Online Appendix:
Import Competition and Policy Diffusion*

Santiago López-Cariboni
Catholic University of Uruguay

Xun Cao
Penn State University

Corresponding Author
Santiago López-Cariboni, Department of Social and Political Sciences, Catholic University of Uruguay, Ave. 8 de Octubre, 2738, Montevideo, Uruguay
Email: santiago.lopez@ucu.edu.uy

*This is an online appendix to the article "Import Competition and Policy Diffusion," which appears in the December 2015 special issue of *Politics & Society* called "Social Protection in the Developing World: Challenges, Continuity and Change."

Alternative Explanations of Welfare State and Social Policies

Compensation Hypothesis

Welfare expansion can result from increased trade exposure and the associated popular demand for governments to compensate those who suffer losses in the globalization process. In the paper "Import Competition and Policy Diffusion," we use trade openness to control for this compensation hypothesis in order to isolate the competitive, cost-cutting effect associated with our welfare state policy interdependence variables. Yet trade openness (measured as the sum of imports and exports as a percentage of GDP) is only a first step to capturing compensation pressures. Here we present robustness checks to further test the effects of the levels and changes in imports and exports.

We first included both imports and exports as a percentage of GDP, and the results are presented in Table A1 of this online appendix. When only the lag levels of imports and exports are included, they often are not statistically associated with welfare efforts measured either by social insurance or progressive social spending.[1] In Table A1, models 1 and 3 show that only the effect of exports on social insurance is significant at the 90 percent confidence level. Second, given the nonfinding for the import and export *level* variables, we further tested the effects of import and export *change* variables, measured as the first difference between imports (exports) of year t and t − 1. We actually find statistically significant effects associated with changes in imports and exports (models 2 and 4 in Table A1). Moreover, now both lagged levels and the first differences appear to have significant effects on the welfare state. While imports increase welfare spending, exports exert an effect of similar magnitude but in the opposite direction. This finding seems to support the intuition that import increase creates pressures of the government to compensate as it erodes the market share of domestic, import-competing firms; export increase, on the other hand, reduces welfare pressures for the government as exporting sectors of the economy expand their global market shares.

However, the inclusion of these variables does not change the point estimate of our policy interdependence variable based on import competition; neither does it reduce the efficiency of our estimation.

Power Politics and Partisanship of the Government

In our paper, we find that import-competition-induced policy interdependence is weaker in countries with higher levels of potential labor power (PLP). While the PLP variable measures only potential labor power, it is the existing measure with the least missing data relative to other measures, such as those for unions. Moreover, the skilled/unskilled distinction used by PLP captures the size of wealthier, more privileged members of labor population, who have more resources to access and lobby politicians, particularly in developing countries. Given that democracies in developing economies don't necessarily respond to median voter demands or preferences,[2] key interest groups such as skilled labor should be important players when it comes to welfare and social policies.

These actors are normally the constituency of left and union-based parties in advanced democracies. We have tried to include a partisanship variable to measure the left-right dimension of government (Table A2). We use the measure provided by the comparative institution data set by Beck et al.,[3] a three-category measure,

left(3)-center(2)-right(1), of the executive party. Its advantage is data coverage, as it includes countries outside the developed world; its disadvantage is its lack of precision when estimating how left (or right) the party is. We find that partisanship affects social insurance but not progressive spending.

Moreover, the association between left governments and social insurance is actually negative. Partisanship may be related to different outcomes, such as inequality in developing countries.[4] But a number of reasons suggest that the partisan differences observed in developed nations may not be at play when it comes to welfare spending in LDCs. First, political parties in LDCs are more personalized and less ideologically or programmatically oriented. The expected connection between the ideological left and the welfare state is not always clear in parties' manifestos.[5] Second, social insurance targets labor market insiders;[6] and because of that, taxes and social security transfers are normally regressive in developing countries.[7] Moreover, social insurance for insider, formal workers depends on the power of this labor market group. Welfare states in LDCs thus are not necessarily consistent with an ideological left seeking redistribution and pro-poor policies. The fact that that we find a negative effect of left government on social insurance (but a positive and insignificant effect on progressive social spending) supports the view that left parties are not necessarily attached to labor market insiders' interests. Although imperfect, we find that the PLP variable is a better measure for capturing labor market insiders' power.[8]

Finally, we have also tested whether partisanship variables condition the effects of import competition (Table A3). We find no statistically significant conditional effect when the partisanship variable interacts with the import competition variable. We have also tried with other measures, such as the cumulative number of years the left has been in power since 1975, and its logged form. We found no conditional effect, either.

