Introduction
Towards a Political Economy of Social Policy

The comparative study of social policy in developing countries is of recent vintage.[1] Yet the middle-income countries of Latin America, East Asia, and Eastern Europe have developed quite distinctive welfare systems that trace their origins back to the early postwar period, and in some cases well before that. The questions posed by these diverse social contracts are the same as those that motivate the literature on the advanced welfare states. What role does the state play in the provision of social insurance and services? What are the principles of coverage: who is entitled to benefits and on what terms? How generous are these entitlements and what determines their effectiveness? If the state does not provide or finance these services, how is private performance of these functions regulated?

The relevance of these questions has been heightened by epochal political and economic changes that occurred in the developing and formerly socialist world in the 1980s and 1990s. Most of the cases we consider underwent fundamental changes in regime type in the 1980s and 1990s as the "third wave" (Huntington 1993) of democratization swept through these three regions. At the same time, all three regions also experienced profound financial crises, slowed growth and associated fiscal constraints. These economic problems were not only short-run or cyclical, but long-standing and structural in nature. As a result, crises triggered wide-ranging reforms, including but by no means limited to increased economic openness and "globalization."

Democracy, crises and economic reform raised questions about the viability of welfare commitments that are similar to those facing the advanced welfare states, but in much more pronounced form.[2] Were the new democracies more likely than their authoritarian predecessors to address problems of inequality and poverty? How would new democracies respond to the social demands placed on them? Could social spending be sustained in the face of severe fiscal constraints on the state? Or would economic crises, globalization and economic reform force a retrenchment of social policy?

The objective of this book is to extend the comparative analysis of the welfare state to the middle-income countries of Latin America, East Asia and Eastern Europe. The tremendous political heterogeneity of these three regions in the postwar period and their more recent convergence on democratic forms of rule led us to initially frame our investigation around the effects of regime type. There were good theoretical reasons for doing so. Democratic politics has long been associated with pressures for redistribution, through mechanisms that are basic, constitutive features of democratic rule itself. These include, most notably, the electoral connection and the freedom of association that allows interest groups to organize and press their claims on the state.[3] The coming of democracy is associated with an expansion of the franchise and competition for office. Politicians must appeal to broader constituencies in order to win and retain office; they do so by offering competing packages of public and private goods to voters, including those that redistribute income.[4] Similar expectations follow from an interest group approach to the policy process (Grossman and Helpman 2001 for an overview). Interest groups do many things: they mobilize votes; supply money and information to politicians; and engage in contentious politics (McAdam, Tarrow and Tilly 2001). As Mancur Olson (1982) pointed out in *The Rise and Decline of Nations*, however, these various forms of collective political action are all undertaken with one fundamental aim: to redistribute resources toward the members of the given group.

The presence of these two closely related mechanisms—electoral competition and independent interest group activity--would lead us to expect democracies to have a more expansive commitment to the provision of social insurance and services than authoritarian regimes, ceteris paribus. Authoritarian regimes are never completely autonomous of social pressures. But they limit political competition, restrict the franchise to a narrow "selectorate" (Shirk 1992) and censor the organization and activities of interest groups, all of which we would expect to similarly restrict the scope of redistribution.

A focus on regime type also seemed warranted by the empirical record. The relationship between the expansion of the franchise and the redistribution associated with the welfare state was noted by the early 20th century European social democrats (Przeworski 1986), in the classic work of Marshall (1965) and more recently in Lindert's (2004) magisterial overview that emphasizes political "voice" in the expansion of entitlements [5] In Appendix One, we survey a broader range of empirical studies that test for the effects of regime type. A majority of these studies find that democracy has positive effects on social spending, other measures of social policy, and welfare outcomes.

Yet the nature of political institutions is but one determinant of the evolution of the highly diverse social contracts we observe across countries. First, it is clear that democracy does not yield a uniform social policy equilibrium. The advanced democracies exhibit substantial variation in their welfare states, suggesting that the effects of democracy are contingent on other factors, such as the strength of labor and the left or different "varieties of capitalism."[6] Moreover—and much more important for our purposes—it is not even clear that democracy is a necessary condition for the expansion of social insurance and services. In the cross-national empirical studies we review, the findings with respect to the effects of democracy are quite fragile. For example, a wide-ranging study by Mulligan, Gil and Sala-I-Martin (2003) titled "Do Democracies Have Different Public Policies than Non-Democracies?" answers with a flat "no" after considering not only social spending but a variety of other tax and spending measures as well. James McGuire's (2002a) thorough work on enfant mortality has reached increasingly modest conclusions about the effects of democracy as well (see also Ross 2004). A small number of studies even yield the counterintuitive finding that authoritarian regimes—particularly socialist ones—perform better than democracies on at least some dimensions (Lott 1999; Gauri and Khalegian 2002; Ross 2004).

Our own examination of the effects of regime type in the three regions of interest to us also yields mixed results. In Latin America, welfare commitments in long-standing democracies such as Costa Rica, Uruguay, and Chile were more generous than in short-lived democracies and in those political systems that oscillated between authoritarian and democratic rule. Similar evidence can be found in East Asia, although in the context of a lower overall incidence of democratic rule. In all three regions, the "third wave" transitions of the 1980s and 1990s were associated with renewed attention to the social question and pressures both to protect existing entitlements against rationalization and retrenchment and to expand social insurance and services to new groups.

However, we also find quite obvious puzzles and anomalies. We find particularly wide variation in the social policy strategies of authoritarian regimes, variation that proved highly consequential for subsequent reform efforts. In Latin America, military dictatorships were generally less inclined than democracies to extend coverage of social security to new sectors of the population, but most of them used existing schemes to deflect protest from the union movement. In Asia, authoritarian regimes were more likely than in Latin America to repress labor and to limit social policy commitments to it. But a number of them expanded the provision of health and education services in the countryside; indeed, they did so more aggressively than many Latin American democracies. The highly comprehensive socialist welfare states, finally, provide the most obvious reminder of how authoritarian regimes can commit to quite extensive social protections.

Democracies also exhibited quite diverse policy patterns. Beginning in the 1980s, democratization in a number of Asian countries was followed by a dramatic expansion of the state's social policy role. New democracies in Eastern Europe and Latin America, by contrast, faced strong pressures to reform welfare commitments. Democratization was accompanied by difficult political battles over the maintenance of existing entitlements and how—and even whether--to extend social insurance and services to new groups.

To unravel such puzzles, we focus on how the effects of regime type have been conditioned by the relative power of contending social forces and underlying economic conditions and structures. We approach the problem historically. In Part One (Chapters One through Four) we examine the initiation and expansion of welfare commitments during the "golden era" of high growth, from the early postwar period through the late 1970s and early 1980s. We find evidence that democracy, and particularly relatively durable and institutionalized democratic rule, did have a discernible influence on the coverage and generosity of social policy. But the impact of institutions was contingent on two additional factors . The first were political realignments that occurred during the early and mid-20th century that brought new political elites to power and had a decisive impact on the political organization of labor, the peasantry and on the parties and movements that represented them. The pursuit of distinctive development models constituted the second major factor influencing the course of social policy; again, we find important differences across regions. Import-substitution in Latin America, export-oriented growth strategies in East Asia, and state socialism in Eastern Europe not only had important economic consequences, but structured the interests of key actors with respect to social policy as well.

