

THE UNIVERSITY OF HULL

THE DEVELOPMENT OF WELFARE PROGRAMMES: THE CASES OF  
THE REPUBLIC OF KOREA AND TAIWAN

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## **CHAPTER ONE: INTRODUCTION**

**1.1 Statement of Research Problems**

**1.2 The Cases of Korea and Taiwan**

**1.3 Organisation of the Research**

## 1.1 Statement of Research Problems

One of the most notable features in the development of the study of social policy,<sup>1</sup> as an academic discipline with distinctive identity, lies in the historical fact that it has developed in tandem with the development of universal social provisions, occasioned by the ambitious launch of welfare states in the second half of the twentieth century. On the basis of the widespread consensus about the principles of social democracy and the Keynesian tradition of the mixed economy, the welfare state thereafter has been in full flourish, has become the spirit of the times of affluent economies, and also has been a useful yardstick to measure the level of economic and political development in a given society, at least until the rise of New Right. True, it vividly reflects the basic nature of the society, not only because it can be considered as the by-product of a society, but also because it functions as an agent of change in a dynamically changing society. In this regard, the study of so-

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1 Different scholars in different countries may name social policy differently. In American universities, for example, it has been called as 'social work', 'social welfare' and 'social planning', whilst, in Germany, it has recently developed as 'Sozial Politik'. Social policy as an academic discipline with distinctive identity truly is of the British origin. Until very recently, welfare is often identified with the Social Administration tradition in Britain. In the present research, the study of social policy will be used as the main terminology which indicates 'the systematic study of discrete social problems and their solution by way of piecemeal reforms'. R. Mishra, Society and Social Policy: Theories and Practice of Welfare (London: Macmillan, 1981), p. 3.



cial policy is largely a phenomenon of the second half of the twentieth century.<sup>2</sup>

Herein, however, lie the seeds of uncertainty of, and criticisms about the study of social policy, unlike other mature social science disciplines such as Sociology, Politics, and Economics. The historical fact that the subject has developed in accordance with the enlargement of practical social provisions for the needy inevitably has led to the 'lack of theoretical premises' on the one hand, and the 'ethnocentrism' or 'parochialism' on the other hand.<sup>3</sup> The former is, from the outset, generally derived from the pragmatic orientations of the subject, coupled with its normative commitment, whilst the latter stems from the historical fact that welfare states have emerged exclusively in Western societies. Being a scientific discipline, it should formulate a conceptual frame, sufficiently abstract and theoretical to be virtually and universally applicable to the development of welfare systems in any cultural context to which it belongs. However due to both the 'subject-matter of social administration'<sup>4</sup> and the parochial focus on Western advanced welfare systems, more specifically on the British welfare state, it seemingly fails to present the general accounts of the development of welfare system in most abstract

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2 Martin Bulmer, Jane Lewis, and David Piachaud, 'Social Policy; Subject or Object?' in The Goals of Social Policy, ed. by Martin Bulmer, Jane Lewis, and David Piachaud (London: Unwin Hyman, 1989), pp. 3-24.

3 For more details, refer to R. Pinker, Social Theory and Social Policy (London: Heinemann, 1971); P. Townsend, Sociology and Social Policy (London: Allen Lane, 1975); R. Mishra (1981), op. cit.

4 R. Pinker (1971), op. cit.

terms.<sup>5</sup> Truly, it has had no equivalent to the works of Karl Marx, Max Weber and Herbert Spencer to serve as the main theoretical grounds on which further academic scrupinisation could be based, and through which social phenomena could be recognised and analysed.

However, no one would deny that these two interrelated weaknesses provide a good starting point for development of the subject, though the approaches may be different from one writer to another. Taking the 'lack of theory' theme first, explanation of this theme lies in large part with its normative commitment to social reform, strongly influenced by the Fabian tradition since the last century. As is clearly indicated by Mishra,<sup>6</sup> 'The Fabian approach is noted for its distrust of theory and speculation and its preference for an empirically based, commonsensical study of social and economic issues', and thus 'a striking characteristic of social administration was the virtual absence of a body of theory or even concepts'. Lacking a universally accepted set of theory or a conceptual framework, the subject also has shown highly

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5 Amongst plenty of papers and books about the failure of the study of social policy to deliver the general accounts on the development of welfare state, special attention should be paid to two subsequent papers, J. Carrier and I. Kendall, 'Social Policy and Social Change: Explanation of the Development of Social Policy', Journal of Social Policy 2:3 (1973); 'The Development of Welfare State: The Production of Plausible Accounts', Journal of Social Policy, 6:3 (1977).

6 R. Mishra, 'The Academic Tradition in Social Policy: The Titmuss Years', in The Goals of Social Policy, ed. by Martin Bulmer, Jane Lewis, and David Piachaud, pp. 65-6. The author enumerates the following characteristics of social administration at Titmuss times: 'a focus on British social services; a problem-centred and meliorist approach; concern with statutory services; empiricism, or concentration on the factual study of social problems; ..., the virtual absence of a theoretical approach to its subject-matter'.

normative attitudes toward social phenomena even in the 'value-neutral' days of social science.<sup>7</sup> Its value-laden trend, it is widely accepted, has definitely restricted further academic development.

Yet, it would be more reasonable to say that this value-laden problem is not peculiar to the study of social policy but to all disciplines dealing with 'policy'. Policy sciences including social policy are likely to place more emphasis on the 'value' aspect, although they should be approached on the basis of research into the 'fact' aspect. Anderson argues about this issue as follows<sup>8</sup>; 'there is a normative element at the very heart of any effort to develop a systematic, comparative study of public policy. ,..., It is a conscious contrivance, reflecting human purposiveness, and it is in some sense a moral act'. But it does not necessarily mean that there is not a need to develop social policy to the status of scientific discipline.

It would be a natural course of academic development, specifically for the newly independent discipline like the study of social policy, to borrow its main theoretical achievements from the neighbouring disciplines at the outset, and in the course of time, it would seek the

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7 Martin Hewitt argues that 'Social administration arose from the practicalities of empirical investigation and problem-solving, whence normative principles emerged in piecemeal fashion'. (My own emphasis) See, M. Hewitt, Welfare Ideology and Need: Developing Perspectives on the Welfare State (Hemel Hempstead: Harvester Wheatsheaf, 1992), p. 19.

8 C. Anderson, 'The Logic of Public Problems: Evaluation in Comparative Research', in Comparing Public Policies: New Concepts and Methods, ed. by D. Ashford (Beverly Hills: Sage, 1978), p. 20.

identity of the research field and methodology. And, if furthered, it would eventually produce its own way of thinking like the 'legal mind' of legal studies, 'logical thinking' of mathematics, and so forth, as a full-fledged academic discipline. The 'lack of theory' theme in this understanding is not disappointing, nor is it particular to this subject, but is largely understood as an inevitable phenomenon in shaping the course of the discipline. This theme, as was the case in other disciplines, has endeavoured to bridge the subject with neighbouring social sciences. Major scientific concepts and methodologies developed in Sociology, for instance, have been actively borrowed in the hope that these would develop more rational and scientific approaches to the field of social policy.

The latter theme, the parochial<sup>9</sup> nature of the subject, as was indicated previously, is grounded in the historical fact that the welfare state is a phenomenon not only of the second half of the twentieth century, but also of Western societies. Welfarisation proper, like industrialisation, has taken a long time, has undergone the impact of wide historical events such as war and revolution, and has been greatly influenced by ideologies such as Utilitarianism, Fabianism, Pragmatism, Feminism, and Socialism all of which have come to bloom in the

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9 Originally, the parochial nature of the subject was indicated by many writers in the reason that it has too much devoted to the British welfare state alone, not the Western welfare state in general. However, due to the voluminous comparative researches across Western welfare systems in recent years, I will mainly use the nature of parochialism meaning the dichotomy between the Western world and non-Western world.

Western world.<sup>10</sup> In general, Western societies commonly have had a high level of production which financially has enabled them to maintain comprehensive welfare systems for their whole population, relatively stable political regimes in which various interest groups can actively participate in the policy-making process, and the shared philosophical and religious tradition, so to speak, of Jesuit-Christianity.<sup>11</sup>

Not surprisingly, the welfare systems of the Third World countries, for example, have been virtually left out of analysis in the study of social policy,<sup>12</sup> mainly because the scholars of social policy believe that the scale of problems such as poverty, level of development and the economic structure of developing countries are thoroughly different from those of the Western coun-

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10 The post-war British welfare state, for example, is able to trace its original thoughts back to the thinkers of the last and the early twentieth century such as Senior and Chadwick (Utilitarianism), Mackay (Laissez-faire or Individualism), Webb (Fabianism), Booth and Rowntree (Social Reform and Empiricism), Martin (Feminism), and so forth. For more details, refer to J. Clark, A. Cochrane, and C. Smart, Ideologies of Welfare: From Dreams to Disillusion (London: Hutchinson, 1987). Special attention to Part One, 'The Birth of the Welfare State (1900-1914)'. However, it does not necessarily mean that the equivalent thoughts of those enumerated ideologies have not developed in the non-Western world.

11 Some would indicate the fact that welfare system or programs have not been fully developed in the non-Western societies where their socio-economic situations are, at least in appearance, more favoured than those of Britain around 1945 when the Beveridge Reform was instituted. This issue renders us serious speculation about the origins of welfare state in developing countries.

12 Analysis of the contents of the Journal of Social Policy, one of the main academic journal of the subject, from 1972 to 1982, indicates that of 158 articles only 3 were on topics directly related to issues of development and underdevelopment, and only 2 were concerned with Third World countries. See S. MacPherson, 'The Underdevelopment of Social Administration', in Approaches to Welfare, ed. by P. Bean and S. MacPherson (London: Routledge & Kegan Paul, 1983).

tries.<sup>13</sup> Consequently, major academic achievements of the subject have been exclusively devoted to Western welfare systems.

It is very noteworthy in recent years, however, that social policy researches are more likely to focus on comparative study which may be of great interest to all those committed to coping with the two shortcomings of the subject, 'lack of theory' and 'parochialism', which still endure today. Actually comparative study as middle range theorizing<sup>14</sup> merits special attention for its relatively balanced views in contemporary social science. To compare one thing with the other, whether they are similar or different in nature, is a general and strong way of recognising social phenomena including welfare states and their programs. Everything in contemporary society is recognised only in relative terms. It is neither a field of research nor a set of knowledge, but an 'engine of knowledge'.<sup>15</sup> As well it is a very strong research instrument for escaping from ethnocentrism. As Dogan and Pelassy argue:

It is a natural risk, ... , to fall into ethnocentrism; and comparison may be the best antidote to this danger. Irresistibly, the perception of contrasts makes researchers sen-

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13 A. B. Atkinson and John Hills, 'Social Security in Developed Countries: Are There Lessons for Developing Countries?' A revised version of a paper presented at the STICERD/WIDER Workshop on Social Security at LSE, 1988.

14 Generally, scholars interested in building a grand or mature theory would not employ the comparative case study as the chief methodological orientation, because they are usually trying to use high level of abstraction and, sometimes, intuition.

sitive to the relativity of knowledge and consequently helps liberate them from cultural shells.<sup>16</sup>

One of the classic examples of comparative research in social policy may be that dealing with the salient differences between Great Britain and Germany in the process of welfare state development. Whilst Great Britain, as a forerunner of industrialisation, is exemplified as the welfare state borne out by the natural expanding franchise, Germany, where industrialisation was imposed by the ruling force, seems to be more in line with the authoritarian welfare state implemented by the ruling elite in order to generate sufficient public loyalty.<sup>17</sup> This pioneering work has paved the way of and has served as a cornerstone of the further development of comparative social policy. Even today, it is true that many of the differences in the early phase of their welfare state developments have their parallels.

On the basis of this work, the number of countries and content of welfare systems being compared has increased dramatically and research methodologies have developed sharply as well since then. Although comparative studies

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15 M. Dogan and D. Pelassy, How to Compare Nations: Strategies in Comparative Politics (Chatham, New Jersey: Chatham House Publishers, 1984), p. 8.

16 Ibid., p. 9. Special attention should be paid to chapter one, 'Comparing to Escape from Ethnocentrism'.

17 As for relationship between welfare state development and industrialisation, Pinker indicates that 'We must also take account of societies in which industrialisation was originally imposed by governments ruling by force rather than popular consent and where it frequently happens that the government defines industrialisation not as an end in itself but as a means to creating or conforming a new kind of political order'. See, R. Pinker, The Idea of Welfare (London: Heinemann Education Books, 1979), pp. 223-31. Please denote that the Bismarkian social insurances were established together with the anti-Communist law in the late of the nineteenth century in Germany.

attest to some contributions for coping with the two weaknesses of the subject, it should be pointed out that they are primarily focused on Western countries. When we compare, we find enormous differences across Western countries. It should be emphasized, however, that these differences may not seem to be so apparent from the viewpoint of developing countries. The point is to compare the differences of the two worlds to increase mutual understanding and development, though it is still very far from realisation. It is reality that Third World welfare systems have scarcely been dealt with even in the realm of comparative research.<sup>18</sup> Thus it seems urgently necessary to shed light on the empirically based interpretation of the Third World welfare states in comparison with the Western advanced ones.

The formation of the Third World bloc, mainly consisting of newly independent countries, has been one of the most distinct features of international relations since the Second World War. Amidst the militant antagonism between the First and Second Worlds, they have strived to maintain their own political autonomies and thereafter their political influence has grown remarkably in the international political structure. As the welfare state is a phenomenon of the second half of twentieth century, the

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18 Spalding indicates that the comparative studies 'concentrate heavily on policymaking in advanced industrial states, neglecting processes that may be more characteristics of late-developing dependent countries'. See R. Spalding, 'Welfare Policymaking: Theoretical Implications of a Mexican Case Study', Comparative Politics, 12 (July 1980), p. 419.



emergence of Third World countries in World politics is truly a phenomenon of that time as well.

However its importance is not based on their political power, as have been frequently exercised in the voting processes of the United Nations, but on the fact that they are the lands of the future. A recently published working paper<sup>19</sup> of the World Bank clearly indicates that the population of developing countries is around five times as much as that of developed countries and their projected growth rate of population (1990-2000) will be over three times as high as that of developed countries. It further implies that ninety-five percent of the growth in the world's labour force will take place in the developing world over the next quarter of a century.<sup>20</sup> Thus their nutrition, education, health, income maintenance, and political freedom will get more and more important in the future. Accordingly, it can be argued, the survival of the world depends not on the further development of high technology in developed countries, but on the successful modernisation of developing countries. If they fail to modernise their own societies,<sup>21</sup> it would be an overwhelming burden to every nation in the world ecologically as well as economically.

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19 The World Bank, World Development Report 1991: Poverty (Oxford: Oxford University Press, 1991), p. 181.

20 L. H. Summers and V. Thomas, 'Recent Lessons of Development', The World Bank Research Observer, 8:2 (July 1993), p. 241.

21 Here modernisation is used to refer to the whole process of industrialisation, population control and rational-legal institutions to cater for their own people.

Accordingly, many attempts have been made to explain the development of the Third World welfare system. For example, Chan, in his doctorate thesis<sup>22</sup> about the development of welfare system in three Chinese societies (Taiwan, Hong Kong and Singapore), attempts to testify whether Functionalism or Marxism could be applied to explain the development of welfare system of those societies. His conclusion is that neither Functionalism nor Marxism provides a plausible framework to define and account for the 'society-welfare' relationship of those societies. Furthermore, similar views can be obtained from the case of Latin American countries as well. Wilson, in his doctorate thesis, concludes that neither modernisation nor the conflict model of the welfare state adequately accounts for the special conditions and circumstances surrounding the evolution of social security in Mexico.<sup>23</sup> Their results imply that the existing theoretical framework developed in the West has a clear limitation to explain the development of welfare systems in developing countries. We need more case studies of the individual welfare states in developing countries to devise and propose an alternative approach to the study of Third World welfare systems, as is argued by MacPherson.<sup>24</sup> Ob-

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22 Gordon Hou-sheng Chan, 'A Comparative Study of the Development of Social Welfare in the Developing countries - With Special Reference to Three Chinese Societies: Hong Kong, Singapore and Taiwan' (unpublished doctoral thesis, University of Wales, 1984).

23 R. R. Wilson, 'The Corporatist Welfare State: Social Security and Development in Mexico' (unpublished doctoral thesis, Yale University, 1981).

24 He claims that 'There is an urgent need for new approaches which break with the inappropriate legacy of the past'. See, S. MacPherson, 'Social Security in Developing Countries', Social Policy & Administration, 21:1 (1987), p. 3.

viously, in order to develop the scientific status of the discipline, the alternative approach, based on the particular situation of individual developing countries, should be discussed and devised.

Meanwhile, Norman Ginsburg argues in his recently published book that the study of social policy involves analysis of three basic elements: the origins, the substance and the impact of policy.<sup>25</sup> These three components have to be analysed together should any research expect the sensible research result, because they are closely linked to one another. Amongst them the origins of the policy merit a particular attention, because it renders us a deeper understanding about the later development of the policy; how has it evolved, to what extent have its contents increased or decreased, what effects has it had on society.<sup>26</sup> Hence in this research, major academic efforts will be devoted to identifying the origins of the social policies of Korea and Taiwan relative to their unique industrialisation processes and political situations of these countries, and duly purports to

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25 N. Ginsburg, Divisions of Welfare: A Critical Introduction to Comparative Social Policy (London: Sage, 1992), p. 2.

26 N. Ginsburg takes more emphasis on the impact of policy than the other two elements in terms of critical parameters such as class, race and gender inequality. However in this research the origin of policy will be dealt with more significance because, first of all, to measure the welfare effect onto the society is extremely difficult. Secondly, if one measures the welfare effect, it is even more difficult to identify the specific welfare effects amongst other variables. Lastly and probably most importantly, welfare systems of Korea and Taiwan have been introduced very recently. The welfare itself is very newly developed concept in these countries. Thus it is either impossible or, if so, fruitless to indicate the welfare effect. For the difficulties of measuring welfare outcomes, see H. Uusitalo, 'Comparative Research on the Determinants of the Welfare State; The State of the Art', European Journal of Political Research, 12 (1984), p. 407.

deliver the view that political crises, amongst other variables, have the most significant effects on the development of their welfare systems, while the industrialisation and accompanied societal changes provide general context with which they have developed and been implemented. Results of the research would give us a clue as to how, why and in what way the welfare systems of Korea and Taiwan are different from those of advanced welfare states. It will be argued that the welfare systems of Korea and Taiwan are basically designed to cope with political crises, and henceforth to achieve political legitimacy for the regime.

Finding out some regularities or patterns of the development of welfare systems of Korea and Taiwan, this research, hopefully, would contribute to overcome the two shortcomings of the study of social policy: 'lack of theory' and 'parochialism'.

## 1.2 The Cases of Korea and Taiwan

In all respects, the cases of Korea<sup>27</sup> and Taiwan merit the particular attention of those interested in the Third World welfare systems. Amongst the newly independent countries after the Second World War, Korea and Taiwan, without disputes, have marked the highest economic growth rate in the world economy during the past three or four decades and, what is more, their economies are still growing very fast even in the present world-wide recession.<sup>28</sup> In this regard, the industrialisation process of the two East Asian NICs, Korea and Taiwan, is held central to understanding the general situations of Third World countries, not only because they manifested impressive economic development during the past three decades, but also because they show both possibilities and limitations of Third World development.

According to their impressive economic development, both Korea and Taiwan have transformed their society from an agriculture-based rural society to a modern industrial

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27 All references to Korea are to the Republic of Korea (South Korea) throughout this thesis, unless otherwise stated.

28 Of the poor tradition-oriented agricultural countries, Korea and Taiwan commonly manifested the impressive economic growth, by any standard, over the past three or four decades. The total exports of four East Asian NICs have recorded over double the total exports of all other developing countries since the mid-eighties, and their economic growth rates are the highest in the world. For example, the Taiwan economy achieved 9% of the average economic growth rate during 1950-1985, the Korean economy performed around 8.5% during 1962-1986 as well. See B. Cumings, 'The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences', *International Organisation*, 38:1 (Winter 1984), p. 1.

one very quickly. Seen in this light, it is worthy to examine their welfare systems, since the cases of Korea and Taiwan, as societies undergoing rapid industrialisation, give a unique opportunity to gain insights into the dynamics of welfare in industrialising societies.<sup>29</sup> Furthermore, we would hopefully find some patterns or regularities of the welfare state development in dynamically developing societies. It is a reality, however, compared with the bulk of literature about the industrialisation of the four East Asian NICs, their welfare systems have been virtually left out of analysis in the academic circle of social policy, and more specifically, 'relatively little attention has been accorded the related issue of the state's role in provision for welfare'.<sup>30</sup> In a similar vein, Chow argues:

... attention has so far been focused on their industrialising experiences and little has been documented about their social security provision, which is often seen in the West as part and parcel of the industrialisation process.<sup>31</sup>

The more significant aspect of the cases of Korea and Taiwan, however, lies in the historical fact that their socio-economic transformations have been made under serious political crises. Interestingly enough, the cases of

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29 J. Midgley, 'Industrialism and Welfare: the Case of the Four Little Tigers', Social Policy and Administration, 20:3 (Aug. 1986), p. 227.

30 F. C. Deyo, 'The Political Economy of Social Policy Formation: East Asia's Newly Industrialized Countries' in States and Development in the Asian Pacific Rim, ed. by R. P. Appelbaum and J. Henderson (Newbury Park: Sage, 1992), p. 289.

31 N. Chow, 'Social Security Provision in Singapore, Hong Kong, Taiwan and Korea: A Comparative Analysis', A working paper presented to the Social Administration Association Conference, 1985, p. 1.

Korea and Taiwan show that welfare systems have developed remarkably during or just after the political crises. It also provides good examples as to the degree of Third World welfare system impact upon the society to which it belongs.

### 1.3 Organisation of the Research

This research consists of seven chapters.

Chapter one identifies the major shortcomings of the discipline (lack of theory and parochialism), and accordingly sets out the main research problems of this research. It also discusses the reasons for selecting the two countries concerned: Korea and Taiwan.

Chapter two discusses 'what is meant by welfare?' and 'what is a welfare system?' in modern capitalist state. For this purpose, this chapter, first of all, examines the determinants of welfare state development; welfare enactment and welfare expenditure with a view to present the theory of social welfare relevant for the cases of Korea and Taiwan. Secondly, it presents two models of social welfare: UK and Third World.

Chapter three is based on a thorough review of the literature and covers the political, social and economic changes that accompanied the development of welfare in Korea and Taiwan.

Chapters four and five deal with the welfare systems of both Korea and Taiwan. They briefly sketch both welfare systems respectively with a view to present what is going on in them, and secondly to identify the main determinants of welfare enactments and welfare expenditures.



Chapter six specifies two main issues of the welfare state development regarding the cases of Korea and Taiwan: 'industrialisation and welfare' and 'politics and welfare'. It, first of all, discusses two apparently irreconcilable views of the relationship between welfare and industrialisation: 'aversion to welfarism' and 'human capital development'. Secondly, it proposes a political crisis thesis which explicates the development of welfare systems of Korea and Taiwan.

Chapter seven concludes that politics not only matters but decides the timing of welfare enactments and trends of welfare expenditures in the cases of Korea and Taiwan.

**CHAPTER TWO: SOCIAL WELFARE IN MODERN SOCIETY**

**-THEORIES AND MODELS-**

**2.1 Theories of Social Welfare Development: Towards an  
Explanation on Adoption and Expansion of Welfare  
Programmes**

**2.2 Models of Social Welfare: UK and Third World**

## 2.1 Theories of Social Welfare Development: Towards an Explanation on Adoption and Expansion of Welfare Programmes

In accordance with the post-war consensus on social democracy and mixed economy, the welfare state has developed remarkably and welfare programmes have been widely implemented in Western societies. Ever since its remarkable expansion at the end of the Second World War, the welfare state has been held central to intellectual arguments of Western societies, and has been widely used to understand the post-industrial societies. Accordingly, numerous accounts have been made to manifest causes and effects of the development of the welfare state. However, for those interested in the subject, there has never been clear agreement on the origins of the welfare state, and its effects on the society to which it belongs. Different scholars of different academic backgrounds and ideological preferences interpret the post-war welfarisation differently. This subject, it can be argued, may be the study about the differences. However, if a research question could be clearly and more universally formulated, we might explore the common elements which make up the welfare state, or at least describe the specific welfare state in a more comprehensive way. In this regard, Therborn proposes three central explanatory hypotheses as follows:

1. under what circumstances should we expect major welfare-state institutions to be installed, to grow rapidly, to stagnate, and to be cut back or abolished?
2. under what circumstances should this or that kind of welfare-state organization be expected?
3. under what conditions should we expect welfare states to have this or that effect upon social relations and upon relations of distribution?<sup>1</sup>

It seems obvious that these three research questions are closely related to one another, and thus, unless the first question is solved, or at least clearly answered, it would be hard to approach the other two questions. The first question is about patterns of development under the circumstances within which the welfare state has developed and its programmes have been implemented. Looking back to the history of welfare development since the Second World War, though it is not prominent, there have been some regularities and laws of the changes engendered from the changes of circumstances. The academic attempts, which aim to spell out these changes on the basis of their own theoretical framework or ideological preferences, are generally devoted to the clarification of determinants of welfare states.<sup>2</sup>

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1 G. Therborn, 'Karl Marx Returning: The Welfare State and Neo-Marxist, Corporatist and Statist Theories', *International Political Science Review*, 7:2 (April 1986), p. 137.