Deindustrialization and Varieties of Capitalism

The deindustrialization thesis argues that the transformation of economies from industrial to service-based also creates job market instability, which in turn requires government interventions, often in the form of social policies. We use a variable that captures the importance of the service sector in the economy: ([100 − [industrial and agricultural % GDP]). We find no support for the deindustrialization thesis (Table A2). We think this is probably because deindustrialization still is at the very early stage for most of the developing countries. Finally, for varieties of capitalism argument, we think a variable that we already have in an unrevised manuscript—wage covariance is a good measure of asset specificity, which captures the basic idea of social insurance and cooperation among the government, employers, and the labor as a function of asset specificity of the economy.[9]

Structural Similarity Weighted by Actual Levels of Bilateral Imports

There is a potential weakness of relational measures such as structural equivalence when it comes to measure the level of competitive pressures between countries. For instance, Lithuania's exports to Mexico are highly similar to Mexican domestic production (therefore high equivalence score between them), but such exports are small in number or

value.Is Lithuania truly a competitor country for Mexico? We think this both an empirical and conceptual question. Conceptually, consider the situation in which Lithuania's exports to Mexico and Mexican production have a correlation of 1—the highest level in terms of similarity (structural equivalence), which would make the two countries top competitors for each other—but the Lithuanian exports to Mexico are only 10 percent of Mexican production across all commodity groups. Would Mexico still consider Lithuania its competitor? Maybe yes, because given that these are substitutable products, 10 percent today can easily become, say, 20 to 30 percent percent tomorrow if Lithuanian exports become cheaper.

Empirically, we consider another approach, which is to discount the structural similarity approach by weighting it by some metric of the level of actual level of trade flows implied. The goal here is to create a measure that captures both structural similarity and the level of import flows. More specifically, we have tried various ways to weight the pairwise correlation structural similarity measure by level of actual bilateral imports. The weights we used include:

1. imports_ij: import volume of country i from j—this captures the importance of j to i as a competitor for i's domestic market measured by total level of import flows rather than structural similarity;
2. (imports_ijs/manufacturing_is)/number of sectors—the unweighted average of import penetration by sector as a percentage of the domestic sector (mean of manufacturing imports ij in sector s divided by the nonexported manufacturing output in country i for sector s); and
3. (imports_ijs/manufacturing_is) * (manufacturing_s/manufacturing_i)—the same as before but weighted by the distribution of manufacturing sector size in the importing country.

None of these weighted structural equivalence measures for import competition above is statistically associated with either measure of welfare spending (see Table A4 and A5 of this online appendix). We believe this provides some evidence that countries care more about the structural similarity of import competition, which is about what and where to import or export.

Finally, in addition to weight structural equivalence measures with various measures that capture the level of actual bilateral imports (as in 1–3 above), we have also tested spatial lags defined solely by levels of bilateral imports. We find no effect associated with the new spatial lags (Tables A4 and 5A). We think this suggests the fact that trade flows involve a lot of intrafirm and intraindustry trade and therefore cannot capture policy interdependence due to import competition.

Notes

1 We have tried several other specifications not shown here; they give similar results, which are available on request.

2 Michael L. Ross, "Is Democracy Good for the Poor?," *American Journal of Political Science* 50 (2006): 860–74.

3 Thorsten Beck, George Clarke, Alberto Groff, Philip Keefer, and Patrick Walsh. "New Tools

in Comparative Political Economy: The Database of Political Institutions," *World Bank Economic Review* 15, no. 1 (2001): 165–76.