Part Two of the book focuses on the political conflicts over social policy during and after the "third wave" of democratization (c. 1980-2005). This profound political change provides another opportunity for considering the influence of regime type, and regime change, on social policy commitments. Again, we find that although democracy generated pressures for an expansion of social insurance and services, social policy was also influenced by underlying constellations of interests and economic, and particularly fiscal, circumstances. Democratic transitions in East Asia typically occurred in the context of high growth. By contrast, the new democracies of Latin America and Eastern Europe experienced profound economic crises and a breakdown of existing development models. Governments were squeezed between an eruption of new social demands and profound economic and fiscal crises that constrained their ability to deliver on social promises. How these tensions were resolved depended heavily on prior policy choices and the interests that had crystallized around them (Pierson 1994). The reform of social contracts was clearly a path-dependent process.

In the remainder of this chapter, we outline these arguments in more detail. The first section discusses the dimensions of welfare systems that are most relevant to our comparative purposes and outlines our theoretical priors with respect to the role of social interests. The second and third sections outline the core arguments in the two halves of the book, one dealing with origins and expansion, the second with the reform of social contracts since 1980. These sections focus primarily on the coalitional and economic foundations of the distinctive complexes of welfare policy that emerged in the three regions. We then return in the fourth section to the theme of democracy before closing the chapter by considering methodological issues that arise in this type of comparative historical analysis.

Social Contracts: Scope, Variation and Theoretical Priors

An expansive view of the social contract between states and citizens would arguably begin with the capacity of governments to deliver economic growth. Expanding employment and raising incomes are key to improving welfare; in the simple formulation of Dollar and Kraay (2002), "growth is good for the poor." However, the question of growth is analytically distinct from how governments choose to insure against risk and provide basic social services. Economic growth plays into our analysis as a possible determinant of social policy outcomes, but the social contract as we define it cannot be reduced to economic performance alone.

We focus on two broad areas of social policy. In principle, protection against life cycle and market risks can encompass insurance against sickness, work-related injury and disability, maternity and childbearing, unemployment, retirement, and death (ILO 1944). To these might be added outright transfers to the poor. Health insurance and pensions are the most significant forms of social insurance in the countries in our sample, and we pay particular attention to them. In Part Two, however, we also examine the emergence of active and passive labor market policies, which come relatively late in our cases where they appear at all, as well as anti-poverty programs of various sorts.

The second area of social policy is the provision of basic education and health services. Access to high-quality social services is widely viewed as critical for expanding human freedom and capabilities (Nussbaum and Sen 1993; Sen 1999), and as an underlying determinant of life chances and arguably of growth itself. (Birdsall, Ross and Sabot 1995; Birdsall 1999, but see also Easterly 2001 and Pritchet 2001, 2004). Access to primary education and basic health is especially important in labor-abundant economies since it augments the human capital of the poor, their most basic resource (Lindert 2004). The advanced industrial states vary quite substantially in how they have provided social insurance and services; there is no single model of the advanced welfare state. Different party and interest group alignments have resulted in quite different constellations of public and private provision (Esping-Andersen 1990; Hall and Soskice 2001).

Despite this diversity, however, we also see some common trends. For the first three quarters of the 20th century, all of the advanced industrial states saw an expansion of the state's social policy role, broader coverage, and increased generosity (Tanzi and Schucknecht 2000; Lindert 2004). The early postwar II decades, from 1945 through the oil shock of the early 1970s, was a period of particularly robust growth across the OECD and marked the heyday of the advanced welfare state. Primary and secondary education was typically the first policy area to achieve universal coverage. Expanding welfare systems subsequently came to include a number of social insurance schemes: pensions, health care, family allowances, and unemployment insurance. Although the mix of these programs differed across countries, where they existed they were typically financed through payroll taxes on a pay-as-you go basis. In a number of countries, these benefits evolved into universal, citizenship rights.

Since the 1970s, however, the advanced welfare states have all faced a similar set of constraints. Economic shocks and longer-run demographic shifts have raised questions about the sustainability of the welfare state, and whether existing entitlements are compatible with the demands of rapid technological change, increasing economic openness, and fiscal integrity. Pressure has increased for reforms that emphasize liberal principles of individual responsibility and choice or that retrench existing entitlements outright. These “liberalizing” reforms seek to establish a closer connection between benefits and contributions, allow a larger role for private sector provision, tighten eligibility requirements for access to public benefits in order to target them more narrowly, and increase efficiency and quality within the public sector itself (for a more complete discussion, see Chapter Six). The industrial states responded to these pressures in very different ways; the diversity of the advanced welfare state persisted. Nonetheless, all grappled with quite similar problems.

Welfare state models among the middle-income countries we consider varied even more widely than the advanced industrial states. But they also experienced a broadly similar overall trajectory of expansion during the high-growth decades of the postwar period . Table I.1 provides a synopsis of the modal patterns of welfare provision as they had evolved in the three regions by around 1980. In Eastern Europe, the state was the exclusive provider of social protection and services. Social policy was anchored in an overarching employment guarantee, but also by a strong commitment to education and training, universal health care and pensions, and family allowances. These commitments began as occupational ones, but were transformed over the postwar period into universal citizenship rights. In Latin America, most states established occupationally-based social insurance and health systems that favored formal sector workers but typically excluded informal urban workers and the rural sector. The provision of basic social services also showed a marked inequality in distribution. In Asia, social insurance was limited; and where it did exist, it was provided through mandated individual savings programs that had no redistributive component. Nonetheless, governments attached a high priority to the provision of primary and secondary education, and somewhat more unevenly, to public health and basic health services.

Table 1.1: Regional Welfare Bargains c. 1980

	Latin America	**East Asia**	**Eastern Europe**
Social insurance (primarily health insurance and pensions)	Extensive protection through public systems or contributory systems with some public financing. Coverage is partial and unequal in most countries.	Limited public provision of social insurance outside of state sector itself. Purely contributory and compulsory savings systems in some countries for some segments of the workforce.	Coverage initially based on employment in state enterprises, gradually universalized.
Basic Health Services	Unequal and incomplete coverage.	Emphasis on public health and basic health services in some countries, but limited public provision and reliance on private provision and financing.	Universal government provision
Education	Access to primary education expands in 1960s and 1970s, but high drop-out and repetition rates and low quality. Significant regional inequalities. Biases toward tertiary education	Early emphasis on expansion of access to primary education, followed by expansion of secondary education. Relative high rates of completion and low drop-out rate.	Universal primary and secondary education, but with strong emphasis on vocational training and manpower planning.
Labor markets	Labor codes include extensive protections for formal sector workers, contributing to labor market rigidities and dualism	Generally flexible labor markets	Centralized manpower planning and wage setting. Guaranteed employment, supplemented over time by unemployment insurance.
Political legacies and interests	Class of beneficiaries is relatively narrow, but with generous benefits. Governments face simultaneous demands from excluded groups for expansion of benefits or inclusion in existing systems.	Limited social insurance generates incentives for expansion.	Prior entitlements create wide class of beneficiaries with an interest in maintaining entitlements, although counterbalanced by low quality of services.
Fiscal legacies	Social insurance systems supported by fiscal transfers, contributing to broader fiscal strains. Older welfare systems at or approaching insolvency; newer ones faced with similar risks.	Public financing for schemes covering government employees only.	Social insurance systems supported by fiscal transfers, contributing to broader fiscal strains. Severe fiscal disequilibria in most countries.

