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The Politics of Public Spending in Post-Communist Countries

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A growing body of literature documents that under the economic and social pressures accompanying the post-communist transformations, governments in Central and Eastern European countries have been forced to change their spending habits. However, because most of these findings are based only on case studies or comparisons of a very small number of countries, it is difficult to observe to what extent the post-communist countries' development patterns share commonalities or develop in unique ways. This article explores in a quantitative comparative framework the effects of government composition, globalization, political institutions, and socioeconomic factors on total public, public social, and public education expenditures in twelve nation states. The authors find that the party composition of government has the most robust effect, in that left incumbency is positively correlated with total public and social expenditures. This result indicates that in this sense, post-communist countries are similar to Western democratic ones. The authors find only mixed results regarding the effects of globalization on public spending. This might suggest that globalization does not have a direct effect on the spending policies of these countries, but rather is mediated by domestic contexts.

Keywords: *public expenditure; social expenditure; education expenditure; post-communist countries; political determinants of public spending*

Equal access to welfare used to be the pride of communist systems. But in the current context of complete overhaul of their economies, the former communist states could no longer sustain the same levels of public expenditure. Welfare states have had to be reformed, and this change has increasingly attracted scholarly attention. Numerous studies have investigated the impact of factors such as economic conditions (decrease in output), international conditionality, color of governing parties, changes in the structure of economy (increase in share of private sector), and unemployment on the structure and the extent of welfare benefits. While reviewing the main findings of previous studies on welfare systems in Central and Eastern Europe (CEE hereafter),

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we found that most of these analyses are based either on case studies or on comparisons of a very small number of countries and tend to highlight particularities. We hardly found quantitative studies. One notable exception is Dion's study. However, most of its cases are non-European middle-income countries, and therefore it is questionable in terms of comparability.[1] By integrating existing research and employing a quantitative–comparative design, we want to explore whether there are commonalities in the determinants of welfare spending across the region, or whether each country has developed in its own unique way.

In this study—which benefits from a new dataset for the institutional configuration and politics of former communist countries[2]—we try to fill the gap in the existing literature by analyzing the effects of government composition, globalization, political institutions, and socioeconomic factors on total public, public social, and public education expenditures. Our universe of cases is formed by the countries that have become EU members or have applied for membership and have not experienced long-lasting stateness issues. These countries are Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.[3]

The article is organized as follows. The first part reviews the main findings of previous studies on welfare systems in Eastern Europe. In the second part, we present our hypotheses and variables. The third part consists of an analysis of our results and our conclusions.

The Arguments Revisited

For the sake of clarity, we organize our discussion of the literature around the categories of factors that have been identified as the main determinants of welfare expenditures and welfare state reform in Eastern Europe.

Economic Transformation and Its Social Effects

The breakdown of communist regimes meant that the very principles on which these societies were based crumbled, and the relationships between the state, the market, and society needed to be fundamentally restructured. Although traumatizing in itself, this process was complicated by the simultaneous and rapid transformation of countless social and economic factors.

The resulting dramatic fall of output during the first half of the 1990s was accompanied by phenomena "unknown" to this region, such as unemployment and poverty. Because of rising unemployment, declining output, and a lack of attention to the social aspects of transformation, income inequalities deepened rapidly in the first years of the 1990s. Pockets of poverty became entrenched and groups such as the Roma, youth, elderly, rural inhabitants, and "the new poor" were severely affected.[4]

Because poverty does not have a single cause and affects a large spectrum of social categories, the instruments necessary to tackle it are also complex. Initially, practices adopted from the socialist period such as social safety nets, fixed minimum wages, price subsidies, and company-based social funds were used. However, under the pressure of economic decline and international organizations, some of these practices had to be given up and replaced with means-based subsistence benefits or allowances in cash. Ten years into transition, the social assistance schemes seem inefficient and ineffective. The percentage of total social expenditures going toward the poorest 10 percent of the population is low in all countries, and the poverty gap remains wide.[5]

The most comprehensive social reform measures have been implemented in labor market policy and poverty prevention, the two areas in which the economic transformation created strong pressure for change and institution building.[6] The state was called on to provide assistance, not only to those who lost their jobs to economic restructuring, but also to those who benefited from early retirement schemes and those who wanted to retrain themselves for the newly competitive job market. The ability of governments to provide for the welfare of their citizens depended mainly on the general performance of the economy (which plummeted in the first half of the 1990s and registered growth only after 1995) and on the capacity of the domestic labor markets to absorb the workforce. In addition to these domestic conditions, the reformers had to align themselves with social policy trends at EU level. Apart from these "special circumstances," Central and Eastern European welfare states may suffer from the same post-industrial pressures that Western countries are now facing. As Pierson argues, the unprecedented budgetary stress of Western welfare states is not caused by globalization, but mainly by an ageing population, an increasingly service-based economy, and change of household structures.[7]

Institutions

Reforming any policy field involves a trade-off between inclusiveness of the process, radicalism of reform, participation, and compliance with the new system. The outcomes of this trade-off depend largely on the institutional framework in place.[8] Veto point theories argue that polities with fewer institutional veto points tend to enact more radical changes,[9] and this expectation is largely confirmed by most studies. For example, Orenstein observed that Poland and Hungary's pension system reforms were less radical and took longer than Kazakhstan's. According to the author, this was because more interests and agendas had to be conciliated in Poland and Hungary than in Kazakhstan. He attributed the absence of a cross-country pattern to the impact of domestic politics on the formulation of policy packages.[10]

In one of the very few quantitative comparative studies in this field, Dion explored the effects of institutions on the level and type of social spending.[11] Her theoretical expectations, derived mainly from studies on industrialized democracies, were not confirmed by the data from the group of middle-income countries she employed. For example, a larger number of parliamentary parties were expected to be associated with a general increase in social spending, but were found to be associated only with higher spending on health care and social security, without there being an effect on education. Dispersion of decision-making was expected to lower the social expenditures, but was found to have no impact on any of the spending categories. This result differed from the one of Orenstein, who found an effect of veto points on social spending.[12] Dion concluded that unlike in industrialized democracies, in middle-income countries institutions are not useful predictors of the level of spending. They do, however, shape the probability that governments will change commitments to social spending. For example, centralization of decision-making and government's control over parliament tend to favor adoption of larger changes in all categories of spending.