4 Eunyoung Ha, Globalization, Government Ideology, and Income Inequality in Developing Countries, *Journal of Politics* 74 (2012): 541–57.

5 S. Mainwaring and M. Torcal, "Party System Institutionalization and Party System Theory after the Third Wave of Democratization," in R. Katz and W. Crotty, eds., *Handbook of Party Politics* (London: Sage, 2006), 204–27.

6 E. Huber, F. Nielsen, J. Pribble, and J.D. Stephens, "Politics and Inequality in Latin America and the Caribbean," *American Sociological Review* 71, no. 6 (2006): 943; Erik Wibbels and John S. Ahlquist, "Development, Trade, and Social Insurance," *International Studies Quarterly* 55, no. 1 (2011):125–49.

7 E.B. Kapstein and B. Milanovic, *When Markets Fail: Social Policy and Economic Reform* (Los Angeles: Russell Sage Foundation, 2002); C. Mesa-Lago, *Ascent to Bankruptcy: Financing Social Security in Latin America* (Pittsburg, PA: University of Pittsburgh Press, 1989); Robert R. Kaufman and Alex Segura-Ubiergo, "Globalization, Domestic Politics, and Social Spending in Latin America: A Time-Series Cross-Section Analysis, 1973–97," *World Politics* 53, no. 4 (2001), 553–87; E. Goñi, J.H. López, and L. Servén, "Fiscal Redistribution and Income Inequality in Latin America," *World Development* 39. no. 9 (2011):1558–69.

8 We have also considered other variables, such as salaried workers as a percentage of total employment, to capture labor market insiders' power. But this variable reflects the electoral power of the constituency in support of social insurance (Santiago López Cariboni, *"Economic Globalization and Domestic Policy in Developing Countries"* [PhD Dissertation, University of Essex, 2014]), and therefore it is useful only when applied to democratic contexts. Because we allow labor power to vary across different regime types, our sample includes both autocracies and democracies.

9 Moreover, some might argue that in developing country context, ISI versus. export oriented economies are the key different forms of capitalism; we have included an ISI variable as a control variable.

Table A1. Robustness Checks: Imports and Exports Flows Disaggregated.