How do we account for this observed variation in both the evolution and reform of social contracts? Differences in institutions provide a starting point. We expect regime type to influence the generosity of commitments both through electoral incentives and interest group pressures. Moreover, we can gain additional theoretical leverage –and perhaps address the anomalies we have noted—by considering variation within each regime type. Recent research on social policy among the advanced industrial democracies has addressed the effects of the number of veto players (Birchfield and Crepaz 1998; Huber and Stephens 2001; Swank 2002; Crepaz and Moser 2004), presidentialism and parliamentarism (Milesi-Ferretti, Perotti and Rostagno 2002; Persson and Tabellini 1999, 2000 Ch. 8 and 9, 2002; Alesina and Glaeser 2004), federalism (Swank 2001; Wibbels 2005), and electoral rules that affect the coherence or fragmentation of the party system (Shugart 1999; Cox and McCubbins 2000).

Given the heterogeneity of governments in our sample, moreover, it is equally if not more important to consider variation in the nature of authoritarian rule. While some autocracies do not allow elections at all or completely monopolize the electoral process, a surprising number subject themselves to controlled electoral tests. Similarly, some regimes completely control the organization of interest groups, while others allow some freedom for independent association (Linz 2000, 34; Levitsky and Way 2002). The last decade has seen a renewal of interest in these intermediate regimes. Even controlled elections and limited ability to organize provide opportunities for oppositions to raise the social question and create incentives for authoritarian rulers to seek support through redistribution; we show that these differences are in fact consequential

Yet while these refinements are potentially important, it seems unlikely that the institutional "rules of the game" can fully explain the origins or reform of the social welfare policies that are of interest to us. The analysis of institutions provides insight into the supply side of the political market, and even helps understand the organization of interests. But societal interests clearly cannot be derived from institutions alone. Without a consideration of the organization and relative power of contending social groups and the economic structures and circumstances in which they act, a consideration of institutions is like the Zen quest for the sound of one hand clapping.

The focus on underlying social interests resonates with core themes in the analysis of welfare politics in the advanced industrial societies; three strands of this literature are germane for our purposes. The "power resource" approach which long dominated accounts of the expansion and organization of welfare states focused on the strength of the union movement and the power of political parties on the left. In Part One of the book, we begin with similar premises, asking how the organization of labor, the peasantry and the parties that sought to represent them influenced the social contract.

Newer work on the varieties of capitalism (Hall and Soskice 2001; Mares 2001, 2004; Swenson 2002) has amended the power resource approach by exploring the interests of the private sector and showing that it is not necessarily opposed to certain forms of social protection; much depends on firm-level production strategies and the demand for skills. We extend this line of analysis by considering the complementarities between different development strategies and social policy choices.

Our analysis in Part Two, finally, is strongly influenced by Paul Pierson's (1994) pioneering work on the politics of retrenchment in the advanced welfare states. As in the power resource and varieties of capital approaches, Pierson focuses on distributive interests. He argues that as entitlements expand over time, they create beneficiaries and other stakeholders that constitute much more encompassing coalitions than the social forces that might have been responsible for their initiation and early growth. In a similar vein, we show how the beneficiaries of previous entitlements constitute important political players in defining the course of welfare reform.

In the following two sections, we outline these arguments in more detail. We also consider how the changed economic circumstances of the more recent period—the great slowdown in growth—affected welfare politics.

Critical Realignmentss, Development Strategies and the Origin and Evolution of Welfare Systems

In seeking to explain the origins and early development of welfare commitments, we must first make choices about the appropriate time frame and the set of interests we think are most likely to be relevant. A number of recent studies of long-run growth have located the ultimate origins of interests and institutions, and the resultant divergence in global incomes either in the colonial period (Kohli 2004; Acemoglu, Johnson and Robinson 2001, 2005) or in wholly exogenous factors such as resource endowments and geography (Engerman and Sokoloff 2000, 2002). These long-run constraints no doubt operate, and we consider the significance of colonial inheritance in particular. But this focus on very long-run forces seems less relevant for us given quite fundamental discontinuities in both the coalitional bases of the state and in the welfare policies we seek to explain.

A more plausible alternative is that the political economy of social policy is determined by the process of growth and structural economic change. The modernization approach to the welfare state, for example, traces the early origins of welfare commitments to the functional requirements of industrialization and the political demands unleashed by it (Wilensky 1975; Collier and Messick 1975 for an excellent summary). The differences in welfare models that we have highlighted in Table I.1 might be explained largely by variation in the level of development and the extent of structural change across countries.

Again, we are skeptical. Growth, structural change, and accompanying socio-economic shifts are certainly a necessary condition for the emergence of modern welfare states. But these are highly general processes, and if we have learned one thing about modern capitalism it is the absence of a single model; countries experiencing "modernization" end up with very different market institutions and social policy complexes. The capacity for relevant actors—labor, the rural sector, business—to influence the course of social policy will depend on a host of other factors outside the modernization process alone, including the nature of political coalitions and incentives rooted in distinctive labor and capital market institutions (for example, Schonfeld 1965; Katzenstein 1978; Hall 1986; Gourevitch 1986; Hall and Soskice 2001).

Critical Realignments

In contrast to these arguments, we begin with a more intermediate focus on discontinuities in earlier patterns of political domination that occurred in each of the three regions during the first half of the twentieth century.[7] We identify these discontinuities by the emergence of new political elites and in significant changes in the role of workers and peasants and the political system. The incorporation or exclusion of the urban working class and rural sector influenced social policy through the basic mechanisms we have identified: by determining the organization of social interests and thus the constituencies to which politicians—whether democratic or authoritarian—had to respond.

In East Asia and Eastern Europe, critical realignments occurred in the aftermath of World War II, and were strongly influenced by international political developments. In both regions, great powers provided crucial support for new political elites who brought with them new political and economic projects. In both regions, these projects dramatically weakened labor, the left and rural political movements. However, they did so with fundamentally different aims. In Asia, the wave of decolonization set in train by the end of the Pacific War briefly opened the door to popular participation, new urban and rural political and social movements, and promises of improved welfare. But nationalist movements and the struggles for independence were marked with the stamp of the Cold War, and across the region conservative, anti-communist governments came to power. With external support, these governments beat back the challenge from the left in the cities, forestalled or defeated armed insurgencies in the countryside, and in varying degrees reach into the rural areas for support.