2 Before the uprising of New Right Movement notably in Britain and United States, and generally in Western societies in the early eighties, welfare programmes, with few exceptions, had increased continuously throughout the sixties and seventies. Thus the dismantlement or abolitions of some programmes often seen throughout the eighties are the expression of the New Right politics. However, it would be more reasonable to say that welfare programmes has modified, rather than that they have dismantled or abolished, according to changes of social needs not necessarily from the welfare recipients but from the society as a whole. For example, the British welfare system

If the first question is fittingly answered, the next two questions would be properly explored. Whilst the first question formulates the main dependent variable as the 'welfare efforts' relative to the changes of circumstances, the third one is concerned with the 'welfare outcomes' onto the society. Welfare efforts are further divided into 'adoption' and 'expansion' of which central indicators, generally accepted by most scholars, are the enactment of welfare programmes (Adoption) and the welfare expenditure relative to GNP or whole government expenditure (Expansion).<sup>3</sup>

Meanwhile welfare outcomes indicators usually vary widely and are very difficult to be measured as well. The following indicators are most commonly assumed as welfare outcomes: 'income inequality, degree of redistribution, social mobility, educational opportunity, infant mortality, ... , quality of employment and housing policies'.<sup>4</sup> Compared with the relatively easily measured

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remained almost intact during the first two terms of Thatcher Government (1979-87). Some reports claiming the end of 'welfarism' are somewhat exaggerated. For more details of 'irreversibility' thesis, refer to R. Mishra, The Welfare State in Capitalist Society: Policies of Retrenchment and Maintenance in Europe, North America and Australia (Hemel Hempstead: Harvester Wheatsheaf, 1990), pp. 103-19. It is in this regard that the determinants of stagnation and abolitions of welfare programmes are duly excluded in this section.

- 3 Such scholars as Schneider and Ingraham use 'programme enrollment', instead of 'welfare expenditure', to measure the indicators of dependent variables in the welfare expansion model. See, S. K. Schneider and P. Ingraham, 'The Impact of Political Participation on Social Policy Adoption and Expansion: A Cross-national, Longitudinal Analysis', Comparative Politics, 17 (1984), pp. 107-22.
- 4 H. Uusitalo, 'Comparative Research on the Determinants of the Welfare State: The State of Art', European Journal of Political Research, 12 (1984), p. 407. See also, M. Shalev, 'Class Politics and the Western Welfare State', in Evaluating the Welfare State: Social and Political Perspectives, ed. by M. Shalves (London: Academic Press, 1983), pp. 27-50.

indicators of welfare efforts, analysing the growth of the welfare state by welfare outcomes is extremely difficult because, in the first place, some indicators can hardly be measured quantitatively and, thus comparative data about welfare outcomes are very rare. Secondly and probably more importantly, it is very difficult to identify the specific effect of the welfare state on a given outcome. It is in this regard that some research documents using the welfare outcomes show inconsistent results to each other.<sup>5</sup> Hence more attention will be paid to the researches which have formulated the welfare efforts as dependent variables.

Categorisation of explanations or factors (independent variables) affecting the determinants of welfare state<sup>6</sup> vary very widely from one writer to another. For example, Cameron<sup>7</sup> proposes five types of explanations, while Uusitalo<sup>8</sup> explains them just by two theories: 'Political Theories' and 'Structural-functional Theories'. Schneider and Ingraham<sup>9</sup> examine the enactment and expansion of social welfare programmes by the following factors: 'industrialisation', 'social mobilisation', 'government

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5 For more details, H. Uusitalo (1984), op. cit., p. 408.

6 Some of them do not directly focus on welfare state alone, but public services, public economy, for example, as a wider context within which welfare state has developed. However, in this section, they will be dealt equally because they shows strong implications for researches of welfare state development.

7 D. Cameron, 'The Expansion of the Public Economy: A Comparative Analysis', The American Political Science Review, 72 (1978), pp. 1243-61. They are economic growth, fiscal policy, political variables, structural factors, and openness to world economies respectively.

8 H. Uusitalo (1984), op. cit.

9 S. K. Schneider and P. Ingraham (1984), op. cit.

structure', 'protest', 'voting', and 'national bureaucratic institutions', respectively. Tarschys<sup>10</sup> attempts to analyse the growth of public expenditure by nine modes of explanation. And Hicks and Swank<sup>11</sup> specify them as 'institutional action by political parties', 'institutional action by economic organisations', 'extrainstitutional political action' and 'extrainstitutional economic actions'. Undoubtedly categorisations as such ultimately depend on how a researcher understands the welfare state development, what he or she wants to know, and what sort of data he or she uses.

This section is designed to examine the existing researches about the determinants of welfare state, to recapitulate them according to their basic themes, and to derive some research implications for the thesis. In this research, factors affecting welfare state development are divided into three sets of explanations: the political-institutional context, socio-economic context, and international context.<sup>12</sup>

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10 D. Tarschys, 'The Growth of Public Expenditures: Nine Modes of Explanation', Scandinavian Political Studies, 10 (1975), pp. 9-31. The author classify them into three levels (socio-economic, ideological cognitive, and political institutional) in the first place, and tries to explain them with three perspectives (consumer, finance and producer) respectively.

11 A. Hicks and D. Swank, 'On the Political Economy of Welfare Expansion: A Comparative Analysis of 18 Advanced Capitalist Democracies, 1960-1971', Comparative Political Studies, 17:1 (April 1984), 81-149.

12 Different scholars would divide them differently. Heidenheimer and others, for example, propose six different sets of approaches: socioeconomic theories, cultural value approach, party government, political class struggle, neo-corporatist, and institutional political process. See, A. J. Heidenheimer, H. Helco and C. T. Adams, Comparative Public Policy: The Politics of Social Choice in America, Europe, and Japan (New York: St. Martin's Press, 1990), 3rd edn., pp. 6-9. However, these approaches can be duly classified into two mainstreams of intra-societal explanations: Political-



### 2.1.1 Political-institutional Context

Until very recently, researches into welfare state development, relative to adoption and expansion of welfare programmes, have paid little attention to the characteristics of politics or political theories. It is mainly due to the results of the cross-national aggregate data analysis carried out in the late sixties and the early seventies that regime characteristics were not able to account for the differences in policy-making processes across nations.<sup>13</sup> Accordingly, the research is much more concerned with whether or not politics matters, than what kind of politics has this or that effect on welfare state development.<sup>14</sup> Voluminous writings from the mid-seventies and throughout the eighties, have presented a number of caveats to the initial idea that priorities should be given to socio-economic factors as explanatory variables in the welfare state development. These writings draw attention to the political variables.

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institutional and Socio-economic. In addition these two integrated approaches, this thesis will deal extra-societal explanations: International approach.

13 T. J. Bossert, 'Can We Return to the Regimes for Comparative Policy Analysis?: or, the State and Health Policy in Central America', Comparative Politics, 15 (July 1983), 419-41. Even in the researches about comparison between military regime and non-military one, Mckinlay and Cohan conclude that there have been little variances between these two regimes. See also R. D. McKinlay and A. S. Cohan, 'Performance and Instability in Military and Nonmilitary Regime Systems', American Political Science Review, 70 (Sep. 1976), 805-64.

14 G. Therborn (1986), op. cit., p. 137.



They have focused on such political variables as 'Ideology', 'Riots', 'Political Decision Making', 'Indirect Tax Rate', and 'Regime Types', and so on, although as to which political variable amongst them is most significant is still controversial. Most importantly, more recently published articles pay more attention to the causal relation between regime types and welfare state.

#### 2.1.1.1 Ideology

The theme of ideology<sup>15</sup> relative to welfare state development has been virtually left behind in the study of social policy since the post-war consensus. Along with the belief in value-free social science and rapid technological development, ideology has no longer been important, nor necessary, for the advanced Western societies. Moreover, the historical lessons that the political ideologies such as 'Nazism' of Germany, 'Stalinism' of the former USSR and various forms of 'Fascism' in Third World military regimes, all of which resulted in totalitarianism, might stimulate the notion of 'end of ideology' widespread in the post-war affluent societies.

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15 Ideology is traditionally defined as 'a set of belief or doctrine used to justify a group's action in pursuing its own interests', and I will follow the definition in this section. See M. Spenser, Foundations of Modern Sociology, 2nd edn (Englewood Cliffs, N. J.: Prentice-Hall, 1976), Ch. 3.

One of the most straightforward illustration of this intellectual trend may be Wilensky and Lebeaux's Industrial Society and Social Welfare,<sup>16</sup> which argues that the Western welfare states are largely outcomes of increased needs for social welfare engendered by industrialisation. Wilensky's later work, with more statistical evidence, clearly mentions that nations with the same level of economic development commonly have shown the same level of welfare state development, irrespective of their ideological position; whether they are socialist or capitalist, democratic or totalitarian, and collectivist or individualist.<sup>17</sup> However, in recent years, the proponents and the opponents of this view, with varying degrees, altogether recognise that the ideology of either elite or party systems has had effects on welfare state development.

In contrast with the Wilensky's result<sup>18</sup> that elite ideology does not contribute to the welfare efforts, Mishra claims that different kinds of elite ideology led to different patterns of social policy, at least in the early stages of industrialisation. The middle class

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16 H. Wilensky and C. Lebeaux, Industrial Society and Social Welfare (New York: Free Press, 1965).

17 H. Wilensky, The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure (Berkeley: University of California Press, 1975). However, he claims that the government of the Catholic dominance has some effects on social security expenditure. See H. Wilensky, 'Leftism, Catholicism, and Democratic Corporatism: The Role of Political Parties in Recent Welfare State Development', in The Development of Welfare States in Europe and America, ed. by P. Flora and A. Heidenheimer (New Brunswick, N. J.: Transaction Books, 1981), pp. 345-382. See also T. Dye, 'Book Review', Journal of Politics, 37:4 (Nov. 1975), 1065-67; J. Barnes and T. Srivenkataramana, 'Ideology and the Welfare State: An Examination of Wilensky's Conclusions', Social Service Review, 56 (June 1982), 230-245.

18 H. Wilensky (1975), op. cit.

elite is likely to develop a 'residual' system of welfare, whereas the dynastic elite to 'paternalistic' one, and the Communist elite to far more 'institutional' one.<sup>19</sup> However his argument of ideology is just preliminary logic for his further debates of Convergence theory, and thus has no important implications for the present welfare system.

Since Parkin has found that social democratic governments are likely to provide more educational opportunity<sup>20</sup> for their populace, there have been many attempts to explain the welfare state development in terms of ideology of governments or party system. They begin with the self-evident historical fact that mono-ideological societies like the USA and the former USSR have lagged far behind multi-ideological societies like Sweden among European countries where debate on substantial issues abounds in welfare state development.<sup>21</sup>

Thus the Scandinavian welfare state has been a case in point. Furniss and Tilton in their comparative research into Sweden, the USA and the Great Britain<sup>22</sup> ascertain that social democracy government has played more decisive role in the making of the welfare state. In a similar

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19 R. Mishra, Society and Social Policy: Theories and Practice of Welfare, 2nd edn (London: Macmillan, 1981). Special attention to chapter three, 'Industrialisation and Social Welfare: Convergence Theory or Technological Determinism'.

20 However he maintains that social democracy governments have no direct effects on social expenditure. See F. Parkin, Class Inequality & Political Order (London: Paladin, 1971).

21 J. Barnes and T. Srivenkataramana (1982), op. cit., p. 240.

22 N. Furniss and T. Tilton, The Case for the Welfare State: From Social Security to Equality (Bloomington: Indiana University Press, 1977).

vein, Scase in his study of Great Britain and Sweden,<sup>23</sup> argues that a more social democratic regime (Sweden) has shown more egalitarian policies.

Meanwhile Cameron provides a very impressive explanation on the partisanship of government issues. From a comparative study of eighteen developed countries, he suggests that the dominance in government in leftist parties was a sufficient condition for relatively huge increases in public expenditure and activities, albeit it is not a necessary condition.<sup>24</sup> Only if it is coupled with open economies, it would fully contribute to the expansion of public activities.<sup>25</sup> However, whether the left government is more favourable for social development policies is still a matter of debate, because Kohli finds out that social transfer expenditure increases under Centre-Right and Centre coalition governments more rapidly than that of under conservative majority governments and leftist governments as well.<sup>26</sup>

Moreover, different analyses have emerged from the Scandinavian countries themselves, which of course is quite different from the anti-ideological positions as well. Therborn and others in their study of the Swedish

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23 R. Scase, Social Democracy in Capitalist Society: Working Class Politics in Britain and Sweden (London: Croom Helm, 1977). See also F. Castles, The Social Democratic Image of Society: A Study of the Achievements and Origins of Scandinavian Social Democracy in Comparative Perspective (London: Routledge & Kegan Paul, 1978).

24 D. R. Cameron (1978), op. cit., p. 1253.

25 This argument is further discussed in 'Openness' thesis.

26 J. Kohl, 'Trends and Problems in Postwar Public Expenditure Development in Western Europe and North America', in P. Flora and A. Heidenheimer (1981), op. cit. pp. 307-344.

society in 1932-1976 under social democracy,<sup>27</sup> claim that the parliamentary hypothesis which presumes societal development is determined by the constellation and struggle of forces in parliament, is not much in accord with explaining the Swedish society in these periods. Rather, they argue, the class hypothesis, in contrast, which assumes that societal development is determined by the constellation and struggle of class forces is much more reasonable. In a similar vein, Schmidt argues that there is no clear-cut relationship between the partisan composition of government and the indicators of social and economic performance.<sup>28</sup> He adds that 'the crucial point is, ... , that the political composition of governments produces different policies if, only if, some additional conditions are fulfilled'.<sup>29</sup> He exemplifies these additional conditions as the structure of class politics, political culture, economic strength, and economic productivity.

Obviously, we cannot explain welfare state development simply by analysing the partisan composition of government or parliament, though it can be the most significant factor in some political contexts. The average annual rates of real public health expenditure growth in Britain, for example, illustrates that there is no ground

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27 G. Therborn and others, 'Sweden before and after Social Democracy: A First Overview', Acta Sociologica, 21 (1978), 37-58.

28 M. Schmidt, 'The Welfare State and the Economy in Periods of Economic Crisis: A Comparative Study of Twenty-Three OECD Nations', European Journal of Political Research, 11 (1983), p. 8.

29 Ibid., p. 8.

that the leftist party is more favourable to welfare state development.

<Table 2-1> Annual Health Expenditure Growth (1949-1989)

Period	Administration	Average annual growth (%)
1949-51	Labour	3.43
1951-64	Conservative	3.44
1964-70	Labour	4.55
1970-74	Conservative	7.05*
1974-79	Labour	1.61
1979-89	Conservative	2.71

\* high inflation ages.

Source: D. K. Whynes, 'The Growth of UK Health Expenditure', Social Policy & Administration, 16:4 (Dec. 1992), p. 292.

Above all, since there are such huge variations across leftist governments, they cannot be classified into one singular ideological spectrum. They can differ from one party to another, and even in one leftist party, there is a wide range of ideological preferences amongst their members. In this regard, the ideology thesis does hardly fit for the quantitative cross-national analysis. Probably, the single case time-series historical analysis is

more appropriate for the study of causal relationship between ideology and welfare state development.<sup>30</sup>

#### **2.1.1.2 Riots: Unconventional Types of Political Activity**

Whereas the ideology thesis, implicitly or explicitly, assumes the government or parliament as the main source of welfare enactment and expansion, the riots thesis hypothesizes political activity of populace. Quite simply, whilst the former postulates the 'welfare from the above', the latter, in contrast, posits the 'welfare from the below'. In this regard, the riots thesis may provide a more resourceful perspective specifically for the welfare state development in the Third World countries. However the problem is not so simple. It can occur in relation with the racial problems, regional differentiations, and sometimes misinformation given to the populace. Truly, riots or any other types of unconventional political activity is a world-wide phenomena occurring in the transformation process of a traditional society to a modern industrial society, whether it be in the north or south, and capitalist or socialist.

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30 Clark and others provide excellent example for the study of ideologies of welfare in their research into the British welfare state since the ages of Laissez-faire. See J. Clark, A. Cochrane, and C. Smart, Ideologies of Welfare: From Dreams to Disillusion (London: Hutchinson, 1987).

Types of unconventional political activity includes riots, protest, organised labour movements, social unrest, demonstrations, all of which are generally borne out by unmet needs of populace. According to the premises of structural-functionalism, conflicts, struggles, and sometimes strifes are seen as the results of industrialisation which not only brings prosperity of human being, but inevitably accompanies the collapse of social integration. It creatively breaks down the traditional values, traditional way of life, and at last the community with which social members were duly expected to identify themselves. Thus throughout industrialising processes, there might be huge social frustration, disharmony and disintegration which tend to be transformed into riots, strifes and, very rarely but considerably, revolution. However, the point is, according to this line of thinking, these conflicts borne out by rapid social change are likely to be integrated into conventional political activity like party system, representative democratic elections, and so on. It has been the belief held in the affluent post-industrial societies that the social conflicts are resolved through the procedure of 'institutionalisation'.

However, the basic proposition that citizens are expected to express fully their demands and needs, and the state readily accepting their needs through conventional political channels, has been seriously called into question. Especially when their demands are directly related



to politically sensitive issues which might be held to other group's interests, the 'institutionalisation' of social conflicts is hardly to be realised.

Piven and Cloward<sup>31</sup> attempt to explain the welfare explosion of the sixties in the United State in relation with the widespread civil right movements. They claim that the only possible way for the poor to increase their social conditions is to protest, because they are under-privileged in the political structure as well as in the economic system. However, according to their arguments, mainly due to the modern electoral system, 'one man, one vote', the political parties have to accept their demands in order to garner the votes, and the result is the rapid welfare explosion in the sixties. In alignment with the Piven and Cloward thesis, Betz<sup>32</sup> finds out that riot cities had larger increase of welfare budgets the year following their riots, whilst the non-riots cities had no parallel increase. Meanwhile Hibbs argues that 'Strike activity has declined dramatically in nations where Social Democratic or Labour parties assumed power in the 1930s or just after the Second World War and created the modern welfare state'.<sup>33</sup> It seems clear that the mass riots do not by itself make welfare enactment or expan-

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31 F. Piven and R. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Pan Theon, 1971).

32 M. Betz, 'Riots and Welfare: Are They Related?', Social Problems, 21 (1974), 345-55.

33 D. Hibbs, 'On the Political Economy of Long-run Trends in Strike Activity', British Journal of Political Science, 8 (1978), p. 165.

sion. It should be mediated by a conventional political system like election.<sup>34</sup>

However, the problem still is whether their riots strike direct to welfare reforms or expansion. If the masses recognises their welfare rights, and exercises their welfare demands through mass strikes, and the government enacts or expands welfare programmes according to their needs, the riots thesis would be appraised as one of the most substantial explanation of the welfare state development. Conclusively, if any researcher attempts to claim that mass riots and welfare expansion are not just related by chance, he or she definitely needs more empirically based investigation about the welfare demands in mass riots in a given political context. In this regard, the assumption of Skocpol and Amenta is quite noteworthy, the riots thesis is most suitable to times and places where working classes and other organized populace lack access to conventional political channels for affecting social policies.<sup>35</sup>

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34 Piven and Cloward clearly argue that the relationship between mass volatility and the welfare explosion was indirect, and was mediated by complex national electoral conditions. See F. Piven and R. Cloward, 'Electoral Instability, Civil Disorder, and Relief Rises: A Reply to Albritton', American Political Science Review, 73:4 (1979), 1013-23.

35 T. Skocpol and E. Amenta, 'States and Social Policies', Annual Review of Sociology, 12 (1986), pp. 138-9.

### 2.1.1.3 Election: Conventional Type of Political Activity

Whereas the riots thesis is in line with the 'social control' perspective, the election thesis is more akin to the 'social choice' perspective; the government adopts and expands welfare programmes as an answer to the needs and demands of the populace expressed through the conventional channel of political activities such as election.<sup>36</sup>

In a liberal parliamentary democracy, where citizens exercise their political influence on the decision-making processes of public policies, the election thesis seems to provide more sensible accounts for the welfare state development. It is closely related to the 'citizenship rights' of Marshall<sup>37</sup> which comprise the civil, political and social rights. According to this line of thinking, the development of social services can be understood as the outcome of the blooming of social rights of the twentieth century, and, it should be pointed out, it is on the basis of the political rights established in the nineteenth century.

Implicit in this thesis is the idea that Western liberal democratic politics encourages the early adoption of and extensive use of social programmes because it is more susceptible to the demands of populace. Liberal demo-

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36 S. K. Schneider and P. Ingraham (1984), *op. cit.*, p. 119.

37 T. Marsall, Sociology at the Crossroads and Other Essays (London: Heinemann, 1963).

cratic politics is based on the election process through which political demands are freely exerted, and the election contenders are likely to promise the fulfilment of the demands, however much they will cost, in order to garner the votes. Thus welfare programmes in this understanding are the straightforward output of elections in the Western-typed representative democracies.

Cutright finds that the political representativeness is closely related to the adoption of social insurance programme, when the economic development is controlled for. He further implies that the more representative governments adopt social programmes earlier than the less representative governments.<sup>38</sup> In alignment with this line of arguments, Flora and Alber find that the extension of suffrage clearly increased the propensity to introduce insurance system in the European parliamentary democracies in 1880-1920.<sup>39</sup> In addition, Schneider and Ingraham argue that one of the strongest influence on the welfare state development is conventional political participation. They assert; 'governments develop social welfare programmes in response to the citizenry's expression of their demands and preferences through conventional channels of participation'.<sup>40</sup>

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38 P. Cutright, 'Political Structure, Economic Development, and National Social Security Programmes', *American Journal of Sociology*, 70 (1965), 537-50.

39 P. Flora and J. Alber, 'Modernisation, Democratisation, and the Development of Welfare States in Western Europe', in P. Flora and A. Heidenheimer (eds.) (1981), *op. cit.*, pp. 37-80.

40 S. K. Schneider and P. Ingraham (1984), *op. cit.*, p. 119. However Wilensky claims that there has been no significant relationship between representative characteristics

This argument has further developed into a 'political business cycle' as evidenced in increased spending and other inflationary policies momentarily before and after an election.<sup>41</sup> It takes a direct focus on the correlation between the timing of an election and increase of social benefits. Tufte clarifies the administrative creation of gaps between the increase of social benefits of pre-election period and tax increase of post-election period, and indicates that the periodic election produces a cyclical influences on the economy.<sup>42</sup> From this argument, one may derive the hypothesis that 'the more frequent electoral competition is, the larger increase in public spending will be'. This hypothesis definitely needs to be backed by empirical-based studies, and the cross-national time series analysis is probably most appropriate for evaluating it.

#### 2.1.1.4 Indirect Tax Rate

One of the most distinguishing features of the modern state probably is the unified channel of taxation. In

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of politics (democracy or totalitarian) and the social security expenditure of the government. See, H. Wilensky (1975), op. cit.

41 See, W. Nordhaus, 'The Political Business Cycle', Review of Economic Studies, 42 (1975), 160-90. See also D. Cameron (1978), op. cit., pp. 1246-48; T. Skocpol and E. Amenta (1986), op. cit., pp. 137-38.

42 E. Tufte, Political Control of the Economy (Princeton: Princeton University Press, 1978). See also D. Cameron (1978), op. cit., p. 1246; T. Skocpol and E. Amenta (1986), op. cit., p. 138.

contrast with the pre-capitalist society in which feudal landlords were eligible to collect levies according to their own laws and regulations, the modern state, by constitution, operates a unified tax system as the main sources of government's finance. Quite simply, the government can administer the public sector more uniformly on the basis of the unified taxation system.

In a modern representative democratic society, the tax rate has been held central in the modern political arena because it is determined in the power structure of political decision making amongst bureaucracies, political parties and so on. Especially in an election year, the debate of taxation is much more intensified amongst them because the tax rate is closely related to the voting behaviour. Herein lies the dilemma of election contenders, because the constituencies are likely to expect more benefits through public services, but less taxes for those services. Moreover, for the part of tax-payers, the amount of tax they pay seems to exceed the amount of benefits they would receive. Thus public officials have to conceal the costs of public policies in a 'fiscal illusion' to avoid agitation of the electorate.<sup>43</sup>

One of the effective ways to conceal the cost of public policies is to increase the indirect tax rate.<sup>44</sup> From the above tax concealment theme, DeViney derived the hypothesis that 'the greater the state reliance on

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43 D. R. Cameron (1978), *op cit.*, p. 1246.

44 Indirect tax generally includes value-added tax, special consumption tax, liquor tax, commodity tax and others, though it varies country to country.

indirect taxes, the greater the expansion of public expenditures for social programmes'.<sup>45</sup> However, he found the inverse relationship between the indirect tax rate and expansion of public expenditure from his empirical study of twenty industrialised countries.<sup>46</sup>

### 2.1.2 Socio-economic Context

Compared with the political accounts on welfare state development, the socio-economic explanations commonly regard the welfarisation of modern society as a natural course of industrialisation, accompanied by demographic changes, urbanisation, technological development, bureaucratisation and ultimately rational-legal institutionalisation. Implicit in this line of thinking is the idea that social structure is basically designed to adapt the changes of both internal and external environments, and thus its arrangement is accordingly understood in terms of the functions in shaping the course of a society. Seen in this light, the growth of welfare system since the ages of industrial revolution has contributed to the sound existence of the society to which it belongs. In spite of fierce criticisms from the outset, it is hardly

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45 S. DeViney, 'Characteristics of the State and the Expansion of Public Social Expenditure', *Comparative Social Research*, 6 (1983), p. 155.

46 *Ibid.*, pp. 167-68.

to deny that the basic theme of this line of thinking has had a great effect on almost every social science discipline: Economics, Politics, Anthropology, Sociology and so forth.

Logic-of-industrialism, or technological determinism in other words, is best exemplified in the literature of convergence theory which presumes the similar institutional patterns, engendered by technological development and overwhelming industrialisation, amongst highly industrialised countries, irrespective of their diverse ideological orientations. Mishra<sup>47</sup> argues that huge differences seen in the initial phase of industrialisation between capitalist and communist societies have been considerably narrowed as technology has become more and more developed. He understands this narrowing as synthesizing processes between 'laissez-faire of capitalist societies' and 'state-monopoly of communist societies'. Due to the functional motivation, both apparently irreconcilable societies move forward middle way, and the result is a common institutional pattern.

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47 For more details, see R. Mishra, 'Welfare and Industrial Man: A Study of Welfare in Western Industrial Societies in Relation to a Hypothesis of Convergence', Sociological Review, 21 (1973); 'Convergence Theory and Social Change: The Development of Welfare in Britain and the Soviet Union', Comparative Studies in Society and History, 18 (1976). It includes the discussions with Reinhard Skinner about the convergence theory. For more details please refer to Society and Social Policy: Theories and Practice of Welfare (London: Macmillan, 1981). For critics on the convergence theory, see I. Weinberg, 'The Problem of the Convergence of Industrial Societies: A Critical Look at the State of a Theory', Comparative Studies in Society and History, 11 (1969); R. Skinner, 'Technological Determinism: A Critique of Convergence Theory', Comparative Studies in Society and History, 18 (1976).



