policies. Huberman & Lewchuk (2003) find a positive relation between social policies, measured by their *Labour Compact Index,*[19] and an economy's level of trade openness during the first stage of globalisation (1850-1913). According to their reports, some governments, under growing pressure from their workers, offered packets of labour market regulations and social insurance programmes so as to defend workers against the risks they faced both in and outside the factory. According to their analysis, in countries of greatest openness to the exterior, more direct forms of protection were introduced including social insurance, while in economies with a lower level of openness other forms of indirect protection, such as labour legislation, were predominant.

The positive effect of opening up to the exterior on policies of redistribution during the last decades of the twentieth century has also been noted by various authors. In particular, Rodrik (1997 and 1998) and Agell (1999 and 2002) point out that during this period exposure to international trade resulted in greater wage and employment instability, which forced governments to widen their protective policies. But while Rodrik emphasises the relationship between demand and social protection and exposure to international trade, Agell stresses the role played by labour market institutions when restricting wage

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[18] In this vein, Rogowski (1987), Mansfield & Busch (1995) and Persson & Tabellini (2004) point out that the electoral system in each country also influences social spending policies as it conditions the degree of sectoral and/or regional pressure to which the representatives elected at the ballot boxes are subjected.

[19] The *Labour Compact Index* comprises a set of regulatory measures of the labour market (minimum age for entering the labour market, whether factory inspection was in place, whether women were excluded from night work, etc.) and social insurance entitlements (accident, retirement pensions, sickness and unemployment) operative in the 17 European countries analysed between 1850-1913.

structures at the same time as providing the workers with greater social insurance.[20] In particular, according to Agell (2002), in the absence of perfect capital markets, the worker is prepared to negotiate a lower than expected wage for a wage structure that offers job security as opposed to uncertainty. From both analytical approaches we can conclude implicitly that there exists a certain degree of complementarity between market functions and government actions.

Other factors such as the predominant religion in the country have been considered in explaining the different models of welfare employed by countries before World War II. During this period, Lindert (2004, II, p. 38) points out that Protestant countries such as Great Britain and Scandinavia became the main instigators of social transfers, while the Catholic countries lagged behind, with the exception of Ireland. It appears that Catholic countries preferred the smaller ecclesiastic aid to that of the state, although the impact of the former was very limited. The negative influence of Catholicism evaporated after the second post-war period, when governments of pro-Catholic parties increased social spending in various European countries, an attitude conditioned in all certainty by the political competition of the socialist parties.[21] We should also not forget the negative impact of defence budget growth at certain moments in history, since this was often financed by cutting social spending.[22]

2. Trends in the historical evolution of social spending in Spain, 1880-1960.

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[20] Rodrik (1997, cap. 4) points out that openness had two opposite effects on social spending at the end of the twentieth century. On the one hand, exposure to international trade and foreign investment led to cut backs in social programmes in those countries so that they could maintain their competitiveness abroad. On the other, the greater vulnerability to external shocks led to greater demands for security from the population.

[21] Wilensky (1981) and Hicks & Swank (1992).

[22] Lindert (2006, II), p. 72. See also Wilensky (1975) and Pampel & Williamson (1989), among others.

Before analysing the factors determining the evolution in Spain's social spending between 1880 and 1960, it is interesting to see the main stages in its long-term behaviour. To do this, in this section we undertake a temporal analysis and show the main trends in its evolution in the period studied here. The quantitative data are drawn from the recent estimates of social spending made by Espuelas (2008) for the period 1850-1963. This series includes the general evolution in social spending, as well as a high degree of disaggregation that allows us to analyse individually the behaviour of each type of expenditure[23].

The sources used by Espuelas (2008) for preparing the new series are basically the General Accounts, the General State Budgets and information drawn from reports, statistics, bulletins and other publications of the institute of social security, the *Instituto Nacional de Previsión* (INP). The new series matches the definitions of social spending used by the OECD. This means that public expenditure assigned to ensure protection against natural disasters, such as earthquakes, floods or agricultural plagues, is excluded from the series. Neither do we include social benefits paid to civil servants, because in line with OECD definitions these can be considered private systems of (social) security (between the state and its employees) and not as public social spending. Likewise, compulsory systems of social security financed by the quotas paid by employers and workers are not considered as public expenditure, except in those cases where state subsidies are received. For this reason, the series that we use

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[23] Specifically Espuelas (2008) classifies social spending in ten sections: welfare (*beneficencia*), health care, accidents in the workplace, old-age, sickness, maternity, unemployment, family, active employment policies and other social programmes. The section of "*beneficencia*" includes subsidies to charitable institutions, while health care includes subsidies to hospitals and other health institutions. The sections of accidents in the workplace, old-age, sickness, maternity, and unemployment include state grants to the respective social security programmes. The section of family includes the subsidies granted to the compulsory family allowance system in place during Franco's regime, and the grants made to large families during the 1920s. Finally, the section of active employment policies includes basically grants for creating job offices and subsidies for financing public works aimed at reducing unemployment.

here include only state subsidies to these social security systems, but not the contributions paid by employers and workers. Finally, spending on education has been excluded from the analysis, because while it can be considered a social expense, it is not one of *social protection*, and in the literature it is usually analysed independently from the other social expenses as its determinants are considered to be different[24].

Based on the information offered by the series considered in this study, it is possible to divide the historical evolution in Spain's social spending in three distinct periods. The first includes the years between 1880 and 1908/09, characterised by the marked predominance of liberal principles and very little state interference. The second extends until the Civil War (1936-1939) and coincides with the period of hegemony that Comín has called the *Estado Providencia* (the Providential State)*,* during which the state began to assume new forms of social protection, above all by introducing social security payments, albeit with limited effects on the budget. Finally, the third period covers the years from 1939 to 1960, corresponding largely with the first stage of the Franco dictatorship (1939-1975), prior to the introduction of the Stabilisation Plan (1959) which opened the doors to the development of the Spanish economy and prompted its return to international markets.

As mentioned above, the functions of social protection undertaken by the state during the period 1880 to 1909 were highly limited. They were almost exclusively limited to the areas of welfare and health care, and had as their objective the maintenance of public order and the avoidance of the spread of epidemics. Such measures were not considered as the right of the beneficiaries, but rather as a defence mechanism for privileged groups who saw in the poor and the sick potential rioters and propagators of disease.[25] Only in 1905 and 1906 did the state dedicate resources for anything other than health and welfare.