Parties and Ideologies

The nature of political parties in government is considered to be by far the most important factor determining the size of public expenditure. This is proven by the expansive literature, which explores this relationship in industrialized countries.[13] In a nutshell, these theories posit that leftist and centrist parties support a strong and intervening state, while rightist parties want to reduce the state's role in economic affairs to a minimum. Leftist parties' position is explained by their ideological stance, which is very suspicious of market outcomes and very critical of the resulting inequalities of market allocation. In the case of centrist parties, the story is quite different. Although market criticism also plays an important role in Christian democratic thinking,[14] Christian democratic parties, unlike the social democratic ones, try to "ameliorate the suffering resulting from inequalities of the market place and to help the privileged to maintain their position in the face of adversity or old age, rather than replace or shape the market itself."[15]

In contrast, in the case of post-communist countries, the impact of parties' ideological stance on social policy reforms is not systematically researched, particularly in the case of centrist parties. Generally, it is questionable whether the arguments developed in the context of Western Europe are applicable to Eastern Europe. First, there are only two large Christian democratic parties in our universe of cases (in the Czech Republic and Poland).[16] In the rest of cases, the category of centrist parties is more heterogeneous, including small Christian democratic parties, parties of national minorities, and self-labeled "centrist" parties. Second, from mid-1990s on, most Christian democratic parties in CEE have merged with parties to their right or left, or with the Christian Democratic factions of the Conservative parties. Therefore, their position on social issues is not clear.[17] Third, van Kersbergen observes that in Western Europe in the last twenty years the demise of social Catholicism has been spurred on by an intensified struggle over redistribution.[18] Therefore, even if Christian

Democratic parties in CEE take their Western counterparts as models,[19] it is very likely that the (original) social Catholicism message and agenda is not transferred.

One of the first accounts of parties' influence on social reform in CEE is the volume edited by Cook and her colleagues, which provides an extensive account of the welfare reforms during the first half of 1990s.[20] Their ambitious aim is to shed light on whether the left's message is still alive or whether left parties are "schizophrenic"—torn between the promise to ensure equal access to welfare and their contribution to dismantling a system based on equality. The contributors analyze the welfare policies under left governments in Hungary, Poland, Russia, East Germany, and the Czech Republic, and show that in terms of policy preferences, left parties can be largely divided into two main groups: the direct remnants of communist parties aiming at reinstating the guarantees of state socialism (conservatives), and the social-democrats advocating a social-market approach supportive of economic transformation (reformists).

It was found that when in power and when holding a majority, left parties generally have tried to increase social spending and have adopted a discourse legitimizing welfare state values, such as social cohesion. The only case that did not fit this pattern was Hungary, where the Socialist Party won a parliamentary majority on a social cohesion program and initiated one of the most austere social packages. The reason for a policy choice so radically different from the party's ideological position resides mainly in the government's perception of an imminent economic crisis, the prevention of which required extreme measures.[21] It was also found that Eastern European left parties did not follow social democratic welfare state policies as described by Esping-Andersen.[22] Instead, "they either defended the socialist welfare state against a neoliberal or ad hoc dismantling, or have taken a centrist position, apparently speaking more to the median voter than to a purely left constituency on social policy matters."[23] Besides the ideological stance, the left governing parties were constrained by limited state capacity to implement and administer policy programs that have been politically accepted, by institutional and constitutional frameworks, by coalition politics, by international financial pressures, by legacies of former regimes, and by pressures from their own constituencies (notably trade unions). In other words, rather than taking and implementing ready-made models, post-communist left parties reached their choices in light of their immediate interests or their countries' specific conditions and contexts.

The collective volume coordinated by Martin Brusis produced similar evidence.[24] It was found that several positive legacies of the communist era, such as egalitarian social structure, weak socioeconomic tensions, and relatively high levels of education allowed the governments to avoid adopting radical policy reforms even when the economic situation worsened visibly.[25] The authors concluded that social reforms were guided mainly by governments' desire to avoid frictions in the social security arrangements, to avoid additional insecurity, to prevent conflicts with organized interest groups, and to engage in a "middle-class oriented social policy which was deemed more conducive to creating and preserving a social basis for democracy."[26]

Starting from the observation that Eastern European governments' challenge is to balance conflicting demands for greater economic efficiency and demands for enhanced social protection, Sotiropoulos and his colleagues analyzed the welfare reforms in Romania and Bulgaria. The detailed studies of policy changes led to the conclusion that their leftist governments lacked vision and were reluctant to initiate reforms; in turn, this attitude exacerbated the social problems.[27]

Although it is difficult to doubt the influence of party's ideological stance on social reforms, the question begging for an answer is how much does this influence count and where is it most visible. Two articles from Lipsmeyer explored this direction.[28] In her article, *Reading Between the Welfare Lines,* Lipsmeyer investigated whether the ideological stance of parties has an influence on their policy preferences. She found that the structural characteristics of policies such as funding arrangements, benefit distributions, income replacement rates, and duration periods reflected the different ideological positions of their proponents. However, her findings only partly supported the ideological difference thesis: center and right-wing governments tend to implement more radical changes than left governments and tend to use nongovernmental sources to fund social benefits. This pattern was found for unemployment, pension systems, and health insurance, but not for maternity and family support.

In an article published two years later, Lipsmeyer quantitatively tested the influence of economic and political factors on total welfare budgets and on pension assistance in the Czech Republic, Poland, Estonia, Hungary, Slovakia, and Slovenia between 1989 and 1996. Contrary to some expectations, she found that right-wing governments with strong parliamentary support were correlated with increased welfare budgets. However, she attributed this finding not to an increase in the amount of money distributed to the population, but to the administrative costs imposed by the liberal policies. The impact of right-wing parties was also visible in the way the money was distributed.

International Factors

The impact of international factors is usually analyzed in two subcategories: institutions and processes. Studies in the first category look at the impact of international actors on the reform processes at the national level, while studies in the second category look at the impact of processes, such as globalization, on domestic policymaking. The impact of international factors on welfare state and public spending reforms in Central and Eastern Europe is largely recognized. However, the direction of the impact is not always clear. It has been noted that international organizations such as the International Monetary Fund (IMF) and the World Bank pressured governments to cut and streamline public expenditures. It has also been observed that the reforms adopted in CEE countries reflected the social philosophy of the dominant international organizations.[29] Some authors argue that the welfare state reforms in CEE have to be implemented with one eye on developments in Western welfare states and with another eye on the domestic crises against which they are supposed to provide protection. Globalization has also been found to put conflicting pressures on the governments. On one hand they tend to deliberately adopt low social security standards to gain a comparative advantage, and on the other hand they have to protect the vulnerable categories and the victims of the restructuring process.[30]

The important question here is how much does globalization matter? In the literature on Western countries, essentially two theses have been proposed: the compensation thesis and the efficiency thesis. The former argues that trade integration leads to higher social and public expenditures to compensate the public for the heightened economic insecurity.[31] In contrast, the latter argues that trade integration forces countries to scale back social and public expenditures to remain competitive in internationalized markets.[32] Thus, from a theoretical point of view, the direction of the relationship is not clear.