When this logic is applied to the welfare sector, the explanation is rather simple; all highly industrialised societies adopt statutory welfare programmes according to the functional motivation of industrialisation. They maintain similar contents of the welfare system and thus the political variables, including ideological preferences and partisanship of politics have little effects on welfare state development. However, recent changes in the former Soviet bloc prove that the middle way between capitalist society and communist society has never existed in history.

It is worthy of notice that some attempts have been made to account for the welfare state development on the basis of this thinking of structural functionalism. They commonly draw attention to demographic structure, age of welfare programmes and economic development as independent variables affecting the adoption and expansion of welfare programmes. However, since the logic-of-industrialism which assumes the welfare system as a by-product of industrialism is deeply rooted in their literature, they inherently are unable to answer the research questions of Therborn raised previously.

### 2.1.2.1 Economic Development

This thesis is based on the assumption that 'The welfare state is a product of the needs generated by the development of industrial societies'.<sup>48</sup> In fact, no one would deny that economic development<sup>49</sup> is a prerequisite which provides the basic resources for governments to operate their welfare systems. In this regard, Kerr and others attempt to explain the increase of social expenditure by the logic of industrialism that origins of the welfare state can be seen as the secular changes associated with the broad processes of industrialisation.<sup>50</sup> Cutright finds that the level of social security coverage is most powerfully correlated with the level of economic development especially for less-developed countries.<sup>51</sup> Wilensky also ascertains that economic growth is the most significant variable for welfare state development.<sup>52</sup> In addition, Kohl argues that GDP growth significantly affects the growth of public expenditures.<sup>53</sup>

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48 C. Pierson, Beyond the Welfare State?: The New Political Economy of Welfare (Cambridge: Polity Press, 1991), p. 16.

49 Various indicators of economic development can be taken into consideration. To name a few examples; GNP growth rate, GNP per capita, personal disposable income per capita, energy consumption per capita, steel production per capita, electrical power production per capita, export and import per capita, ratio of work force in manufacture and service sector, labour force participation rate and so forth.

50 C. Kerr and others, Industrialism and Industrial Man: The Problems of Labour and Management in Economic Growth (New York: Oxford Univ. Press, 1964). For more details about the relationship between 'welfare' and 'industrialisation', refer to C. Pierson (1991), op. cit., pp. 14-21.

51 P. Cutright (1965), op. cit.

52 H. Wilensky (1975), op. cit.

53 J. Kohl (1981), op. cit.

However as was shown in Flora and Alber's study of twelve European countries, the economic development variable fails to explain the timing of welfare adoption.<sup>54</sup> That is to say, when the proponents of 'economic development' thesis are asked about the causes of different timing of adoption and different speed of expansion of welfare systems amongst affluent societies, where level of their economic developments is similar to one another, they do not seem to explain them quite satisfactorily. Thus it is quite clear that the economic development variable alone is no longer the case for explaining the welfare state development.

#### 2.1.2.2 Age of Programme

The basic idea of 'age of programme' thesis is that, since government budget is fundamentally incremental, the earlier adopted programmes are more mature; level of coverage and provision is more advanced.<sup>55</sup> Moreover the first adoption of welfare programme has important implications in the later history of welfare state development in any country because it has presented a

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54 P. Flora and J. Alber (1981), op. cit. pp. 37-80.

55 For the incremental nature of government activities, refer to Wagner's law which suggests the inevitability of public sector growth according to economic affluence of a nation. See A. Wagner, 'The Nature of the Fiscal Economy' in Classics in the Theory of Public Finance, ed. by R. Musgrave and A. Peacock (London: Macmillan 1958). See also D. Cameron (1978), op. cit., p. 1245.

major break with the anti-welfare tenets of traditional liberalism.<sup>56</sup>

Pryor argues that the age of social security system is the most significant variable to explain the welfare expenditure.<sup>57</sup> Aaron, in his study of twenty two advanced countries, also ascertains that the most powerful explanatory factor affecting programme coverage and benefits level is the years of experiences with the programme.<sup>58</sup> Taira and Kilby propose the length and intensity of experience in social security programmes as one of the significant factors affecting the differences amongst the industrialised, capitalist countries of the West and of Western origin.<sup>59</sup> Wilensky, in his study of sixty countries of both developed countries and developing ones, argues that the level of social security expenditure is determined by the age of social security system.<sup>60</sup> However, Stephens finds that, once political variables are taken into account, the age of social security programme does not account for the expansion of public spending across advanced countries.<sup>61</sup>

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56 D. Collier and R. Messick, 'Prerequisites versus Diffusion: Testing Alternative Explanations of Social Security Adoption', American Political Science Review, 69 (1975), p. 1299.

57 F. Pryor, Public Expenditure in Communist and Capitalist Nations (London: Allen and Unwin, 1968).

58 H. Aaron, 'Social Security: International Comparisons', in Studies in the Economics of Income Maintenance, ed. by O. Eckstein (Washington: Brookings Institution).

59 K. Taira and P. Kilby, 'Differences in Social Security Development in Selected Countries', International Social Security Review, 22:1 (1969), 139-53.

60 H. Wilensky (1975), op. cit.

61 J. Stephens, The Transition from Capitalism to Socialism (London: Macmillan, 1979).

Meanwhile critics of Uusitalo about the age of programme thesis is of particular importance. He argues that since 'both the age of the social security system and social expenditure are two aspects of the welfare state itself',<sup>62</sup> it is not worthwhile explaining one by the other.

### 2.1.2.3 Age of Population

The age of population thesis begins with the simple fact that nations with more aged populations (generally over sixty five) are likely to spend more social security expenditures. Undoubtedly, demographic changes affect the pattern of social security systems, especially expenditure of pension scheme. Wilensky ascertains that the proportion of people over sixty five is significantly correlated with social security expenditure in sixty countries.<sup>63</sup> Miller also argues that national welfare effort is shown to be related with the proportion of aged in the population.<sup>64</sup>

It should be emphasized, however, that the proportion of aged in the population implies no more than a simple

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62 H. Uusitalo (1984), *op. cit.*, p. 407.

63 H. L. Wilensky (1975), *op. cit.*

64 He also proposes real resources, military efforts, political systems as statistically significant independent variables. See L. Miller, 'The Structural Determinants of the Welfare Efforts: A Critique and a Contribution', Social Service Review, 50 (March 1976).

causal relationship, unless it is analysed in the broad structural context. The point is not just whether it is the sole or most significantly correlated factor with the welfare state development but whether the aged population is politically strong enough to force the government to act for their welfare. In other words, under what condition and to what extent will the proportion of aged people variable have most significant effects on welfare state development.

### 2.1.3 International Context

What is common in the above two sections certainly is that they deal with intra-societal factors affecting welfare state development. This section, in contrast, draws attention to the extra-societal factors: the 'diffusion' of welfare from outside and the 'openness' of economy towards the world market. It should be emphasized, however, that it would be too naïve to divide factors affecting welfare state development simply into intra- and extra-societal ones. In the increasingly shrinking Global Village by rapidly developing information technologies and transportations, it is of no use discerning indigenous elements from extraneous ones in a given society.

To name a few examples, when economic development is perceived as the most significant factor in the adoption of welfare programmes, no one would definitely say that the economic development is solely an intra-societal factor. Interestingly enough, even if the diffused technology and skills are believed by many to be the most significant factor affecting the welfare state development in a given society, it is hardly assumed that the diffused ones are working without synthesizing indigenous ones. Undoubtedly, the basic driving forces for the making of the welfare state in any society should be sought in intra-societal structure, though external factors to some extent might contribute to that process.

However, it is also true that under certain circumstances external factors may act as the major driving force for welfare state development, though it is not a sufficient condition. Looking back at the history of the welfare state, some experiences and lessons of forerunner countries had been seriously taken into consideration, specifically when one nation adopted the first welfare system. Thus what is promptly needed is to probe more deeply into what extent and under what condition external factors affect welfare state development.

#### **2.1.3.1 Diffusion**

Whilst the concept of diffusion stems from the Germanic Kulturhistorische school of anthropology, meaning the 'spread of culture' from the advanced centre to the less-advanced ones, it is mainly associated with the Third World development in the contemporary social science.<sup>65</sup> Implicit in the diffusion theory is that, once the seeds of superior culture are diffused into less developed cultural context, it has come to survive and moreover proliferate itself. Quite interestingly, it has had a considerable affect equally on both the Modernisation School and the Dependency School. Whereas the former utilized this concept in order to describe the flow of knowledge, innovation, technology and rational-legal institutions as main force of industrialisation, the latter emphasized that diffused ideology and technology from the centre established the dependency situation.

Viewed in a historical context, amongst European countries as well as between centre and periphery, the diffusion of basic idea and technology of welfare system has greatly contributed to the overall welfarisation at the end of the last century in this region.<sup>66</sup> However, too little attention has been devoted to the study of the patterns of diffusion and their effects on them.<sup>67</sup> Taira and Kilby utilized the 'geographical proxy' index in their study of nineteen countries of social security ex-

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65 J. Midgley, 'Diffusion and the Development of Social Policy: Evidence from the Third World', Journal of Social Policy, 13 (1984).

66 D. Collier and R. Messick (1975), op. cit., p. 1305.

67 Ibid., p. 1305.



penditure, and find that the geographical variable is very useful for accounting for the international difference in social security development.<sup>68</sup> Collier and Messick's concept of hierarchical diffusion merits particular attention. Using the data from the Social Security Programmes Throughout the World,<sup>69</sup> as is exemplified in the following table, they classify the countries into three groups: the earliest adopters, the middle group of adopters (1908 or later), and the late adopters (after 1922).

<Table 2-2> Enactment Years of Major Welfare Programmes

	U.K.	U.S.A.	Germany	Sweden	Japan
Old Age, Invalidity, Death	1908*	1935	1889	1913	1941
Sickness and Maternity	1911	1965	1883	1891	1922
Work Injury	1897	1908	1884	1901	1911
Unemployment	1911	1935	1927	1934	1947
Family Allowance	1945	n.a.**	1954	1947	1971

\* 1908 (old age pensions), 1911 (invalidity insurance), and 1925 (old-age and survivors' insurance).

\*\* Federal-State system of aid (cash payments and social services) to indigent families with dependent children (AFDC).

Source: U.S. Department of Health and Human Services, Social Security Programmes Throughout the World 1989, Research Report 62. May 1990.

68 K. Taira and P. Kilby (1969), *op. cit.*

69 U. S. Department of Health, Education and Welfare, Social Security Programmes Throughout the World, 1971.

They duly find that the social security system diffuses up a hierarchy of nations amongst earliest adopters, social security is diffused amongst middle group of adopters at widely differing levels of modernisation, and finally and probably most significantly, amongst late adopters, the combination of hierarchical diffusion and prerequisites accounts may provide the most satisfactory explanation.<sup>70</sup>

#### 2.1.3.2 Openness

The basic idea inherent in the openness thesis is that nations with a highly dependent economy towards world market are likely to run more active social security policies. Mainly due to the severe competition of world markets, these nations have to concentrate their resources on a number of huge corporations, and consequently labour forces are apt to unite effectively, that is, the high unionisation. The crucial point is that their united voice is penetrated into the political arena, namely, the establishment of left-dominated governments which are inclined to operate a more universal social security scheme.<sup>71</sup> Schmidt also finds that the

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70 D. Collier and R. Messick (1975), op. cit., pp. 1308-14.

71 D. Cameron (1978), op. cit., pp. 1249-51.

open economy is one of the most significant explanations for welfare state development in twenty one developed nations.<sup>72</sup>

It should be pointed out, however, that models of the openness thesis are generally limited to highly corporatist regimes like Scandinavian countries which seem to have almost every favourable condition for the welfare state development. They commonly have the high level of economic development, left-dominated or left-coalition government, frequent elections, high proportions of aged population, relatively earlier adopted welfare programmes, high labour density, corporatist state, and so forth. Thus it is not surprising, nor impressive, to see that they have far developed social security scheme, and accordingly it is not clear whether openness of these economies is the most significant determinants of the welfare state development.

For this thesis to be fruitful for the study of determinants of welfare state development in any given society, the research attention must be extended to the cases of relatively less developed but highly dependent economies like Korea and Taiwan.

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72 M. Schmidt, 'The Role of the Parties in Shaping Macroeconomic Policy', in The Impact of Parties: Politics and Policies in Democratic Capitalist States, ed. by F. Castles (London: Sage, 1982).

## 2.2 Models of Social Welfare: UK and Third World

### 2.2.1 The British Welfare State

In general, the welfare system explains much to us about the society within which it has developed and been implemented. It vividly reflects the economic structure, political situation, and cultural inheritance of the society. Accordingly, we can assume that the research into the development of the welfare state - experiment, consolidation, expansion and retrenchment - enables us to recognise the basic nature of its society in more concrete and practical terms. In other words, it is possible to argue that we cannot grasp welfare state development in the second half of the twentieth century without keen sense about what was really happening in the post-war period.

Undoubtedly the welfare state, as a superstructural expression of post-war society, was not necessarily confined to the British experience. Most of all advanced countries, with the exceptions of United States and Japan, moved towards overall welfarisation, and at the present time no one would argue that the welfare state is solely a British phenomena any longer; it is seen instead as a common feature of all advanced capitalist

societies.<sup>73</sup> Moreover it still is a matter of debate exactly which country has taken the most prominent leading role in welfare state development, because each country has developed its own welfare system with a similar timing, and furthermore they have been highly interdependent to one another in the development of welfare state.<sup>74</sup>

However it is quite clear that the British welfare system, like any social institutions of British origin such as the parliamentary system, legal system and so forth, has paved a way toward the ages of the welfare state, and still has a more advanced and systematic form of welfare system.<sup>75</sup> In other words, Great Britain, as home of the welfare state, obviously has played a pioneering, though not dominant, role to sow the seeds of the welfare state, not only to her neighbouring European countries, but also to her former colonial ones. In fact the term 'welfare state' was originally applied to Britain during and after the Second World War.<sup>76</sup>

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73 N. Johnson, The Welfare State in Transition: The Theory and Practice of Welfare Pluralism (Hemel Hempstead: Wheatsheaf, 1987), p. 29. Until the middle of sixties, academics seemed to assume that the welfare state was uniquely British institution. However, since then, they have voiced that the welfare state is no longer the exclusively British one, but a common features of all capitalist states. See, for example, D. Wedderburn, 'Facts and theories of the welfare state', in The Socialist Register, ed. by R. Miliband and J. Saville (London: Merlin, 1965).

74 No one would deny, for instance, the important influence of the Bismarkian social insurance scheme to the British welfare system before the Second World War.

75 However, it has one of the lowest levels of social benefits in the western world, despite its well designed welfare system. For further details of failure of the British social security system, see A. W. Dilnot, J. A. Kay and C. N. Morris, The Reform of Social Security (Oxford: Clarendon Press, 1984).

76 A. Briggs, 'The welfare state in historical perspective', in The Welfare State, ed. by C. Schottland (New York: Harper and Row, 1967), p. 25. See also N. Johnson (1987),

Moreover, it should be pointed out that Britain has unprecedentedly developed the study of welfare systems, namely Social Administration, which has progressed in tandem with universal welfare provisions, and its influence on the rest of the world is still convincing.

Truly, until the sixties, the history of the social policy as an academic discipline was widely identified with that of the Department of Social Science and Administration at the London School of Economics and Political Science.<sup>77</sup> It probably is a unique British phenomena that the academic tradition has had considerable effects on the making of social policy in the real world.<sup>78</sup>

Meanwhile, the imperative task to be sorted out clearly before entering the main content of this section is related to the question of whether the British welfare state stands proxy for the welfare system of all advanced countries. It is quite clear that there have been huge variations about welfare state development across nations; they have different level of benefits, different

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*op. cit.*, p. 3; M. Hill and G. Bramley, Analysing Social Policy (Oxford: Blackwell, 1986), reprinted, p. 22.

77 This Department has presumed its prime prestige from its outset of 1912 amongst the academics and commentators involved in studying social welfare phenomena. It has developed under the full influence of the traditional British thoughts such as Pragmatism, Utilitarianism, Fabianism and so forth. It also has produced a large number of respected academics like William Beveridge, T. H. Marshall, Richard Titmuss, and more recently Brian Abel-Smith, and a politician like Clement Attlee who used to work for the Department as a lecturer. For more details about the history of the Department, see M. Bulmer, J. Lewis, and D. Piachaud (eds), The Goals of Social Policy (London: Unwin Hyman, 1989).

78 It does not necessarily mean that other countries like Germany and Sweden, for example, have had no equivalent of the British academic tradition on the welfare state development. It rather emphasises the pivotal role of the Social Administration in the making of social policy in Britain.

scope of coverages and, most importantly, different political attitudes toward welfare. An imprecise view would be given if the British welfare state only is taken into account.

Nevertheless, this research selects the British welfare state as a model case of advanced welfare states for the following reasons; first of all, Britain, as a forerunner of industrialisation, undoubtedly manifested the liberal state of competitive capitalism, and accordingly the development of the welfare state in Britain should be appraised as a response of that sort of state. It tells us very important things about the study of social policy in broader fashion; the relationship between the welfare state development and the role of the state, where priority is usually given to market economy. Thus the study of the British welfare state would provide us a general paradigm through which other welfare states may be compared, whether it be similar or different, and explained.

Secondly, the British welfare state has been closely observed and well documented in command of its unique academic tradition, Social Administration, and it is of great advantage for us to understand what was really going on in welfare sector.

In spite of these rationalisations enumerated above, the research should manifest its limitations for selecting the Britain alone as a model case of advanced welfare state. Quite simply, the research does not aim to present full synopsis of advanced welfare states, but to

deals with welfare phenomena only to the extent that it is applied to welfare systems of Korea and Taiwan.

#### 2.2.1.1 Origins of Post-war British Welfare State

According to Derek Fraser, the welfare state was not born but had gradually evolved.<sup>79</sup> Implicit in his famous phrase is the idea that the welfare state should be researched in historical context within which it has duly grown. He further argues that 'Our intellectual difficulties are perhaps resolved if we treat the Welfare State not as a theoretical definition of a particular set of policies but as a shorthand historical means of reference to the social policy of a particular period'.<sup>80</sup> A rapid development of the welfare state in the post-war Britain therefore needs historical analysis about the overall shift of the British society during and after the Second World War.

Ironically, the total overthrow of existing social order such as war and revolution sometimes turns out to be conducive to societal development which might not be realised by conventional processes in peace time. Some sort of social reform is possible under such circum-

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79 D. Fraser, The Evolution of the British Welfare State: A History of Social Policy since the Industrial Revolution, 2nd edn (London: Macmillan, 1984).

80 Ibid., p. 239.



stances, because sectional interests of different groups, which sometimes cause severe struggles, could be channelled into one paramount goal, and more significantly, the vision of future would be widely shared amongst social members regardless of religion, ideology, class, educational background, and career. Historically, Idealism or Utopianism takes its root deeply under the ground and flourishes in harsh time rather than in peace time. People who endure hard time are doomed to imagine the better situation and, in due course, have a faith in the better future as well. Kathleen Jones succinctly describes the war-time community spirit as follows:

'If dangers were to be shared, then resources should be also shared'. War had unexpectedly turned out to be 'a great engine of social advance'. There was a new altruism, and a new passion for social justice.<sup>81</sup>

The British have taken a great pride, during and after the Second World War, in defending Western civilisation from Nazism.<sup>82</sup> When they had been undergoing the miserable situations of war such as massacre, plunder, whole destruction of human civilisation, and thus of human nature, they dreamed about the ideal post-war society in which civilisation would have come into full bloom. Ac-

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81 Kathleen Jones, The Making of Social Policy in Britain 1830-1990 (London: Athlone, 1991), p. 121.

82 Undoubtedly, Britain's war experience was very unique in all respects; it was the only sovereign country that fought against the Nazism from the beginning to the end, was often attacked in her mainland, and eventually achieved victory without serious social and political disorganisation. T. H. Marshall, Social Policy: In the Twentieth Century, 2nd edn (London: Hutchinson University Library, 1968), p. 75.

cordingly, their desire to live and to bring up their younger generation in the civilised society,<sup>83</sup> based on human reason and common sense, was realised by making of the welfare state, which they understood as a way of enhancement of civilisation to prevent from reappearance of totalitarian regime like Nazism and Fascism. The welfare state in this understanding is an expression of the war-time idealism. In a similar vein, Norman Johnson argues:

Fascism was seen as a direct consequence of economic dislocation; and full employment policies, improved social security provisions and better housing, education and health services were seen as one possible way of preventing the re-emergence of fascist regimes.<sup>84</sup>

Besides, the war seemed to contribute to dissolution of the stable class structure. People with the different social backgrounds gathered together in air raid shelters, in the Forces and in the war-time factory. Children with under-nourished and ill-clothed from the less-privileged class were exposed to the public and their destitute situation motivated the conscience of privileged class.<sup>85</sup> Moreover the British, who traditionally

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83 Free school meals and milk were universally provided to the children because they represented the future of the race. See, *Ibid.*, p. 124.

84 N. Johnson (1987), *op. cit.*, p. 17.

85 D. Fraser (1984), *op. cit.*, p. 210. Fraser maintains the view that 'evacuation' and 'rationing' were twin pillars on which 'a consensus of social democracy' was built. See also Kathleen Jones (1991), *op. cit.*, p. 121-22. H. Glennerster presents that geographical, gender and class inequalities of accessing to services, prevalent in the 1930s, were lessened by the principle of citizen's universal right embodied during the war. See H. Glennerster, 'Social Policy since the Second World War', in *The State of Welfare: The Welfare State in Britain since 1974*, ed. by J. Hills (Oxford: Oxford University Press, 1990), pp. 12-15.

had tended towards liberalism, were accustomed to greater state intervention and higher rates of taxation, during the war, both of which may be required for post-war development of the welfare state.<sup>86</sup>

The Beveridge Report,<sup>87</sup> one time best seller but long time classic of social policy, can be appraised as a true embodiment of this war-time idealism. In the late 1942 the report was published to the public and encountered the warm welcome from almost all sectors of population, although the ministers of the Coalition Government were cautious about the practical operation of the Beveridge plan on account of unknown economic situation after the war.<sup>88</sup> It should be noted, however, the report was not an original invention of Beveridge himself, but a result of accumulated studies and discussions throughout the twenties and thirties; 'it was a very British evolution',<sup>89</sup> as is noted by Glennerster. Yet the report can be highly estimated on account of its attempts to simplify and unify the existing welfare systems and to realise the ideas discoursed previously.<sup>90</sup>

The report is based on three guiding principles:

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86 N. Johnson (1987), op. cit., p. 17.

87 W. Beveridge, Social Insurance and Allied Services (London: HMSO, 1942), Cmd. 6404.

88 DHSS, Reform of Social Security: Background Papers, Cmd. 9519 (London: HMSO, 1985), para. 3.42.

89 H. Glennerster (1990), op. cit., p. 11.

90 Fraser indicates that simplicity and symmetry of the Report overshadowed the fact that it was no more than a rationalisation of the existing insurance scheme. See, D. Fraser (1984), op. cit., p. 215. See also P. Baldwin, The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975 (Cambridge: Cambridge University Press, 1990), pp. 116-34.

1. Any proposals made were to take account of the experience of the past, but to ignore sectional interest.
2. There were five 'giants on the road to reconstruction': Want, Disease, Ignorance, Squalor, and Idleness.
3. Social security should be achieved by co-operation between the state and the individual.<sup>91</sup>

The first principle, of course, was set up in accordance with the ideas discussed before the war and the community spirit during the war. As well, it gives weight to the view that social reform is more feasible when sectional interest is, for whatever reason, duly ignored.<sup>92</sup> Although the second principle covers the five giants, the social insurance scheme deals with 'Want' only. Thus it should be viewed as a part of comprehensive social policy.<sup>93</sup> The third principle precisely manifests the legacy of a liberal state. This twin pillar of the individual and the state has been deeply rooted throughout the history of the British welfare state since the Poor Law Amendment Act which embodied the principle of 'less-eligibility'.<sup>94</sup> Beveridge

91 K. Jones (1991), *op. cit.*, p. 126. All these three principles were great buttress of the Report in tandem with six fundamental principles; adequacy of benefit, flat rate of benefit, flat rate of contribution, unification of administrative responsibility, comprehensiveness and classification.

92 Jones exemplifies the National Insurance Act of 1911, which showed uneasy compromises with the approved societies and the doctors, and stressed the relatively favourable condition for social reform during the war. See *Ibid.*, p. 126.

93 D. Fraser (1984), *op. cit.*, p. 215.

94 The principle of less-eligibility was clearly proclaimed in the New Poor Law as follows; 'The first and most essential of all conditions, a principle which we find universally admitted, ... , is, that his (recipient's) situation on the whole shall not be made really or apparently so eligible as the situation of the independent labourer of the lowest class.' *Report of the Poor Law Commissioners*, XXVII (1834), 228, 261-2. Quoted from 'Documentary Appendix' in *Ibid.* p. 254.

himself clearly manifested the view that it should leave room and encouragement for voluntary action by each individual to provide more for himself and his family in establishing a national minimum.<sup>95</sup>

Meanwhile, it is highly questionable whether the main recommendations of the Report would be realised by legislation, if the post-war political situation would not be favourable to overall welfarisation. It is frequently seen in developing countries that the advices of welfare experts are not put into operation in their political processes.

The next section delves into the political situation of the post-war Britain, which became the age of the welfare state.