In Eastern Europe, by contrast, Soviet influence prevailed. As in East Asia, the postwar liberation initially unleashed a wide spectrum of new social forces. Early social initiatives--prior to the communist seizure of power--reflected these pressures from below. With the consolidation of power by Communist parties, however, came the destruction of independent social democratic and peasant parties and the transformation of unions into arms of the party state. These political developments were prelude to a fundamental economic transformation; the establishment of the command economy is unthinkable outside of the complete political dominance achieved by Communist parties in the crucial 1947-50 period. The distinctive features of socialist social policy were therefore not given by accommodation of labor and the left, as was the case in the European social democracies, but by the political, economic and organizational logic of the command economy. This logic included not only control of the commanding heights of the economy but the complete penetration of the countryside through the collectivization of agriculture. We show that collectivization played a key role in the extension of the socialist welfare state and in its universalist characteristics.

In Latin America, we identify the critical realignments with reformist challenges to the oligarchic rule that had characterized politics in the region since independence in the 19th century. In contrast to Asia and Eastern Europe, these political changes predated the great power rivalry of the Cold War era. New contenders for political power in the larger Latin American countries could not count on sustained support from powerful external patrons and relied instead on the formation of cross-class coalitions that included segments of organized labor, and in some instances, popularly-based parties.

Anti-oligarchic coalitions generally included some segments of the landowning class, which continued to control large segments of the rural population through land ownership, patron-client relations and localized resort to force; consequently, urban-based political challengers found it difficult if not impossible to penetrate the countryside to the same extent as in Eastern Europe and East Asia. These distinctive political alignments had a powerful influence on the course of social policy in Latin America. Blue-collar unions gained legal status, political influence and new social protections. Rural interests, by contrast, remained politically marginalized and the countryside relatively disadvantaged in the provision of social insurance and services.

It is important to emphasize that the effects of these critical realignments cut across political regimes. In Latin America, the incorporation of labor was accompanied by a widening of the franchise in some cases, and various forms of authoritarian rule in others. In East Asia, decolonization was followed by democratic openings in some cases but not in others. In Eastern Europe, obviously, the shift to Stalinist political rule was uniform but clearly cannot be reduced to a mere change in political regime. In all three regions, the political changes we associate with these critical realignments ran deeper than a change in formal institutions, and marked fundamental changes in the constellation of political interests that tended to have a lasting impact on politics and social policy.

Development Strategies

The middle of the 20th century saw not only fundamental political realignments in the countries of interest to us; it also witnessed the onset of the industrialization process and an acceleration of growth. These industrialization processes occurred in the context of very different development strategies. What are the implications of these differences for the development of welfare commitments in the three regions?

To answer this question, we draw on the theoretical insights of the varieties of capitalism literature. The core distinction made in this literature between coordinated and liberal market economies is not particularly useful in the middle-income countries of interest to us; as “late-late” developers (Hirschman 1968; Amsden 2001) all were characterized by extensive state intervention and coordination of market activity. However, we can extend the underlying logic of the varieties of capitalism approach by considering how differences in the development strategies of governments influenced the production strategies of firms, labor markets and labor market institutions, and thus the preferences of key groups over social policy. The economic models adopted in the three regions, in turn reinforced and perpetuated patterns of political control that emerged following the critical realignments we have identified.

In the larger Latin American countries, the process of import-substitution industrialization (ISI) was triggered by economic shocks that began as early as World War I in the larger countries and was subsequently pushed along by the great depression and World War II. The cross-class coalitions formed following the critical realignments we outline were conducive to the adoption of ISI as a more self-conscious development strategy in the postwar period. ISI allowed both state enterprises and private firms in the import-substituting sectors to accommodate relatively generous welfare entitlements for the organized urban working class. Such policies contributed to labor market dualism among urban workers and to well-known biases against agriculture and the rural sector; the social insurance systems that developed in the region both reflected and re-enforced these biases. Moreover, the structural characteristics of import-substituting economies also had adverse effects on the overall distribution of income and reduced incentives for governments, firms and workers to invest in human capital and in education in particular.

In East Asia, the turn toward export-oriented growth occurred well after the conservative political realignments of the Cold War period. Nonetheless, outward-oriented strategies strongly influenced the incentives of governments, firms and workers with respect to social policy. On the one hand, strategies dependent on the export of labor-intensive manufactures also put a premium on labor market flexibility and made governments and firms highly resistant to payroll taxes and social insurance benefits that would increase the cost of labor. The authoritarian regimes in the region, whether established early in the post-war period or after brief periods of semi-democratic rule, maintained far more limited systems of public protection than was the case in either Eastern Europe or Latin America. On the other hand, export-oriented growth strengthened incentives to expand access to primary, secondary and vocational education to enhance the productivity of the work force and, to a lesser extent, motivated the expansion of basic public health services as well.

In Eastern Europe, all Communist governments initiated centrally-planned industrialization drives immediately after the consolidation of communist power in the late 1940s. This strategy rested on high levels of investment in basic industry, financed by primitive accumulation through the mobilization of labor and a squeeze on the countryside. The commitment to full employment and government provision of social insurance and services emerged as side-effects of the complete nationalization and socialization of the economy. In the absence of any private sector, the government was perforce involved in both the financing and provision of health care, pensions and even housing. Even though these entitlements originated in the state-owned enterprise sector, the full socialization of the economy through the collectivization of agriculture extended them into the countryside and provided the basis for the universalization of benefits. Similarly, government interest in the expansion of education, and its particular emphasis on vocational training, was a direct complement of the socialist system of manpower planning.

In sum, the welfare systems that had evolved by the late 1970s and early 1980s in the three regions were deeply embedded in political interests and economic practices that had evolved over previous decades. “Social contracts” were by no means the result of democratic politics alone, or even bargaining with affected interests; in many cases they were imposed from above. Nevertheless, over time social policy practice generated relatively stable expectations about the benefits the state would provide and how these would affect individual opportunity and vulnerability. The interests, expectations and even institutions formed through these earlier social policy interventions, in turn, strongly affected the political battles over social policy that unfolded in the new democracies that emerged in the1980s and 1990s.

Revising Social Contracts, 1980-2005: Economic Transformation, Welfare Legacies, and Democratization

The 1980s and 1990s witnessed profound political and economic changes in the three regions of interest to us. Transitions to democratic rule were defining elements of this period, but changed economic circumstances were equally if not more important in setting the agenda and subsequent course of social policy change. In Latin America and Eastern Europe, the collapse of previous development models and economic crises placed new demands on the state but also limited the fiscal capacity of the state to respond. How these tensions were resolved depended heavily on prior social policy choices and both the identity and organizational strength of the constituencies associated with them.

Reversal of Fortune

With the benefit of hindsight, we can now see clearly that the first three postwar decades were a golden era of rapid growth across much of the developing and socialist world. Rapid growth did not, in itself, imply a uniform pattern of social policy nor even generosity in public commitments; to the contrary, we have highlighted the incredible diversity in welfare models. But rapid growth provided the permissive conditions for the expansion of welfare entitlements, particularly in Latin America and Eastern Europe.