Turning back to Eastern Europe, the relative difficulty in obtaining comparable data has limited scholars' ability to answer this question. One attempt to fill the lack of quantitative comparative studies was Dion's analysis of social spending change in forty-nine mostly non-European middle-income countries. She concluded that although globalization created pressures for changes in public spending, the domestic institutions, which determined the level of change, mediated its effect. An interesting finding was that governments tended to selectively use public expenditures to create an environment attractive for investors. She observed that foreign direct investment (FDI) was positively correlated with investment in human capital (education and health) and negatively correlated with social security expenditures. No such effect can be expected in the case of a country's financial integration in world markets, since financial investors are more responsive to budgetary deficits and investment returns.[33] Finally, official development assistance may have a different effect since it is not conditional on an attractive economic environment. In sum, international factors have been found to influence welfare system changes, but the patterns are not clear. As Dion's paper suggested, internal factors may have a stronger impact, acting either directly or as mediators of international inputs.

To sum up, the literature on public and social expenditures in Eastern Europe is in its infancy. The results obtained so far do not clearly support or reject findings from industrialized countries. One conclusion that seems to emerge is that the public and social expenditures in Eastern Europe will not converge in the foreseeable future toward some Western models. However, it is possible that this conclusion is greatly influenced by the fact that most of the analyses are based on case studies that tend to emphasize country specifics, while regional and cross-country trends are lost. The next sections of the article are intended to reduce this gap, by investigating in a quantitative comparative design how factors such as globalization, institutions, party ideology, and socioeconomic factors influence public and social spending in Central and Eastern European countries.[34]

Hypotheses, Data, and Methods

In this section we outline several hypotheses that we plan to examine empirically. We take four broad areas into account: socioeconomic factors, government composition, political institutions, and international factors such as globalization.

Socioeconomic factors: The economic transformation has amplified the pressure on public expenditure in post-communist countries. We expect low economic growth, high unemployment rates, and a large ageing population to increase total public and social spending, and a large young population to increase public education spending.

Government composition: In several studies on the determinants of government and social spending in Western democracies, left parties have been found to increase public and social spending, while their effect on education spending remains theoretically unclear. We expect similar effects for our cases. In contrast though, as centrist parties in Central and Eastern Europe are not comparable to their Western European peers, we do not expect them to have a similar effect on all three dependent variables.

Political institutions: Governments may want to increase spending, but are they able to do so? Institutional veto points have been found to be important determinants of public spending in Western countries. The more institutional veto points a government faces, the less it can affect public spending. Thus, we expect the number of institutional veto points to have a negative effect on all three dependent variables.[35]

International factors: Globalization is a multilayered phenomenon. Following the efficiency thesis, we expect trade integration, the integration of goods and services, to generally cause a decrease in public outlays, since low taxes increase the competitiveness of the domestic industry. However, it is well possible that investors award an attractive investment environment, that is, low taxes but a skilled workforce. Thus, we expect net foreign direct investment to be associated with lower total public and public social spending, but with higher public education spending. However, a skilled workforce is less important for financial investors. Thus, we expect gross private capital flows, the integration of financial markets,[36] to have a negative effect on all three dependent variables. On the contrary, since official development aid is not conditional on spending and is offered with the aim of promoting social welfare, we expect it to generally increase public spending.

Control variables: Finally, we incorporate two control variables into our models. First, we include the GDP per capita to control for the possible effects of the industrialization argument, which expects wealthier countries to develop more generous systems of social security. Second, we include the level of the dependent variable lagged by one year to capture potential catch-up effects.

Data

Our analysis is based on twelve countries (Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia) on which we collected data for the period between 1993 and 2002. However, some words of caution are necessary. We did our best to compile a database as completely as possible, using IMF, World Bank, and TransMONEE sources, but data on CEE countries are scarce and their quality sometimes questionable. We are primarily concerned with the problems that stem from inconsistent use of methodologies in original country sources.[37] Data on political variables are drawn from a recently created database at the Political Science Institute at the University of Berne (*Comparative Political Dataset of 28 Post-Communist Countries, CPDS II*). (See Appendix for details on sources and operationalization.) As a general rule, all independent variables are lagged by one year.

Our main dependent variable is *public expenditure*. Roughly defined, public expenditure is the value of goods and services bought by the state and its articulations, which can be directed toward a variety of functions, according to state ideology, needs, and constraints: justice and public order, infrastructure, military, education, health care, support for certain social categories, support for companies, and special policy expenditures (such as foreign aid). Thus, public expenditure is a rather large category, which extends into the social and economic realms. Huber et al., Dion, and Lipsmeyer show that different governments have ideological preferences for different types of expenditures, and that different types of expenditures have different sets of determinants.[38] Therefore, the present article examines total public expenditure as well as public social expenditure and public education expenditure. (The latter two are components of total public expenditure.) Public social expenditure is an indicator for the welfare orientation of public activities, whereas public education expenditure is an indicator for the importance of a social investment strategy. Both have taken centre stage in contemporary political and policy-related discussions. The main sources for data compilation are *TransMONEE Statistical Tables* and *IMF Government Finance Statistics*.[39] The measurements indicate the expenditures at the national level and do not include expenditures at subnational levels or private spending.[40]

Several models of public expenditure are estimated. The first model tests the impact of the government's ideological position on spending. *Government composition* has been measured using data from CPDS II countries. The variable measures the weight of each "color" in the cabinet composition for a given year, and is calculated on the basis of governmental parties' support in parliament.[41]

The hypothesized effects of *globalization* are tested with four indicators, each of which is designed to capture a different aspect of globalization. The openness of national economies to international flows of goods and capital, and its integration in the global markets are measured by imports and exports (as percent of GDP), gross private capital flows (as percent of GDP) and net inflows of FDI (as percent of GDP). An additional variable in this category is official development assistance, which is provided by official agencies that promote development and welfare. All the indicators are from *World Bank's World Development Indicators*.[42]