#### **2.2.1.2 Political Consensus and the Social Legislations in the Post-war Britain**

It is commonly argued amongst political commentators and academics that the best-fitted term to describe the political situation of the post-war Britain would be 'consensus'. Although the consensus was consolidated by the Attlee Government (1945-51), it should be pointed out that its origins can be traced back to the community spirit of the Second World War.<sup>96</sup> On the basis of the un-

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<sup>95</sup> W. Beveridge (1942), *op. cit.*

<sup>96</sup> Anthony Seldon points out six main ingredients of the post-war consensus; they are

'(1) Six years of war united the country, (2) Coalition Government, (3) Acceptance of

precedented consensus from the conservative party, the then opposition party, the Attlee Government could launch a considerable number of social reform measures. Anthony Seldon succinctly lists six main aspects of the post-war consensus:

1. Full employment.
2. Mixed economy and Keynesianism.
3. Welfare state universal services.
4. Trade unions as partners in government.
5. Equality as objective of social policy.
6. Pro-US Foreign policy.<sup>97</sup>

The commitment to full employment in post-war Britain was mainly due to the historical lesson that the mass unemployment in the inter-war period had brought about the fascist regimes in the European continent. The basic requirement of this commitment, of course, was a sustainable economic growth which allowed enough jobs to the people who wished to work. It was a true example of the political consensus of the post-war affluent society, between the Conservative party and the Labour party, as was symbolised by the term, 'Butskellism',<sup>98</sup> and gave a firm

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Keynesianism, (4) Planned economy, (5) Trade unions, and (6) Welfare'. A. Seldon, 'The rise and fall of the post-war consensus' in Politics UK, ed. by B. Jones and others (Hemel Hempstead: Philip Allan, 1991), pp. 41-42.

97 Ibid., p. 43-44.

98 After the victory of the Conservative party in the election of 1951, newly appointed Chancellor Butler maintained the full employment policy which was very similar to that of the Labour Chancellor Gaitskell. The Economist named this consensus of the economic policy as 'But-skellism' which reflected the attitudes shared by the two parties about the welfare state, public spending and full employment. See P. Riddell, The Thatcher Government (Oxford: Basil Blackwell, 1985), revised edn, p. 2; A. Gamble, The Free Economy and the Strong State: The Politics of Thatcherism (London: Macmillan, 1988), Chapter Three 'From Butler to Thatcher'; B. Jones (1991), op. cit., p. 47.

buttress for the Keynes-Beveridge orthodoxy which aims to maintain effective demands through wide ranges of state intervention including welfare system. Full employment was also a main suggestion of the Beveridge report which aimed to transform the inter-war selectivity<sup>99</sup> to the post-war universalism. The welfare state, under the context of Keynesianism, was supposed to be geared to reinforce the control of effective demands in the economy. Moreover, it was reckoned to be an effective institution to develop human capital by improving health condition and educational qualifications, and at last to tranquillise the labour unrest.

Quite simply, explanation for the welfare state development of the second half of the twentieth century lies in large part with the unique political situation, the political consensus. It gives weight to the view that politics matters in welfare state; it tells us why post-war Britain embarked upon universal social provisions, to what extent it was eventually put into operation, and most importantly, how it has modified according to changes of political surroundings. It attests to the argument that politics is of analytical value to the study of social policy. Now we turn our attention to the social legislations in the post-war Britain.

Viewed in historical context, it is interesting to note that welfare rights have extended from the less-privi-

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<sup>99</sup> Fraser maintains the view that the welfare measures of the inter-war period is best described as 'selectivity'. See D. Fraser (1984), *op. cit.*

leged class (selectivity) to whole population (universalism), in contrast to political rights which have developed from the landed class to ordinary people. In the history of the British welfare state, the Beveridge report can be regarded as a turning point from the Victorian tradition of Selectivism to the modern Universalism.

The first major legislation of universal benefit according to the Beveridge proposal was the Family Allowance Act of 1945, which introduced the allowance at the weekly rate for each child after the first.<sup>100</sup> It was extended to Child Benefit which includes the first child in 1975. The National Insurance Act of 1946 can be estimated as a sheer embodiment of the Report; it set out the limited period of unemployment benefit, full-rate old age pensions and twenty years of phasing-in period to spread the increased expenditure.<sup>101</sup> The National Health Service Act of 1946 was designed to aim at 'Disease' amongst the five giants. It was also regarded as an essential to any scheme for improving living standard, and therefore should be available to all citizen whenever he/she needs.<sup>102</sup> The National Assistance Act of 1948 was a main partition from the Victorian origin of the Poor Law. It

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100 DHSS (Department of Health and Social Security), Cmnd. 9519, para. 3.44.

101 In the post-war economic situation, most unemployment was considered as a short-term. Ibid., para. 3.45.

102 R. Levitt and A. Wall, The Reorganised National Health Service (London: Chapman and Hall, 1984), 3rd ed. Revised., p. 5.



established the single means-tested<sup>103</sup> allowance scheme available to all those in unemployment and whose financial resources fell below a standard set by Parliament.<sup>104</sup>

No one would dispute that these subsequent social legislations truly reflected the Keynes-Beveridge orthodoxy which had remained almost intact until the challenge of the New Right in the late seventies. However, it is also true that we cannot explain these processes of legislation simply by the orthodox as such, nor can we explain them merely by the unique political situation. Probably what is really needed is to examine the values and assumptions on which they may be deemed to rest. Glennerster prominently specifies three principles that 'the principle of a citizen's universal right of access to services of an equal standard regardless of geography or income', 'setting a minimum standard' and 'stronger central power and administrative rationalisation'.<sup>105</sup>

According to Marshall, there are three different stages of citizenship development: civil, political and social.<sup>106</sup> Civil rights, which had developed since the

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103 For the debates of 'means-test' benefits of the post-war years, refer to A. Deacon, 'An End to the Means-test?: Social Security and the Attlee Government', Journal of Social Policy, 11:3 (1982).

104 J. Hills (1990), op. cit., p. 13.

105 H. Glennerster (1990), op. cit., pp. 11-15.

106 T. H. Marshall, 'Citizenship and Social Class', in Sociology at the Crossroads, ed. by T. H. Marshall (London: Macmillan, 1963). However the Marshallian citizenship reeled under a barrage of criticism on account of its Anglocentric and evolutionist nature. For more detailed criticisms on the Marshallian citizenship, refer, for example, to A. Giddens, Profiles and Critique in Social Theory (London: Macmillan, 1982); M. Mann, 'Ruling Class Strategies and Citizenship', Sociology, 21:3 (August 1987); B. Turner, 'Outline of a Theory of Citizenship', Sociology, 24:2 (May 1990); R. Plant, 'Citizenship, Rights, and Welfare', in The Welfare of Citizens: Developing New Social Rights, ed. by A. Coote (London: Rivers Oram Press, 1992), pp. 17-20.

seventeenth century, duly guarantees the 'freedom of speech, rights to a fair trial and equal access to the legal system',<sup>107</sup> and have been embodied to 'law court'. Political rights, which had developed since eighteenth century, are the direct results of the political struggles of the working class, and assures the free election through which various interests of population can be articulated in the parliament.<sup>108</sup> Whereas these civil and political rights were 'treated as immunities and (being) seen in terms of procedures such as due process of law or fair election', 'it was in the modern period that rights came to be seen in terms of rights to resources (to welfare, health, education, income, and social security)'.<sup>109</sup> In fact, until the twentieth century, such resources as enumerated above remained in the private market system, and thus there was no rights to access to the resources. In this regard, the first principle was brought about by virtue of the enlargement of comprehensive citizenship throughout the twentieth century, but particularly intensified and universally put into operation by the community spirit in the Second World War.

Secondly, post-war legislation was clearly based on the concept of 'national minimum', which was strongly proclaimed by Beveridge to ensure that the living standard of any citizen should not fall below a minimum level

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107 B. Turner (1990), *op. cit.*, p. 191.

108 *Ibid.* p. 191.

109 R. Plant (1992), *op. cit.*, p. 15.

of living. Undoubtedly it was based on the Marshallian tradition of citizenship, but it did not necessarily extend to the resource redistribution between classes. Rather, the legislation was 'designed to achieve redistribution through a family's or individual's lifetime, to even out periods of misfortune or non-earning capacity'.<sup>110</sup> In fact the welfare state aims to lessen social inequality, not by 'redistributing wealth' but by 'reapportioning the costs of risks and mischance.'<sup>111</sup>

Thirdly, one of the main recommendations of the Beveridge report was to unify and simplify the existing schemes into a stronger centralised administration, and it was realised into the creation of the Ministry of Social Security. Accordingly, service delivery and finance of insurance and assistance went through transformation: from the responsibility of local authorities and sometimes, of friendly societies to that of central government. In many respects, this administrative change might be necessary to operate the universal social provisions for all in need, irrespective of his or her income, geography, race, education and so forth. This sort of standardisation of services, it can be assumed, was the true exemplar of the post-war era which can be appraised as the days of Fordism, firmly connected with Keynesianism.

Fordism was based on mass production and mass consumption of such commodities as cars, shipbuilding, electri-

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110 H. Glennerster (1990), *op. cit.*, p. 14.

111 P. Baldwin (1990), *op. cit.*, p. 1.

cal goods and so on, and accordingly transformed the patterns of individual life into 'standardisation'. This change of the mode of production and the pattern of consumption duly extended to human needs, and thus they were seen to be handled by centralised control mechanism. Under such circumstances, both human needs and labour power became commodities and our well-being came to depend on our relationship to the cash nexus.<sup>112</sup> Thus, as far as the nationwide welfare system was concerned, the centralised control of service delivery and finance seemed to be absolutely needed for more effective administration.

In sum, until the consensus was seriously challenged by the New Right in the late seventies, the Keynes-Beveridge orthodox had remained unimpaired at least in welfare sector. The embodiment of the Beveridge report by subsequent legislations was a very mirror of the post-war consensus of the British politics. Thus we can duly draw the assumption that politics decisively mattered on the development of the British welfare state. The next section will deal with the emergence of the new trend of welfare state occasioned by the change of political climate: the rise of New Right.

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112 G. Esping-Andersen, The Three World of Welfare Capitalism (Cambridge: Polity Press, 1990), p. 35.

### 2.2.1.3 New Right and the Reform of Social Security

In the last section we come to the view that 'politics', among other variables, not only mattered but also was decisive in the development of the welfare state in post-war Britain. In due course, the Keynes-Beveridge orthodoxy, which has theoretically buttressed the post-war welfare state, had remained virtually intact throughout the sixties and seventies. However, mainly due to the recent change of political climate, the welfare system has gone through radical transformation throughout the eighties. This section deals with how this recent political change is turned into policy, and exemplifies the salient impact of politics on the changes in the British welfare system.

Since the main recommendations of the Beveridge Report had been put into operation by subsequent legislations in post-war Britain, many attempts have been made to change the social security scheme in the hope that the amendments would bring the development of welfare to the whole population as well as less-privileged people. Although the present British social security scheme can be under-

stood as the result of those accumulated attempts, it is particularly based on the recommendations of 'Reform of Social Security' published by Department of Health and Social Security (DHSS) in 1985.

No report can escape the influence of social, economic and political circumstances to which it belongs. The Reform of Social Security, of course, is not an exception. It is largely influenced not only by the overall socio-economic situation of the society but also by the recent change of political climate. Hence we can assume that to examine the reports is one of effective ways to understand the present British social security in particular, and to comprehend the present British welfare situation as a whole. The reports will be examined in terms of ideology, principles and practical policies.

## **Ideology**

In terms of ideology, 1980s witnessed a dramatic change in attitudes to poverty, which was largely occasioned by the uprising of New Right<sup>113</sup> which, in general, strives to revive the principle of 'competition' in a given society. Accordingly, more emphasis on 'self-reliance', 'work in-

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113 Like any ideological groups, the New Right encloses wide range of groups and ideas, and thus there are huge variations within the group. However, they commonly reject many ideas, practices and institutions, which have been a characteristic of social democracy for over sixty years. See, A. Gamble (1988), *op. cit.*, pp. 27-31.

centives', 'market function', 'privatisation' has been paid in the process of policy-making.

This far right-wing current permeated into welfare sector as well, and can be best exemplified by Needs Reform<sup>114</sup> published by the Adam Smith Institute. The report indicates five major weaknesses of the existing social security system before the reform. These five are: 'excessive costs', 'outmoded and inappropriate in a modern society', 'its ideological incompatibility with an enterprise culture', 'its ineffectiveness', and 'its destructive effects on people, by creating welfare dependency'.<sup>115</sup> These five truly mirror what the far right think about the welfare. It is quite clear that they would maintain the welfare system only to the extent that it does not conflict with the principle of market economy.

Meanwhile ideology itself is not only seen in the terms of abstract and philosophical level, but is being realized and duly permeated into the concrete level of a certain policy. It supervises general direction to which concrete policies pursues and are actualized. Once the general direction is determined, the details of policies have come to duly correspond to the basic tenets of ideology. Truly ideology is very central to understand the enactment and practical operation of social policy. However we also have to be more cautious to recognise effect

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114 Adam Smith Institute, Needs Reform (London: ASI, 1989).

115 Ibid., p. 1.

of ideology on details of policy because ideology tells only in a broader fashion. It is in this regard that we have to continuously examine the interaction between ideology and details of policy.

The rise of right wing ideology relative to social security scheme is partly due to the firm belief that the absolute poverty widespread in the first half of twentieth century has been considerably alleviated according to the national development in general, and the development of social security scheme in particular. The Green Report clarifies that 'the living standards of those most dependent on social security benefits can therefore be seen to have improved over the post-war period and in this respect a prime object of the social security system has been achieved'.<sup>116</sup> This reflects the recent changes of attitudes to poverty that poverty is no longer solely attributed to unequal social structure but to the individual failure to cope with a changing environment.<sup>117</sup>

Until recently, a majority of social scientists and politicians, generally classified into collectivism, firmly believed that poverty could be considerably prevented and even abolished by the universal provisions of social security scheme. Hence they commonly give more weight to the state function, rather than the market function, to solve the poverty problem. In contrast with this orthodox view on poverty, the Green Paper argues

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116 DHSS, Reform of Social Security, Cmnd. 9517 (London: HMSO, 1985), para. 4.4.

117 It is best exemplified by the principle of twin pillars (state and individual) addressed in the report.



that 'the Government are conscious that social security cannot provide a cure-all',<sup>118</sup> and it continues that 'social security can not prevent the causes of poverty, it can only alleviate the symptoms, ... , This can only be done by creating the conditions for sustained and real economic growth'.<sup>119</sup>

It is widely accepted that the intellectual tradition of the New Right is derived from the juxtaposition between two interrelated, but often antagonistic, thoughts: Liberalism and Conservatism. Whilst the former takes more emphasis on 'free will of the individual' (free economy), the latter gives more weight to 'law and order'<sup>120</sup> and 'patriotism'<sup>121</sup> (strong state).

However, the New Right tends more toward Conservatism, though many policies of New Right politics are relied on Liberal ideas and associates. Andrew Gamble denotes the

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118 DHSS, Cmnd. 9517, para. 6.14

119 *Ibid.*, para. 6.15

120 The Conservative's faith in 'law and order' seems to be in conflict with the 'free will of individual' of Liberalism. However, they would argue: 'but that freedom which would exist outside the law - the unregulated freedom of all to pursue their ends at the expense of others - would be excessive and destructive. By accepting the limitations of the law man can enjoy an infinitely greater freedom. The authority of the law is thus the precondition of liberty' B. Jones, 'The Anatomy of Conservative Thought', in Topics in British Politics, ed. by L. Robins (London: Political Education Press, 1987), p. 83.

121 As well, the other pillar on which the Conservatism is rested is 'appeal to patriotism'. They reject ideal internationalism, and seek to unite into one nation beyond geographical, class and ethnic differences amongst people. However, the essential nature at their heart is 'inequality'. According to the definition by P. Norton and A. Aughey, 'Conservatism may be deemed the intellectual justification of inequalities in society and the preservation of the privileges that such inequalities entail'. See, P. Norton and A. Aughey, Conservatives and Conservatism (London: Temple Smith, 1981), p. 47.

reasons why the state should be strong in the recent New Right politics:

1. to unwind the coils of social democracy and welfarism which have fastened around the free economy;
2. to police the market order;
3. to make the economy more productive;
4. to uphold social and political authority.<sup>122</sup>

On the basis of the strong state strategy,<sup>123</sup> they pursue to retain the authority of law and institutions of the Government on the one hand, and to keep up the high productivity in the economy on the other hand. Undoubtedly, their dual-pursuit would be realised only through the implementation of the efficient and legitimate policies. However, the difficulties that they face is 'how that ideal is to be realised in the world they actually inhabit'.<sup>124</sup>

In this regard, the Reform of Social Security of 1985 specifies us how their ideas get turned into the policy, and how they try to implement it in the real world.

## Principles

Principles underlying the Green Paper can be divided into three categories: firstly, the principle of 'twin pil-

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122 A. Gamble (1988), *op. cit.*, p. 32.

123 They duly reject the revival of the Laissez-faire

124 A. Gamble (1988), *op. cit.*, p. 32.

lars' (state and individual); secondly, that of 'targeting'; and thirdly, that of 'effectiveness'.

Taking the first principle first, the twin pillars approach is one of the most fundamental motives to change the overall existing social security scheme. According to the Green Paper, 'fundamental to this approach (twin pillars approach) is a belief that the system of social security provision should be based on a clear understanding of the relative roles and responsibilities of the individual and the state'. It continues, 'in building for the future we should follow the basic principle that social security is not a function of the state alone. It is a partnership between the individual and the state a system built on twin pillars'.<sup>125</sup> The basic aims of this principle are to encourage the work incentives and savings of individuals, and accordingly to improve the self-responsibility, self-reliance, and probably most importantly, the independence of them from the state provisions.

The basic logic of the principle of twin pillars can be justified on the ground that most people are willing to be independent from state provisions. As the report says, 'The spread of home ownership among those previously relying on public provision of housing underlines the wish of most people for greater independence'.<sup>126</sup>

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125 DHSS, Cmnd 9517, para. 1.5.

126 Ibid., para. 1.8.

In accordance with this principle, the Green Paper recommends to retain a contributory system for contingencies like retirement, unemployment and long-term sickness. As well, in regard to housing benefit, the Green Paper thoroughly agrees to the Government's view, '... every household should be required to make some contribution toward them. This would mean that the maximum level of rate rebate in a reformed scheme would be set at less than 100 per cent. The Government have in mind a figure of the order of 80 per cent'.<sup>127</sup> It means that 20 per cent of rate should be financed by contribution.

Meanwhile, to encourage the savings and work incentives, the Green Paper recommends to increase the limitation of maximum of savings (up to £6,000) entitled to receive Income Support.<sup>128</sup> And to encourage the work incentives of young people, a low rate is recommended to be applied to those under 25 years old in Income Support Scheme.<sup>129</sup>

Accordingly, the most serious losers occasioned by the reform of social security would be young people without children. The Green Paper recommends and proposes the alternative way, namely the Youth Training Scheme; 'There will be a major expansion of the Youth Training Scheme from April 1986 to provide two years of work-related training for 16 year-old school leavers and one

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127 *Ibid.*, para. 9.20.

128 However, the benefit will be reduced on a simple sliding scale for those with savings between £3,000 and £6,000. See, *Ibid.*, para. 9.7.

129 Whilst those over 25 years old can receive full provision (£30.60 p.w.), age group 18-24 can receive £24.00 p.w., and age group 16-17 can receive only £18.20 p.w.

year for 17 years old school-leavers, leading to a recognised vocational qualification'.<sup>130</sup>

Interestingly enough, the prospect of this principle would be threatened by criticisms from far-right wings. According to the recent proposals from No Turning Back Group of Tory MPs, 'The welfare state should be replaced by a system of social insurance run by private agencies'.<sup>131</sup> It is very evident that their approach is not only unpopular to the public but also too radical to be realized. However its major importance is laid on the fact that some groups, which advocate the welfare scheme run by the principle of market economy, are actively participating in policy-making processes, and their political influences have been growing very fast, according to the nationwide process of privatisation. Hence the success of this principle largely depends on the question of how to deliberately harmonise the sectional group interests and keep the balance between twin pillars, the state and individual.

The second principle is the principle of 'targeting'. It is designed and proposed on the ground that 'the social security system must be capable of meeting genuine need'.<sup>132</sup> It goes without saying that the social security scheme should be based on needs, aim to meet needs, and duly be elaborated in accordance with the changes of need. Accordingly, the Green Paper clearly suggests that

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130 Ibid., para. 9.27.

131 Financial Times, 17 September 1990.

132 DHSS, Cmnd 9517, para. 1.12.

resources be focused on the low-income families with children, 'Now the position has changed again and in 1985 it is families with children who face the most difficult problems'.<sup>133</sup> Accordingly, it argues that 'We believe that resources must be directed more effectively to areas of greatest need, notably low-income families with children'.<sup>134</sup>

Meanwhile this principle is closely related to the argument of 'Universalism versus Selectivity' which has been traditionally influenced by political agenda and, more broadly, ideology. Borrowing from the terms of Vic George and Paul Wilding, such anti-collectivists as Milton Friedman and the Chicago School of Economics are traditionally advocates of selectivity, whilst Fabians and Marxists largely prefer to universal provisions. This debate is particularly important in the study of policy-making process because the ideology is deeply rooted in any detailed form of policy. In terms of the principle of targeting, we can find plausible examples of how effectively the ideology has come to influence a certain policy. The 'targeting' is undoubtedly a pure form of selectivism which inevitably brings 'stigma' to targeted

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133 It argues that the group of people with most difficult problems has changed according to the changes of socio-economic situations; the working-age families in the 1930s to pensioners by the 1950s and 1960s, and the low-income families with children. *Ibid.*, para. 1.12. The single most important cause of this shift of most suffered group is higher unemployment. And the number of families with children on low incomes, one-parent families and single unemployed people has increased greatly. See, *Ibid.*, para. 4.8.

134 DHSS, Reform of Social Security: Programme for Action Cmnd. 9691 (London: HMSO, 1985), para. 1.6

people. However we have to be more cautious to classify a certain policy into 'universalism' or 'selectivity'. Actually there has been no purely universal social welfare provisions in practice. For example, child benefit, which has been frequently regarded as universal benefit, is paid only to the families with dependent children. As well, the National Health Service seems to be more in line with universalism, but a prescription card is now selectively provided to specific groups and many categories of people are exempt from charges.<sup>135</sup> Hence what is at issue in this principle is to recognise the overall direction of value system (universalism or selectivity) inherent in the social security reform.

The third principle, the principle of 'simplification' or 'effectiveness' in administration is based on the assessment of the existing social security scheme before April 1988. According to Green Paper, 'the complexity in benefit rules has meant that social security is difficult to administer and at times impossible for the public to understand',<sup>136</sup> and thus 'the social security system must be simpler to understand and easier to administer'.<sup>137</sup> It evidently reflects the recent issues held central to reform of social security, how to efficiently deliver the benefit to recipients, how to effectively inform the de-

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135 K. Jones, J. Brown and J. Bradshaw, Issues in Social Policy (London: Routledge & Kegan Paul, 1983), revised ed. Special attention to chapter three 'Universality and Selectivity'.

136 DHSS, Cmnd. 9517, para. 1.2. The report illustrates the overlap between social security and income tax.

137 DHSS, Cmnd. 9517, para. 1.12.

tails of provisions to recipients, and how to economically cut down the administration costs through utilization of modern technology, 'computer'.

The Green Paper recommends the computerisation of all clerical and manual works of social security from DHSS to local offices. To utilise computers in the field of social security corresponds not only to the notion of 'effective and small government' but also to modern way of life. As a matter of fact, technological advance, including computers, telecommunication networks and so on, rapidly increases the effectiveness of all sectors of modern society, and moreover, considerably changes the nature of society itself. Seen in this light, there is no doubt about that 'there is absolutely no reason why social security should be left behind'.<sup>138</sup> Here the Green Paper clarifies Government's intention to utilise modern technology in order to administer the system more efficiently: 'We are now to embark on a strategy to make full use of information technology in bringing the system up to the standards of the late twentieth century'.<sup>139</sup>

Meanwhile the Green Paper indicates the possible side-effects of utilising modern technology to the social security scheme; 'Computerized records and procedures on such a massive scale could be open both to misuse and fraud',<sup>140</sup> and 'It (computerisation) can also increase the

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138 DHSS, Reform of Social Security: Programme for Change, Cmnd. 9518 (London: HMSO, 1985), para. 6.20.

139 DHSS, Cmnd. 9517, para. 6.5.

140 DHSS, Cmnd. 9518, para. 6.36.



vulnerability of the system to internal fraud'.<sup>141</sup> Hence how to protect individual right of confidentiality is particularly important not only because it is connected with technological advance to devise safeguard method but also because it is thoroughly dependent on professional ethics of civil servants and social workers. The success of this principle largely depends on how skilfully they prepare for the possible problems which might be borne out by computerisation. Above all, it has very valuable implications for the development of welfare system in developing countries.

## **Policies**

The aim of this section is to examine how the principles of the reform of social security have been implemented in the present British pension schemes. In this regard, the changes of State Earnings-Related Pension (SERP), Income Support, Social Fund, Family Credit, and Housing Benefit will be discussed in detail.

### **(i) State Earnings-Related Pension Scheme.**

The British pension scheme has developed since the beginning of this century. In 1908, state pension scheme, based on the non-contributory and means-tested, was

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<sup>141</sup> DHSS, Cmnd. 9518, para. 6.38.

... firstly introduced as a national pension scheme for the elderly (over 70). The first contributory old age pension without a means tests was introduced in 1926. In 1940, supplementary means-tested pensions were introduced as well.<sup>142</sup> However it is the Beveridge Report of 1942 on which the main framework of current insurance scheme is based.

Actually his plan for social security was essentially a plan of insurance. In return for contribution, benefits would be given as of right and without a means test.<sup>143</sup> However his proposal went through absolute modification. First of all, the transitional period of twenty years has not been kept on account of the pressure to provide a benefit on the full scale at once, and accordingly the pensions were financed purely on a pay-as-you-go basis by the end of 1950s.<sup>144</sup> Secondly, the principle of flat-rate contribution has changed to the earnings-related contributions by the National Insurance Act of 1959.<sup>145</sup> The importance of 1959 Act is laid on the fact that it recognised the role of the private sector in providing second tier pensions by allowing occupational pension schemes to 'contract out'.<sup>146</sup> Based on these amendments

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142 For brief explanations of the historical background of the provisions for retirement, refer to DHSS, Cmnd. 9518, para. 1.2 - para. 1.11.