	Social Insurance				Progressive Social Spending			
	Model 1	LRM	Model 2	LRM	Model 2	LRM	Model 2	LRM
Lag depdendent variable	0.781***		0.782***		0.807***		0.811***	
	(0.027)		(0.027)		(0.029)x		(0.029)	
Spatial lag $W_{t-1}^{imp.comp}y_{t-1}$	0.089***	0.407***	0.081***	0.369***	0.163**	0.840**	0.130**	0.690*
	(0.029)	(0.142)	(0.029)	(0.140)	(0.064)	(0.360)	(0.064)	(0.361)
Spatial lag $W_{t-1}^{exp.comp}y_{t-1}$	0.036	0.162	0.055	0.253	0.032	0.167	0.110	0.586
	(0.069)	(0.316)	(0.069)	(0.318)	(0.168)	(0.863)	(0.168)	(0.876)
Imports $_{t-1}$	0.002	0.010	0.015**	0.069**	0.004	0.020	0.022**	0.115**
	(0.005)	(0.023)	(0.006)	(0.029)	(0.007)	(0.037)	(0.008)	(0.048)
Exports $_{t-1}$	−0.011*	−0.048*	−0.022***	−0.100***	−0.009	−0.044	−0.025**	−0.133**
	(0.006)	(0.029)	(0.007)	(0.034)	(0.009)	(0.047)	(0.010)	(0.055)
Δ Imports $_{t-1}$			0.028***				0.040***	
			(0.008)				(0.011)	
Δ Exports $_{t-1}$			−0.026***				−0.041***	
			(0.008)				(0.012)	
Potential Labor Power $_{t-1}$	−0.021	−0.098	−0.012	−0.054	−0.126	−0.649	−0.113	−0.599
	(0.233)	(1.066)	(0.232)	(1.065)	(0.328)	(1.701)	(0.325)	(1.731)
Wage covariance $_{t-1}$	0.066	0.300	0.057	0.260	−0.043	−0.223	−0.050	−0.267
	(0.119)	(0.549)	(0.119)	(0.547)	(0.174)	(0.901)	(0.173)	(0.918)
Polity score $_{t-1}$	−0.009	−0.041	−0.012	−0.053	0.009	0.048	0.005	0.028
	(0.010)	(0.044)	(0.010)	(0.044)	(0.015)	(0.080)	(0.015)	(0.081)
ISI $_{t-1}$	−0.003	−0.015	−0.002	−0.008	0.012	0.064	0.015*	0.079*
	(0.006)	(0.026)	(0.006)	(0.025)	(0.008)	(0.043)	(0.008)	(0.045)
Dependency ratio $_{t-1}$	0.003	0.014	0.006	0.028	0.013	0.067	0.018	0.097
	(0.008)	(0.037)	(0.008)	(0.037)	(0.012)	(0.061)	(0.012)	(0.063)
Urbanization $_{t-1}$	0.021	0.096	0.019	0.086	−0.016	−0.082	−0.020	−0.106
	(0.014)	(0.065)	(0.014)	(0.065)	(0.021)	(0.109)	(0.021)	(0.111)
Population (log) $_{t-1}$	−0.333	−1.518	0.026	0.120	0.413	2.134	0.839	4.448
	(0.646)	(2.922)	(0.652)	(2.989)	(0.979)	(5.049)	(0.986)	(5.228)
Real GDP per capita (log) $_{t-1}$	−0.018	−0.082	0.185	0.845	0.109	0.565	0.367	1.946
	(0.253)	(1.153)	(0.257)	(1.207)	(0.371)	(1.927)	(0.375)	(2.046)
Total Spending $_{t-1}$	0.002	0.010	0.002	0.011	−0.013	−0.066	−0.013	−0.067
	(0.007)	(0.032)	(0.007)	(0.032)	(0.010)	(0.054)	(0.010)	(0.055)
Adj. R squared	0.571		0.576		0.532		0.538	

Number of observations	739	739	678	678
Number of countries	58	58	55	55
Country dummies	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes

Note: LRM (long-run multipliers) calculated from the Bewley transformation of error-correction model. Countries: Algeria, Argentina, Azerbaijan, Bangladesh, Bolivia, Brazil, Bulgaria, Cameroon, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Hungary, India, Indonesia, Iran, Israel, Jordan, Kenya, Korea, Kuwait, Latvia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Nigeria, Oman, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela.

Standard errors in parenthesis.

***p<0.01, ** p<0.05, *p<0.1$.

Table A2. Robustness Checks: Left Government and Deindustrialization.

	Social Insurance	LRM	Progressive Spending	LRM
LDV	0.789**		0.792**	
	(0.029)		(0.033)	
Spatial lag $W_{t-1}^{imp.comp} y_{t-1}$	0.087**	0.413**	0.166**	0.801*
	(0.028)	(0.140)	(0.064)	(0.330)
Spatial lag $W_{t-1}^{exp.comp} y_{t-1}$	0.066	0.313	0.065	0.311
	(0.071)	(0.343)	(0.178)	(0.853)
Openness $_{t-1}$	−0.005*	−0.024*	−0.000	−0.002
	(0.002)	(0.012)	(0.004)	(0.018)
Potential labor power $_{t-1}$	−0.093	−0.442	−0.231	−1.111
	(0.225)	(1.074)	(0.342)	(1.663)
Polity score $_{t-1}$	−0.010	−0.046	0.004	0.020
	(0.010)	(0.045)	(0.017)	(0.080)
ISI $_{t-1}$	−0.006	−0.028	0.013	0.061
	(0.006)	(0.026)	(0.009)	(0.042)
Wage covariance $_{t-1}$	0.022	0.107	−0.006	−0.027
	(0.113)	(0.535)	(0.176)	(0.848)
Dependency ratio $_{t-1}$	0.002	0.009	0.011	0.051
	(0.008)	(0.037)	(0.012)	(0.059)
Urbanization $_{t-1}$	0.020	0.093	−0.019	−0.089
	(0.014)	(0.064)	(0.022)	(0.103)
Population (log) $_{t-1}$	−0.834	−3.958	0.178	0.858
	(0.674)	(3.215)	(1.097)	(5.268)
Real GDP per capita (log) $_{t-1}$	−0.263	−1.250	−0.051	−0.246
	(0.243)	(1.133)	(0.392)	(1.887)
Total spending $_{t-1}$	0.004	0.018	0.009	0.042
	(0.009)	(0.040)	(0.013)	(0.061)
Deindustrialization $_{t-1}$	−0.003	−0.014	0.007	0.033
	(0.009)	(0.043)	(0.015)	(0.070)
Left government $_{t-1}$	−0.248*	−1.176*	0.153	0.739
	(0.116)	(0.536)	(0.182)	(0.886)