Another set of models centers on the impact of the *institutional framework* on public spending, which is captured by the variable institutional rigidity. Following Kittel and Obinger,[43] we have created an index of institutional rigidity by adding bicameralism, federalism, and judicial review in a summative indicator ranging from *0* (minimum) to *5* (maximum). In reality, the variable ranges from 0 to 4 since no country in the sample is a federal one, and only Romania reaches 4 since it is the only country that has two equally powerful chambers. Other indexes of institutional rigidity also include characteristics of the political system (presidential versus parliamentary), the electoral system (majoritarian versus proportional), and the rigidity of the constitution.[44] We have excluded these variables since their effect is theoretically less straightforward, as Kittel and Obinger argue.[45] From a statistical point of view we cannot assume that this variable is quasi-continuous; therefore, we have to convert it to a dummy variable, by coding 0 if the index takes values 0 or 1 and 1 if the index takes values between 2 and 4. The variable is calculated on the basis of the comparative political dataset CPDS II.[46]

The following *socioeconomic factors* have been incorporated into the statistical models. The age structure of the population is captured by two variables, old age (65-years-old and more)[47] and youth (up to 14-years-old). The state of the economy is crudely captured by two variables, GDP per capita (in PPP, at constant 1995 international dollars) and GDP growth (annual percentage change). All these variables are taken from *World Bank World Development Indicators*. Additionally, we use the unemployment level from the *Laborsta Labor Statistics Database of the International Labour Organization* to observe the effect of economic crises (which lead to a sudden increase in unemployment) on public spending.[48] Finally, we try to capture potential catch-up effects by including the level of public spending in the previous year.

Methods

Following common practice in recent empirical research, we estimate the models using ordinary least squares regressions with panel corrected standard errors and a Prais–Winsten transformation to control for first-order autocorrelation.[49] Thus, we employ constant coefficient models that output one coefficient per independent variable.[50] To deal with problems of non-stationarity we differentiate the dependent variables.[51] Therefore, our dependent variable is not the level of public expenditure, but its annual growth. This adjustment is also reasonable from a theoretical point of view. A big part of public expenditure is automatically effectuated independent of actual political decisions. As a result, we cannot expect a government to influence the total level of public expenditure in the short term. Rather we can expect an effect on the annual change of total public expenditure.[52] Finally, we include time dummies to eliminate joint trends and shocks not captured by the model, thereby focusing on the cross-sectional dimension.[53]

Table 1
The Determinants of Total Public, Public Social and Public Education Expenditures in Post-Communist Countries, 1993–2002

	Total Public Expenditure			Public Social Expenditure			Public Education Expenditure		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Expenditure$_{t-1}$	–0.249 ***	–0.146 *	–0.261 **	–0.104 ***	–0.071 ***	–0.142 ***	–0.040	–0.045	–0.054 **
	(0.067)	(0.068)	(0.090)	(0.026)	(0.014)	(0.037)	(0.040)	(0.031)	(0.019)
Leftist	0.022 ***	0.018 **	0.028 **	0.006 *	0.006 (*)	0.008 ***	0.001	0.001	0.001
Government$_{t-1}$	(0.006)	(0.007)	(0.009)	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)	(0.001)
Centrist	–0.005	–0.003	–0.003	–0.002	–0.001	–0.000	–0.001	–0.000	–0.000
Government$_{t-1}$	(0.010)	(0.011)	(0.013)	(0.004)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)
Old Age	1.483	1.951	–0.544	0.771	0.938	1.210	–	–	–
Growth$_{t-1}$	(2.576)	(3.049)	(3.783)	(0.624)	(0.780)	(0.994)	–	–	–
Youth	–	–	–	–	–	–	0.078	–0.089	0.189
Growth$_{t-1}$	–	–	–	–	–	–	(0.233)	(0.202)	(0.165)
GDP$_{t-1}$	0.458 ***	0.379**	0.417***	0.117**	0.092 **	0.140 *	0.019	0.018	0.008
	(0.111)	(0.123)	(0.109)	(0.037)	(0.035)	(0.058)	(0.013)	(0.013)	(0.012)
GDP	–0.021	0.080	0.028	–0.001	0.056	–0.016	–0.002	0.011	–0.010 *
Growth$_{t-1}$	(0.058)	(0.065)	(0.079)	(0.028)	(0.035)	(0.022)	(0.009)	(0.009)	(0.005)
Unemployment	0.045	–0.008	–0.111	0.118**	0.204 ***	0.144*	–	–	–
Growth$_{t-1}$	(0.095)	(0.177)	(0.216)	(0.041)	(0.064)	(0.073)	–	–	–
Imports and	–	–0.037	–	–	–0.026 ***	–	–	–0.010 *	–
Exports	–	(0.025)	–	–	(0.008)	–	–	(0.004)	–
Growth$_{t-1}$									
Gross Private	–	–0.017	–	–	–0.003	–	–	0.010 *	–
Capital Flows$_{t-1}$	–	(0.049)	–	–	(0.020)	–	–	(0.005)	–
Net Foreign	–	0.236(*)	–	–	0.097 *	–	–	0.026	–
Direct	–	(0.129)	–	–	(0.046)	–	–	(0.017)	–
Investment									
Growth$_{t-1}$									
Aid	–	0.064	–	–	0.130	–	–	0.002	–
Growth$_{t-1}$	–	(0.068)	–	–	(0.150)	–	–	(0.010)	–
Institutional	–	–	–0.172	–	–	0.058	–	–	–0.101 *
Rigidity	–	–	(0.488)	–	–	(0.208)	–	–	(0.053)
Constant	6.548 **	2.117	7.526 *	0.562(*)	–0.152	0.650 *	0.251	0.109	0.558 **
	(2.169)	(2.559)	(3.226)	(0.321)	(0.435)	(0.326)	(0.256)	(0.215)	(0.190)
R^2	0.34	0.33	0.35	0.30	0.46	0.36	0.12	0.33	0.15
N	115	104	103	89	85	83	108	102	96
rho	0.15	0.16	0.12	0.09	0.08	0.03	0.03	0.13	–0.00
F(Period Dummies)	5583 ***	305.7 ***	4005 ***	342.3 ***	707.0 ***	2632 ***	2821 ***	268.8 ***	8079 ***
F (Globalization)	–	5.2	–	–	17.4 **	–	–	11.3	–

***p < 0.001; **p < 0.01; *p < 0.05; (*) p < 0.10. Standard errors in parentheses.

Analysis

The table presents the models for the three dependent variables. The indicators for globalization and institutional rigidity have been integrated into a stepwise procedure to maximize the sample size. Wald tests show that the inclusion of time-dummies is necessary in all models.