143 DHSS, Cmnd. 9517, para. 2.6.

144 DHSS, Cmnd. 9518, para. 1.5.

145 Ibid., para. 1.6.

146 The 'contract out' was newly developed method that, 'if an employer could demonstrate that he offered employees pensions equivalent to the maximum available under the state graduated scheme, his employees did not have to join the state scheme'. See Ibid., para. 1.8.

and changes, the State Earnings-Related Pension Scheme (SERPS), which built an earnings-related pension onto the existing basic pension.<sup>147</sup>

However, the existing SERPS (before April 1988), underwent a siege on account of these following defects. According to the Reform of Social Security, first of all, the cost of the scheme is extremely high. The report projects that the spending on pensions which is £15.4 billion today will have reached £17.9 billion by 1993 and £45 billion by 2033, if basic pensions are uprated in line with prices.<sup>148</sup> Furthermore, the report indicates the increasing burden of the contributor that in 2035 the number of national insurance contributors paying for each pensioner's benefits will be 1.6 (now 2.3 per pensioner).<sup>149</sup> Besides, the scheme neglected the pensioners who retired before 1978, has done nothing to encourage the spread of the occupational pension cover, and most importantly, is remarkably expensive and badly targeted as a way of reducing reliance on supplementary benefit.<sup>150</sup>

Hence it is very evident that the SERPS should be changed, whether be it thoroughly abolished or modified. Meanwhile the government approaches this problem very deliberately by way of modifying it as follows:<sup>151</sup>

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147 *Ibid.*, para. 1.12.

148 The report projects that the spending on pensions which is £15.4 billion today will have reached £17.9 billion by 1993, ..., £45 billion by 2033, if basic pensions are uprated in line with prices. DHSS, Cmnd. 9517, para. 7.7

149 DHSS, Cmnd. 9691, para. 2.4.

150 DHSS, Cmnd. 9517, para. 7.7.

151 The White Paper clearly argues that it would modify the SERPS, rather than phasing it out to reduce the cost. DHSS, Cmnd. 9691, para. 2.13.

1. the state additional pension should be based on life time earnings,
2. occupational scheme contracted out of the state scheme should be responsible for increasing guaranteed minimum pensions after award in line with prices up to a maximum of 3 percent.
3. additional pensions will be calculated on the basis of 20 per cent of earnings, rather than 25 per cent.
4. the amount of state earnings-related pension that can be inherited by a spouse will be one half, rather than up to the full amount as now.<sup>152</sup>

Undoubtedly, the very central theme of modifying SERPS is held on the encouragement of occupational and personal pension scheme. To fulfil this purpose, the Government intends that various incentives for occupational and personal pension schemes be devised and introduced. Favourable tax for savings through pension schemes and contract out rebate are in force to increase the incentives for them.

#### (ii) Income Support

As has been examined previously, the complexity and ineffectiveness are the main reasons to introduce the new scheme. The Green Paper indicates the main problems of Supplementary Benefit as follows, 'first, it is too complex, second, the basic purpose of the scheme tends to be swamped by the extra addition to it, third, the scheme does not target resources to those who need help most as

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<sup>152</sup> *Ibid.*, para., 2.15.

effectively as it could'.<sup>153</sup> Hence it might be inevitable to replace the complex Supplementary Benefit with Income Support which can be as 'a non-contributory benefit, . . . , (which) is payable to anyone aged 18 (or in some circumstances 16) or over who has left school and is not in a remunerative (24 hours a week or more on average) work to the extent that their income and capital (if any) fall short of their requirements'.<sup>154</sup>

Undoubtedly, the Income Support appears to be the typical form of social assistance scheme in all respects. However, compared with other social assistance schemes, Income Support has a number of characteristics which are normally distinguished from them, especially from Supplementary Benefit. Firstly, in regard to personal allowances, only two variables, age and marital status, are taken into consideration to decide the amount of allowances. Thus the householder / non-householder distinction and the ordinary / long-term rate distinction are no longer applied in calculating the allowances. Secondly, in addition to personal allowances, premium is paid to specific groups, pensioners, disabled, and lone parents. This basic structure (personal allowance + one premium) of Income support is very effective to administer, and to direct resources to the people who have the greatest needs. Thirdly, Income Support generally proposes more generous eligibility. In terms of capital,

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153 DHSS, Cmnd. 9517, paras. 9.2., 9.3., and 9.4.

154 The Family Welfare Association, Guide to the Social Services 1990 (London: FWA, 1990), 78th ed., p. 143.

whereas those who had excess of £3,000 of capital of capital were not eligible to receive Supplementary Benefit, those who have below £6,000 of capital are now able to receive Income Support.

In the making of the main framework and the details of Income Support, we have come to draw attention to the fact that three principles (twin pillars, targeting, effectiveness) have thoroughly permeated to the objectives of income support in more detailed form.<sup>155</sup> In a broader fashion, the Income Support can be estimated as an advanced scheme of social assistance, for it is basically designed to align with computerisation, to direct resources to most needed people, and to encourage work-incentives of poor people. Its basic structures, main contents, and major orientations can be very good references to the building of social assistance in developing countries.

#### (ii) Family Credit

Family Credit which replaced Family Income Supplement from April 1988 is payable to the families with one or more children where at least one partner is working a minimum 24 hours a week.<sup>156</sup> As was examined previously, one of the fundamental aims of reform of social security

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155 Refer to the six objectives in the making of the Income Support. See, DHSS, Cmnd. 9518, para. 2.70.

156 The Family Credit is available to both the employed and the self-employed. The Family Welfare Association (1990), op. cit., p. 142.

is to direct resources to those who are in greatest needs. The Government clearly identified them with low-income families with children. In line with the Income Support which also takes attention to low-income families (who are normally out of work) with children, Family Credit purports to help 'those in work and to ensure that families on relatively low earnings are better off in work than when unemployed'.<sup>157</sup>

Generally the family whose net income is below a certain level of threshold (£57.60, 1990) is eligible to receive maximum credit. It is available only 26 weeks to increase work-incentives of low-income families. In terms of delivery system of the scheme, the Government planned to pay credit through the wage packet. However it has been criticised by the Social Security Advisory Committee and by feminists as well, on account of the fear that the children might suffer when the wage earner (who will usually be the father) would not pass the cash on to the mother.<sup>158</sup> Although wage-packet payment was primarily proposed to increase the coordination between the social security scheme and tax system, the Government decided to withdraw the original plan. Whereas it is one of the examples that original plans can be changed on account of public opinion. It would be very implicating to the process of welfare policy making in developing countries.

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157 DHSS, Cmnd. 9691 (White Paper), para. 3.65.

158 Ibid., para. 3.76.

### (iii) Housing Benefit

The reform of Housing Benefit is based on the independent Review Team's recommendations that the rules for the new income support scheme should be used to assess entitlement to housing benefit, households on income support, and all others on similar levels of income, should be able to get the maximum level of assistance with their eligible rent and rates and the local authorities should continue to administer the scheme but more comprehensive management control and information systems should be developed.<sup>159</sup> These recommendations are generally accepted by the Government and supported by most commentators.

Amongst them, the most salient features of the reform of Housing Benefit would be that assistance with rent and rate would be integrated within a coherent system of income-related benefits.<sup>160</sup> It was closely aligned to the principle of effectiveness, and also was widely supported by both recipients and staffs.

Meanwhile, in regard with practical assistance, it provides 'the same level of help with rent and rates for people at the same level of net income, regardless of whether or not a person is on income support',<sup>161</sup> For the

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159 Besides, the committee recommended a contribution toward the cost of domestic rate, simpler formula to be reduced for households above income support levels, and more comprehensive safeguards against excessive or unnecessary benefit expenditure. See Ibid., para. 3.45.

160 Ibid., para. 3.47.

161 The Family Welfare Association (1990), op. cit., pp. 148-9.



households whose income is above the certain level of amounts, 'maximum housing benefit is reduced by a percentage (a taper) applied to the amount by which net income exceeds the claimant's applicable amount'.<sup>162</sup>

#### (iv) Social Fund

The most fundamental change occasioned by the reform of social security would be, of course, a great simplification of administration. Undoubtedly this change would be more advantageous if it were to direct limited resources to those with greatest need, to increase effectiveness in administration, and to align the social security scheme with the technological advance of other sectors.

However there could be a group of people whose special needs has not been fully met by the simpler social security scheme. The more effective and simpler the social security would be, the more carefully and deliberately it prepare for all contingent cases.<sup>163</sup> In order to respond the special needs more effectively, the Social Fund is divided into two parts: the regulated payments which are Maternity, Funeral and Cold Weather Payments, and the discretionary payments, Community Care Grants for people on Income Support, Budgeting Loans and Crises Loans.<sup>164</sup>

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<sup>162</sup> Ibid., p. 149.

<sup>163</sup> Green Paper argues that 'it will be necessary to provide for the exceptional circumstances and emergencies faced by a minority of claimants and to help those who find difficulty in managing their resources and budgeting'. DHSS, Cmnd. 9517, para. 9.8.

<sup>164</sup> For more details of the these benefits refer to The Family Welfare Association, op. cit., pp. 122-25.

The Social Fund is administered locally by appointed officers (social fund officer) who receive training in the range of social security benefits, the functions and powers of other agencies, advice on financial and budgeting problems, and interview techniques.<sup>165</sup> They would focus for liaison with social services and social work department, health authorities and voluntary agencies.

### Concluding Remarks

It is fair to say that the Reform of Social Security is aligned to the recent ideological change in many respects. The commitments to 'self-reliance', 'work-incentives', and 'effectiveness' are strongly reflected into the changes of social security system. It is, of course, occasioned by the changes of the surroundings: the changes in politics.

In this regard, the recent changes of the British social security system exemplify how political ideas get turned into welfare policies. Thus, we could assume that the change of welfare policy is determined not only by the needs assessment for administrators, recipients and the public, but also by the ideological commitment of politics.

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<sup>165</sup> DHSS, Cmnd. 9691 (White Paper), para. 4.42.

## 2.2.2 Third World Welfare Systems

There have been numerous arguments and writings about the backward economies since the ages of discovery of the New Continent, although the term 'Third World' is of quite recent origin.

One of the pioneering discourses about the basic surroundings of these countries probably is the Hobson-Lenin thesis. Although they accord central importance on the idea that capital accumulation in the periphery was brought about in an attempt to resolve the inevitable failure of the capitalist system, there is sizable difference between the work of Lenin and that of Hobson. Whilst Hobson sees the periphery as markets for the commodities of the metropolis, Lenin argues that colonialisation should be seen as a profitable investment opportunities to alleviate the declining rate of profit in the metropolis.<sup>166</sup>

Irrespective of whether or not the thesis is sustainable in modern societies, it is fair to say that they widened the views of capital relation to international context. Moreover, no one would deny that the underlying theme of the thesis that centre countries assume dominant

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<sup>166</sup> Lenin modified his previous view that there would be eventually an equalisation of rates of profits between the metropolis and the periphery. In his later work he saw the Imperialism as a particular stage of capitalist development, and thus it should be seen as a combination of monopoly and colonialism. See, I. Roxborough, Theories of Underdevelopment (London: Macmillan, 1979), pp. 55-7.

control in shaping the course of periphery economies is of key importance in any further attempt to analyse Third World countries. In regard to this dependent situation, Jones succinctly argues that:

At least we (Western people) have been free to steer our own course, whether it is in the direction of balanced and equitable development or not. Many less developed countries are locked into a form of reciprocity with us in which their stagnation is a precondition for our progress.<sup>167</sup>

Although it still is a matter of debate whether their stagnation is a precondition of development of the Western economies or not, Jones' argument provides us with a good starting point for further discussion of Third World countries. Quite clearly, the point is that explanation for underdevelopment of these countries lies in large part with the historical fact that they could not shape the course of their economies in their own favour. Sharma and Rubin vividly describe this unequal relationship between North and South as follows:

A persistent complaint of the Third World nations has been that the current international economic institutions are weighted in favour of the developed countries of the North and that decision-making in these institutions has been controlled primarily by a few rich nations.<sup>168</sup>

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167 H. Jones, 'Some Factors in Third World Social Policy', Social Policy & Administration, 17:2 (1983), p. 107.

168 S. Sharma and G. K. Rubin, 'New International Economic Order: Some Premises and Bases of Social Welfare in the Third World Nations', Social Development Issues, 8 (1984), p. 127.

Most colonies were 'agriculturalised', rather than 'industrialised', under the full command of the interests of metropolis countries. To name a few examples, the Korean economy during the colonial period was designed to meet the demand of Japanese militarism; the agricultural sector of the Southern region remained to supply military rations. In India, existing textiles and ship-building was dismantled in order to prevent competition with Lancashire and the Clyde. Accordingly, the percent of the population in the agricultural sector of India increased from 61% in 1891 to 73% in 1921.<sup>169</sup>

Undoubtedly, colonialism was not specific to economic exploitation. Rather, it is fairer to say that the unequal economic relationship between the metropolis and the periphery was only one part of the colonial rule. It began with the cultural or religious superiority which led to the commitment that more civilised countries should spread and diffuse their civilisation to the primitive and barbarian countries. This commitment soon transformed into Social Darwinism that persistently keeps the faith in the doctrine of 'the survival of the fittest'. Implication of this doctrine is the idea that 'human beings could acquire the prerequisites of social development, not just via religious conversion, but through learning European ways'.<sup>170</sup>

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169 See, P. Worsley, The Third World: Culture and World Development (London: Weidenfeld and Nicolson, 1984), p. 16.

170 Ibid., pp. 16-7.

The post-war period widely witnessed the emergence of the newly independent nations which now constitute the Third World. Their political independence soon led to the optimistic views that they would achieve economic development in similar ways what European countries had done.<sup>171</sup> Rostow's work of The Stages of Economic Growth,<sup>172</sup> with its sensational subtitle, Non-Communist Manifesto, is a direct application of the Social Darwinism into the 'development' of developing countries. However, it is reasonable to say that the blueprint of the 'development' has rarely been realised in the Third World since then, and most importantly, their economic situations, after over forty years time of their independence, vary very widely.

In fact, the terminology of 'Third World'<sup>173</sup> inevitably conveys an over-simplistic impression. Moreover, recent changes in World politics such as the collapse of the Second World and the rapid advance of Newly Industrialising Countries (NICs) make the terminology less meaningful. Although the message of the North and South divi-

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171 Their optimism was reinforced by the fact that they now could control their natural resources according to their own interests. It soon developed to the 'natural resource nationalism' in Latin American countries.

172 W. W. Rostow, The Stages of Economic Growth: A Non-Communist Manifesto (Cambridge: Cambridge University Press, 1960). See also W. W. Rostow, The World Economy: History and Prospect (Austin: University of Texas Press, 1978).

173 In 1952, Alfred Sauvy named the term, the 'Third World', modelled on the Third Estate of the French Revolution. However it was not until the mid-60s that the term was generally used. Originally, it did not only refer to the newly independent countries, nor only to the poor countries, but to political entity that did not belong to either First World or Second World. See, N. Harris, The End of the Third World: Newly Industrialising Countries and the Decline of an Ideology (London: Penguin Books, 1987), p. 18.

sion still endures today, we have to take into consideration about the dangers of such dichotomy as well.

First of all, it is likely that such dichotomy usually puts us in danger of, so we call, 'tyranny of the whole over the part'. In the case of the North versus South dichotomy, there is no ground to identify one individual country with other developing countries since 'the nations which may be loosely described as developing vary enormously in their social and economic as well as their cultural and political characteristics'.<sup>174</sup>

Secondly, such a dichotomy usually disregard or underestimate the social, economic and political attitudes of the social forces of individual countries. Therefore, it 'fails to account for the fact that Third World elites, pursuing class interests, often adopt First World perspectives, and that a great many scholars and practitioners of development from the First World choose to identify with the nonelites of the Third World'.<sup>175</sup>

Thirdly, since the genesis of this way of thinking can be found in the ages of the crusades when the world was divided into two part, Christian Territory and non-Christian territory, the moral superiority of First World to its counterpart has been deeply rooted in North/South division. Thus, this static dichotomy view cannot explain

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174 M. Hardiman and J. Midgley, The Social Dimensions of Development (New York: John Wiley & Sons, 1982), p. 9.

175 J. K. Black, Development in Theory and Practice: Bridging the Gap (Oxford: West View, 1991), p. 23.

the changes of individual countries such as the rapid economic development of some Third World countries.

Quite simply, the broad similarities of Third World countries should not blind us to grasp the particular aspects of individual ones. It means that the specific historical background of the individual countries as well as their similarities should be taken into consideration, for any approach to Third World to be fruitful.

Meanwhile, it is widely accepted that one of imperative research fields imposed on the academic domain of the study of social policy is to probe deeply into the distinct features of welfare system in developing countries in general.

Originally, this research problem was raised by Howard Jones who argues that 'their (Western societies) generalisability has never been tested to the South'.<sup>176</sup> After he raised the question, several attempts have been made to explain the welfare system of developing countries on the context of within which it has developed and has been implemented. It is likely that they commonly call the application of general interpretations of Western welfare system to the welfare system in developing countries seriously into question.

To put it simply, their attempts have proved to present serious caveats to the initial idea that general interpretations can be applied to the welfare situation of developing countries. Accordingly, the next research

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176 H. Jones (1983), *op. cit.*, p. 106.



problem can be raised in relation with the question of 'what is the alternative approach to the study of welfare system in developing countries?' MacPherson claims that 'there is an urgent need for new approaches which break with the inappropriate legacy of past'.<sup>177</sup> Moreover, taking more emphasis on Asian NICs amongst them, Midgley argues that 'social policy in the Asian NICs is ... the consequences of a variety of casual events which are not accounted for by established theories'.<sup>178</sup>

It is in this regard that this section purports to provide general backgrounds to seek for an alternative approach to Third World welfare systems. For this purpose, it will describe general features of developing countries firstly, and duly discuss their 'state' and 'welfare'.

#### 2.2.2.1 General Features of the Third World Countries

A great number of scholars with different academic backgrounds and ideological preferences have tried to explain the basic surroundings of developing countries, and to provide the competent theoretical framework to generalise about the common features of the developing countries. They define the socio-economic political situations of

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177 S. MacPherson, 'Social Security in Developing Countries', Social Policy & Administration, 21:1 (1987), p. 3.

178 J. Midgley, 'Industrialisation and Welfare: the Case of the Four Little Tigers', Social Policy & Administration, 20:3 (Aut. 1986), p. 225. My emphasis.

the developing countries differently, not only because they came from different academic traditions but also because the developing countries vary in their characteristics and these countries are in the process of dynamic social changing. However there should be some common natures of developing countries, distinct from the advanced Western countries, and we will discuss them in terms of legacy of colonialism, population, poverty, natural resources, military burden and international politics.

### **Legacy of Colonialism**

It is commonly argued among the students of development studies that not only during the colonial period but also in the post-colonial period, the newly independent countries have come, directly or indirectly, voluntarily or involuntarily, into politico-economic contact with the colonial countries. In the post-independence phase, the economic, political and administrative vacuums resulting from the lack of capital, the backwardness of technology, and the vacancy of the personnel including administrators, educators and clergies, caused by the departure of colonial power, was tremendously detrimental to national development. In regard to the economic situation during the initial phase of independence, there has been no economic class with initiative which could steer the na-

tional economy toward development. Because the pre-capitalistic mode of production was prevalent during the colonial period, the indigenous capitalists were immature and , consequently, the working class was also very small. On the other hand, although a considerable number of agricultural labours were left in the rural sector, and the feudal class was able to exercise its political power, agricultural landlords and labours were not politically organised and economically united. Here, we can assume that the colonial forces were detrimental to national development even after the independence phase, not only because they created the socio-economic political vacuums but also because they destroyed the infrastructure of autonomous development during the colonial period.

In this situation, the newly independent countries had to establish economic relationship with the developed countries to pursue their national development. This economic relationship, unequal in most cases, was very crucial for the formation of the characteristics of developing countries because invested foreign capital demanded favourable conditions for capital accumulation from those countries. In addition, the penetration of foreign capital was generally accompanied by forms of cultural colonialism in order to secure their domination to the developing countries constantly.

Not only in the economic sphere, the legacy of colonialism has remained in the state and class structure of

developing countries after their independence. About the role of the state, Sobhan enucleates that 'in societies where the colonial bourgeois has completely overshadowed and even frustrated the growth of a national bourgeois, its withdrawal leads to a dramatic escalation in the role of the state sector'.<sup>179</sup> Accordingly, such writers as, Berch Berberoglu,<sup>180</sup> James Petras,<sup>181</sup> Hagen Koo,<sup>182</sup> Issa Shiviji,<sup>183</sup> Guillermo O'Donnell,<sup>184</sup> Fred Block<sup>185</sup> and Nora Hamilton<sup>186</sup> commonly emphasise the role of the state in the process of development in the Third World countries.

In addition, Berch Berberoglu lays more attention to the class structure of the Third World countries. He argues that 'the class structure of post/neo-colonial Third World social formations have this in common the presence of a small, weak and constantly threatened, national bourgeois ... the working class is also small ... there

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179 R. Sobhan, 'The Nature of the State and its Implications for the Development of Public Enterprises in Asia', Journal of Contemporary Asia, 9:4 (1979), 410-31.

180 B. Berberoglu, 'Toward a Theory of State Capitalist Development in the Third World', International Review of Modern Sociology, 9 (1979).

181 J. Petras, 'State Capitalism and the Third World', Journal of Contemporary Asia, 6:4 (1976), 432-43.

182 H. Koo, 'World system, Class, and State in Third World Development: Towards an Integrative Framework of Political Economy', Sociological Perspectives, 27:1 (Jan. 1984), 33-52.

183 I. G. Shivji, 'The State in the Dominated Social Formation of Africa: Some Theoretical Issues', International Social Science Journal, 32:4 (1980), 730-742.

184 G. O'Donnell, 'Comparative Historical Formations of the State Apparatus and Socio-Economic Change in the Third World', International Social Science Journal, 32:4 (1980), 717-729.

185 F. Block, 'Marxist Theories of the State in World System Analysis', in Social Change in the Capitalist World Economy, ed. by B. H. Kaplan (Beverly Hills: Sage Publications, 1978).

186 N. Hamilton, 'State Autonomy and Dependent Capitalism in Latin America', British Journal of Sociology, 32:3 (1981).

exists a large agricultural sector'.<sup>187</sup> Researches within this line of thinking generally begin with the historical analysis of the formations of the class structure during the colonial period and in the initial phase of independence, and extends to the sphere of the historical characteristics of the Third World countries.

### Population

Throughout history, the anxiety that the population growth might exceed the food supply has been deeply rooted. In Western countries, however, both the increase of food productivity by technical innovations of agricultural sector and the decline of population growth rate put an end to this anxiety. By contrast, most developing countries with few exceptions have difficulty feeding their population, mainly due to their high rate of population growth and the low productivity of food industry.

As is shown in the following, the majority of people is now living in the developing world and their portion of world population is growing very rapidly. Thus it is fair to say that their population problem is not specific to themselves any more. Truly, it has become a worldwide problem.

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187 B. Berberoglu (1979), op. cit.

<Table 2-3> Population and Average Annual Growth

Country group	Population (millions) 1991	Average Annual growth (percent)		
		1980-1990	1990-2000	2000-2030
Low and middle- income countries	4,226	2.0	1.9	1.4
High-income economies	821	0.6	0.5	0.2
World		1.7	1.6	1.2

Source: The World Bank, World Development Report 1992: Development and Environment (Oxford: Oxford University Press, 1992), p. 196.

In addition to the ever-expanding population of developing countries, their rapid urbanisation causes critical inner city problems such as housing, sanitation, pollution and so forth. In fact urbanisation was assumed as the prerequisite of and the natural course of capitalist development during the industrial revolution in Western countries. The city provided more jobs, chances and freedom for those who emancipated from the relation of production in feudalism. However, the urbanisation of developing countries is somewhat different because it is 'urbanisation without industrialisation'.<sup>188</sup> Two main components of the rapid urbanisation are the natural urban population growth and the internal migration.<sup>189</sup> Of the two, the latter merits a special attention, because it reflects the uneven development between rural and

188 See, P. Worsley (1984), *op. cit.*, Part III, 'The making of the working class'.

189 S. MacPherson, Social Policy in the Third World: The Social Dilemmas of Underdevelopment (Brighton: Wheatsheat, 1982), pp. 119-23.

urban area, which is very prevalent in developing world. However, we can and must propose optimistic view of this situation as well. A considerable number of people with low labour cost in urban area can be turned into a strong labour force, if jobs are allowed to them. It would increase the competitiveness especially in the labour intensive industries like textile, foot wear and so forth.

### Poverty

Yet behind this facade of population problem, we must see the poverty held central in any developing countries. Since the Second World War, economic development has been a paramount commitment to every Third World governments. It was widely reckoned to be a firm buttress for reducing poverty, political independence, and thus national prosperity. But the reality is that only a few nations has manifested considerable economic development. Most of them are still suffering from severe deprivation and, so we call, the vicious cycle of poverty.<sup>190</sup> What is worse, it seems highly questionable whether they would achieve solid economic growth in the near future.

However, as is shown in the following table, they are expected to have a better economic situation throughout

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190 It was estimated that more than one billion people in developing world lived in absolute poverty in 1985. The World Bank, World Development Report 1990: Poverty (Oxford: Oxford University Press, 1990), p. 24.

the nineties, although it would be different region to region in developing world.

<Table 2-4> Annual Growth of GDP per Capita (percent)

Group	1973-80	1980-89	1990s*
Industrial countries	2.3	2.3	1.8-2.5
Developing countries	2.5	1.6	2.2-2.9
Sub-Saharan Africa	0.4	-1.2	0.3-0.5
East Asia	4.9	6.2	4.2-5.3
South Asia	1.7	3.0	2.1-2.6
Europe, Middle East, and North Africa	1.9	0.4	1.4-1.8
Latin America and Caribbean	2.5	-0.4	1.3-2.0

\* Projections

Source: The World Bank, World Development Report 1991: The Challenge of Development (Oxford: Oxford University Press, 1991), p. 3.

As well, they show diverging performances of reducing poverty region to region according to their economic development. Whilst some rapidly developing region such as East Asia is estimated to achieve considerable reduction in poverty until the end of this century, the poverty of other region like Sub-Saharan Africa, South Asia, Middle East, North Africa, Latin America and Caribbean are projected to rise or to be still high, as is shown in the following table.