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[24] On this subject see Lindert (2004).
[25] Comín (1996). On the political function of health care and welfare, see also Muñoz Machado (1995) and Maza Zorrilla (1987, 1999).

In those years it invested a sizeable quantity of resources in promoting public works to combat unemployment, as a response to a grave crisis in agriculture in those years. However, these exceptional measures cannot be interpreted as a sign of modernization. In fact, this was a policy with a marked traditional character, which the city halls often used to maintain public order in times of high seasonal unemployment. Graph 1 also shows how spending levels did not undergo any significant changes between 1880 and 1908. Expenditure on both health care and welfare stayed at low levels, around 0.01 and 0.02 per cent of GDP, and with a tendency to stagnate with just slight fluctuations (Graph 1). It was, as such, a period in which no mechanisms of social protection were introduced above and beyond those that typified liberal welfare and where spending levels remained stagnant.

**Graph 1. State social spending as a % of GDP, 1880-1908.**
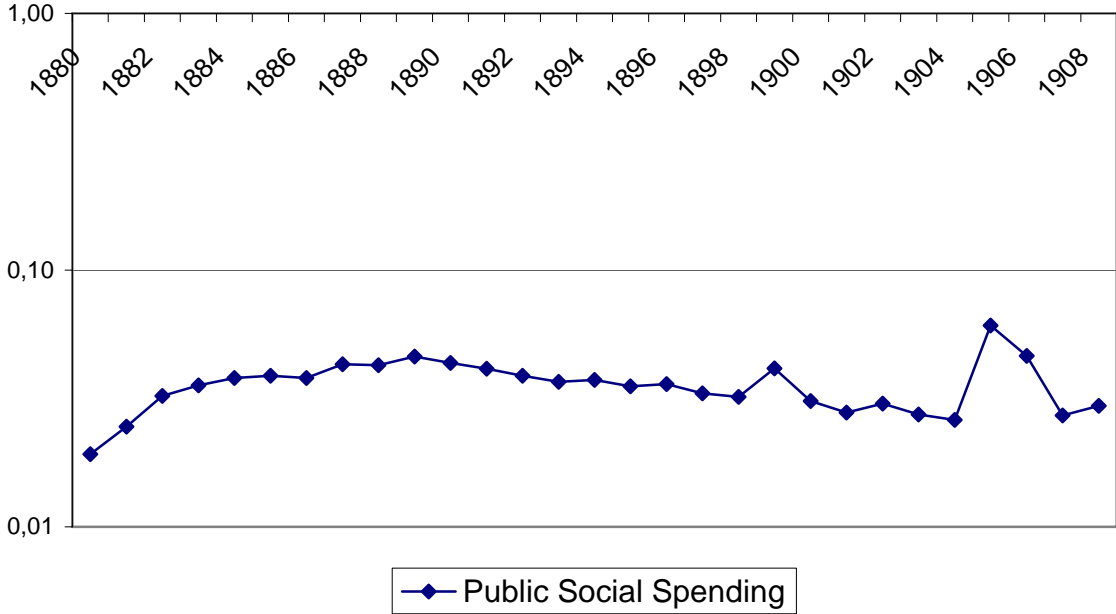
Source: Espuelas (2008)

However, despite this apparent lack of mobility, it was during these years in Spain that the first debates were heard on what was referred to as "social

reform", while the first measures of social legislation began to be introduced. Among the most important of these measures were the creation in 1883 of the *Comisión de Reformas Sociales* (CRS), whose main duty was to study the situation of the working classes and to draft legislative proposals to improve their social conditions; and the introduction of the Law of Associations (1887) that recognised the freedom of association, and paved the way for the legalisation of workers' associations. Thus, in 1888 the *Unión General de Trabajadores* (UGT) was founded. Shortly afterwards universal male suffrage was introduced (1890), which at least formally gave a political voice to the workers and low income groups, and at the same time ought to have permitted a shift in the political scales in favour of more redistributive policies. Finally, in 1903, the *Instituto de Reformas Sociales* (IRS), the successor to the CRS, was founded. This Institute was to become the true motor for the development of working class legislation in Spain. However, as discussed above, none of these measures had a significant impact on the evolution in public spending. For this to occur, it was necessary to wait until the foundation of the *Instituto Nacional de Previsión* (INP) in 1908 and above all for the political changes following World War I.

With the founding of the INP and the introduction of the first (voluntary) old-age insurance scheme, the state began to assume new forms of social protection. From this point on, welfare and health care were no longer the only elements that made up social spending, and at the same time a slow process of diversification was initiated. However, the impact on the growth in spending during this period was very small because the subsidies granted to the old-age insurance scheme, or workers' retirement pensions, as they were known at that time, were kept relatively low.

Graph 2. State social spending as a % of GDP, 1909-1935.
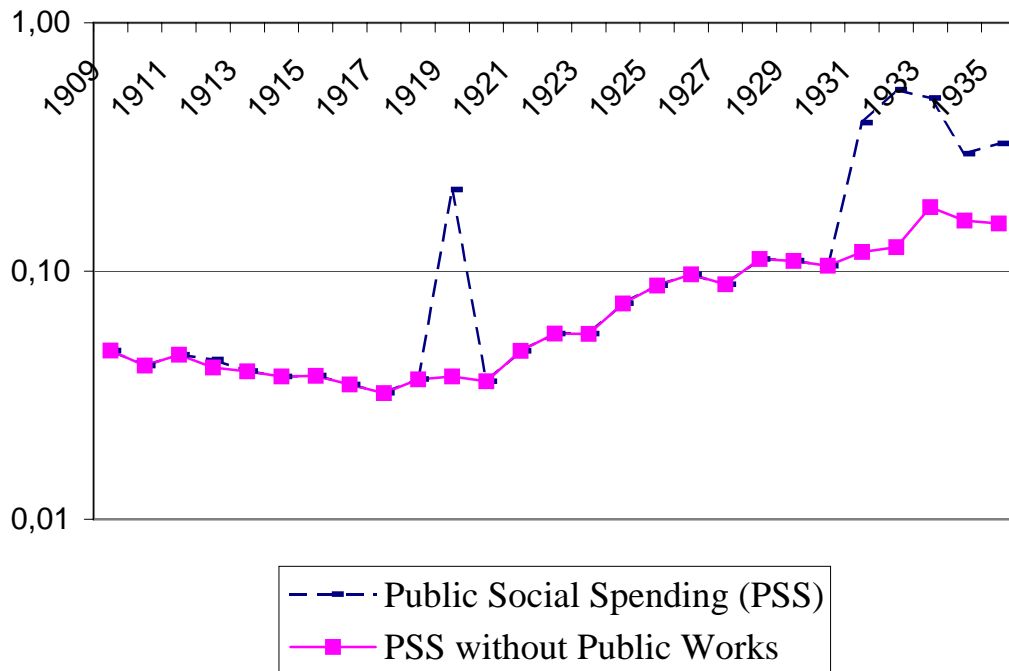
Source: Espuelas (2008)