The table shows that the estimation results lend considerable support to our hypotheses on party effects. We can observe a significant positive effect of left incumbency on the development of total public expenditure and public social expenditure in all models. On the other hand there is no such effect on public education expenditure. In contrast, centrist governments in all nine models have no significant effect on the three dependent variables.

The models, however, are less supportive of our hypotheses in regard to the institutional environment. Only in the case of public education expenditure do we observe the expected negative effect of institutional rigidity. Total public and public social spending are not affected by an increase in the number of institutional veto points. These weak findings are in accordance to the results of Dion.[54] This seems to suggest that compared with cuts in social spending, cuts in education expenditure are easier to implement. Although we do not have data to prove it, we can advance two explanations for further investigations. On one hand, because of the specific nature of the categories of beneficiaries, the sense of need in the education field is less acutely felt, compared with other groups in need of assistance. Therefore, in the short term it seems easier to reduce expenditure on education. On the other hand, reducing expenditure on education seems to be an easier decision to reach, since Education System Reform encourages schools and universities to look for sources of funds elsewhere and outside the state budget.

Turning our focus to globalization, the table reveals mixed support for our hypotheses. As expected, trade integration, the integration of goods and services in world markets, seems to have a negative effect on all three dependent variables. However, in the case of total public expenditure, the effect narrowly ceases to be significantly different from zero. In contrast, the integration of financial markets does not seem to negatively affect total public and public social spending. Furthermore, we observe a positive effect of gross private capital flows on public education expenditure, while the positive effect of net foreign direct investment narrowly ceases to be significant. These findings confirm that investors are attracted by a skilled work force.

Contrary to our expectations, we observe a *positive* effect of net foreign direct investment on total public expenditure, in particular on public social expenditure. This finding is surprising because it could be interpreted as sign that investors value not only a skilled workforce but also an "attractive" social environment, although "peaceful" may be a better description.[55] In this case, governments use social protection as a side payment to make existing organized groups agree to trade liberalization.[56]

Finally, we have not observed the expected positive effect of official development aid on public spending, but this may be because of distributional criteria, since it is possible that those countries that get the most aid have rather small budgets for social protection.

Turning to socioeconomic indicators, the table confirms that richer countries have higher public and social expenditures. Furthermore, unemployment rates have a very robust and positively significant effect on public social spending. In contrast to our expectations, the size of the ageing population and the size of the young population do not seem to affect public spending. However, in the case of public social spending, the effect of the ageing population is always positive and close to being significant. This suggests that in the political economy of social spending, the attention of governments is directed mainly toward the new category-problem, the unemployed, while the traditional beneficiaries of social expenditure, the elderly and youth, are treated as marginal. Finally, in the case of total public and public social spending, we can observe a strong catch-up effect.

Conclusions

The present article explores various theoretical explanations for the changes in public expenditure in post-communist countries, disaggregated into public, social, and education expenditures. Its aim is to observe whether there are commonalities in the determinants of welfare spending in Central and Eastern Europe, or whether each country develops in its own way.

The first part of this article was devoted to an examination of the main arguments advanced in the literature to provide a general overview of the state of the research and to be able to define the important variables for statistical analysis. On the basis of this literature review we concluded that—with few notable exceptions—there is a lack of quantitative comparative studies in the field of public expenditure analysis in former communist countries. In the second part we try to fill this gap by analyzing the impact of globalization, government composition, political institutions, and socioeconomic factors on total public, public social, and public education expenditures. To this end we are using a newly developed dataset on the partisan composition of governments and the most important institutional characteristics of the political systems in twelve Central and Eastern European countries.

Despite mixed evidence in current literature on the effects of governments' party composition on public spending, our statistical analysis reveals that this factor has the most robust effect on our three dependent variables. Left incumbency was found to be positively correlated with total public and social expenditures. This result is in line with the findings in some previous studies on Central and Eastern European countries, which show that left parties have the strength not only to come back, but also to push forward their electoral agendas.[57] This contradicts the arguments originating from Fukuyama's famous essay, which maintain that the fall of the Iron Curtain was the irrefutable evidence of failure of left (socialist) ideas and the doom of instruments and organizations that disseminate them.[58] Quite the opposite, our results provide an interesting parallel to research on parties' influence on public spending in the Western industrialized democracies.

As we expected, a centrist incumbency has no effect on the dependent variables, which we argue is because centrist parties in CEE do not have a strongly defined ideological profile. We also find strong evidence regarding the effect of socioeconomic factors. For example, richer countries have higher public and social expenditures, and countries facing unemployment problems tend to increase social expenditure. In contrast, the demographic composition of a given population does not seem to affect public spending.

The literature on Western countries suggests that the institutional veto points a government faces negatively affect the development of public outlays. However, we do not find an effect of institutional veto points on total public and social spending, but do find the expected negative effect on education expenditure. Although our findings only partly support the expectations derived from the existing Western literature, they confirm the results of Dion about middle-income countries.[59]

In an increasingly globalized context, governments ought to follow two main strategies: on one hand, they should increase spending on education, while simultaneously cutting total public and public social expenditures to attract investors who seek a qualified workforce and low taxes, and on the other hand, they should downsize public expenditure as response to pressure from international financial institutions. We find only partial support for these two partly analogous strategies. We find the expected negative effect of the integration of goods and services in world markets on all three dependent variables. We also observe a positive effect of net foreign direct investment and gross private capital flows on public education spending. However, they do not negatively affect public social expenditure. Even more surprisingly, we observe a positive effect of net foreign direct investment on public social expenditure. This is a puzzling result at first sight, but it could be explained by the role of compensation of organized groups by the government in an effort to win their support for policies leading toward a liberalization of trade.[60] These results confirm our theoretical expectations that the effects of international variables tend to be mixed. This does not mean that there is no relationship between international factors and public spending, but rather that there is no clear negative or positive effect. Similar evidence has been found by Rueschemeyer, Cook and Orenstein, and Ganev.[61]

This article is a broad survey of different potential determinants of public expenditure. Reviewing the existing literature and exploring new data, we are able to show that in CEE countries, internal politics matters most for a change in public expenditure. Our findings suggest a certain degree of sophistication in post-communist governments' use of public spending policies: these are not only ideologically motivated, but also strategically. On one hand, increased public expenditure is used to cushion populations against the shocks of transition, such as an increase in unemployment. Therefore, it is a mechanism preferred by leftist governments. On the other hand, public expenditure is used to create an attractive environment for investors, characterized by a skilled workforce and a peaceful social environment. Despite some caveats regarding the data, we find convincing results. Although some results, particularly regarding the institutional and globalization variables, are ambiguous, this should not warrant their hasty dismissal. On the contrary, we urge for new research on these dimensions.