<Table 2-5> Poverty in 2000 by Region

Region	Incident of poverty*		Number of poor	
	1985	2000	1985	2000
Sub-Saharan Africa	46.8	43.1	180	265
East Asia	20.4	4.0	280	70
China	20.0	2.9	210	35
South Asia	50.9	26.0	525	365
India	55.0	25.4	420	255
Eastern Europe	7.8	7.9	5	5
Middle East, N. Africa and other Europe	31.0	22.6	60	60
Latin America and the Caribbean	19.1	11.4	75	60
Total	32.7	18.0	1,125	825

\* the share of the population below the poverty line, which is set at \$370 annual income.

Source: The World Bank, World Development Report 1990: Poverty (Oxford: Oxford University Press, 1990), p. 139.

Being faced with widespread poverty in developing world, the World Bank report strongly recommends two interrelated strategies for reducing poverty in this region:

The first element is to promote the productive use of the poor's most abundant asset - labour. It calls for policies that harness market incentives, social and political institutions, infrastructure, and technology to that end. The second is to provide basic social services to the poor. Primary

health care, family planning, nutrition, and primary education are especially important.<sup>191</sup>

The report emphasises the interdependence of the two strategies, and exemplifies two contrast cases; Brazil and Parkistan, and Sri Lanka. In the former countries, although economic growth has raised the income of the poor, they cannot take full advantage of economic opportunities, because of its insufficient social services such as health and education. By contrast, the latter country, although it has a long tradition of social services, the poor have lack of economic opportunity, mainly due to the slow economic growth.<sup>192</sup>

There is no doubt that these two strategies are of key importance in any attempt to economic development of developing countries. It should be denoted, however, that the strategy does not by itself makes them prosperous. These strategies should be transformed into a more substantial reality. Thus we have to explain how they should be turned into practical policy and what sort of measures should be designed to implement that policy.

### **Natural Resources**

In spite of successful industrialisation of a few Third World countries, most of them still rest heavily on their natural resources as a main source of income. Truly,

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191 Ibid., p. 3.

192 Ibid., p. 3.

natural resources have been a prerequisite for the economic prosperity of the industrial First World countries, and thus they have kept a strong relationship with the developing countries that have abundant natural resources since the colonial ages.

Webster attempts to divide three groups of countries according to the natural resources they produce. Latin American countries with the temperate agricultural economies fall to the first group. They were highly commercialised by the European business since the last century. Secondly, there are tropical economies which were highly exploited by the Europeans to provide some tropical products like sugar, coffee and rubber. Finally, and perhaps most importantly, there are some economies which merit a keen interest of the First World countries, because of their mineral resources which, vital to any industrial production.<sup>193</sup>

However, it is apparent that some countries with least natural resources like East Asian countries have manifested successful industrialisation, whereas other economies with abundant natural resources have failed to industrialise themselves. It gives us a clue about the driving forces of economic development within a given context.

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193 See A. Webster, Introduction to the Sociology of Development, 2nd edn (London: Macmillan, 1990), pp. 25-6.

## Military Burden

There is a group of writers who try to approach Third World societies with respect to the military burden. Among others, Peter Hess,<sup>194</sup> Emile Benoit,<sup>195</sup> Basudeb Biswas and Rati Ram,<sup>196</sup> David Lim,<sup>197</sup> and Peter Frederickson and Robert Looney<sup>198</sup> commonly examine the relationship between the socio-economic development and the military burden of developing countries. Peter Hess argue that 'real national income per capita in the developing nations has roughly doubled over the past quarter century, however real per capita military expenditure has tripled'.<sup>199</sup> Although the military burden of the individual country largely depends on the military situation surrounding it, this general feature of the military burden of the developing countries is much suggestive of the economic relationship between the developed countries and developing countries as well as the military relationship between them.

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194 P. Hess, 'The Military Burden, Economic Growth, and the Human Suffering Index: Evidence from the LDCs', Cambridge Journal of Economics, 13 (1989), 497-515.

195 E. Benoit, 'Growth and Defense in Developing Countries', Economic Development and Cultural Change, 26:2 (1978), 271-80.

196 B. Biswas and R. Ram, 'Military Expenditures and Economic Growth in Less Developed Countries: An Augmented Model and Further Evidence', Economic Development and Cultural Change, 34:2 (1986), 361-72.

197 D. Lim, 'Another Look at Growth and Defense in Less Developed Countries', Economic Development and Cultural Change, 31 (1983), 377-84.

198 P. C. Frederickson and R. E. Looney, 'Defense Expenditures and Economic Growth in Developing Countries: Some Further Empirical Evidence', Journal of Economic Development, 7 (1982), 113-26.

199 P. Hess (1989), op. cit., p. 497.

The following table shows defense expenditure of developing countries in comparison with the two super power bloc.

<Table 2-6> Defense Expenditure, 1987

	Total defense spending (billion,\$)	Defense spending as share of central govern- ment budget (%)	Defense spending as share of GNP (%)
NATO	446.6	15.6	4.9
Warsaw Pact	364.5	36.5	10.8
Developing countries	172.8	19.2	5.1

Source: The World Bank, World Development Report 1990: Poverty (Oxford: Oxford University Press, 1990), p. 17.

It seems clear that the greatest economic benefit of the increasing military burden of the developing countries falls to the developed countries. It is widely accepted that where, in developing countries, other classes or social organisations are relatively weak, military organisations enter the political stage with hierarchical and well-organised forces. Hence the position of the military forces in developing countries provides us with a valuable way in which to understand the characteristics of developing countries. This subject worths being examining in terms of the study of the social welfare system since the military expenditure of the developing coun-

tries is frequently in conflict with the welfare expenditure of these countries.

### **International Politics**

In contrast to the poor economic performance of developing world since the Second World War, it is noteworthy that they have persistently increased their political power in the international politics. Although not widely recognised, it was the Afro-Asian grouping of the 1950s that inspired Third World countries to seek for a third way, independence from either USA or USSR. Accordingly, it proclaimed the anti-colonialism for their political independence and the solidarity between the 'proletarian nations' in opposition to the developed countries.<sup>200</sup>

Under the present one nation-one vote system of United Nations, their political power has enlarged and what is more, it seems that it would be more and more important in the world politics after the collapse of the Second World. However it is also highly questionable whether they would unite against developed countries because they have different historical experiences, different level and patterns of economies, different political ideology and thus different interests.

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200 For more details, refer to P. Worsley (1984), op. cit., pp. 306-22.

#### 2.2.2.2 'State' and 'Welfare' in Third World Countries

It is widely accepted by students of development studies that the main problem or dilemma in the process of industrialisation of developing countries lies in the fact that socio-economic conditions for industrialisation must be created very rapidly by the intervention of the state within a given context.

Industrialisation proper does not simply refer to growth of the economic sector, nor is easily made by simple political intervention. Rather, it obviously reflects the long and winding road of technological development which made the substitution of inanimate for animate source of power possible,<sup>201</sup> political enlightenment, bureaucratisation and overall rationalisation.

In Western societies, it has proceeded on the basis of the ideology relevant for capital accumulation, the fully-arranged infrastructure, the affluent supply of human and natural resources from both home and abroad, and probably, most importantly, the piecemeal enlargement of civil society. Of the ideological terms of those rapidly industrialising era, the tenet that any political intervention in economic sector would inevitably bring irra-

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201 Here the technological development for the industrial revolution implies two interrelated terms; machine technology and social technology. For further debates, see R. A. Peterson, The Industrial Order and Social Policy (New Jersey: Prentice Hall, 1973), Chapter II.

tionality, ineffectiveness, and thus immorality has firmly based throughout the process of industrialisation. It surely can be named as the ages of 'laissez-faire'.

However, it should be pointed out that no theory or ideological tenet can escape from the socio-political context to which it belongs. Undoubtedly, the aforementioned tenet, which might provide the ideological ground for industrialisation, has no longer been justified as a solid ideology in the socio-economic situation of developing countries, both in theory and in practice.

Roles and tasks imposed on the Third World states, especially in the initial phase of industrialisation, are very huge and wide-ranged, from the enlightening of pre-modern attitudes and minds of people to the establishment of the relevant industrial infrastructures such as transportations, communications, harbours, and so forth. In this regard, Tlemcani clearly defines the roles of the states in the industrialisation of developing countries as follows:

There is no sector of the reproduction of social life (in the post-colonial society) where the state does not intervene either directly or indirectly. It acts as a lawmaker, investor, planner, importer, exporter, manager, owner, judge and police officer. The state in post-colonial society is everything.<sup>202</sup>

According to the above paragraph, we can presume that the role of the state in the process of welfarisation of

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202 R. Tlemcani, State and Revolution in Algeria (London: Zed Books, 1986), p. 13.



developing countries might be somewhat similar to that of industrialisation of developing countries, because the 'state in post-colonial society is everything'.

However, no one would say definitely that the role of the state in welfarisation could be identified with that of industrialisation in those societies. Even when we agree to the view that the role of the state is dominant in every sector, and thus it has taken a supreme role in welfarisation, we have to be more cautious about the danger of 'reductionism' which explains the genesis of all social phenomena by reducing to the state activities. In fact, we cannot grasp welfare state development of these countries simply by accepting this view, without scrutinizing why, how and to what extent the state has played in a given context.

### **The State in Developing Countries**

According to the classical interpretations of Marx and Engels, the state is defined as the 'instrument' of the dominant class, main function of which is to stabilise the class antagonism. However it is clear that this classical notion of the state has a profound limitation in explaining the various political activities, which may be appeared to transcend the interest of dominant class, of the modern state. Hence certain writers on the state

generally tend to focus their academic quest on the autonomy of the state which is well defined by Nora Hamilton as 'the freedom of the state from direct and indirect control by dominant economic classes and ultimately from structural constraints'.<sup>203</sup>

However their research into the autonomy of the state is generally based on the basic formula of Marx and Engels. According to this formula, the state can be understood as a political entity (a form of the superstructure), which is, or should be, duly corresponding to the particular stage of the civil society (economic foundation). Hence it is generally accepted by many writers that the autonomy of the state can usually be derived from the interrelationship (or dialectic synthesis) between the state and the civil society.

With respect to the historical background of the emergence of the state, with a few exceptions, the dominant economic class in the civil society took a decisive role in the formation of the state apparatus. In this process, we can assume that the politico-economic interest of dominant class naturally permeated the state apparatus. It is in this regard that the autonomy of the state is described as the 'relative'. So, briefly, even though the state has an autonomy in the political sphere, largely because its main role is to organise the political unity of the segments of the ruling classes, and to discourage the political organisation of the working

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203 N. Hamilton (1981), *op. cit.*, p. 305.

class, 'state managers may pursue their own interests only to the extent that these do not conflict with those of the dominant class or threaten the existing social structure'.<sup>204</sup>

With respect to the political situation of developing countries, the autonomy of the state can be explained in a somewhat different way, both in the internal class structures and the external (or international) politico-economic environment. In terms of the internal class structures the political situation of developing countries was generally characterised by the confused mixture of a number of economically and politically immature classes. In this situation, the state emerged as a form of alliance of various economic classes. As Berch Berberoglu argues 'within the neo-colonial framework in post-colonial states, the state is controlled by a coalition of political parties (or a single party) that represent(s) the class interests of the comprador bourgeois, the feudal landlord class, and the metropolitan imperial bourgeois'.<sup>205</sup>

In this political context in which there is no dominant class, we can find the possibility of the autonomy of the state. As well, it is widely recognised that one of the most favourable conditions can be found in the economic situation in which a given economy contains more than one mode of production, and, consequentially, in the politi-

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204 Ibid., p. 308.

205 B. Berberoglu (1979), op. cit., p. 20.

cal situation in which a number of classes are in conflict with one another. This notion is based on Marx's analysis of Bonapartism, which provided a clue in the study of the relative autonomy of the state.

On the other hand we can abstract the characteristics of the developing countries from the modes of the invested foreign capital and the implanted foreign culture. It is clear that the external politico-economic environment surrounded with those countries has an crucial effect on the autonomy of the state. Here we can define the autonomous function of the Third World state as the state capacity to regulate the political intervention of the domestic classes, and to independently negotiate the conditions of the capital investment with the multinational corporations.

A wealth of evidence suggests that one of the most favourable conditions for the autonomy of the state emerges 'during periods of metropolitan global economic crises (such as during severe depressions), world wars, and international catastrophes, where metropolitan powers become adversely affected'.<sup>206</sup> In relation to this favourable situation for the state autonomy, Nora Hamilton argues that 'it was during the populist period of the 1930s and 1940s that certain Latin American states probably came closest to structural autonomy in the sense of freedom from external constraints and pressures by for-

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206 *Ibid.*, p. 21; A. G. Frank, *Capitalism and Underdevelopment in Latin America* (New York: Monthly Review Press, 1969).

foreign capital and internal dominant classes'.<sup>207</sup> During this period, the nation state can independently establish the development strategies suitable for its own historical background. In addition to both conditions favourable for the autonomy of the state, 'there is a historical condition that is related to a strong state bureaucracy in those Third World countries that had colonial experiences'.<sup>208</sup>

However we raise the question whether Third World countries, if necessary, can act not only against the domestic classes but also against the foreign capital. A great number of the writers commonly indicate the limitations of the autonomy of the state in the Third World countries. Among them, Hagen Koo argues that 'if the peripheral state ignores this requirement to maintain a certain level of business confidence or a favourable business climate to attract continuous foreign investment], and act against the interest of international capital, then it is not just the centre capitalists but also the centre state that will take certain measures to bring this recalcitrant state back in line'.<sup>209</sup> Thus we cannot definitely assume that the Third World state is able to enjoy full structural autonomy, because it was created in the context of dependence on developed countries.

What is at issue on this debate of 'relative autonomy' of the state in developing countries is whether the state

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207 N. Hamilton (1981), *op. cit.*, p. 315.

208 H. Koo (1984), *op. cit.*, p. 43.

209 *Ibid.*, p. 45

could realise social reform measures including welfarisation, which seems to be in conflict with the interests of either foreign capital or domestic capitalist. Furthermore, if so, there still remains a question of whether the state is fully independent so as to decide the timing of welfare adoption and the kind and level of welfare benefit.<sup>210</sup>

With regard with this subject, Duvall and Freeman's theme of 'entrepreneurial state' is of quite importance because of its befitting implication on the newly industrialising countries. They argue that the following are the main features of the entrepreneurial state:

- (1) state ownership of noninfrastructure enterprises.
- (2) the relative importance of capitalist performance criteria.
- (3) the extensive commitment to capitalism.<sup>211</sup>

The patterns of the capitalist development of South Korea, for example, are duly in accordance with the three features of the entrepreneurial state; there have been widespread state ownership of productive sector like steel industry,<sup>212</sup> a strong mission to achieve the economic development plan, proposed by the government, and comprehensive measures to strengthen the capitalist value.

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210 This issue is not necessarily specific to welfare system. It can be widely applied to any social legislations, designed and implemented by the state.

211 R. D. Duvall and J. R. Freeman, 'The State and Dependent Capitalism', International Studies Quarterly, 25 (1981), p. 105.

212 POSCO, for example.

The point however is whether 'the extensive commitment to capitalism' is in conflict with the welfare state development of some developing countries where political elites 'have consistently affirmed their faith in the virtues of free enterprise, self-reliance and hard work and frequently declared an aversion to welfarism'.<sup>213</sup>

In sum, for any research into the state policy of dependent capitalism to be fruitful, it is necessary to probe into 'the interaction of enduring structure of (dependent) capitalism and the particular historical situation in shaping the nature and role of the (dependent) state, its relative autonomy'.<sup>214</sup>

### **Advantages and Disadvantages of Third World Welfare System**

There have been both advantages and disadvantages for the Third World countries to establish, manage, and sometimes expand welfare system, compared with the developed countries. As far as the welfare situation of developing countries are concerned, there are three prominent disadvantages for the making of the Welfare State.

Firstly, the negative aspects of the welfare state including low work-incentives, low independence of recipients, economic recession have been excessively emphasized

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213 J. Midgley (1986), *op. cit.*, p. 243.

214 R. D. Duvall and J. R. Freeman (1981), *op. cit.*, p. 102.

by the Government and ruling class who commonly disagree to the overall welfarisation, in order to stir up the public opinion that the welfarisation necessarily brings economic drawbacks. True, those negative aspects of the Western Societies are just the by-products of those societies in a particular historical context. Thus there is no logical and empirical ground that those negative aspect would emerge in the Third World countries.

Secondly, people are apt to be in excessive anticipation of 'welfare' that the welfarisation would bring the whole removal of the social problems. As noted previously, the welfare system is not designed to solve social problems, but to soften or alleviate them within its financial and political capacity to manage.

Thirdly and lastly, when the forms and techniques of welfare system developed in the Western Countries are imported in the Third World Countries without any deliberate consideration about relevance, it would also bring about the technological dependency. The welfare experts and technocrats educated in the Western Countries, intentionally or unintentionally, are likely to adopt the Western-typed welfare system and techniques based on the Western value system in the welfare field of the Third World Countries.<sup>215</sup> It evidently detrimental to the development of indigenous welfare systems.<sup>216</sup> As well, it

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215 See, J. Midgley (1981), *op. cit.*

216 For debates of 'indigenisation' of Third World welfare systems, refer, for example, to D. B. Lasan, '"Indigenisation" with a Purpose', *International Social Work*, 18:1 (1975), 24-6; R. P. Resnick, 'Conscientisation: An Indigenous Approach to International Social Work', *International Social Work*, 19:1 (1976), 21-9; R. G. Walton and M. M. Abo



would result in fiasco, when they adopt inappropriate Western welfare policies, as is indicated by Midgley as follows:

Even more dubious is the tendency to assume that the social policies of the industrial societies can be readily replicated. There are many examples of the disastrous consequences of adopting inappropriate Western social welfare policies in the Third World. Solutions that may be workable in one society may not be effective in another and, in any case, impede the discovery of authentic, endogenous responses to social problems.<sup>217</sup>

It should be pointed out, however, that these adopted Western system and techniques would contribute to the development of welfare system, both in quality and quantity, in the Third World Countries at least if they are relevant to the historical context of individual countries. It is the reality that many welfare experts, educated mainly in United States, of developing countries are tending to take more emphasis on the intra-psychiatric social work, whilst most of people are suffering from severe starvation. It surely would gloss over the acute social problems of those countries.

Thus, when accepting the Western-typed welfare systems and techniques, they should be modified in accordance with the peculiar situations of individual developing countries.

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El Nasr, 'The Indigenisation and Authentisation of Social Work in Egypt', Community Development Journal, 23:3 (1988), 148-55.

217 J. Midgley, 'Approaches to the Study of Third World Social Policy', Journal of International and Comparative Social Welfare, 1:2 (1985), p. 49.

It is needless to say that there are plenty of advantages for late-developing countries in the making of welfare state. First of all, welfare experts or planner of those countries can be more aware of the foreseeable social illness occasioned by industrialisation, and thus they can be more deliberately ready for it. Lee argues about this advantage in her research into the Japanese Welfare system of the early twentieth century as follows:

For many enlightened bureaucrat-intellectuals who were fully aware of the advantages of a late-developing country, the Western experience served as a kind of early warning system alerting them to oncoming dangers of social disruption.<sup>218</sup>

Thus we can assume that they could systematically prepare for the foreseeable social problems such as crime, unemployment, inequality and so forth.

Secondly and consequently, they can adopt the advanced forms and technologies of the Western welfare system, which considered to be relevant to the situation of developing countries. It surely provides them more opportunities to make use.

Thirdly, they also can prepare for the foreseeable negative aspects borne out by welfarisation. The Western experience connotes that the overall welfarisation might bring about the low work incentives, high dependency on

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218 Hye Kyung Lee, 'The Japanese Welfare State in Transition', in Modern Welfare States: A Comparative View of Trends and Prospects, ed. by Robert R. Friedmann and others (New York: New York Univ. Press, 1987), p. 246.

the state, and high public expenditure on welfare sector, which, at least partly, results in the economic recession

In conclusion, it can not be too careful in employing the Western-typed welfare system particularly, and in realizing the lessons from them generally. The Chilean failure of economic development, directly carried out by the 'Chicago Boys', composed of the faithful followers of the Chicago School of Economics, clearly exemplifies the importance of the independent development, and alerts Third World countries to dangers of 'technical dependency'. They are not the experiment centre for testifying the advanced Western theories, nor are they the recipients of favourable provisions from developed countries.

Furthermore, it should be pointed out that the Chilean failure is not confined to the Latin American countries, nor is limited solely to economic development. The legacy of colonialism has been deeply rooted and widely spread in all sectors of the post-colonial countries. In fact, it is very hard to deny the influence of developed countries over developing countries both in theory and in practice. Thus the main point is 'how to deliberately adopt the Western welfare system, and how to keep the balance between the indigenous factor and the foreign one, without impairing independence?'

In accordance with this line of argument, the next section deals with some Third World welfare strategies; Basic Needs Approach and the Welfarisation under new in-

ternational economic order, in order to probe into the possibilities of applying them into the Third World countries in general and the East Asian NICs in particular.

### **Third World welfare strategies**

Examined previously, we need an alternative approach, which would provide a more balanced views to the study of welfare systems in developing countries, and which hopefully would widen the options of the Third World welfare strategy as well as of the discipline. In this regard, the following principles, proposed by Jones, would endow a good guide-line for the Third World welfare systems.

1. Poverty is the central problem.
2. The various aspects of poverty interact.
3. The underdevelopment of Third World countries is the main cause of poverty.
4. Social welfare provision can make its own substantial contribution to economic growth.
5. The emphasis on growth must not be allowed to obscure the importance for policy of non-economic objectives.
6. Both economic and social welfare policy must be appropriate to local economic circumstances, but also to a country's cultural, geographical and demographic circumstances.
7. The most valuable indigenous social welfare resources available to the underdeveloped country is the traditional system of mutual aid based on the family.<sup>219</sup>

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219 H. Jones, Social Welfare in Third World Development (London: Macmillan Education, 1990), pp. 2-3.

Meanwhile, it is widely recognised that the main dilemma with which Third World regimes face is placed on the fact that they have to encourage economic development, on the one hand, and have to introduce and expand welfare system in order to soften the ever-lasting social conflicts, on the other hand.

Although it still is a matter of debate whether welfareisation is in conflict with economic growth, many Third World regimes usually give priority to making a big pie rather than distributing it to the population. However there has been an argument for those interested in Third World development that economic growth does not have to be at the expense of the welfare of the people.

Now it becomes more evident that the alternative approach, developed in accordance with the above argument, has to be devised as a main framework to the development of Third World welfare system. Basic needs approach, strongly recommended by international agencies such as ILO and World Bank, can be understood as one of these alternatives to solve the dilemma of developing countries in regard to welfare and economic development.

It is widely accepted that the basic needs approach began with scepticism about the previous development strategies of developing countries. Ricardo Lagos clearly explains the background of the emergence of this approach as follows; 'the wide recognition of the failure of economic growth has led to new questions being asked and to proposals for new strategies which would take

other objectives as their central aim'.<sup>220</sup> In addition, France Stewart argues, 'the basic needs approach to development is a response to the shortcomings of policies concentrated on economic growth; it focuses directly on improving the conditions of life of poor people - in particular on their need for essential goods and services'.<sup>221</sup> Thus it can be largely estimated that it 'shifts from the goal of output maximisation to poverty minimisation'.<sup>222</sup>

Put simply, a basic needs approach raises the question of the existing economic growth strategy which is largely based on the misleading assumptions: firstly that 'economic growth would spread its benefits widely and speedily', secondly, that 'governments are democratic, or at any rate are concerned with the fate of the poor', and finally, that 'the fate of the poor should not be a concern in the early stages of development'.<sup>223</sup>

Now 'what is basic needs approach?' and 'how can it be effectively performed?' To answer the first question, we may return to the basic aim of development. Undoubtedly, the basic aim of development is to improve the level of living conditions of all members of a society. It is in this regard that it directly pays attention to

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220 R. Lagos, 'Introduction: the Satisfaction of Basic Needs as a Development Strategy' in In Search of Equity: mimeo., p. 1.

221 F. Stewart, 'Country Experience in Providing for Basic Needs', Finance & Development, 16:4 (Dec. 1979), p. 23.

222 N. L. Hicks, 'Growth vs Basic Needs: Is There a Trade-off?', World Development, 7 (1979), p. 985.

223 P. Streeten, First Things First: Meeting Basic Human Needs in the Developing Countries (Oxford: Oxford University Press, 1981), p. 9.

providing the basic needs such as 'education, basic health, nutrition, water and sanitation, and shelter',<sup>224</sup> with varying degrees from country to country, in order to 'increase and redistribute production so as to eradicate deprivation that arises from lack of basic goods and services'.<sup>225</sup> As Paul Streeten argues, 'while there is virtually universal agreement on the objective, there is much disagreement on its precise interpretation and on the most effective way of achieving it'.<sup>226</sup>

This debate is closely related to the second question, 'how can it be effectively performed?' Actually, 'the differentiating and difficult problems of the basic needs approach are, probably, neither conceptual (how do we define and what are basic needs?) nor narrowly economic, financial and fiscal (what are the resources required to meet them?) but are those of access and deliver'.<sup>227</sup> It is true, compared with the previous development strategies such as 'economic growth strategy' and 'employment and redistribution strategy', basic needs approach suggests more concrete objectives, builds upon the experience gained in the past, and carries it a step further.<sup>228</sup>

However, there have been several criticisms on basic needs approach. According to Hicks, the criticisms on ba-

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224 S. J. Burki, 'Social Priorities for Meeting Basic Needs', Finance & Development, 17:1 (March 1980), p. 18.

225 P. Streeten and S. J. Burki, 'Basic Needs: Some Issues', World Development, 6:3 (1978), p. 413.

226 Paul Streeten (1981), op. cit., p. 8.

227 P. Streeten and S. J. Burki (1978), op. cit., p. 414.

228 See, ibid., p. 412.

basic needs approach which directly provides for basic needs can be divided into two contentions as follows:

First, transfers of essential goods and services result in increasing the consumption level of the poor at the cost of eventually reducing the net level of investment and saving in the economy and therefore the welfare of everybody. Second, the poor would be better provided for in the long run through the higher incomes realized by greater overall investment under a more conventional, growth-oriented development strategy.<sup>229</sup>

Moreover, many local leaders of developing countries tend to suspect that 'the stress on basic needs will be used to deny assistance them for infrastructure, modernisation, or industrialisation, ... , may be used by the developed countries to divert attention from the North-South dialogue on the New International Economic Order'<sup>230</sup> In addition, Hardiman and Midgley, in their criticisms on unified approaches including basic needs strategy, argue that 'they (unified approaches) gave little practical guidance to planning organisations concerning the implementation of this new approach ... , provides no guidance on the training requirements, deployment and professional responsibilities of planners concerned with social welfare issues'.<sup>231</sup>

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229 N. L. Hicks, 'Is There a Trade-off Between Growth and Basic Needs?', Finance & Development, 17:2 (June 1980), p. 18.