Economic performance since 1980 has shown much wider variance across regions and countries, and much greater volatility within them. These changed economic circumstances affected not only the capacity of the government to maintain existing entitlements and to expand coverage to new groups but the politics of social policy as well. Good macroeconomic performance generally improved the fiscal position of governments. But it also strengthened the hand of political actors arguing for an expansion of social commitments and weakened the force of technocratic arguments for reform or retrenchment. By contrast, crises—and particular those accompanied by fiscal constraints and high inflation—increased the influence of technocrats and their allies in the international financial institutions. These reform coalitions had wide ranging policy agendas that included macroeconomic stabilization and a variety of market-oriented reforms. However, crises also provided them the opportunity to initiate reforms of the social sector as well.

The Asian governments in our sample faced by far the most favorable economic environment. Growth remained robust until the financial crisis of 1997-98. Although Asian governments undertook gradual economic reforms in the 1980s and 1990s, their economies had been relatively open for some time, and the reform process—at least prior to the region-wide crisis of 1997-98—was much more gradual. The crisis of 1997-98 posed similar constraints to those seen in Latin America and Eastern Europe and triggered policy reforms as well. Unlike in Latin America and Eastern Europe, however, the crisis did not pose the same fundamental challenge to the prior development model. Fiscal pressures were more widely viewed as cyclical, rather than long-term and structural and as a result governments had greater latitude to respond to demands for social protection. A number of countries in the region saw a dramatic expansion in the state's role in the provision of social insurance and services before the region-wide crisis, but these new entitlements generally survived it intact.

Latin America and Eastern Europe, by contrast, faced far more severe economic constraints. The Latin American economies experienced deep recessions during the debt crisis of the 1980s, and a number experienced a recurrence of financial crises in the 1990s and early 2000s. Eastern European countries experienced a gradual slowdown in growth prior to the collapse of 1989, then deep "transitional" recessions in the first half of the 1990s and variable rates of recovery thereafter.

Economic crises had contradictory implications for the politics of social policy. On the one hand crises and the reforms that followed in their wake--- liberalization of trade and capital markets, privatization, and a variety of other market-oriented reforms—were socially disruptive and exposed previously-sheltered sectors to new market risks. These grievances provided the basis for electoral and interest group mobilization. On the other hand, crises increased the influence of technocrats, the international financial institutions and domestic policy networks that favored economic reform. Crisis was typically accompanied not only with short-run macroeconomic adjustments but pressures to address structural fiscal imbalances. Social spending was implicated in both these short-run and longer-run fiscal adjustments. Sheer fiscal constraints limited the capacity of governments to sustain existing commitments or to make credible commitments to new benefits. Not only were welfare commitments in both regions vulnerable to the criticism that they had contributed to the fiscal crises of the 1980s and 1990s. The social policy models of the ISI and state socialist period did not seem appropriate to the new, more market-oriented policy environment either.

Distributive Politics: Defense of Entitlements, Pressures for Expansion.

While economic conditions influenced the pressures for the expansion or reform of social policy, so did the legacy of existing entitlements and services. This was particularly the case as countries democratized and electoral and interest group politics became more competitive and responsive. Wide entitlements and access to services created broad public and electoral support; in general, the wider the coverage and the more effective the services provided, the more difficult for reformers to initiate changes in the social policy status quo. These constraints on government operated not only through the electoral connection alone, but through the constellation of social policy interests. Past welfare policies created complex institutional and interest group constraints on welfare reform, from civil servants and public service providers, unions with an institutional stake in the welfare system, to an array of private actors, from the financial sector and pharmaceutical companies to socially-oriented NGOs.

Again, the Asian countries stand apart from those in Latin America and Eastern Europe. Relatively minimalist public welfare states provided politicians and those favoring an expansion of public welfare commitments with a political tabula rasa. Operating under highly favorable economic conditions, they could offer major new social programs to voter-beneficiaries while facing little organized resistance from existing stakeholders seeking to defend the status quo. As we discuss below, these incentives to expand were significantly strengthened by the advent of democracy.

Latin America and Eastern Europe resembled one another in inheriting much more extensive public commitments, and with them both electoral and particularly interest group constraints on the reform of social contracts. However, on closer inspection the regions had quite distinct welfare legacies. With the exception of Costa Rica and the countries of the southern cone, most Latin American welfare states were deep but not wide. They involved heavy public expenditures on social insurance, but benefits were not universal and in some cases were limited to a quite narrow set of beneficiaries. Moreover, the distribution of social services was also highly uneven. Where coverage was wider, as in Uruguay, Argentina, and Costa Rica, efforts to reform the system of social insurance and services faced greater difficulties, even in the face of strong fiscal constraints. Where coverage had been narrow and unequal, it proved somewhat more difficult for beneficiaries to defend the status quo and market-oriented reformers gained traction over the social policy agenda. Politicians faced stronger political incentives to expand entitlements even where it implied a reallocation of resources away from existing beneficiaries: Colombia, Brazil, and Venezuela provide examples of this second pattern.

In the Eastern European cases, fiscal pressures were arguably even greater than in Latin America, as the transition to the market required a fundamental, structural shift of resources out of the state sector. Yet despite the severe fiscal constraints under which the new Eastern European democracies operated, the socialist welfare legacy had offsetting political consequences. Most citizens had been incorporated into a dense network of social entitlements. Even where the value of these protections and the quality of services had deteriorated, scaling them back posed serious political risks. Eastern Europe emerged from the decade of crisis and economic reform in the 1990s with welfare systems that were effectively universal in the coverage of a number of important life-cycle risks, most notably with respect to health and pensions. Moreover, new democratic governments in the region were much more attentive to providing social safety nets for formal sector workers than was the case in Latin America.

Regime Type Revisited

We began with a set of simple, but strong expectations about the effects of regime type on social policy. The most basic, comparative-static formulation is that social policy under democratic rule is characterized by wider coverage, more generous benefits and greater public commitment than under authoritarian regimes, which are more likely to confine coverage to narrower groups and therefore rely more heavily on self-insurance and private financing and provision. This simple prediction also yields an expectation about regime change: that the expansion of the franchise or the democratization of any given authoritarian regime should be associated with an expansion of social policy commitments and the defense of existing protections and services. In addition to these expectations, we follow a number of recent accounts that suggest that the *duration* of democratic rule is likely to matter as well (for example, Gerring 2005). Given that welfare commitments typically expand through the incremental addition of new benefits and beneficiaries over time, new democratic governments and short-lived democratic interludes will be less expansive in their commitments than more established democracies.

More nuanced differences among regimes might also be consequential for social policy. In Chapter One, we outline a coding scheme that allows us to distinguish between four different types of regimes: democracies, semi-democracies and semi-authoritarian and authoritarian (or hard authoritarian) systems. “Semi-democracies” that limit democratic competition and interest group organization should be less responsive to social demands than those that permit free and fair elections and unfettered interest group organization. Similarly, “semi-authoritarian systems” that allow opposition parties to compete or some interest group organization should be more responsive to social demands than those that ban elections altogether, rely exclusively on plebiscites or severely curtail independent group organization.