Appendix

Data Description

Time: 1993 to 2002 (because of data availability)
Countries: Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.
Total number of possible observations: 120

Dependent Variables

Total public expenditure: *TransMonee Statistical Tables* (2005). Missing: Latvia 1993. $N = 119$.

Public social expenditure: *IMF Government Finance Statistics* (2004). Missing: Albania 1993-94, 1999-2002; Bulgaria 2002; Croatia 1993, 1994, 2002; Estonia 2002; Hungary 2000-2002; Latvia 1993; Poland 1993, 2002; Romania 2002; Slovakia 1993-1995. $N = 99$.

Public education expenditure: *TransMonee Statistical Tables* (2005) and *IMF Government Finance Statistics* (2004). Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia from *TransMonee* (2005). Croatia and Slovenia from *IMF* (2004). Missing: Croatia 1993, 1994, 2002; Estonia 2002; Romania 2001/02; Slovakia 2002. $N = 113$.

Government Composition

The complexion of government represents the party composition of the cabinet. For each cabinet, it is calculated as a function of the shares of parliamentary support enjoyed by the parties that hold ministerial portfolios. Source: *Comparative Political Data Set for 28 Post-Communist Countries, 1989-2005* (Armingeon and Careja 2005).

Govleft/Govcent—weight of left/centre parties in government in a given year. Missing: Latvia 1992. $N = 119$.

Globalization

Imports and Exports (% GDP): *World Bank World Development Indicators* (2004). No missings. $N = 120$.

Gross Private Capital Flows (% GDP): *World Bank World Development Indicators* (2004). Missing: Croatia 1992; Czech Republic 1992; Lithuania 1992; Slovakia 1992, 2001. $N = 115$.

(continued)

Appendix (continued)

Foreign Direct Investment, net inflows (% GDP): *World Bank World Development Indicators* (2004). Missing: Croatia 1992; Czech Republic 1992; Slovakia 1992. *N* = 117.

Official Development Assistance (% GDP): *World Bank World Development Indicators* (2004). Missing: Croatia 1993; Slovenia 1992. *N* = 118.

Institutions

Institutional Rigidity: Sum of bicameralism (0 = no bicameralism, 1 = subordinated second chamber, 2 = equal power chambers), federalism (0 = no federalism, 1 = federalism), judicial review (0 = no, 1 = yes). Source: Armingeon and Careja (2005). Missing: Albania 1992-1997; Czech Republic 1992; Poland 1992-1996. *N* = 108.

Socioeconomic Factors

Catch-up effect (*t*-1): Level of the dependent variable, lagged by one year. Additional missings:

a. Total public expenditure: No additional missings. *N* = 118.
b. Public social expenditure: Czech Republic 1992; Lithuania 1992; Slovenia 1992. *N* = 96.
c. Public education expenditure: Lithuania 1992. *N* = 112.

Old age: Population ages 65 and above (% of total). *World Bank World Development Indicators* (2004). No missings. *N* = 120.

Youth: Population ages 0-14 (% of total): *World Bank World Development Indicators* (2004). No missings. *N* = 120.

GDP: GDP per capita, PPP (constant 1995 international $). *World Bank World Development Indicators* (2004). Missing: Slovenia 1992. *N* = 119.

GDP growth: GDP per capita growth (annual %). *World Bank World Development Indicators* (2004). Missing: Slovenia 1992, 1993. *N* = 118.

Unemployment: International Labour Organization. *Laborsta Labour Statistics Database* (15 March 2006). No missings. *N* = 120.

Notes

1. See Michelle Dion, "Globalization, Political Institutions and Social Spending Change in Middle Income Countries 1980-1999" (paper presented at the annual meeting of the APSA, Chicago, IL, 2004).

2. Klaus Armingeon and Romana Careja, *Comparative Data Set for 28 Post-Communist Countries, 1989-2006* (Institute of Political Science, University of Berne, 2006), http://www.ipw.unibe.ch/content/team/klaus_armingeon/comparative_political_data_sets/index_ger.html.

3. Serbia and Montenegro is excluded because of its internal conflict over Kosovo; Bosnia and Herzegovina is excluded because at the time of writing the country is still under international administration (to end June 2008); Macedonia is excluded because for a long time the character of the state was contested by its significant Macedonian Albanian minority during the 1990s until the 2001 Ohrid Framework Agreement and the subsequent adoption of the amendments to the 1991 constitution.

4. The "new poor" encompass working age, urban dwellers, and employed persons who because of the interplay between various elements of crushing economies, slide slowly into poverty. See Nicholas Barr, "Reforming Welfare States in Post-Communist Countries," in *Transition and Growth in Post-Communist Countries: The Ten-Year Experience,* ed. Lucjan T. Olrowski (Cheltenham: Edward Elgar, 2001): 169-218, and Dimitri A. Sotiropoulos, "The Social Consequences of Economic Transformation: Poverty, Inequality and Social Assistance in Eastern Europe, 1989-1999" (paper presented at the Conference Reforming Social Protection Systems in Europe: Co-ordination and Diversity, Nantes, France, 21-22 May 2004).

5. Barr, "Reforming Welfare States in Post-Communist Countries."

6. Martin Brusis, "Introduction: Residual or European Welfare Model? Central and Eastern Europe at the Crossroads," in *Central and Eastern Europe on the Way into European Union: Welfare State Reforms in the Czech Republic, Hungary, Poland and Slovakia,* ed. Martin Brusis (Munich: CAP working paper, 1999): 1-20.

7. Paul Pierson, "Post-Industrial Pressures on the Mature Welfare States," in *The New Politics of the Welfare State,* ed. Paul Pierson (New York: Oxford University Press, 2001): 80-104.

8. Mitchell A. Orenstein, "How Politics and Institutions Affect Pension Reform in Three Postcommunist Countries," World Bank Policy Research Working Paper Nr. 2310 (2000).