230 M. Haq, 'An International Perspective on Basic Needs', Finance & Development, 17:3 (Sep. 1980), p. 33.

231 M. Hardiman and J Midgley (1982), op. cit., p. 21.



However, they also suggest the possibility of utilizing the social welfare methodologies for meeting basic needs as follows:

it is not difficult to reconcile these apparently antagonistic approaches (social planning approach including social policy and unified approach including basic needs approach) by reaching the obvious conclusion that they should be viewed as complementary.<sup>232</sup>

As has been indicated previously, the tasks, with which basic needs approach face, are the strategies of 'how to access' and 'how to deliver'. Here we can find the ways of applying social welfare methodologies for meeting basic needs, especially in the case of welfare system in developing countries.

As was examined previously, basic needs approach can be defined as a development strategy which is basically designed for meeting basic needs, such as education, public health, sanitation, water and shelter, through public efforts. Therefore its main strategical aims are placed on the increase of living conditions of the poor, which in the long run contribute to the development of national productivity.

In this sense, it is likely that the aforementioned dilemma of social welfare with which Third World regimes face, at least in appearance, would be lessened, when the basic needs approach can be successfully incorporated

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<sup>232</sup> Ibid., pp. 21-2.

with the social welfare methodologies. Proponents of basic needs approach commonly indicate that the practical targets to meet basic needs have to be devised and implemented on the basis of the specific national situations. "

Like any other social programs, the success of basic needs approach largely depends upon the questions of 'how skilfully can it be designed for meeting needs?', 'how deliberately can it be incorporated with other existing social programs?', and 'how strategically can it be oriented forward national development?'

Whereas the basic needs approach proposes rather optimistic views on the development of Third World nations based on functionalism, the other approach strongly presents the view that promoting economic and social welfare in these countries is impossible under the existing international order.

The present international economic order is best described as the 'Bretton Woods System', of which main economic institutions are the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the General Agreement of Tariffs and Trade (GATT).<sup>233</sup> Accordingly the Third World coun-

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233 The Bretton Woods system was formed in an attempt to promote the stability of international economic order under the full commands of the Allied Nations in 1944.

The following are the main purposes of these three institutions:

(1) IMF - 'to stabilize the international monetary system through a system of fixed exchange rate'.

(2) IBRD - 'to promote free flow of capital, goods and services among the participants of the conference'.

(3) GATT - 'to promote a supportive system of tariffs on goods and products flowing among the Allied Powers'. See S. Sharma and G. Rubin (1984), op. cit., pp. 126-7.

tries commonly launched ambitious economic development plans in the hope that they could derive much benefit from the post-war international trade order, and thus, that they could exercise their economic and political influence to international organisations and developed countries. As a natural course they have become heavily more and more dependent on this Bretton Woods system since it was created in 1944.

Yet there is a wealth of evidence to indicate that the economic and social development gap between the North developed countries and the South developing ones remains very large, and what is worse, it does not seem to be narrowing in the foreseeable future. Moreover, they come to recognise that the development aid and strategy delivered by the advanced countries were sporadic and short-ranged.<sup>234</sup> Their expectation to develop their nations in combining the 'welfare' and 'economic development' has been very far from realisation.

Hence they commonly called the existing international trade order seriously into question that it, implicitly and explicitly, obliged them to conform to the interests of few rich countries. It was widely recognised amongst the Third World countries that these international economic institutions 'encouraged and promoted further international economic, technological, and political gaps,

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234 S. Sharma and G. Rubin, 'International Economic Order, the NIEO Debate, and the Third World Nations', Social Development Issues, 9:3 (Winter 1985), p. 19.

and exacerbated the domestic and international problems of Third World nations'.<sup>235</sup>

Seen in this light, it is not surprising that they claimed the new international economic order, which is succinctly described as follows:

The term in fact has three general connotations: that there is something fundamentally wrong with the existing system of international economic relations, ... ; that something wrong can be blamed on the past and present policies of the Western advanced countries, ...; that the proposed change in the international order requires a massive shift of international political power from the major countries to the voting Assembly of the United Nations.<sup>236</sup>

In 1974, Third World nations obtained a United Nations resolution to create a New International Economic Order (NIEO) mainly led by OPEC countries, and the prospect of their economic and social development seemed to loom. However, the response of the counterpart of NIEO, advanced countries, was not much co-operative at all, blaming the lag of Third World economies to their domestic problems such as lack of infrastructure and of managing resources.<sup>237</sup>

When faced with this unfavourable international economic situations for economic and social welfare development, proponents of NIEO commonly accord central importance to the international welfare advocacy, which is in

235 Ibid., p. 19.

236 H. G. Johnson, 'The new International Economic Order' in The First World & The Three World: Essays on the New International Economic Order, ed. by K. Brunner (New York: University of Rochester Policy Centre Publications, 1978), p. 81.

237 S. Sharma and G. Rubin (1985), op. cit., p. 20.

favour of Third World nations. Since 1964, such international agency as the United Nations Conference on Trade and Development (UNICAD) and the United Nations General Assembly have provided them with political platforms from which to promote their own welfare.<sup>238</sup> Although it still is dubious whether these agencies would change and reorient the existing international economic order for their favour, it is necessary to continue to use them.<sup>239</sup>

Above all, it seems clear that the unity between the developing countries is of particular importance, mainly because it is the prerequisite of the effective exercise of pressure to the developed countries. Thus the proponents of NIEO draw attention to several strategies such as the 'Non-Aligned Movement'.<sup>240</sup> As well, there raised the necessity of using the non-governmental organisations to address the developmental and social welfare needs of Third World nations.<sup>241</sup>

In conclusion, this strategy may contribute to widening our views on the welfare development of Third World nations, and may indicate the practical importance of the role of international organisations. However it needs some more accurate explanations as to how this idea gets

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238 Mainly led by OPEC, Third World nations could propose and approved the agenda which asked for significant institutional restructuring of international economic institutions of the Bretton Woods System, and for adjustment by the developed countries of their economic and political policies to make reparation to developing countries for past misuse and exploitation of their resources. See, *Ibid.*, pp. 21-3; S. Sharma and G. Rubin (1984), *op. cit.*, p. 129.

239 S. Sharma and G. Rubin (1985), *op. cit.*, p. 22.

240 In tandem with this movement, they also claims to take advantage of the sympathetic attitudes of some Western developed countries. See, *Ibid.*, p. 22.

241 *Ibid.*, p. 22-3.

turned into policy, and what attempts should be made to implement that policy.

**Chapter Three: Historical Context of the Development of  
Welfare in Korea and Taiwan**

**3.1 Some Explanations about the Industrialisation of  
East Asian NICs**

**3.2 Economic Development and Societal Changes of Korea  
and Taiwan**

**3.3 Political Development of Korea and Taiwan**

As noted previously, it is widely accepted that the welfare systems of developing countries have been virtually left out of analysis in the study of social policy. Its academic attention has been predominantly devoted to the Western welfare systems in general and the British one in particular. Accordingly, the study of social policy as an academic discipline has been criticised from the outset on account of its extreme lean on 'ethnocentrism', or 'parochialism'. Now it is urgently needed to widen the scope of the discipline to the welfare systems of developing countries.

It is very noteworthy that, since the late seventies, there has been a growing interest in the welfare systems of Third World countries. Some academics within the tradition of British social administration have attempted to account for the development of Third World welfare systems.<sup>1</sup> It should be pointed out, however, their discussions are not grounded in the down-to-earth researches into the individual developing countries, though they have paved the way toward opening the debates about the Third World welfare system.

In all respects, the cases of Korea and Taiwan merit the particular attention of those interested in the development of welfare system in a dynamically industrialising society. In order to get a sensible research result, it should be noted that their welfare systems

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1 Refer to the voluminous working papers, articles and books of J. Midgley, H. Jones, M. Hardiman, and S. McPherson. Actually it is true that, before they raised the research questions about Third World welfare system, the working papers or research projects conducted by the international organisations such as United Nations and World Bank can be estimated as a simple fact-finding surveys.



should be researched in a wider context within which they have developed and been implemented.

For this purpose, this chapter, first of all, delves into some theoretical explanations about the industrialisation processes of Korea and Taiwan. Secondly, it examines the economic development and accompanied societal changes of the two countries during the last three or four decades; how they transformed their societies from impoverished agricultural ex-colonies to 'powerful and important members of the community of industrial nations'.<sup>2</sup> Thirdly and lastly, it examines the political development of Korea and Taiwan which seems to have a decisive role in the development of welfare systems of the two countries.

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<sup>2</sup> J. Abegglen, Sea Change: Pacific Asia as the New World Industrial Centre (New York: The Free Press, 1994), p. 109.

### 3.1 Some Explanations about the Industrialisation

#### Processes of Korea and Taiwan

It is widely accepted that it was not until the 1950s that 'development' of Third World was a case in point for industrial Western world. True, the development was brought in the central stage of Western social science on occasion of the world-wide de-colonialisation after the Second World War. To many Western countries, the historical fact that many former colonies became politically independent inevitably amplified the fear that their capital, invested to their former colonies, might be socialised or nationalised.<sup>3</sup> Thus they absolutely needed to keep in corporation with the Third World countries, and to oblige these countries to conform to their interests. In this regard the economic development was reckoned to be a firm defense of their interest from the threat of either nationalist or revolutionary movement.

Amidst these de-colonialisation period of 1950s and 1960s, modernisation school had dominated the theory and practice on the development of Third World. It was widely accepted and actively practised by those interested in the Third World development - the planners, general administrators and politicians as well as academics. Mainly due to the multifarious nature of the term, 'development', it was necessary for social scientists with different academic backgrounds to corporate and ac-

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3 Their fear was intensified by the Suez Crisis in Egypt (Nationalism) and the socialist revolution in Cuba (Socialism).

cordingly 'the modernisation paradigm became the intellectual property of all the social sciences'.<sup>4</sup> Likewise, the modernisation school comprises wide range of theoretical spectrum such as sociological modernisation theory, stage theory, socio-economic theory, political culture theory, socio-political theory and the crisis model.<sup>5</sup>

The basic theme common to these theories is derived from 'evolutionalism' which has developed in natural science. They, with varying degrees, widely share the view that society is a adaptive system which is supposed to be geared to reinforce its survival, and that the advanced value system, technology, knowledge, institutions and rationality of 'modern' country can diffuse into 'traditional-oriented' countries. This sort of 'modern-tradition' dichotomy has been at the heart of any modernisation persuasions. According to this line of thinking, economic development is viewed as a process of displacement of the tradition value system with the modern one, and thus 'lack of development is the fault of Third World countries' socio-economic systems that create obstacles to modernisation and encourage little ambition or incentive among individuals, particularly in their work'.<sup>6</sup> Implicit in this argument, of course, is the idea of 'Eurocentric' that value system of the West is much superior to that of Third World countries, and

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4 D. Hulme and M. Turner, Sociology and Development: Theories, Policies and Practices (Hemel Hempstead: Harvester Wheatsheaf, 1990), p. 34.

5 Suk Joon Kim, The State, Public Policy & NIC Development (Seoul: Dae Young Moonwhasa, 1988), p. 12

6 A. Webster, Introduction to the Sociology of Development (London: Macmillan, 1990), p. 54.

henceforth 'Modernisation' is frequently identified with 'Westernisation'.<sup>7</sup> True, one of the distinguished aspects of modernisation theorists and their forefather is in the moral judgement of modernity which assumes the Western modernity is advanced and desirable form of social, political and economic existence.<sup>8</sup>

We can propose the criticisms of modernisation theory common to the literature of development studies as follows. First of all, its theoretical premises is basically ahistorical and ethnocentric, and thus inevitably led to over-simplistic views on, such as, 'modernity' and 'tradition', which might includes huge variations. Secondly, its too much emphasis on the value system of economic development led to subjective and normative approach. Finally, and perhaps most importantly, it totally disregards or neglects the international exchange mechanism between the West and the developing world. Quite simply, ample evidence of Third World development suggests that the core belief of modernisation theory that developing countries can and must copy the industrialisation processes of the West in order to achieve solid economic development is no longer be sustained.

When faced with the both theoretical and practical failure of modernisation paradigm, sociology of development was in a crisis of explanations about what was going on in developing world, and what should be done for their economic development. Accordingly, there has emerged a group of scholars who more or less lean on the Marxist

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7 D. Hulme and M. Turner (1990), *op. cit.*, p. 35.

8 *Ibid.*, p. 37.

persuasion of development. About this newly emerged paradigm, Harrison argues:

Just as there is no single modernisation theory, there is no one Marxist approach to development. Instead, there is variety of approaches, originating in classical Marxism, whose collective work has come to be known as dependency theory, world systems theory and underdevelopment theory.<sup>9</sup>

They, with varying degrees, began to form with the criticisms on the modernisation paradigm in the sixties, and commonly define the relationship between the First World (centre) and the Third World (periphery) as unequal in the world context.<sup>10</sup> They postulate their theoretical frame just opposite to modernisation paradigm. They replaced the concept of 'development' and 'diffusion' within the modernisation school with that of 'development of underdevelopment' and 'dependency', respectively. Thus the basic theme of the modernisation theory that diffusion would bring development is replaced by dependency theory that dependency would cause underdevelopment.

Meanwhile, 'dependency' refers to a situation of being influenced, controlled and supported by outside factor. Now we turn it into unequal relation between the centre and periphery:

the major decisions which affect socio-economic progress within less developed areas are made by

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<sup>9</sup> D. Harrison, The Sociology of Modernisation and Development (London: Unwin Hyman, 1988), p. 62.

<sup>10</sup> There are also many variations within this paradigm such as dependency theory, mode of production, neo-populism, and world system. However, we may largely refer this tradition of thought as dependency theory.

individuals and institutions outside those countries. ... 'underdevelopment' refers to the process whereby a country, ... , progressively becomes integrated as a dependency into the world market. ... The production of that country thus becomes geared primarily to the demands dictated by the industrialised nations.<sup>11</sup>

Quite simply, the basic assumption of the dependency theory is that the closer the economic relation between centre and periphery is, the less development the latter will be. However it is highly questionable whether they can explain the economic development of some Third World countries which are moving rapidly towards the status of a developed country, and thus they seem to fail to overcome the limitations of their premises that nationally-oriented and formulated policy is desirable.<sup>12</sup>

Moreover, within the intellectual context of Marxism, the fundamental economic unit which characterises a given capitalist social formation should be analysed on the basis of 'production' or 'process of production', rather than 'exchange' or 'distribution'. It is in this regard that the writers within the dependency school usually underestimate the domestic material forces of production, and thus overlook the class formation of these societies.

As the dependency theory (Dependencia) emerged from the crisis of mainstream Western development theory (Developmentalism), another paradigm (Statism) has emerged from the crisis of dependency theory as well.

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11 P. J. Henriot, 'Development Alternatives: Problems, Strategies, Values', in Political Economy of Development and Underdevelopment, ed. by C. K. Wilber, 2nd edn (New York: Random House, 1979), p. 11.

12 M. Bienefeld, 'Dependency and the Newly Industrialising Countries (NICs): Towards a Reappraisal', in Dependency Theory: A Critical Reassessment, ed. by D. Seers (London: Frances Pinter, 1981), p. 79.

Since the late seventies, 'anomalies' or deviant cases of dependency theory have been frequently seen in developing countries, and thus the legitimate problems and methods of a research field within the tradition of Dependencia has been seriously challenged. These deviant cases which represent strong economic progression of some developing countries within the dependency context, virtually threaten the basic proposition of dependency theory; 'the closer the economic relationship between centre and periphery is, the less the economic development of periphery will be'. In other words, they represent a strong challenge to the basic assumptions of dependency theory that foreign economic penetration leads, firstly, to a hindrance of the economic sector and, secondly, to a widening of economic inequality across the classes.

According to the OECD, these Newly Industrializing Countries (NICs) are defined as fast growing of the level and share of industrial employment, an enlargement of export market shares in manufactures and a rapid relative reduction in the per capita income gap separating them from the advanced industrial countries.<sup>13</sup> Their importance lies in the fact that their emergence in world markets since the seventies seriously called the traditional North/South division, which was associated with the exchange of manufactured products for raw materials and primary commodities, into question.<sup>14</sup> Meanwhile, it

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13 See, OECD, The Impact of the NICs on Production and Trade in Manufactures (Paris: OECD, 1979).

14 OECD, The Newly Industrialising Countries: Challenge and Opportunity for OECD Countries (Paris: OECD, 1988), p. 7.

is very hard to make a definite list of NICs because different indicators may include different countries. Some scholars<sup>15</sup> denote solely economic factors to classify the NICs, others<sup>16</sup> include political factors. However, the following countries are normally referred to as NICs: Brazil, Mexico, South Korea, Hong Kong, Singapore, Taiwan, and Spain.<sup>17</sup> In recent years, they are often classified as the first wave NICs, according to the rapid economic development of a new wave of developing countries such as Malaysia, Indonesia, Thailand and China.

Among those the first and second wave NICs, the East Asian NICs (Korea, Taiwan, Singapore and Hong Kong) commonly represent outstanding record in terms of economic growth rate and income distribution. Accordingly, there is a growing interest in the contrasting phenomena that the East Asian NICs' economic performances brought the paradigm change, from the Dependencia to the Statism, whilst the remarkable economic development of Latin American NICs (Brazil and Mexico) in the mid-sixties delivered only the modification of the dependency theory such

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15 Amongst those who take more emphasis on economic sector, they employ different indicators; The per capita income and the share of the manufacturing sector in GDP (Bela Balassa); The export growth rate (Stephen Krasner); The manufacturing and economic growth (Brandt Report). For the general clarification of NICs, refer to the S. J. Kim (1988), *op. cit.*, pp. 5-9. See also B. Balassa, The Newly Industrialising Countries in the World Economy (New York: Pergamon Press, 1981); S. Krasner, 'Transforming International Regimes', in World System Structure, ed. by L. Hollist and J. Rosenau (Beverly: Sage, 1981); The Independent Commission on International Development Issues (the Brandt Report), North-South: A Programme for Survival (London: Pan Books, 1980).

16 Wallerstein, for instance, adds the state intervention. See I. Wallerstein, The Capitalist World: Economy (Cambridge: Cambridge University Press, 1979). See also S. J. Kim (1988), *op. cit.*

17 See, B. Crow and A. Thomas, Third World Atlas (Milton Keynes: Open Univ. Press, 1983), pp. 48-9.



as the 'dependent development' of Peter Evans.<sup>18</sup> Why is it then that the former brought paradigm change, whilst the latter delivered simply the modification of the dependency theory?

The fact that the paradigm is changed implies, at least in development studies, that the gap between 'what happens in the real world' and the 'interpretations through the old paradigm' (the dependency theory, in this case) is so huge that the basic proposition and the legitimate research problem and methods, defined within the old paradigm, are no longer pertinent to the situation, and henceforth they have come to be replaced, or at least, changed. Seen in this light, the notion of 'dependent development' of Peter Evans might be appraised as the paradigm change, not because it does not adhere to the basic principle of the dependency theory, but because it leaves ample room for developing countries to achieve rapid economic growth. He explains the successful development of the Brazilian economy in the sixties through the frame of 'triple alliance' of the state, local capitalists and multinationals, and argues that the role of the state to promote economic growth is far greater than those of the other two sectors.<sup>19</sup> Its importance lies in the fact that 'dependency' and 'development' are not necessarily contradictory terms.

However, two successive papers in the early eighties; one dealing with the Korean economy, and the other with

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18 Peter Evans, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil (Princeton: Princeton Univ. Press, 1978).

19 Ibid.

the Taiwanese economy, suggest serious reservations regarding the attempt to apply the frame of triple alliance to the East Asian NICs.<sup>20</sup> They commonly indicate that the role of states in Korea and Taiwan has been far more influential than that of Latin American NICs. Moreover it should be pointed out that his concept of 'dependent development' does not leap over the basic arguments of Dependencia, because it assumes that the 'dependent development' is, however successful it might be, basically 'dependent' from foreign capital, and thus the surplus value of economic growth is constantly exploited by the foreign capital through 'multinationals'. It therefore implies that economies of 'dependent development' might achieve substantial 'growth' in volume, but they are hardly able to realize solid 'development'.

Here it seems worth distinguishing the concept of 'development' from that of 'growth'. Actually it has been popular to identify 'economic growth' with 'economic development' in the development studies until very recently. It is mainly due to the fact that economic growth such as the increase of GNP can be measured in quantity, whilst economic development is hard to be measured by universally accepted yardsticks. Moreover even the definition of development varies widely according to different ideological preferences and academic background, mainly because of its highly normative impli-

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20 See, Hyun-Jin Lim, 'Dependent Development in the World System: The Case of South Korea, 1963-1979' (unpublished Ph.D Thesis, Harvard University, 1982); Thomas B. Gold, 'Dependent Development in Taiwan' (unpublished Ph.D Thesis, Harvard University, 1981). See also S. J. Kim (1988), *op. cit.*, pp. 12-19.

cation. Marxists usually regard development as the societal processes towards building the community in which people work according to their talent and ability, and receive goods according to their necessity, whereas the neoclassical liberals refer it to the processes towards optimizing the freedom of individual choices in a given context.

For any research in development studies to be fruitful, however, it appears vital to distinguish solid development from mere growth in volume. If it fails, the economies of unfair privilege, characterised by extremely concentrated wealth, persistent inequalities, and tremendous imbalance across sectors would mistakenly be identified with solid economical development. Then, we can approach this problem by asking the question 'to what extent, and under what condition, are they (development and growth) different from each other?'

In regard to this subject, the United Nations report clearly defines the development as 'growth plus change'.<sup>21</sup> Similarly the Brandt report presents the concept of development as follows:

Certainly development must mean improvement in living conditions, for which economic growth and industrialisation are essential. But if there is no attention to the quality of growth and to social change one cannot speak of development. It is now widely recognised that development involves a

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21 United Nations Development Decade: Proposals for Action, 1962. See also, C. Cockburn, 'The Role of Social Security in Development', International Social Security Review, No. 3/4 1980, 337-358.

profound transformation of the entire economic and social structure.<sup>22</sup>

As well, Lesson and Nixon express the similar viewpoint on development in a more succinct form as follows:

Here are implied two distinct meanings of the term 'economic development': (i) development equals growth plus structural change; (ii) development equals growth plus income redistribution and/or other measures to improve welfare.<sup>23</sup>

According to the above quotations, it can be further assumed that development should bring improvement of the 'quality of life' to a considerable extent, whereas growth simply refers to the increase of gross national product, and therefore the economic growth without improving general welfare or structural change does not lead to the paradigm change, as have been exemplified by the economic growth figures of Latin American NICs. However it would be too impetuous to assume that the East Asian NICs made a structural transformation of their economies by improving general welfare of the society, and thus conveyed a paradigm change in development studies, though they commonly manifest highest economic growth rate in the world and move very quickly towards the status of developed countries. It definitely needs in-depth research into the distribution structure, political system and the level of democratisation of the East Asian NICs in order to reach the agreement that their

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22 The Independent Commission on International Development Issues (the Brandt Report), North-South: A Programme for Survival (London: Pan Books, 1980), p. 48.

23 P. F. Lesson and F. I. Nixon, 'Development Economics and the State', in Perspectives on Development: Cross-disciplinary Themes in Development, ed. by P. F. Lesson and M. M. Minogue (Manchester: Manchester Univ. Press, 1988), p. 59.

economic achievements can be appraised as solid development.

From the poor tradition-oriented agricultural countries, they commonly manifested impressive economic growth, by any standards, over the past three or four decades. Accordingly, a number of substantial attempts have been made to account for the reasons for and consequences of the successful economic growth of the East Asian NICs in comparison with those of frustrated or still backward economies. They commonly draw attention to the distinct characteristics of these societies such as the Confucian tradition, experiences of Japanese colonialism, relatively educated but low-waged labour forces, weak class struggles, strong and competent states, and so forth. Amongst them, the role of the states, without dispute, has been held central in accounting for the impressive economic growth of these countries, and thus the 'state' was brought back into the central stage of social science in general, and development studies in particular.<sup>24</sup>

Now it seems quite clear that neither modernisation nor dependency Schools could provide adequate conceptual framework through which the economic development of East Asian NICs can be analysed. Foster-Carter, in his recent article about the Korean Economy, argues that 'South Korea's success is a profound theoretical embarrassment to

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24 See Theda Skocpol and others (eds), Bringing the State Back In (Cambridge: Cambridge Univ. Press, 1985).

both neo-classical economists and dependency theorists'.<sup>25</sup> Above all, the failure of dependency theory in accounting for the unique industrialisation of the region has largely increased the scepticism about the adequacy of the theory of Third World development, and accordingly has accelerated the need for a new paradigm which is able to comprehend the Third World as a whole.

However there have been noteworthy attempts to escape the theoretical impasse of the dependency theory in various ways. Firstly, to actively embrace the academic achievements which have emerged from other disciplines, secondly, to abandon the theoretical and conceptual 'strait-jacket', and lastly, to become more practical.<sup>26</sup> However, it can be said that their achievements could find ways to escape the impasse, but failed to present ways to move forward. In this regard, the debates on the state would provide a good starting point for seeking a new paradigm for development studies.

The role and function of the state in developing societies as defined in the early literature of Dependenciã was not viewed positively in relation to Third World development. Rather, it was widely regarded as a mere bureaucratic apparatus which was controlled and dominated by the petty-bourgeois, so to speak, 'by a coalition of

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25 A. Foster-Carter, 'The myth of South Korea', Far Eastern Economic Review, August 1989, 46-7.