As Graph 2 shows, the real catalyst for social spending occurred after World War I. During these years new social programmes were introduced. Thus, the old-age insurance scheme, which until this time had operated as a voluntary contribution, became compulsory in 1919, and in 1923 maternity benefit was created. At the same time, subsidies were granted to the workers' mutual insurance societies and unions to cover social risks such as unemployment and sickness, and subsides were agreed to create job placement offices and employment offices[26]. During this period major political and social debates centred on the creation of unemployment and sickness insurance schemes, although they were not introduced until 1931 and 1942 respectively. Finally, the peak recorded in social spending in 1919 (Graph 2) corresponds to a budgetary item of more than 40 million pesetas to subsidise public works against

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[26] Espuelas (2008).

unemployment, which Rodríguez Labandeira (1991) has linked with the 1917 agrarian crisis.

During the Primo de Rivera dictatorship (1923-1930), a period marked by a reduction in worker and union rights, no new social insurance schemes were introduced. Moreover, during these years, some projects such as unemployment insurance were paralysed. However, social spending continued to grow, because the state continued to subsidise previously established insurance programmes, such as workers' retirement pensions and maternity benefit, while large families were also granted an allowance.

During the Second Republic (1931-1936) social spending continued to grow. New social programmes were introduced such as the voluntary unemployment insurance scheme, while maternity benefit was replaced by compulsory maternity insurance[27]. Health care spending also underwent considerable growth, while welfare spending suffered a significant fall between 1931 and 1935. However, the policy that had the greatest impact on the evolution in social spending during the republican period was the subsidising of public works to combat unemployment. These were responsible for a large proportion of the overall growth in social spending. Between 1931 and 1935 social spending not including public works fluctuated between 0.12 and 0.18% of GDP. However, when public works were included the level rose to 0.33-0.54% of GDP, which means that public works aimed at countering unemployment represented more than 50% of social spending during the republican period. This predominance can be explained in part by the great political importance acquired by unemployment in the agricultural sector during these years. But, at the same time, it highlights the low degree of modernization attained by social policy in Spain, and the importance in particular periods of traditional policies such as the promotion of public works.

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[27] Maternity insurance was formally approved in 1929 (Royal Decree 22 March, 1929, and Regulation 29 January 1930), but did not come into operation until 1931.

After the Civil War, the growth trend initiated after World War I was broken. Beginning from very low levels in 1940, social spending increased until pre-War levels were once again recovered in 1946. However, after this year a continuous fall occurred in social spending as a percentage of GDP and this went virtually uninterrupted until 1960 (Graph 3). Within the new legislative framework of the post-Civil War years, the main insurance schemes were Obligatory Old Age and Invalidity Insurance (SOVI) which replaced the former workers' retirement pensions; Obligatory Sickness Insurance (SOE) created in 1942 and which after 1948 also included maternity benefit (Decree 9 July, 1948); Obligatory Accident Insurance, which retained the basic characteristics of the pre-War period; and, finally, the Obligatory Sickness Insurance Programme for Professionals which was introduced in 1950.

Similarly, along with these social insurance schemes, the dictatorship introduced a system of family benefits (1939) around which they created a further series of supplementary benefits including national and provincial natality prizes, marriage loans, widow and orphan benefits and allowances for large families. However, this proliferation of social security schemes did not mean greater social expenditure in relative terms. On the contrary, the social security system was financed in practice by contributions from employers and workers, and state subsidies were scarce and not up-dated on any regular basis, despite the high rate of inflation. Therefore, the self-financing principle that upheld a large part of Franco's state security system enables us to explain the fall in relative terms of social spending although many new social programmes were being introduced[28].

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[28] On the characteristics and consequences of the social security system under Franco, see Vilar (2006) and the references therein.

Graph 3. State social spending as a % of GDP, 1940-1960.
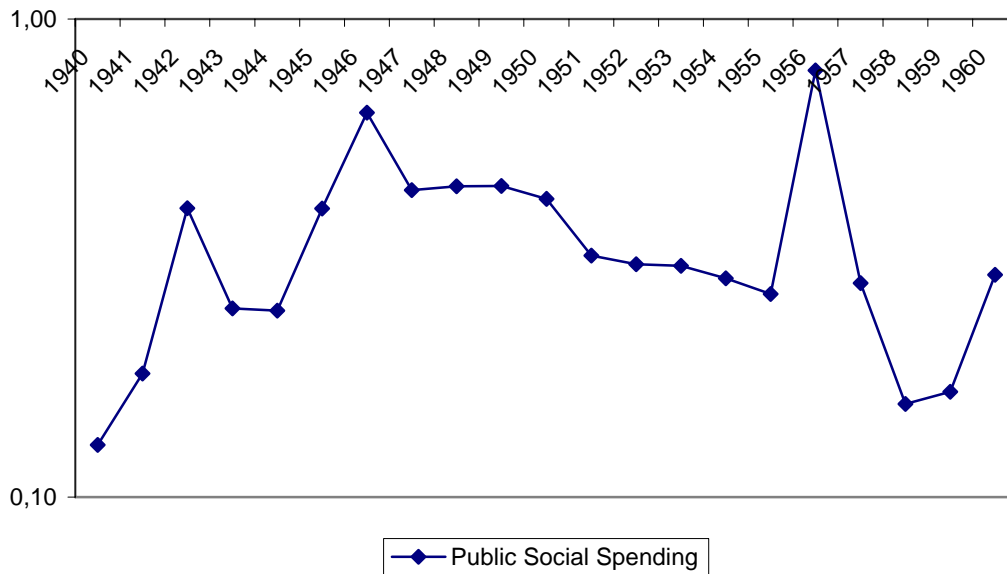