9. Veto points are defined as democratic political institutions, which decrease the probability that the political status quo can be overcome. Ellen Immergut, *Health Politics: Interests and Institutions in Western Europe* (Cambridge: Cambridge University Press, 1992); Evelyne Huber et al., "Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State," *American Journal of Sociology* 99 (1993): 711-749; Giuliano Bonoli, "Political Institutions, Veto Points, and the Process of Welfare State Adaptation," in *The New Politics of the Welfare State,* ed. Paul Pierson (New York: Oxford University Press, 2001): 238-264.

10. Orenstein, "How Politics and Institutions Affect Pension Reform."

11. Dion, "Globalization, Political Institutions and Social Spending Change."

12. Orenstein, "How Politics and Institutions Affect Pension Reform."

13. John D. Stephens, *The Transition From Capitalism to Socialism* (London and Basingstoke: Macmillan, 1979); Manfred G. Schmidt, *Wohlfahrtsstaatliche Politik unter bürgerlichen und sozialdemokratischen Regierungen* (Frankfurt, UA: Campus, 1982); Walter Korpi, *The Democratic Class Struggle* (London, UK: Routledge and Kegan Paul, 1983); Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990); Huber et al., "Social Democracy, Christian Democracy"; Kees van Kersbergen, *Social Capitalism. A Study of Christian Democracy and the Welfare State* (London/New York: Routledge, 1995); Manfred G. Schmidt, "When Parties Matter: A Review of the Possibilities and Limits of Party Influence on Public Policy," *European Journal of Political Research* 30 (1996): 155-183; Bernhard Kittel and Herbert Obinger, "Political Parties, Institutions, and the Dynamics of Social Expenditure in Times of Austerity," *Journal of European Public Policy* 10 (2003): 20-45; James P. Allan and Lyle Scruggs, "Political Partisanship and Welfare State Reform in Advanced Industrial Societies," *American Journal of Political Science* 48 (2004): 496-512.

14. van Kersbergen, *Social Capitalism.*

15. Huber et al., "Social Democracy, Christian Democracy," 718.

16. For a different opinion, see Tim Bale and Aleks Szczerbiak, "Why Is There No Christian Democracy in Poland and Why Should We Care?" *Party Politics* 14 (2008): 479-500.

17. Aušra Aleliūnaitė, "Quo Venis et Quo Vadis? Christian Democracy in Central and Eastern Europe," in *Christian Democratic Parties in Europe since the End of the Cold War,* eds. Steven van Hecke and Emmanuel Gerard (Leuven: Leuven University Press, 2004): 273-294.

18. van Kersbergen, *Social Capitalism*, 235-246; Kees van Kersbergen, "Contemporary Christian Democracy and the Demise of the Politics of Mediation," in *Continuity and Change in Contemporary Capitalism,* eds. Herbert Kitschelt et al. (Cambridge: Cambridge University Press, 1999): 346-370.

19. Aleliūnaitė, "Quo Venis et Quo Vadis?"

20. Linda J. Cook, Mitchell A. Orenstein, and Marilyn Rueschemeyer, eds., *Left Parties and Social Policy in Postcommunist Europe* (Boulder, CO**:** Westview Press, 1999).

21. Cook, Orenstein, and Rueschemeyer, *Left Parties and Social Policy*; David Stark and László Bruszt, *Postsocialist Pathways. Transforming Politics and Property in East Central Europe* (Cambridge: Cambridge University Press, 1998).

22. Esping-Andersen, *The Three Worlds of Welfare Capitalism*.

23. Cook, Orenstein, and Rueschemeyer, *Left Parties and Social Policy*, 242-243.

24. Brusis, *Central and Eastern Europe on the Way into European Union*.

25. Brusis, "Introduction: Residual or European Welfare Model?"

26. Ibid., 19.

27. Dimitri A. Sotiropoulos, Ileana Neamţu, and Maya Stoyanova, "The Trajectory of Postcommunist Welfare State Development: Cases of Bulgaria and Romania," *Social Policy and Administration* 37 (2003): 656-673.

28. Christine Lipsmeyer, "Reading Between the Welfare Lines: Politics and Policy Structure in Post-communist Europe," *Europe-Asia Studies* 52 (2000): 1191-1211; Christine Lipsmeyer, "Parties and Policies: Evaluating Economic and Partisan Influences on Welfare Policy Spending during the European Post-communist Transition," *British Journal of Political Science* 32 (2002): 641-661.

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30. Janos Matyas Kovacs, "Approaching the EU and Reaching the US? Rival Narratives on Transforming Welfare Regimes in East-Central Europe," *West European Politics* 25 (2002): 175-204; Hans Jürgen Wagener, "The Welfare State in Transition Economies and Accession to the European Union," *West European Politics* 25 (2002): 152-174.

31. David R. Cameron, "The Expansion of the Public Economy," *American Political Science Review* 72 (1978): 1243-1261.

32. Paulette Kurzer, *Business and Banking. Political Change and Economic Integration in Western Europe* (Ithaca/London: Cornell University Press, 1993).

33. Dion, "Globalization, Political Institutions and Social Spending Change," 19.

34. Existing literature on the welfare state in Eastern Europe emphasizes two other categories of factors, namely socialist legacies and trade unions, but we do not include them as they fall beyond the scope of this article. As a side note, it is worth mentioning that the influence of socialist legacies is largely considered to be reflected in some of the principles of welfare systems, and—at least in the first years of transition—in the large state social expenditures. Under the pressure of reforming the welfare states, the influence of socialist legacies tends to fade over time. Trade unions have an ambiguous influence on social expenditure because of their relationships with the governments. On one hand, trade unions have accepted austerity programs. On the other hand, some trade unions have managed to impede the government's implementation of certain restructuring programs. However, it is largely accepted by observers of trade unions in Eastern Europe that they are weak actors. See Stephen Crowley, *Hot Coal, Cold Steel: Russian and Ukrainian Workers from the End of the Soviet Union to the Post-Communist Transformations* (Ann Arbor: University of Michigan Press, 1997); Stephen Crowley, "Explaining Labor Weakness in Post-communist Europe: Historical Legacies and Comparative Perspective," *East European Politics and Societies* 18 (2004): 394-429; Stephen Crowley and David Ost, eds., *Workers after Workers' States. Labor and Politics in Post-Communist Eastern Europe* (Lanham: Rowman & Littlefield Publishers, 2001); David Ost, "Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities," *Politics Society* 28 (2000): 503-530; John E. M. Thirkell, Krastyu Petkov, and Sarah A. Vickerstaff, *The Transformation of Labour Relations: Restructuring and Privatization in Eastern Europe and Russia* (New York: Oxford University Press, 1998); Paul Kubicek, *Organized Labor in Postcommunist States. From Solidarity to Infirmity*