The cases we examine provide a wealth of possibilities for exploring these propositions. Across the three regions and the historical period that we cover, we find relatively long-lived authoritarian regimes, such as those in the Communist countries, Mexico and Taiwan; a small handful of similarly long-lived democracies such as Costa Rica; countries characterized by oscillation between democratic and authoritarian rule; and new democracies that have emerged in recent decades.

We argue, however, that claims about the effects of these institutional differences are conditional on other circumstances; they depended on the strength of contending social groups, on the way development strategies structured social policy interests, and on economic constraints. These conditions seem particularly important for understanding the behavior of democratic regimes, since the configuration of interests will define the groups to whom politicians will be most responsive.

We consider the evidence from our cases by time period and region, since that allows us to take into account other factors—critical realignments, development strategies, crises—that we also deem relevant. In considering the pre-crisis period covered in Part One of the book, the effects of the electoral and interest-group mechanisms were most evident in Latin America. Welfare systems that evolved in long-standing democracies such as Costa Rica, Uruguay, and Chile reflected the political influence of the urban popular sectors, as our consideration of critical realignments would suggest, as well as the inequalities that we associate with an import-substituting development strategy. Yet we still find that Latin American democracies had wider and more generous coverage in the provision of social insurance and services than countries with long periods of authoritarian rule or that oscillated between democracy and dictatorship.

Latin America also had a full spectrum of intermediate regimes—semi-democracies and semi-authoritarian regimes--that combined degrees of electoral competition and interest group pluralism with restrictions on the franchise and other barriers to entry into the political system.These intermediate regimes nonetheless afforded opportunities for oppositions to raise the "social question" and created incentives for incumbents to address social policy issues. We find that intermediate types exhibit greater attention to social policy than "hard" authoritarian regimes that suppressed this sort of limited competition, at least in the non-socialist cases

The incidence of democracy in Asia prior to the 1980s was less than in Latin America. Nevertheless, we find evidence that periods of democratic or semi-democratic rule were more likely to be accompanied by an expansion of social commitments than periods of authoritarian governance. This generalization does not preclude authoritarian initiatives, as we will see with respect to education in particular. But authoritarian social policy took a much more narrow and economically instrumental form than under democratic rule. In some cases, authoritarian regimes restricted or even rolled back welfare protections, despite the permissive conditions afforded by high growth during the 1960s and 1970s.

The Eastern European cases we consider, finally, exhibit little variation with respect to regime type in either period. Clearly, these regimes do not conform with our expectations about authoritarian regimes in capitalist economies. However, the expansive nature of the socialist welfare state was not the result of the responsiveness to electoral or interest-group demands. Rather, it was a by-product of a development strategy for which authoritarian controls were clearly a necessary condition.

The period following the transition to democracy in the 1980s and 1990s allows two types of comparisons: between those regimes that underwent a change and the handful that did not; and between the authoritarian status quo ante and democratic rule. In all three regions, democracy created important new opportunities for contestation over welfare policy; democracy created a new politics of welfare reform. However, the policy outcomes were strongly affected by differences in economic conditions and welfare legacies.

The new democracies of East Asia correspond most neatly to the expectation that democratization is associated with an expansion of social entitlements, but largely because of highly favorable economic circumstances and a minimialist welfare legacy. Outside of education, these countries had the narrowest social insurance coverage and had relied more extensively on government-mandated private savings, self-insurance and private delivery. With democratization, NGOs, unions, and civil-society organizations burst onto the political scene and pressed for a broader public role in the provision of social insurance and services as well as protection of those entitlements that did exist. Politicians, fully cognizant of these demands, saw significant opportunities to attract support through the extension of new social protections. By contrast, the two semi-authoritarian systems in the region—Singapore and Malaysia—show much greater continuity in social policy and even a bias toward a liberalizing agenda.

The effects of democracy were much harder to trace in Latin America, where the collapse of the old development model and deep recessions created especially severe fiscal constraints. In these conditions, the social insurance initiatives visible in the East Asian democracies were largely off the table. Indeed, the social policy agenda was dominated by pressures not only for expansion but for liberalizing reforms and even outright retrenchment of prior commitments. Democracy affected these fights, but within a context set by the constellation of social policy interests. On the one hand, transitions away from repressive military governments did increase the political salience of the "social question." Especially as fiscal constraints loosened in the 1990s, both democratic and more mixed regimes in the region were more inclined than their "hard authoritarian" predecessors to use anti-poverty programs and targeted assistance to build electoral support among the large sectors of the population that had been marginalized from the old welfare system. On the other hand, democracy provided the opportunity for organized stakeholders to defend entitlements, and the institutional prerogatives that had grown up around them, even where this implied a resistance to the reallocation of resources that was typically necessary to expand coverage.

In Eastern Europe, finally, democratization also had consequences but in the context of very different welfare legacies. The socialist welfare state included broad segments of the population into a system of entitlements, and the basic political logic outlined by Pierson (1994) thus operated strongly: with democratization, wide coverage created a strong electoral constraint against rationalization and retrenchment, even in the face of strong fiscal constraints. At the same time, democracies did provide incentives for parties across the political spectrum to attend to the interests of labor and other groups disadvantaged by the transition to the market.

Problems of Endogeneity

No matter how carefully we trace out the apparent causal connections between democracy and social policy, such institutional arguments are vulnerable to the problem of non-random distribution or selection: democratic countries are democratic for a reason. Moreover, there are at least plausible theoretical reasons to believe that democracy might be endogenous to the factors that we have identified, namely the power of different social groups and the adoption of different development strategies. Democracy may be the result precisely of particular configurations of interests (such as those in which labor and/or the peasantry are a well-organized political force) or development strategies (such as those that accommodate labor interests without resort to control or repression).

The idea that democratic institutions—and indeed all institutions—are epiphenomenal to some underlying distribution of power and interests has a long intellectual pedigree, but has recently witnessed a revival. Adam Przeworski (2005) approaches the problem through a methodological lens, noting the tension between the claim that institutions (such as democracy) matter for policy outcomes (social policy in our case); and that institutions are endogenous (implying that social policy could be a function of the underlying factors that explain both it and democracy). For important technical reasons, he comes to nearly nihilistic conclusions about the capacity to separate out causal effects with the precision he would prefer, or even with the precision required to draw meaningful conclusions about the effects of institutions at all.

Recent theories of democracy reach conclusions that are similarly troubling. In their sweeping theoretical effort to integrate the democracy literature, Acemoglu and Robinson (2005) make a distinction between de jure and de facto political power. De jure power results from a given set of institutional rules; de facto power results from what contending groups could achieve by force. Stripped of nuance, their theory of democracy argues that transitions occur when there is a disjunction between these two sorts of power. Incumbent office holders are only likely to make (de jure) institutional concessions in the face of challenges from (de facto) powerful social forces. Similarly, Bueno de Mesquita et. al. (2001, 2003) see the fundamental driver of both distribution and institutions to lie in the breadth of the political coalition supporting incumbent elites; the wider the underlying coalition, the more likely representative institutions will arise.