Source: Espuelas (2008)

State social spending not directly related to these social security schemes, such as welfare expenditure and spending on health care other than sickness insurance (building of hospitals, maintenance costs of health installations, etc.), followed a similar trend to that of overall spending, to the extent that it tended to fall in relative terms after 1945-46. However, this fall was much less intense in health expenditure than it was in the case of welfare spending and social security expenditure. Furthermore, the drop in overall social spending that occurred in Spain after World War II took place in a context in which most European governments were initiating a process of rapid growth in their social expenditure. The uniqueness of the Spanish case, therefore, expressed itself in a process of divergence that only began to be corrected after 1960-61[29].

3. Factors conditioning the evolution in social spending in Spain (1880-1960)

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[29] Espuelas (2008).

Having described the evolution and internal structure of social spending in Spain, this section analyses the factors that determined its long-term behaviour. To do this, we constructed a panel data set constituting state spending in social security, welfare and health care as a percentage of GDP for 17 cut-off points for five-year periods between 1880 and 1960 (Graph 4). Social security spending included state subsidies to the various social insurance programmes, which depending on the particular period were: accidents, old-age, maternity, sickness, and family allowance. This section also includes subsidies for unemployment insurance and the creation of job placement offices. However, subsidies promoting public works have not been included in this analysis. As we discussed in Section 2, this is an item of exceptional expenditure (appearing only in certain years) conditioned by a set of factors that differ markedly from those of other social spending schemes. Welfare spending includes, as its name indicates, state expenditure in the provision of welfare services, while health spending includes state expenditure in the provision of healthcare goods other than sickness insurance programmes.

Graph 4. Endogenous variables in the panel data set
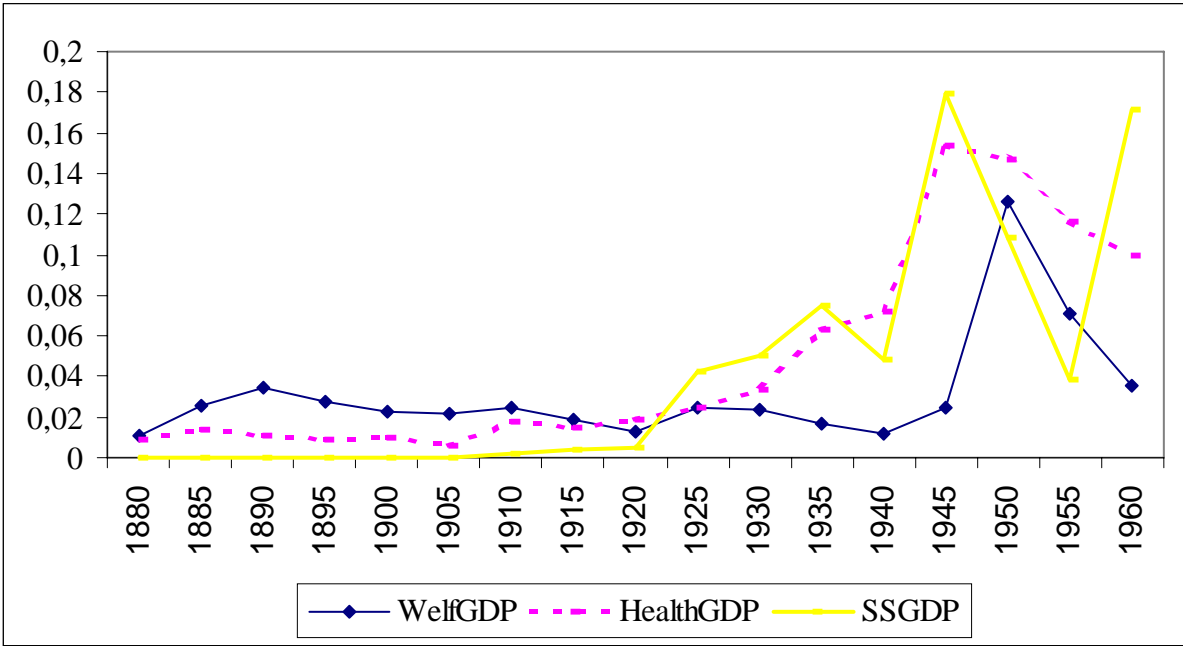
Source: See Appendix.
Note: WelfGDP = public spending on welfare as a percentage of GDP; HealthGDP = public spending on health care as a percentage of GDP; SSGDP = public spending on social security as a percentage of GDP.

In line with the theoretical framework outlined earlier, the historical advance in social spending in the most advanced countries was determined by economic, demographic, and socio-political variables as well as by the impact of globalisation.[30] Within the first group, we considered the level of GDP per capita in each cut-off period in natural logarithms (Log GDP), representative of the level of income in the Spanish economy, and the mean annual growth ratio of GDP per capita in the last five years (Growth GDP), which enables us to capture the impact of economic cycles on the percentage of social spending. In line with the vast literature on economic development and the welfare state, we expected a priori that the long-term increase in per capita income levels would allow public spending to increase as the fiscal capacity of the state also grew. Moreover, the effect of economic cycles is not so clear, since the demand for social protection from the population tends to increase more in periods in which rates of growth are lowest, while in the growth phases of the cycle the opposite occurs.[31] However, we should not forget that the state enjoys a greater financial capacity to expand social policies through public spending as rates of economic growth rise.