(Pittsburgh: Pittsburgh University Press, 2004); Bela Greskovits, *The Political Economy of Protest and Patience: East European and Latin American Transformations Compared* (Budapest: Central European University Press, 1998); Carola Frege, "Understanding Union Effectiveness in Central Eastern Europe: Hungary and Slovenia," *European Journal of Industrial Relations* 8 (2002): 53-76; Martin Myant, Brian Slocock, and Simon Smith, "Tripartism in the Czech and Slovak Republics," *Europe-Asia Studies* 52 (2000): 723-739; Terry Cox and Bob Mason, *Social and Economic Transformation in East Central Europe. Institutions, Property Relations and Social Interests* (Cheltenham, UK: Edward Elgar, 1999); Elena A. Iankova, *Eastern European Capitalism in the Making* (Cambridge, UK: Cambridge University Press, 2002); Anna Pollert, "Trade Unionism in Transition in Central and Eastern Europe," *European Journal of Industrial Relations* 5 (1999): 209-234; Sabina Avdagic, "Accounting for Variations in Trade Union Effectiveness: State–Labor Relations in East Central Europe," MPIfG Discussion Papers 06 (2003), Max Planck Institute for the Study of Societies, Cologne; Sabina Avdagic, "Loyalty and Power in Union–Party Alliances Labor Politics in Postcommunism," MPIfG Discussion Paper 07 (2004), Max Planck Institute for the Study of Societies, Cologne.

35. A potential interaction effect between government composition and institutional veto points has not been analysed in this article because of data restrictions.

36. See Nita Rudra and Stephan Haggard, "Globalization, Domestic Politics, and Welfare Spending in the Developing World" (paper presented at the annual meeting of the American Political Science Association, San Francisco, CA, 30 August–2 September 2001.)

37. For a more thorough discussion of the quality of the data for former communist countries, see Oleh Havrylyshyn, *Divergent Paths in Post-Communist Transformation. Capitalism for All or Capitalism for the Few?* (Basingstoke, UK: Palgrave Macmillan, 2006).

38. Huber et al., "Determinants of Social Spending in Latin America and the Caribbean" (paper presented at the Congress of the Latin American Study Association, Las Vegas, NV, 6–10 October 2004.); Dion, "Globalization, Political Institutions and Social Spending Change"; Lipsmeyer, "Reading Between the Welfare Lines" and "Parties and Policies."

39. *TransMONEE Database* (UNICEF IRC: Florence, 2006); *Government Finance Statistics*. *CD-ROM Database*, (IMF: Washington, D.C., 2004).

40. It may be that spending at subnational levels varies significantly. However, because of data availability, we are not able to address these variations.

41. Armingeon and Careja, *Comparative Data Set for 28 Post-Communist Countries*, *1989-2006*.

42. *World Bank Development Indicators* (World Bank: Washington D.C., 2004).

43. Kittel and Obinger, "Political Parties, Institutions."

44. For an overview, see Schmidt, "When Parties Matter."

45. Kittel and Obinger, "Political Parties, Institutions." For contrasting views, see Torben Iversen and David Soskice, "Electoral Institutions and the Politics of Coalitions: Why Some Democracies Redistribute More Than Others," *American Political Science Review* 100 (2006): 165-181.

46. Armingeon and Careja, *Comparative Data Set for 28 Post-Communist Countries, 1989-2006*.

47. Although the age of eligibility for old age pensions was often lower than 65 during the transition period, we employ 65 years as a threshold to keep the countries comparable.

48. URL: http://laborsta.ilo.org/ (accessed 15 March 2006).

49. Nathaniel Beck and Jonathan N. Katz, "What to Do (and Not to Do) With Time-series Cross-section Data," *American Political Science Review* 89 (1995): 634-647; Bernhard Kittel, "Sense and Sensitivity in Pooled Analysis of Political Data," *European Journal of Political Research* 35 (1999): 225-253.

50. Kittel, "Sense and Sensitivity," 227.

51. Bernhard Kittel and Hannes Winner, "How Reliable is Pooled Analysis in Political Economy? The Globalisation-Welfare State Nexus Revisited," MPIfG Discussion Paper 03 (2002), Max Planck Institute for the Study of Societies, Cologne, 23.

52. Thomas R. Cusack and Susanne Fuchs. "Parteien, Institutionen und Staatausgaben," In *Politische Ökonomie. Demokratie und wirtschaftliche Leistungsfähigkeit,* eds. Herbert Obinger, Uwe Wagschal, and

Bernhard Kittel (Opladen: Leske and Budrich, 2003): 321-354; Jürgen Kohl, *Staatsausgaben in Westeuropa. Analysen zur langfristigen Entwicklung der öffentlichen Finanzen* (Frankfurt/New York: Campus, 1985): 281; Kittel and Obinger, "Political Parties, Institutions," 29.

53. Kittel and Obinger, "Political Parties, Institutions," 31.

54. Dion, "Globalization, Political Institutions and Social Spending Change."

55. Ibid.

56. Stephan Leibfried and Elmar Rieger, *Grundlagen der Globalisierung. Perspektiven des Wohlfahrtsstaates* (Frankfurt: Suhrkamp, 2001).

57. Linda J. Cook and Mitchell A. Orenstein, "The Return of the Left and Its Impact on the Welfare State in Poland, Hungary, and Russia," In Cook, Orenstein, and Rueschemeyer, *Left Parties and Social Policy*; Marilyn Ruechemeyer and Sharon L. Wolchik, "The Return of Left-Oriented Parties in East Germany and the Czech Republic and Their Social Policies," In Cook, Orenstein, and Rueschemeyer, *Left Parties and Social Policy.*

58. Francis Fukuyama, "End of History?" *The National Interest* (Summer 1989).

59. Dion, "Globalization, Political Institutions and Social Spending Change."

60. Leibfried and Elmar Rieger, *Grundlagen der Globalisierung,* 129.

61. Dietrich Rueschemeyer, "Left Parties and Social Policies in Eastern Europe after Communism: An Introduction," in Cook, Orenstein and Rueschemeyer, *Left Parties and Social Policy*; Linda J. Cook and Mitchell A. Orenstein, "The Return of the Left"; Venelin I. Ganev, "The 'Triumph of Neoliberalism' Reconsidered: Critical Remarks on Ideas-Centered Analyses of Political and Economic Change in Post-Communism," *East European Politics and Societies* 19 (2005): 343-378.

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