Adj. R squared	0.595	0.515
Number of observations	685	624
Number of countries	58	55
Country dummies	Yes	Yes
Year dummies	Yes	Yes

Note: LRMs (long-run multipliers) calculated from the Bewley transformation of error-correction model. Countries: Algeria, Argentina, Azerbaijan, Bangladesh, Bolivia, Brazil, Bulgaria, Cameroon, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Hungary, India, Indonesia, Iran, Israel, Jordan, Kenya, Korea, Kuwait, Latvia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Nigeria, Oman, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela.

Standard errors in parenthesis.

***p<0.01, ** p<0.05, *p<0.1$.

Table A4. Robustness Checks: Interdependence in Social Insurance using Weighted Structural Equivalences and Spatial Lags of Import Penetration Flows.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
LDV	0.780***	0.781***	0.780***	0.781***	0.782***	0.781***
	(0.028)	(0.027)	(0.028)	(0.027)	(0.027)	(0.027)
Spatial lag $W_{t-1}^{S.E*(imports_{i,j})} y_{t-1}$	0.017					
	(0.027)					
Spatial lag $W_{t-1}^{S.E*\left(\frac{imports_{i,j}}{manuf_{i,i}}\right)} y_{t-1}$		0.000				
		(0.011)				
Spatial lag $W_{t-1}^{S.E*\left(\frac{imports_{i,j}}{weigthted}, manuf_{i,i}\right)} y_{t-1}$			0.016			
			(0.027)			
Spatial lag $W_{t-1}^{imports_{i,j}} y_{t-1}$				0.041		
				(0.035)		
Spatial lag $W_{t-1}^{\frac{imports_{i,j}}{manuf_{i,i}}} y_{t-1}$					0.003	
					(0.011)	
Spatial lag $W_{t-1}^{\frac{imports_{i,j}}{weigthted}, manuf_{i,i}} y_{t-1}$						0.028
						(0.035)
Spatial lag $W_{t-1}^{exp.comp} y_{t-1}$	−0.017	−0.012	−0.016	−0.022	−0.009	−0.018
	(0.068)	(0.068)	(0.068)	(0.067)	(0.069)	(0.068)
Openness $_{t-1}$	−0.007***	−0.007***	−0.007***	−0.007**	−0.007***	−0.007***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Potential labor power $_{t-1}$	0.075	0.098	0.077	0.102	0.097	0.101
	(0.234)	(0.231)	(0.234)	(0.230)	(0.231)	(0.231)
Wage covariance $_{t-1}$	0.069	0.077	0.070	0.049	0.081	0.058
	(0.121)	(0.121)	(0.121)	(0.122)	(0.121)	(0.122)
Polity score $_{t-1}$	−0.004	−0.003	−0.004	−0.002	−0.003	−0.002
	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)
ISI $_{t-1}$	−0.005	−0.005	−0.005	−0.004	−0.005	−0.005
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Dependency ratio $_{t-1}$	0.001	0.001	0.001	0.001	0.001	0.001