In the case of demographic changes, we expected the progressive ageing of the population - due to the increase in life expectancy and the reduction in the fertility which seems to typify developing economies, to favour social transfers in two ways. On the one hand, demographic ageing leads to a greater demand for social spending, above all in social security and health care. On the other hand, the existence of a broad percentage of elderly population usually generates

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[30] Recall that we are adopting a Lindert-style framework (2004).
[31] Lindert (1994), p.26.

less resistance in society to policies of social transfers, even though there are limits on the generosity of the taxpayers[32]. To capture the effect that the ageing of the adult population had on social spending we introduced two variables in our estimation: the ratio between the population over the age of 65 and the population older than 20 (Adults 65), and the ratio between the population between the ages of 20 and 34 and the population over 20 (Young Adults). Here, we expected the increase in the ageing rate to favour spending for social purposes (*ceteris paribus*), and that the opposite would occur as the weight of the young adult population increased. It is worth highlighting that the "age effect" can also act as a *proxy* for other variables such as an improvement in living conditions.

In the case of the political variables, we introduced two types of effect into the model: the degree of democracy (Demo) and the percentage of voters with respect to the electoral roll (Voter turnout).[33] To capture this first effect we bore in mind that during the period of study a transition occurred in Spain from census suffrage to universal suffrage, which could have had an influence on social spending behaviour. Consequently, we constructed two dummy variables, one (Demo-r) which takes a value of 1 in periods in which male census suffrage was in operation (1880-1890) and a value of 0 for the other periods; and a second variable (Demo-u) which takes a value of 1 in the periods in which universal male suffrage (1891-1923 and 1931-1932) and universal suffrage were in operation (1933-1936) and a value of 0 for the other periods. In line with the theoretical framework, we expected that the stages with greatest guarantees of democracy, in which the right to vote extended to include the lowest income

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[32] Lindert (2004, II), p. 65 and ff.

[33] As an alternative we also used the variable VOTP25, defined as the percentage of the population that exercised its right to vote with respect to the total population over the age of 25, the minimum voting age in that period, except during the Second Republic when the limit was lowered to 23. However, the results were similar. Further, we also considered the impact of the female vote but this was found not to be significant, which is logical if we consider that the variable only takes a value other than zero in 1935.

groups, would favour (*ceteris paribus*) an increase in social spending, due to the need to capture the votes of the popular classes and the latter's increased capacity to bring pressure to bear. This said, however, the net impact of democracy on the percentage of social spending depended to a large extent on the percentage of adults with the right to vote that actually exercised that right. For this reason, we also introduced into our estimation the percentage of voters with respect to the electoral roll (Voter turnout). We expected this variable (*ceteris paribus*) to have a positive effect on social spending.

The availability of financial resources for use by the state also conditioned social spending behaviour from a historical point of view. This factor acquired particular importance in the case of Spain, since one of the main endemic evils in the history of the Spanish treasury lay in the late modernisation of the tax system, characterised by the primacy of indirect taxation and the low ratio of tax income with respect to GDP. The maintenance of a socially unjust tax system based on the primacy of indirect taxation and a relatively low tax pressure led to an insufficient public tax collection to meet the growing needs of the state. Consequently, the resources available for social uses were very scarce, regardless of the wishes of the government in office.[34] To capture the effect of the scarcity of resources available to the Spanish treasury on social spending behaviour we introduced the percentage of public revenues with respect to GDP as an explanatory variable. We expected this variable to have a positive effect on social spending behaviour (*ceteris paribus*).

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[34] Comín (1996, p. 121) points out that "*el objetivo de la redistribución de la renta mediante los tributos ha sido inalcanzable en España hasta 1979. El predominio de la imposición indirecta y la regresividad práctica de los impuestos de producto, tanto por los procedimientos de recaudación como por el extendido fraude, conducían a que los tributos redistribuyeran la renta, pero a favor de los más ricos hasta tiempos recientes*" ["*The objective of income redistribution through the tax system has been unachievable in Spain until 1979. The pre-eminence of indirect tax and the actual regressivity of product taxes, because of both the collection mechanisms and the extension of tax fraud, led taxes to redistribute income, but in favour of the richest people until recent times*"].

Another of the budgetary items that conditioned the cyclical availability of resources for social purposes was public spending for military purposes, a factor closely related to the political framework and the state's war commitments, both abroad (most notably in this period the colonial wars of Cuba and Morocco) and at home, above all, during the Civil War (1936-1939) and the post-war period, in which there was an enormous relative increase in defence spending. The militaristic vocation of the early decades of the Franco dictatorship could have generated a trade-off between "guns and butter" (Lindert, II, 2006, p. 72). To capture this possible effect we introduced the percentage of public spending on defence with respect to GDP (Military expenditures) into the estimation.[35] We expected a negative relationship between the evolution in social spending and the cycles of greatest military spending (*ceteris paribus*).

Finally, in line with the theoretical framework, we introduced the impact of the opening up of the Spanish economy to international commerce (Globalisation) on the evolution in social spending. In this case, the expected sign of the relationship between trade openness and social transfers was not clear. On the one hand, we expected governments to show greater sensitivity towards measures of social protection in periods of greatest economic openness, in order to counter the greater vulnerability to *shocks* from external trade. On the other hand, greater international openness might also lead to governments introducing cut backs in their social programmes in order to make their economy internationally competitive.[36]

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[35] We also considered the percentage of defence spending with respect to total spending but the result was similar.

[36] Here, the results reported by Rodrik (1997) suggest that openness in itself has a negative effect on social spending but that this effect is significantly positive when it interacts with the real exchange relation. Lindert (2004, II, p. 72) considers openness exclusively in his estimation, obtaining a significant positive result. Here we opted to follow Lindert's model and so we introduced exclusively the openness variable to capture the effect of exposing the economy to foreign forces on social spending.

Other forces that might have conditioned the evolution in welfare spending with respect to GDP, such as the rate of worker unionisation or the number of strikes, were not included in the model owing to a lack of historical data for Spain during the period of study.[37] However, given Spain's political trajectory during this period, it is likely that the Demo variable captures part of these effects, since the possibility of demonstrating and calling for workers' social rights were not viable in the periods of dictatorship which account for more than 40% of the study period. The final results of the econometric analysis are shown in Table 2.