We are mindful of these issues, but we are also concerned that this new reductionism is subject to similar problems of its own. As Przeworski admits, the idea of a state of nature in which interests and capabilities exist independently of institutions is difficult to imagine; indeed, that problem is the root cause of his methodological worries. The idea of de facto political power as the ability to wield force (as in Acemoglu and Robinson 2005) or the idea of an unmediated "coalition" causally prior to institutions (in Bueno de Mesquita et. al. 2003) also crumbles on closer inspection. How are actors organized to deliver this brute force? How can we identify an underlying coalition in a non-circular way, or in the absence of aggregating institutions? When we turn to the literature on democratic breakdowns and transitions, the power of contending social forces is certainly a starting point in any explanation. But the literature—including important work by Przeworski himself (1986)—emphasizes a variety of strategic and contingent factors that operate independently of these structural determinants.

A somewhat similar set of issues arise with respect to the emphasis that we place on development strategies as determinants of social policy outcomes. Could development strategies not only exert a direct influence on social policy, but also account for some of the (independent) effect we want to attribute to democracy? The debate over the consequences of development strategy for regime type had its origins in Guillermo O'Donnell's (1971) observation that new forms of authoritarian rule in Latin America emerged not in the poorer countries but in the more advanced import-substituting economies. Bureaucratic-authoritarian rule was an outgrowth of a particular stage in the ISI process. These claims gave rise to a rich and productive debate, but both the theoretical and empirical links postulated by O'Donnell were subsequently called into question (Collier 1979). There does not appear to be any reason why the pursuit of import-substitution would logically entail either labor repression or authoritarian rule. Indeed, among the three broad approaches to development that we highlight here, the links between ISI and regime type are probably the loosest.

In East Asia and Eastern Europe, by contrast, authoritarian rule appears much more integral to the development strategies pursued. As with O'Donnell's work, a number of authors have drawn a causal connection between the pursuit of export-led growth strategies and authoritarian rule or labor control (Deyo 1989; Haggard 1990; Kuruvalla 1996). Yet the claim that authoritarian rule is a necessary condition for an outward-oriented growth strategy is almost certainly misleading if stated in a general way (Adsera and Boix 2002). The small social democracies of Western Europe coupled highly open economies with extensive social protection, active labor market policies, and continual upgrading of skills. Indeed, that combination of economic and social policies is virtually the defining characteristic of countries such as Switzerland, Austria, the Netherlands and the Scandinavian countries (Katzenstein 1985).

Outward-oriented growth in East Asia did rest on a more coercive foundation of managerial discretion, labor control, and limited social compensation. But rather than the causal connections running from development strategy to regime type, the timing of the adoption of these strategies suggests a different causal pathway: that authoritarian rule, and the conservative coalitions that we have noted in the discussion of critical realignments, were responsible for the distinctive form these strategies took.[8]

Eastern Europe, by contrast, does present a challenge. There has been an extensive debate over whether socialism might be achieved by democratic means and what such a socialism might look like (Griffith-Jones 1982; Przeworski 1985; Stephens 1986). But there can be little doubt that many aspects of the Stalinist socialist project presumed authoritarian rule, from nationalization of the commanding heights of the economy and collectivization, to control over labor markets, to the extraordinary levels of investment and relative neglect of consumption. In the Eastern European cases, development strategy and regime type are both logically entailed and empirically joined. However, we take this observation as a reminder of the limitations on pure institutional arguments, not a rejection of them.

In sum, we are concerned about these problems of endogeneity but believe that they should not be exaggerated. Our comparative case study method may in fact be better suited at getting at these issues than the large-n cross-national statistical work in which these problems more typically arise. Comparative case analysis allows us to explore the plausibility of arguments about endogenous institutions in more detail and has a number of other advantages as wll. To show why, we conclude by outlining our methodological approach in greater detail.

Strategy, Method, Organization

Our analysis focuses primary attention on twenty-one middle-income countries drawn from these three regions. The number of effective cases is much larger, however, because we exploit changes in the principal causal variables over time, as well similarities and differences across different social policies within the same country. In Latin America, we consider Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, Venezuela and Uruguay. In Asia, we examine developments in Korea, Taiwan, Singapore, Malaysia, Thailand, and the Philippines. In

Eastern Europe, we cover Hungary, Poland, Romania, Bulgaria, Czechoslovakia and its successor states, the Czech and Slovak Republics. This choice of countries encompasses all or most of the middle-income countries of the three regions and allows us to consider not only differences across the regions but variations within them.

Our study was strongly motivated by quite striking cross-regional differences in the evolution of the welfare systems in the three regions that we outline in some detail in Chapter One. Of course, there are an ample number of candidates for explaining this variation, and to attempt to do so in the context of a medium-n comparison of this sort is fraught with some quite obvious risks. In both sections, we therefore nest our comparative case studies within the context of a wider cross-national statistical analysis. In Chapter One, this analysis considers determinants of spending and other measures of social service delivery; the primary objective is to control for a number of structural determinants and at least motivate our supposition that regionally-distinct patterns of social policy do in fact exist.

We believe, however, that the utility of cross-national statistical analysis faces much more severe limitations than is typically acknowledged.[9] Not only are the data on social policy characterized by fundamental limitations, but cross-national statistical designs face a host of their own problems. Given the tremendous heterogeneity that exists across developing countries, more cases can be a minus as well as a plus because each dimension of heterogeneity must be correctly modeled. As these dimensions multiply it becomes more and more difficult to arrive at the appropriate specification of the causal model given a plethora of plausible models and the problem of modeling interactions among the covariates (Gerring 2006). Identification problems and endogeneity are also serious, and it is hard to solve them through instrumental variable techniques; comparative case studies provide a way for considering in more detail the likely seriousness of these problems.

Finally, it has become almost a throwaway line that comparative case studies provide the opportunity to demonstrate causal relationships in a way that statistical analysis cannot. However, this claim gains particular force when talking about such gross causal factors as regime type. The advantages of a larger sample and the ability to introduce controls in statistical work are offset by the difficulty of showing that the postulated mechanisms work as proposed, for example, that electoral competition or interest group pressures are the means through which democracy operates on policy outcomes.

Once we have justified these regionally distinct patterns of policy, we faced the question of how to choose cases for more detailed analysis. One proposal advanced recently by James Fearon and David Laitin (2005) is to randomly select cases from the larger sample for more detailed treatment. This method may be appropriate if the primary analytic objective is to test theories believed to have a general applicability across a range of cases; as we will argue in more detail below, however, we are more concerned with issues of internal than external validity and Laitin's random sampling technique struck us as inappropriate as a result. An alternative is to choose a representative or typical case from each region.[10] This method requires the identification of the distribution of cases and the use of the typical or modal cases to explore the differences across types (or regions in our case); well-known studies by Esping Andersen (1990) and Swank (2002) employ this strategy, as does the varieties of capitalism literature (Hall and Soskice 2001).