	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Urbanization $_{t-1}$	0.022	0.022	0.022	0.020	0.022	0.021
	(0.014)	(0.014)	(0.014)	(0.014)	(0.014)	(0.015)
Population (log) $_{t-1}$	−0.324	−0.348	−0.324	−0.287	−0.347	−0.309
	(0.647)	(0.648)	(0.647)	(0.646)	(0.646)	(0.648)
Real GDP per capita(log) $_{t-1}$	−0.047	−0.032	−0.046	−0.057	−0.035	−0.052
	(0.251)	(0.251)	(0.251)	(0.250)	(0.250)	(0.251)
Total Spending $_{t-1}$	0.002	0.002	0.002	0.001	0.002	0.002
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Adj. R squared	0.568	0.568	0.568	0.569	0.568	0.568
Number of observations	739	739	739	741	739	739
Number of countries	58	58	58	58	58	58
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes

Note: LRM (long-run multipliers) calculated from the Bewley transformation of error-correction model. Countries: Algeria, Argentina, Azerbaijan, Bangladesh, Bolivia, Brazil, Bulgaria, Cameroon, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Hungary, India, Indonesia, Iran, Israel, Jordan, Kenya, Korea, Republic of, Kuwait, Latvia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Nigeria, Oman, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela.
Standard errors in parenthesis.
***p<0.01, ** p<0.05, *p<0.1$.

Table A5. Robustness checks: Interdependence in Progressive Social Spending using Weighted Structural Equivalences and Spatial Lags of Import Penetration Flows.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
LDV	0.801***	0.801***	0.801***	0.801***	0.801***	0.801***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)
Spatial lag $W_{t-1}^{S.E*(imports_{i,j})} y_{t-1}$	−0.062					
	(0.058)					
Spatial lag $W_{t-1}^{S.E*\left(\frac{imports_{i,j}}{manuf_{i,i}}\right)} y_{t-1}$		0.009				
		(0.027)				
Spatial lag $W_{t-1}^{S.E*\left(\frac{imports_{i,j}}{weigthted.manuf_{i,i}}\right)} y_{t-1}$			−0.063			
			(0.058)			
Spatial lag $W_{t-1}^{imports_{i,j}} y_{t-1}$				−0.022		
				(0.070)		
Spatial lag $W_{t-1}^{\frac{imports_{i,j}}{manuf_{i,i}}} y_{t-1}$					−0.011	
					(0.030)	
Spatial lag $W_{t-1}^{\frac{imports_{i,j}}{weigthted}.manuf_{i,i}} y_{t-1}$						−0.016
						(0.070)
Spatial lag $W_{t-1}^{exp.comp} y_{t-1}$	0.020	0.022	0.020	0.014	0.003	0.014
	(0.168)	(0.170)	(0.168)	(0.168)	(0.170)	(0.168)
Openness $_{t-1}$	−0.005	−0.005	−0.005	−0.005	−0.005	−0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Potential Labor Power $_{t-1}$	0.103	0.031	0.105	0.042	0.026	0.038
	(0.330)	(0.323)	(0.330)	(0.326)	(0.323)	(0.326)
Wage covariance $_{t-1}$	−0.057	−0.043	−0.060	−0.049	−0.059	−0.050
	(0.175)	(0.177)	(0.175)	(0.175)	(0.176)	(0.175)
Polity score $_{t-1}$	0.010	0.009	0.010	0.009	0.008	0.009
	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)
ISI $_{t-1}$	0.012	0.012	0.012	0.012	0.012	0.012
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Dependency ratio $_{t-1}$	0.009	0.010	0.009	0.009	0.010	0.009
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
Urbanization $_{t-1}$	−0.013	−0.014	−0.013	−0.014	−0.015	−0.014
	(0.021)	(0.021)	(0.021)	(0.021)	(0.021)	(0.021)
Population (log) $_{t-1}$	0.125	0.112	0.123	0.128	0.136	0.126