Table 2. Factors that explain the evolution in social spending as a percentage of Spain's GDP (1880-1960)

	(1)	**(2)**	**(3)**	**(4)**
C	0.005580	0.005599	0.005580	0.005599
	(1.101265)	(1.302248)	(1.071892)	(1.269275)
Trend	-3.98E-08*	-3.86E-08*	-3.98E-08*	-3.86E-08*
	(-2.983348)	(-5.294030)	(-2.903778)	(-5.159982)
Log GDP	-0.000266	-0.000330**		
	(-1.292095)	(-1.944189)		
Growth GDP	0.004369*	0.004789*	0.004369*	0.004789*
	(4.281487)	(5.300691)	(4.167294)	(5.166475)
Young Adults	-0.034005*	-0.035158*	-0.034005*	-0.035158*

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[37] Unlike Lindert's estimation (2004), we did not include the effects of religion and ethnic heterogeneity for two reasons: this is a case study and not an international comparative analysis and, historically, Spain has been a country of net emigration and one with a strong Catholic tradition, so that the two variables make little sense in the estimation.

	(-3.064057)	(-4.438664)	(-2.982334)	(-4.326274)
Adults 65	0.025900*	0.026077*	0.025900*	0.026077*
	(2.528061)	(2.516368)	(2.460634)	(2.452652)
Military Exp.	-0.053179*	-0.052031*	-0.053179*	-0.052031*
	(4.286631)	(-7.215661)	(-4.172301)	(-7.032956)
Public revenues	0.032788*	0.032319*	0.032788*	0.032319*
	(4.324939)	(8.585376)	(4.209587)	(8.367989)
Demo-u	-0.001025*	-0.001178*	-0.001025*	-0.001178*
	(-3.649471)	(-7.557296)	(-3.552134)	(-7.365941)
Demo-r	-0.000571*	-0.000665*	-0.000571*	-0.000665*
	(-3.639591)	(-4.972210)	(-3.542518)	(-4.846311)
Voter turnout	-0.000532		-0.000532	
	(-0.922096)		(-0.897502)	
Globalisation	-3.13E-06		-3.13E-06	
	(-0.320087)		(-0.311550)	
D-1940	-0.000719*	-0.000725*	-0.000719*	-0.000725*
	(-7.774027)	(-9.797269)	(-7.566682)	(-9.549197)
SS-Log GDP			-0.000171	-0.000235
			(-0.617843)	(-0.975683)
Health-Log GDP			-0.000184	-0.000247
			(-0.886090)	(-1.457497)
Welf-Log GDP			-0.000444*	-0.000507*
			(-2.401984)	(-3.370270)
Adj. R-squared	0.685322	0.604656	0.699045	0.712783
DW	1.401258	1.389974	2.068016	2.046788
Nºobserv/usable	51/51	51/51	51/51	51/51

Notes: * Explanatory variables significant at 1% confidence level. ** Explanatory variables significant at 5% confidence level.
The regressions for this panel were estimated by OLS corrected for heterocedasticity using White's method. For the origin and composition of the variables, see the Appendix.

In addition to the variables outlined above we also incorporated within the analysis a Dummy (D-1940), which takes a value of 1 for the year 1940 and 0 for the rest of the periods. This dummy variable seeks to correct the specific fall in social spending following the Civil War, a drop that broke with the trend established in previous years. D-1940 is significant and improves the goodness of fit of the model notably. Its negative coefficient indicates that the impact of

the Civil War on the evolution in social spending as a function of GDP was worse than indicated by the model's explanatory variables. In accordance with the estimates that appear in Table 2, we can conclude that social spending behaviour in Spain between 1880 and 1940 was determined to a great extent by economic, demographic, political and budgetary variables, as it was in other countries. However, the Spanish case does present a number of singularities that will be analysed below.

4. Discussion

The results shown in Table 2 mean that the Spanish case can now be incorporated into the ongoing debate in the international literature concerning the historical determinants of the welfare state. In column (1) we include the explanatory variables typically used in the literature to account for the evolution in the percentage of social spending in Spain between 1880 and 1960, while in column (2) we show the results of eliminating the variables that were not significant in the first estimation.

Our results show that the Growth GDP variable was highly significant in the two estimations and presented a positive sign, indicating that social spending presented a pro-cyclical behaviour during the study period. At the same time, the other variable representative of economic development, Log GDP, was not significant in the first estimation but was in the second. However, the coefficient associated with this variable did not present the expected positive sign a priori, a result that is difficult to explain. Some earlier studies suggest that income levels did not play such an important role as it was traditionally thought[38]. But this does not mean that the level of income might have a negative effect on the evolution in social spending, as estimation 2 indicates. This result could reflect the fact that income per capita does not have the same effect on the three

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[38] See Lindert (1994 and 2004).

endogenous variables – welfare, health and social security expenditure - included in the analysis. Specifically, it might be that the Log GDP variable has a negative effect on welfare spending, given that it is an item of expenditure with a marked traditional nature and with a tendency to diminish as a country's income level rises; whereas, in the case of public spending on health and social security, it is possible that the effect of income level is not even significant. Under these circumstances, the significant and negative coefficient of Log GDP may simply be a consequence of the primacy of the first effect on the second.

To test for this possibility, we opted to estimate a new equation with a specific GDP per capita for each type of social spending. The results are included in columns 3 and 4 of Table 2, in which it can be seen that the coefficient of the Log GDP variable associated with spending in health and social security (Health- Log GDP and SS- Log GDP respectively) is not significant, while it is significant - presenting a negative sign - in the case of welfare expenditure (Welf- Log GDP). Therefore, we can conclude that the negative sign of the Log GDP variable is conditioned by the behaviour of welfare spending. Moreover, by considering a specific Log GDP for each endogenous variable we improve the goodness of fit of the model significantly, and the behaviour of the rest of the variables, which we discuss in detail below, is not affected.

The effects derived from demographic change were significant and presented the expected signs. Specifically, the results show that the ageing of the population (Adults 65), derived largely from an improvement in welfare and a greater life expectancy, increased (*ceteris paribus*) the demand for spending for social purposes at the same time as it favoured greater support from society for policies of this type. Seen from this perspective, as the population has aged, governments have come under more pressure to increase social spending within the budget. By contrast, the relative increase in the young adult population stemmed the percentage growth in social spending with respect to GDP.