However, this method is always subject to the concern that the selected case may not be fully representative—even in the context of a broader statistical analysis—or that it may exhibit some idiosyncratic features. We solve this problem by multiplying the number of cases to encompass virtually all of the significant cases in the regions of interest to us. Despite the criticisms of such a "medium-n" strategy (Brady and Collier 2004), we believe that this approach is justified for at least three reasons. First, the comparative case analysis is nested in a wider cross-national statistical analysis that allows us to control for a range of other possible determinants of the observed variation. Second, the multiplication of cases increases the confidence that the findings with respect to inter-regional variations are not driven by unrepresentative or outlier cases.

The third justification for this approach, however, requires somewhat more extended discussion. Our approach is unapologetically historical and configurative. We believe strongly that the phenomena we are interested in are best explained as the resultant of long-run historical processes that vary across regions. We are struck by the fact that numerous cross-national statistical studies implicitly confirm this approach—although without adequate additional exploration—by finding that regional dummies consistently prove to be statistically significant variables. We are therefore less interested than standard statistical analyses in questions of external validity and whether findings are portable to out-of-sample cases and time periods; to do so, we believe, would require an extended historical consideration of how international circumstances, critical realignments, development strategies and regime type interacted in altogether different regional settings. We are more preoccupied with questions of internal validity: whether the causal arguments we have outlined do in fact explain the (substantial) sample of cases in question.

The deep historical differences we see across regions are accounted for by differences in political alignments and development strategies that also appear to vary by region. Although we are interested in these cross-regional variations, and use regional clusters of cases to demonstrate these tendencies, it is also clear that the cases within any given region also exhibit important variations around these means, including with respect to both the historical variables of interest to us and the more contemporaneous ones we are trying to explore, such as democratization and economic circumstances. We have already noted how we use differences between long-lived democracies in Latin America and other cases to bolster our contention that democracy mattered in that period. Similarly in Part Two we have a number of cases in which authoritarian rule persisted into the period of interest to us here, including Singapore, Malaysia, and Mexico, as well as cases that reverted to authoritarian rule following an initial transition, notably Peru and Venezuela. We also have differences in the transition path. Although most countries in our sample moved relatively swiftly from authoritarian to democratic rule, we also have examples of cases that passed through somewhat more prolonged semi-authoritarian or semi-democratic phases, including Mexico, Thailand, Taiwan and Romania. These variations all provide opportunities for testing conjectures.

Although we emphasize regional similarities in the economic environment facing new democracies in each region, there are variations both across cases and over time on this dimension as well. For example, in Part Two we exploit a comparison between three democracies that transited during periods of high growth—Korea, Taiwan and Thailand—with the Philippines, which experienced a debt crisis similar to Latin America's and at approximately the same time. Narrative accounts also allow us to confirm the results of our cross-sectional time series models by tracking the effect of changing economic conditions over time within individual cases. Although we identify the East Asian cases as high-growth ones, all the countries of interest to us experienced the effects of the region-wide crisis of 1997-98. Conversely, while the Latin American and Eastern European countries experienced severe crises at the outset of their transitions to democratic rule, some experienced periods of relatively sustained recovery thereafter (such as Poland), while others back into crisis at some later point (Argentina, Brazil, Bulgaria, Romania). Again, these differences provide opportunities for more refined comparisons within the regions, and allow us to test some of our expectations regarding the effects of economic circumstances on the politics of reform.

A final purpose of these case study chapters is to consider contending hypotheses. Among the major contenders to the approach that we take here are those that focus either on globalization and external factors, or on institutional and other variations *among* democracies, such as the polarization or fragmentation of the party system, differences between parliamentary and presidential, or federal and non-federal systems, or differences in the number of veto players in the system. Although we do not pretend to test all of these propositions rigorously, we can at least point to confirming or disconfirming cases that warrant further theoretical and empirical debate.

Our elaboration of the propositions advanced in the preceding section proceeds as follows. Chapter One begins with a descriptive overview of the social welfare systems in the three regions circa 1980, and provides a more detailed theoretical and empirical consideration of how these systems were influenced by critical realignments and development strategies. Chapters Two through Four provide comparative accounts of the origin and evolution of social policy in the three regions through circa 1980. In Part Two, we focus on the period from 1980-2005. Chapter Five provides a theoretical introduction. We elaborate the political implications of fiscal crisis and welfare legacies, and how these factors interact with the widespread turn to democratic rule among our cases. Chapters Seven through Nine provide narrative analysis of the reform of social policy since 1980. Chapter Ten concludes.

[1] . Comparative studies of the developing world that cut across regions and policy areas include Graham 1994, 1998; Esping-Anderson 1996; Huber 2002; Kapstein and Milanovic 2002; McGuire 2005 and a number of cross-national quantitative studies that we review in more detail in the Appendix.

[2] . See for example Stephens, Huber and Ray 1999.

[3] . Two alternative theoretical routes are wroth noting. One that can be traced to Cox (1987) treats social policy as a public good (Lake and Baum 2001; Bueno de Mesquita et. al. 2003). When the franchise is narrow, political leaders maintain support by providing predominantly private goods. As the franchise expands, leaders shift toward greater provision of public goods for efficiency reasons. A second theoretical strand linking democracy and welfare is Sen's (1984) emphasis on the role of information in mitigating social distress, which arose from his work on famines.

[4] . Influential formal treatments include Romer 1975, Roberts 1977 and particularly Meltzer and Richards 1981 which shows most intuitively how inequality—differences between the mean and median income—generates incentives for redsitribution. See also Boix 2003. Persson and Tabellini 2000, Chapter Six and Drazen 2000 Chapter Eight provide overviews. A crucial issue is whether social policy should be seen as a form of redistribution or insurance (Barr 2001; Wallerstein and Moene 2003). However, if we make the plausible assumption that the distribution of risk correlates with the distribution of income, we get similar results as with models that assume social policy is redistributive (see Przeworski 2003, 209-212).

[5] . The literature on the postwar evolution of the advanced welfare states is voluminous, but among the comparative works we have relied on are Korpi 1983; Baldwin 1990; Esping-Anderson 1990; Kitschelt 1994; Kitschelt, Lange, Marks and Stephens 1998; Garrett 1998; Iverson and Wren 1998; Hicks 1999; Huber and Stephens 2001; Pierson 2001a and b; Swank 2002; Iversen 2005.

[6] . Hicks 1999, Chapters 2 and 3, provides an excellent historical overview.

[7] . We are influenced by the literature on critical junctures, but have opted for the term political realignment for two reasons. First, it is more descriptively accurate of the particular political factors—a change in the configuration of organized interests—that we believe to be causally important for understanding social policy. Second, the term "critical juncture" now carries particular theoretical implications with respect to the question of subsequent path dependence. Although we are sympathetic with path dependence arguments, as will be seen in more detail in Chapter One, the enduring effect of any particular political realignment cannot be assumed.

[8] . For a similar argument, see Adsera and Boix 2002.

[9] . Gerring 2006 provides a useful overview.

[10] . A common criticism of such a method is that it selects on the dependent variable; see Geddes 2003. However, as Mahoney (2003) shows, such a method of selection can be perfectly appropriate where it is designed to highlight some necessary set of antecedent conditions.