	(0.977)	(0.978)	(0.977)	(0.978)	(0.979)	(0.979)
Real GDP per capita (log) $_{t-1}$	−0.035	−0.022	−0.037	−0.017	−0.014	−0.017
	(0.366)	(0.367)	(0.367)	(0.366)	(0.366)	(0.366)
Total Spending $_{t-1}$	−0.011	−0.011	−0.011	−0.010	−0.010	−0.010
	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)
Adj. R squared	0.53	0.529	0.53	0.529	0.529	0.529
Number of observations	678	678	678	678	678	678
Number of countries	55	55	55	55	55	55
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes

Note: LRM (long-run multipliers) calculated from the Bewley transformation of error-correction model. Countries: Algeria, Argentina, Azerbaijan, Bangladesh, Bolivia, Brazil, Bulgaria, Cameroon, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Hungary, India, Indonesia, Iran, Israel, Jordan, Kenya, Korea, Republic of, Kuwait, Latvia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Nigeria, Oman, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela.

Standard errors in parenthesis.

***p<0.01, ** p<0.05, *p<0.1$.

Table A3. Robustness Checks: Policy Interdependence Conditional to Left Government.

	Social Insurance	LRM	Progressive Spending	LRM
LDV	0.766***		0.806***	
	(0.028)		(0.029)	
Spatial lag $W_{t-1}^{imp.comp} y_{t-1}$	0.092***	0.395***	0.138**	0.713**
	(0.030)	(0.130)	(0.064)	(0.352)
Spatial lag $W_{t-1}^{exp.comp} y_{t-1}$	0.014	0.062	0.007	0.035
	(0.069)	(0.294)	(0.167)	(0.860)
Openness $_{t-1}$	−0.007***	−0.028***	−0.004	−0.022
	(0.003)	(0.011)	(0.004)	(0.019)
Polity score $_{t-1}$	−0.006	−0.025	0.007	0.035
	(0.010)	(0.041)	(0.015)	(0.079)
ISI $_{t-1}$	−0.007	−0.029	0.012	0.059
	(0.006)	(0.024)	(0.008)	(0.043)
Wage covariance $_{t-1}$	0.078	0.332	−0.036	−0.185
	(0.121)	(0.520)	(0.174)	(0.898)
Dependency ratio $_{t-1}$	0.002	0.009	0.009	0.045
	(0.008)	(0.035)	(0.012)	(0.060)
Urbanization $_{t-1}$	0.021	0.092	−0.011	−0.057
	(0.014)	(0.060)	(0.020)	(0.105)
Population (log) $_{t-1}$	−0.493	−2.106	−0.073	−0.377
	(0.639)	(2.699)	(0.969)	(4.991)
Real GDP per capita (log) $_{t-1}$	−0.053	−0.227	−0.068	−0.348
	(0.238)	(1.010)	(0.353)	(1.811)
Spending $_{t-1}$	0.005	0.020	−0.012	−0.060
	(0.007)	(0.030)	(0.010)	(0.053)
Left government $_{t-1}$	−0.004	−0.017	0.216	1.112
	(0.359)	(1.536)	(0.597)	(3.082)
Spatial lag $W_{t-1}^{imp.comp} y_{t-1}$ * Left government	−0.024	−0.102	−0.010	-0.050
	(0.053)	(0.224)	(0.131)	(0.674)
Adj. R squared	0.567		0.531	
Number of observations	744		684	
Number of countries	59		56	

Country dummies	Yes	Yes
Year dummies	Yes	Yes

Note: LRM (long-run multipliers) calculated from the Bewley transformation of error-correction model. Countries: Algeria, Argentina, Azerbaijan, Bangladesh, Bolivia, Brazil, Bulgaria, Cameroon, Chile, Colombia, Costa Rica, Cote d'Ivoire, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Hungary, India, Indonesia, Iran, Israel, Jordan, Kenya, Korea, Republic of, Kuwait, Latvia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Nigeria, Oman, Pakistan, Panama, Peru, Philippines, Poland, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Sri Lanka, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela

Standard errors in parenthesis.

***p<0.01, ** p<0.05, *p<0.1$.