In the case of the political factors, the variables related to democracy (Demo-r and Demo-u) were relevant with a high degree of significance, but both presented a negative coefficient.[39] For the Demo-r variable, which captures the effect on social spending of the right to vote being restricted to the social elite, we obtained a similar result to the one we expected. However, the introduction of universal suffrage, an effect captured by the Demo-u variable, should have had a priori a positive effect on social spending. To explain this result we need to bear in mind the weakness of the democratic system in Spain during the period of study. In the cacique democracy of the Bourbon restoration (1874-1923), the shift from census male suffrage to universal male suffrage in 1890 had virtually no impact on social protection programmes. In fact, during this period, the low turnout at the elections and the weak competition for votes between parties that had an almost exclusively urban base was notable.[40] Suffice it to say that in the 1920 elections little more than 10% of the population voted, so that the capacity of the popular classes to bring pressure to bear when demanding greater social protection through their right to vote was weak. In fact, the percentage of voters (Voter turnout) was not significant in either of the estimations conducted to explain social spending behaviour with respect to GDP (columns 1 and 3). Moreover, in the periods of dictatorship, when the majority of rights and liberties were suspended (voting, unions, strike action, etc.), the percentage of social spending did not suffer any fall. Indeed, during the Primo de Rivera dictatorship (1923-1930) the growing evolution in social spending initiated after World War I continued. Further, during the Franco dictatorship (1939-1975), despite the fact that there was a marked drop in spending after 1945, the rate did not fall below the levels reached in 1930.

In the case of the budgetary variables, both public revenues as a percentage of GDP and military spending were significant and presented the

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[39] An identical result to that obtained by Lindert (2004, II, p. 21) in his estimation.
[40] Linz, Montero & Ruiz (2005), p. 1037

expected sign. Therefore, we can conclude that the stages of economic growth in which the state managed to improve its revenues with respect to GDP, by changes in the tax system and/or by exerting greater fiscal pressure, favoured the increase in social spending in relative terms. The quantitative evidence corroborates the classic thesis of the historiography that holds to the idea that the scarcity of resources available to the Spanish treasury conditioned the modernization of the public spending structure, at least in the years between 1880 and 1960. Moreover, the periods of greatest militarism characterised by relative increases in defence spending, regardless of the existence of any particular armed conflict, obliged governments to assign a large part of their scare resources to this item of expenditure, with the consequent negative effects for social spending.

Finally, we introduced into our analysis the effects derived from the opening up of the Spanish economy (Globalisation). The variable was not relevant in any of the cases (columns 1 and 3). This result appears coherent if we bear in mind the low degree of openness shown by the Spanish economy, below 25% during the period of study[41]. Within this context, the foreign sector should not have represented a major source of instability for the Spanish economy, nor a factor that contributed to increasing workers' demands for social protection. If the Spanish economy remained largely on the margins of international markets during most of the study period, it is only logical that the coefficient of openness did not have any significant impact on the evolution in social spending.[42]

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[41] Carreras & Tafunell (2004), p. 457. The Spanish economy was more closed than the average European economy between 1880 and 1960. In particular, in 1880 the degree of trade openness in Spain was below 40% of the mean for the European Union; in 1920 it was close to 60%, falling again to around 40% in 1960, following the political autarky of the Franco dictatorship. According to these authors, the degree of openness reflects the changes in the country both in terms of commercial policy and exchange policy.

[42] Comín (1996, p. 71) points out that resistance to tax reforms has resulted in the intervention of the Spanish state in the form of excessive regulation of foreign and home markets. As there has not been sufficient money to solve the failures and deficiencies of the private economy through budgetary policy, successive governments have tried to substitute the market by means of laws and decrees protecting production against the external market and by seeking

In short, between 1880 and 1960 the Spanish economy had yet to see the culmination of its process of industrialization, still presented a mean degree of openness well below the European average and severe democratic weaknesses (40% of the period being marked by dictatorial regimes). However, the percentage of social spending in Spain increased, although it remained below the European average. But, what was the contribution of each of the explanatory variables to the historical changes in the percentage of social spending in Spain?

In Table 3 we calculate the impact of the explanatory variables on the changes in the percentage of social expenditure on welfare, health care and social security in Spain between 1880 and 1960. The contribution of each explanatory variable (the figure given in brackets) was calculated as the coefficient of regression 4 from Table 2 multiplied by the mean of the variable in each type of social expenditure and period. The results reveal that behind the historical advance in the percentage of social spending in Spain the demographic factors played a key role, accounting for around 60% of its evolution in the period of study. The level of per capita income, by contrast, had a very limited influence on the evolution in social spending, while the evolution in the economic cycle was highly influential. In fact, the economic cycle is capable of explaining around 18% of the variations in the level of social spending, which highlights that this factor had a markedly pro-cyclical behaviour throughout the period. The budgetary variables are the third main factor in explaining the evolution in social spending. The level of state income explains around 13% of the variations in social expenditure. As is only to be expected, the availability of state income conditioned the development of social policy markedly. Moreover, military spending undermined the capacity of the state to increase social spending by more than 5%. Finally, the political variables, specifically the existence of census suffrage and universal suffrage, did little to account for the

to favour certain sectors and companies. Seen from this perspective, we introduced the level of nominal protection of the Spanish economy as an explanatory variable but this too proved to be non significant.

evolution in social spending between 1880 and 1960. This result is hardly surprising in the case of Spain, given the weight of the dictatorial regimes in the period of study.

Table 3. Effect of each variable on social spending as a percentage of GDP in Spain (1880-1960)

	SS-GDP	Health-GDP	Welf-GDP
C	0,005599	0,005599	0,005599
Trend	-3.86E-08	-3.86E-08	-3.86E-08
Growth GDP	0,005024	0,005024	0,005024
	18,36%	18,36%	18,30%
Young Adults	-0,013856	-0,013856	-0,013856
	50,63%	50,63%	50,47%
Adults 65	0,002537	0,002537	0,002537
	9,27%	9,27%	9,24%
Military Expend.	-0,001535	-0,001535	-0,001535
	5,61%	5,61%	5,59%
Public Revenues	0,003694	0,003694	0,003694
	13,50%	13,50%	13,45%
Demo-u	-0,000485	-0,000485	-0,000485
	1,77%	1,77%	1,77%
Demo-r	-0,000117	-0,000117	-0,000117
	0,43%	0,43%	0,43%
D-1940	-0,000043	-0,000043	-0,000043
	0,16%	0,16%	0,16%
?-Log GDP	-0,000075	-0,000078	-0,000161
	0,27%	0,29%	0,59%
Predicted	0,000742	0,000739	0,000656
	100,00%	100,00%	100,00%
Real	0,000425	0,000315	0,000481

Note: The contribution of each variable is calculated from the coefficient of the regression (Table 2, column 4) multiplied by the average value of each variable during the period. The percentages appear in brackets. The constant (C) and the trend maintain the same value as in the regression. The aforementioned value is the sum of the changes that each variable contributes. The real value is the average of the level of social spending during each period.

Conclusions

Social spending as a percentage of GDP in Spain remained relatively low compared to the figures recorded by other countries between 1880 and 1960. If this variable is taken to be representative of the progress made by the welfare state then we must conclude that the situation was somewhat disappointing. However, despite this general outlook, various changes in the internal structure and the percentage trend in social spending in Spain during the period of study can be identified. The main events in this trend were the percentage falls in spending during the liberal period and the immediate post-Civil War years, stagnation between 1890 and World War I and an upward movement during the 1920s and the Second Republic.

Yet, which variables determined the behaviour in social spending as a percentage of GDP between 1880 and 1960? To answer this question we constructed a panel-data set divided in five-year periods with the percentage of social spending disaggregated in three groups: health care, social security and welfare. We analysed the impact on social spending of the long-term evolution in economic growth and the structural changes that accompanied it, as well as changes in the political and budgetary variables and the effects of globalisation. The lessons shown by this historical analysis indicate that the percentage of social spending as a percentage of GDP in Spain between 1880 and 1960 was positively determined by the ageing of the population and the cycles in which economic growth was greatest, but negatively by the percentage of young adult population between the ages of 20 and 35. On the other hand, while per capita income levels did not exercise any influence on the growth in public spending in health care and social security, they did contribute to the reduction in welfare spending, an item of expenditure with a marked traditional nature. In short, we can conclude that demographic factors played a determining role in the initial stages of the development of the welfare state; while economic growth had a more ambiguous influence.

If we look at the political variables, the weak democratic structure of the Restoration and the weight of the dictatorial regimes during the study period (40%) account for the negative impact of the democratic framework on the percentage rate of social spending. In line with this argument, it would appear logical that the percentage of voters in the years in which elections were held was not at all significant in the estimation. By contrast, the behaviour of public revenues and defence spending whose growth fostered and restricted, respectively, the historical trend in social spending in relative terms were determining factors. Finally, the degree of openness of the Spanish economy did not have any significant influence on social spending either, which is logical in a period in which the country remained somewhat closed to foreign markets. In short, our analysis allows us to place the Spanish case within the international debate on the historical determinants of welfare and the results obtained highlight a number of interesting features specific to the country.

Appendix

Globalisation: In line with Lindert's model (2004, II, p. 72), the degree of openness of the Spanish economy has been defined as the sum of its exports and imports as a percentage of GDP, Tena (2005), table 8.8, p. 624. The GDP data series were taken from Prados (2003). Source: Tena, A. (2005) pp. 573-644 and Prados de la Escosura (2003), table A.11.2.

D1940: Dummy variable that takes a value of 1 for 1940 and 0 for the rest of the period.

Demo-r: Dummy variable based on information provided by Linz, Montero & Ruiz (2005), electoral system for the elections to the Spanish Parliament, table 14.2, p. 1075 and ff. It takes a value of 1 during the period analysed in which male census suffrage applied (1880-1890), and 0 otherwise. Source: Linz, J. J., Montero, J. R. & Ruiz, A. M. (2005), pp.1027-1154.

Demo-u: Dummy variable based on information provided by Linz, Montero & Ruiz (2005), electoral system for the elections to the Spanish Parliament, table 14.2, p. 1075 and ff. It takes a value of 1 during the period analysed in which universal male suffrage (1891-1923 and 1931-1932) and

universal suffrage (1933-1936) applied, and 0 otherwise. Source: Linz, J. J., Montero, J. R. & Ruiz, A. M. (2005), pp.1027-1154.

Military expenditures: Ratio of public spending on defence (functional classification) to GDP. Source: Comín, F. & Díaz, D. (2005), pp. 873-964 and Prados de la Escosura (2003), table A.11.2.

PSS-GDP: Public social spending as a percentage of GDP. For the analysis, we classified social spending in three groups: WelfGDP, HealthGDP, SSGDP. The date series are taken from Espuelas (2008).

Public Revenues: Percentage of total state revenues as a percentage of GDP. The total income is taken from the section: "*Derechos reconocidos y liquidados totales*", in the administrative classification of State Income drawn up by Comín & Díaz (2005), table 12.9, p. 912 and ff. and Prados de la Escosura (2003), table A.11.2.

Log GDP: Logarithm of the level of GDP at factor cost per capita is taken from Prados (2003), table A.11.2.

Growth GDP: Representative variable of the economic cycle. Mean annual growth in GDP per capita over the last five years, Prados (2003), table A.11.2 (in 000s of pesetas).

POAGT: Active agrarian workforce as a percentage of the total active population, Nicolau (2005), p. 149, table 2.27.

Adults 65: Ratio between the population over 65 years of age and the population over 20, Nicolau (2005), table 2.23, p. 145.

Young Adults: Ratio between the population aged between 20 and 34 and the population over 20, Nicolau (2005), table 2.23, p. 145.

PROT: Degree of protection of the Spanish economy, Tena (2005), table 8.8, p. 624.

Voter turnout: Percentage of the Spanish population that exercised their right to vote with respect to the population census, obtained from data shown by Linz, Montero & Ruiz (2005) on Election to the House of Representatives during the Restoration (1876-1923), table 14.6, p. 1093, the data on Elections to the Spanish Parliament during the Second Republic (1931-1936), table 14.11, p. 1098 and Nicolau (2005) based on population censuses, table 2.23, p. 145. We also worked with the percentage of the Spanish population that exercised their right to vote with respect to the electoral register and the population over the age of 25 but the results were similar.

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