26 D. Hulme and M. Turner (1990), op. cit. pp. 216-7. For more details, see, for example, D. Booth, 'Marxism and Development Sociology: Interpretating the Impasse', World Development, 13:7 (1985), 761-87; L. Sklair 'Transcending the Impasse: Metatheory, Theory, and Empirical Research in the Sociology of Development', World Development, 16:6 (1988), 697-709; P. Vandergeest and F. H. Buttel 'Marx, Weber, and Development Sociology: Beyond the Impasse', World Development, 16:6 (1988), 683-95.

political parties (or a single party) that represent(s) the class interests of the comprador bourgeois, the feudal landlord class, and the metropolitan imperial bourgeois'.<sup>27</sup>

However, according to the radical changes of political situation of the Third World countries, the concept of state in dependency theory has been somewhat changed. The concept of 'relative autonomy' has been actively applied in the development experiences of the individual countries, and a number of structural conditions which contribute to the 'autonomy' of the state has been presented.<sup>28</sup> Now the state has been held central in the debates on the third World development.

In regard with the third generation of development studies (Statism), Kohli argues:

No coherent 'third' alternative to the modernization and dependency approaches has emerged ... Some analytical concerns have been voiced by scholars who are troubled by the tendency in both the modernization and the dependency approaches to reduce politics to socio-economic variables. They have, in various ways, attempted to restore the significance of the autonomy of the political ... They are attempting to highlight the significance

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27 B. Berberroglu 'Toward a theory of state capitalist development in the Third World', International Review of Modern Sociology, 9 (1979), p. 20. Wallerstein also argues that 'weak state' in the periphery and 'strong state' in the core enables the latter to enforce relations of unequal exchange over the former. See, I. Wallerstein, The Capitalist World-Economy (Cambridge: Cambridge Univ. Press, 1979).

28 According to Koo, the following three conditions of Third World countries contribute to the autonomy of the state: firstly, 'the peripheral economies typically contain more than one mode of production', secondly, 'there is a historical condition that is related to a strong bureaucracy in those Third World countries that had colonial experiences', and finally, 'a relatively new pattern of dependent development in the periphery of the world capitalist economy has also strengthened the role of the states in peripheral (and semi-peripheral) nations'. See, H. Koo, 'World System, Class, and State in Third World Development: Toward an Integrative Framework of Political Economy', Sociological Perspective, 27 (1984), pp. 43-4.

of political variables- state actions, relations among the political elite, political traditions or patterns of state organization- for patterns of political-economic change in developing countries.<sup>29</sup>

In his study of the Asian countries, Pye argues, that 'the priority should be to find a theoretical lens that will ensure both a vivid focus on the political domain and a long historical perspective'.<sup>30</sup> However, it would be too early to assume that the old paradigm (Dependencia) will be replaced with the new one (Statism) on occasion of the emergence of East Asian NICs in world markets. Most of scholars of development studies argue that the state-led development experiences of the East Asian NICs are exceptional cases,<sup>31</sup> and 'a proliferation of state activity undertaken in the name of development has not resulted in the anticipated improvements in socio-economic welfare'<sup>32</sup> in most developing countries. In that sense, Hulme and Turner are quite right to argue that 'the bureaucracies are often ill-equipped to perform these tasks (developmental policy-making, planning, implementation and evaluation) effectively and efficiently'.<sup>33</sup> Thus, 'if development is to succeed and the state is to retain its principal role in it then the bu-

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29 A. Kohli, The State and Development in the Third World (Princeton: Princeton Univ. Press, 1986), p. 17.

30 L. W. Pye, Asian Power and Politics: The Cultural Dimensions of Authority (Cambridge: Harvard Univ. Press, 1985), p. 18.

31 Cline argues, 'it is seriously misleading to hold up the East Asian G-4 as a model for development because that model almost certainly cannot be generalised without provoking protectionist response ...' See, W. R. Cline, 'Can the East Asian Model of Development Be Generalized?', World Development, 10:2 (1982), p. 89.

32 D. Hulme and M. Turner (1990), op. cit., p. 220.

33 Ibid., p. 220.



reaucracy has to make dramatic improvements in managing development'.<sup>34</sup>

It is widely accepted that the role of the state in the industrialisation process of the East Asian NICs was remarkable, and also quite different from that of other developing countries. However, it is still questionable whether their experiences would ensure some general applicability with other developing countries, nor is the replacement of paradigms from Dependencia to Statism. Truly, what is urgently needed is to inquire into the general paradigm or theoretical lens, being transformed into a substantial reality, which comprehends the Third World development as a whole, and furthermore directs the right way of development. As was examined previously, it seems quite clear that development does not have to be confined to economic growth. Rather, it should be understood as a progressive process of improvements and betterments concerning human life in a given society. Now we will look at the economic development and accompanied societal changes in Korea and Taiwan in the next section.

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34 Ibid., p. 220.

### 3.2 Economic Development and Societal Changes of Korea and Taiwan

It is widely accepted that the industrialisation processes of both Korea and Taiwan are not only remarkable but also very unique. From the least-developed agricultural countries with unstable political situations, they have manifested remarkable economic growth under the strong control of the state, using an export oriented industrialisation strategy. Accordingly, their industrialisation process is now of great interest to those interested in the Third World development. Although it still is a matter of debate whether their industrial strategies can be transplanted in other developing countries,<sup>35</sup> it is quite clear that they deliver the message of hope to developing countries for developing their economies within the dependency context.

It probably cannot be too strongly emphasised the historical fact that economic development has played a decisive role in shaping the course of modernisation in any given society. However, it should be pointed out that a false picture would be given if economic performance alone is used as the criteria for modernisation of the society, in that modernisation is a very comprehensive

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35 For more details of this debate, refer, for example, to W. R. Cline (1982), *op. cit.*, pp. 81-90. In it, the author presents the pessimistic views on the generalisability of the East Asian model, and warns its possibility to provoke the protectionist responses of developed countries. However, the rapid economic growth of the second-wave NICs such as Malaysia, Thailand, Indonesia and China of the late 80s attests to high possibility of transplanting this model to the other developing countries.

social progress which comprises overall societal changes including betterment of living conditions, demographic changes, higher rate of urbanisation, changes of the family structure, and so forth. Thus we can assume that exploring the reasons for and the consequences of economic development is of particular importance in understanding the modernisation processes of any given society. In doing so, we can further the speculation about the links between the overall societal changes and the development of welfare system.

In this regard, this section, first of all, examines the economic performance of Korea and Taiwan during the last three or four decades. Secondly, it scrutinises the reasons for their remarkable economic development in terms of Confucianism, education, industrialisation strategies and state autonomy respectively. Thirdly, it examines the effects of economic development in terms of demographic changes, family structure, employment patterns and urbanisation and income distribution.

### 3.2.1 Economic Performances of Korea and Taiwan

The sixties and seventies witnessed the emergence of the East Asian NICs (Korea, Taiwan, Hong Kong and Singapore) in the world economy. Since they launched their industrialisation in the early sixties, their share in the world market economy has rapidly grown.<sup>36</sup> The total exports of these four East Asian NICs has been more than double the total exports of all other developing countries since the mid-eighties, and their economic growth rates are among the highest in the world.<sup>37</sup> However, the most noticeable implication lies in the fact that they break the traditional North/South division in the world economy, where the North countries used to produce the manufacturing goods while the South counterparts used to provide the raw materials. Their economic success surely represents a new international economic order in which less developed countries can penetrate the world markets with little more competitive advantage than low wages.<sup>38</sup>

Amongst the four East Asian NICs, Korea and Taiwan merit particular attention in terms of the population, historical conditions and the political situation.

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36 Their share in world market economies increased from 0.6% in 1964 to 1.6% in 1983.

See, OECD, The Newly Industrialising Countries: Challenge and Opportunity for OECD Industries (Paris: OECD, 1988), p. 9.

37 They manifested around 10% (1964-1973) and 8.7% (1973-1984), whilst all developed market economies achieved 4.8% and 2.1% respectively. See, Ibid., p. 9. See also, Bruce Cumings, 'The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences', International Organisation, 38:1 (Winter 1984), 1-40.

38 A. H. Amsden, Asia's Next Giant: South Korea and Late Industrialisation (New York: Oxford University Press, 1989), p. 143.

Politically, first of all, Hong Kong is a British colony and will be duly transferred to China in 1997, and Singapore is a former British colony as well. Whilst Korea and Taiwan are divided countries which have developed their economies under the heavy burden of military spending, Singapore and Hong Kong have had lesser burdens throughout their development.<sup>39</sup> They have not experienced the severe ideological conflict that Korea and Taiwan are still undergoing. In terms of population, Singapore (2.5 million, 1988) and Hong Kong (5.7 million, 1989) have too small of populations to be compared with Korea (42 million, 1990) and Taiwan (20 million, 1989). Thirdly, Singapore and Hong Kong have been developed by Britain as main trade ports in Asia, and thus have not been an agrarian society since the last century. They are basically city-states, which have never had a self-sufficient economy. Thus it seems necessary to limit the scope of the research to manageable proportions: Korea and Taiwan.

Of the poor tradition-oriented agricultural countries, Korea and Taiwan commonly manifested impressive economic growth. To illustrate, Taiwan achieved around a 9% average economic growth rate and Korea performed around 9.5% during 1971-1990, far exceeding even the speed of development in Japan and Germany in those nations' moves to industrialisation. For these two decades the Korean and Taiwanese economies have been growing at more than three times the world growth rate, and output per capita has

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<sup>39</sup> However, Singapore has been, although to a lesser extent, impelled by a context of military insecurity. N. Harris, The End of Third World: Newly Industrializing Countries and the Decline of an Ideology (London: Penguin, 1987), pp. 67-9.

been increasing at more than four times the world rate.<sup>40</sup> What is more, their economic development has been more and more highly regarded, compared with the frustrated economic situations of other developing countries where the 'promise of developmentalism' has never been realised.<sup>41</sup> Quite simply, they have maintained high growth rates, high investment rates and the high dependency on the World market. The following table shows the rapid growth of the manufacturing sectors of Korea and Taiwan.

<Table 3-1> Growth Rate of Manufacturing Sector

	1964-73	1973-83
Korea	21.0	11.7 (0.8)*
Taiwan	18.2	8.3 (0.7)*
Developed Market Economies	5.5	1.6 (73.6)*
Developing Market Economies	7.9	4.6 (15.1)*

\* the percentage of the share in the world market in 1983.

Source: Office for Development Research and Policy Analysis, U.N., N.Y., 1986. Quoted from OECD, The Newly Industrialising Countries: Challenge and Opportunity, Paris, 1988, Table 1.2.

Now it can be said that their economies are moving very rapidly towards the status of developed economies. It means that their economies have reached a stage where they are sufficiently resilient to withstand potentially disruptive domestic and foreign forces without suffering long term damage to their economic structure. Unlike the

40 J. C. Abegglen (1994), *op. cit.*, p. 109.

41 See C. Clark, Taiwan's Development: Implications for Contending Political Economy Paradigms (New York: Greenwood Press, 1989), p. 18.

second-wave NICs, their economies are diversified and strong enough not to be devastated by a single factor such as the sudden fall of commodities or the unexpected rise of raw materials in the international market.<sup>42</sup>

It should be emphasised, however, that their economies have benefited from the international economic situation throughout the sixties and seventies. The early post-war period widely witnessed a boom in the Western economies in general, and it is fair to say that their prosperity had continued until the first oil crisis in 1973. During these economic boom periods, the Western economies largely manifested steadfast economic growth, full employment and, most importantly, the expansion of international trade.<sup>43</sup> Their ever-growing productivity in their industries accordingly has enabled their industries to move toward higher value-added products. On the corollary, the traditional labour-intensive industries like textiles, clothing and footwear have withered away in these countries. It is commonly recognised that the East Asian NICs have fully taken advantage of the industrial adjustment of the Western countries. Thus the economic development of Korea and Taiwan, in this understanding, is a true outcome of the new international division of labour.

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42 See J. Clark, 'Prospects and Market Conditions in the Newly Industrialised Countries', in The Newly Industrialised Countries: Key Prospects and Market Conditions in Taiwan R.O.C., ed. by R. Baker (Taipei: CSP Economic Publications Ltd., 1988).

43 The GATT, designed to take down the tariff, which used to be forty percent before the war, in the Bretton Woods conference, have played an enormous role to increase the world trade.

Accordingly, it can be said that they accepted the export oriented industrialisation as a main industrial strategy, which inevitably resulted in a high foreign dependency ratio. The following table shows high dependency on overseas markets.

<Table 3-2> Rate of Export and Import to GNP\*

	Korea	Taiwan
1970*	38.1	44.9
1975*	62.6	75.3
1980*	69.8	90.5
1985*	76.0	88.0

\* average rate of past five years

Source: KIET, Industrial Structure and Economic Achievements of Korea and Taiwan, 1989 (in Korean).

In a similar vein, a wealth of evidence suggests that the successful economic development of the East Asian NICs has been geared by the process of 'learning', rather than 'invention' or 'innovation'. While the first industrial revolution was carried out by Britain on the basis of invention not only of machineries but also of relations of production, and the late industrialising countries like Germany and USA manifested strong economic growth by innovation, the industrialisation of the East Asian countries is a true example of a learning process.<sup>44</sup>

In sum, the remarkable economic development of four East Asian NICs during the past three decades rested heavily on the work of 'learning' from the industrialisation experiences of developed countries,

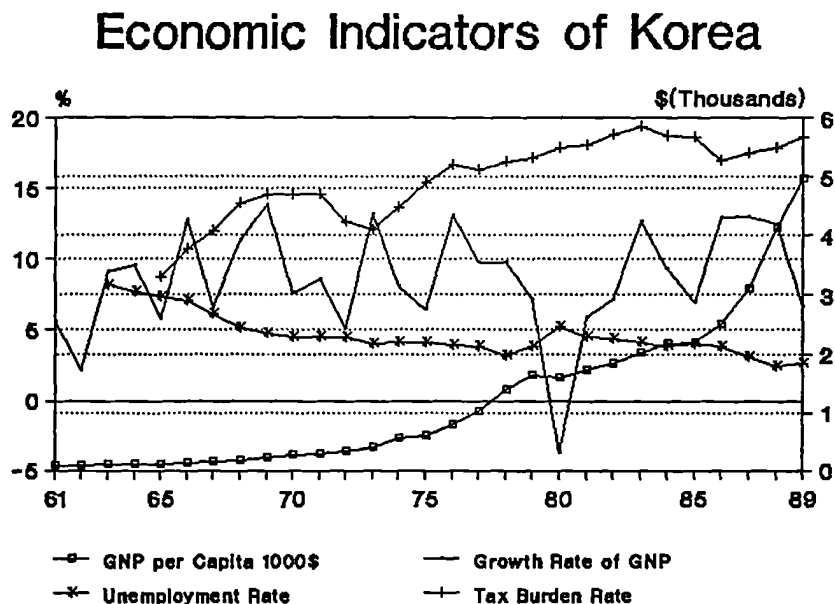
44 See A. H. Amsden (1989), op. cit., pp. 3-5.



and, most importantly, have skilfully taken advantage the favourable conditions of the world economies under the full command of the state.

Figure 3-1 shows the changes in four main economic indicators of Korea since the sixties. It merits particular attention that the Taiwanese economy shows some similarities with the Korean economy in terms of growth rate, unemployment rate and tax burden rate. Since Taiwan had launched industrial planning earlier than Korea, the GNP per capita of Taiwan is considerably higher than that of Korea: \$7512 and \$4968 respectively in 1989. Figure 3-2 represents the development of the Taiwanese economy since the sixties.

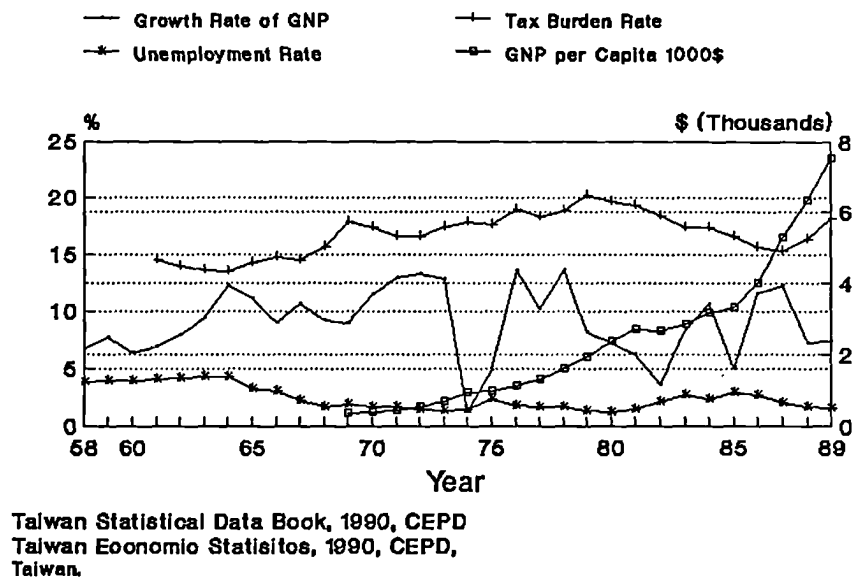
<Figure 3-1>



Finance Statistics, 1991, MOF, ROK.

<Figure 3-2>

## Economic Indicators of Taiwan



It should be noted, however, that their broad similarities should not blind us to the differences. They are different in economic structure, economic planning and economic achievements. What follows is the comparison between the Korean and Taiwanese economies.

As is clearly shown in the following table, the most significant difference between the two economies is found in the distribution of wealth (Gini's Coefficient). Compared with the distribution of wealth in Korea that has not been improved or rather worsened, that of Taiwan has been kept very low, by any international standard, throughout the industrialisation process.

&lt;Table 3-3&gt;

## Selected Economic Indicators of Korea and Taiwan

Year*	1970		1975		1980		1985	
	ROK	ROC	ROK	ROC	ROK	ROC	ROK	ROC
Growth Rate	10.4	9.8	8.7	8.9	7.5	10.6	7.5	6.5
Gini Co-efficient	0.33	0.29	0.38	0.28	0.39	0.28	0.36	0.29
Manufacture Rate	19.7	28.2	24.7	31.1	25.3	35.4	30.3**	44.2**
Overseas Dependency	38.1	44.9	62.6	75.3	69.8	90.5	76.0	88.0

\* Average of the past five years

\*\* data of 1983

Source: modified data from KIET, Industrial Structure and Economic Performance of Korea and Taiwan, 2nd ed. 1989, (in Korean).

Thus the Taiwanese industrialisation process can be properly appraised as solid development in that the concept of solid economic development comprises both 'growth' and 'improving general welfare'. Moreover, while the Korean economy has suffered an ever-increasing trade deficit, the Taiwanese economy had the highest level of foreign reserves (excluding gold) in 1992, which has been built from enormous and continuing trade and current surpluses.<sup>45</sup>

The genesis of the differences between two economies can be found in the early stages of their industrialisation. In fact, the Korean government has planned the industrial development on the basis of a number of conglomerates (Chaebol) to realise the scale effect. The Korean government has implemented several measures to concen-

45 J. C. Abegglen (1994), op. cit., p. 116.

trate scarce domestic resources to the conglomerates." Consequently, this industrial strategy brought about relative economic inequalities which still endure in the nineties.

By contrast, the Taiwanese government has implemented a policy of restricting economic inequalities from the outset of industrialisation. Instead of large conglomerates as is the case of Korea, the Taiwanese economy is firmly based on medium sized companies which are very flexible to the changes of world markets as well as favourable to economic equality. It should be pointed out, however, these small units of production were encouraged by the government. Since only three million mainlanders govern the rest of the population politically, it might be necessary for the government to diffuse the units of production, for the fear that alternative power centre like chaebol in Korea would challenge the ruling mainlanders.<sup>46</sup>

In sum, several reasons can be presented to account for the differences of the two economies. First of all, the Taiwanese government, retreating from the Communist victory over mainland China, has always kept in mind the historical lesson that economic equality is the strongest weapon against Communism. Secondly, although Taiwan had several battles with Communist China in the fifties, it has not undergone a total war such as the Korean war (1950-1953), which thoroughly destroyed Korea's economic infrastructure. Thirdly, it has benefited from the economic links with overseas Chinese merchants widely spread

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<sup>46</sup> M. Shibusawa and others, *Pacific Asia in the 1990s* (London: Royal Institute of International Affairs, 1992), p. 9; J. C. Abegglen (1994), *op. cit.*, p. 115.

out through the South East Asian countries. Thus they could launch industrialisation without a heavy burden of foreign borrowing.

In spite of these differences in details of economic situations between two countries, it is fair to say that similar aspects of their industrial development merit more attention, especially when compared to other developing countries as well as to Western advanced economies. Now we turn our attention to the reasons for their economic development.

### **3.2.2 Reasons for Economic Development**

The issue now under discussion is related to the question of 'what have made them differ from other developing countries?' A Considerable number of books, articles and working papers have been published to account for the reasons for the successful economic growth of the East Asian NICs in comparison with those of frustrated or still backward economies. They commonly draw attention to the distinct characteristics of these societies such as the Confucian tradition, experiences of Japanese colonialism, the land reform shortly after their independence, the foreign aid mainly from U.S.A., relatively educated but low-waged labour forces, weak class struggles, strong and competent states, and so forth. It should be noted, however, that these are the differences of Korea

and Taiwan from other countries in general. In fact, to enumerate the differences may be useless unless major efforts are oriented to identify the specific factors which have driven these economies into the successful industrialisation. Now we duly draw our attention to Confucianism, education, industrialisation strategy, and state autonomy respectively.

### 3.2.2.1 Confucianism

Some scholars claim that the explanation of their successful economic development lies in large part with Confucianism, which has been exclusively shared by these countries for a long time. The East Asian NICs and Japan have been, to varying degrees, strongly influenced by the Chinese culture since ancient times. In fact, Singapore, Hong Kong and Taiwan were peripheral regions of China until they were occupied by the colonial forces, and Korea and Japan had tried to assimilate the advanced Chinese culture, though they retained an independent national identity. Meanwhile, up until the medieval ages, China was one of the most civilized and prosperous nations in the world.<sup>47</sup> Of particular importance is that the unified

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<sup>47</sup> For instance, the northern area of China in the 11th century produced 125,000 tons of iron per annum, which were far more than the iron output of Britain in the 18th century when it began to industrialise. Along with the most powerful iron-making capacities, the Mying dynasty had the strongest warfare armies. Moreover, the paper money was widely circulated in markets, and foreign trade was actively carried out with the neighbouring countries such as Korea, Japan, South Asia and East Africa. For more details, see P. Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000 (London: Unwin & Hyman, 1988), pp. 4-9.

hierarchic administration was run by a well-educated Confucian bureaucracy.<sup>48</sup>

Thus it is mainly due to historical circumstances that the states of these societies are sufficiently autonomous from both domestic classes and foreign capital to formulate development policies independently. In regard to this extraordinary characteristic in these states, Cal. Clark argues:

All the successful East Asian countries (Japan, the four little dragons, and the P.R.C.) were marked by strong states committed to developmentalist policies, and all shared a Confucian culture that, among other things, included respect and veneration for political authorities.<sup>49</sup>

Interestingly enough, Confucianism was severely blamed for the economic backwardness of Asian countries by such a Western scholar as Max Weber<sup>50</sup>, who might have thought that the Protestant ethic was much superior to the Confucian ethic, as far as industrialisation is concerned. At least thirty years ago when the economic development of Latin American countries rivalled many Western countries, the conventional wisdom said that the cultural difference, Confucianism in other words, would hinder the economic development of countries like Korea and Taiwan.<sup>51</sup> But this argument turned out to be wrong in a short time. The evidence of the remarkable economic development of

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48 *Ibid.*, pp. 4-9.

49 C. Clark (1989), *op. cit.*, p. 35.

50 See, for example, Max Weber, *The Religion of China* (London: George Allen & Unwin, 1951). Special attention should be paid to Chapter VI, 'The Confucian Life Orientation'.

51 J. D. Macomber, 'East Asia's Lesson for Latin American Resurgence', *The World Economy*, 10:4 (1987), p. 469.

the East Asian countries during the last three decades strongly suggests that certain characteristics of Confucianism must have contributed to their economic success. Confucianism traditionally put a great emphasis on education, and thus scholars were highly respected. Moreover, political authorities were very active in recruiting these scholars in order to put Confucian teachings into practice. It is in this regard that these Confucian countries traditionally have strong state autonomy. We will discuss these characteristics of Confucianism ('education' and 'state autonomy') in the following sections in detail.

#### 3.2.2.2 Education

Capitalism, however defined, is basically a commodity producing economic system, and a commodity is produced by human resources acting on natural resources. It implies that human resources are more important than natural resources in producing a commodity, since natural resources cannot be exploited without human resources. The remarkable economic development of Korea and Taiwan from the early sixties attests to this view because they developed a strong competitiveness in the world market despite their deficient natural resources.<sup>52</sup>

It is thus widely accepted that the high level of education of Korea and Taiwan has been a firm buttress for their successful economic development. It is true that education has been a highly respected value for these

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52 H. T. Oshima, Strategic Processes in Monsoon Asia's Economic Development (Baltimore: The Johns Hopkins University Press, 1993), p. 177.



countries, consistent with Confucian teachings. They commonly manifest high school enrollment and high academic achievement which have provided a sufficient number of well-educated manual workers during their industrial development. However, it was not until independence (1945) that the average educational level of the population dramatically increased. The following table shows a time series comparison (1950 and 1980) of the average number of years of the formal education among major countries in both the developed and the developing world. In 1950, the years of formal education of both Korea and Taiwan were no more than the developing countries, but in 1980 they have increased comparable to those of developed countries.

<Table 3-4>

**Average Number of Years of Formal Education (Aged 15-64)**

	1950				1980			
	Total	A*	B*	C*	Total	A*	B*	C*
China	2.13	1.98	0.14	0.01	4.50	3.40	1.07	0.03
India	1.30	1.19	0.10	0.01	2.94	2.03	0.85	0.06
Korea	3.13	2.62	0.46	0.05	7.38	4.35	2.48	0.55
Taiwan	3.40	2.90	0.46	0.04	8.07	4.32	3.43	0.32
Brazil	1.83	1.36	0.42	0.03	7.22	5.00	1.74	0.47
Mexico	2.30	1.61	0.65	0.04	4.94	2.87	1.95	0.12
France	8.18	4.96	3.04	0.18	10.30	5.00	4.59	0.71
Germany	8.51	4.00	4.37	0.14	9.41	4.00	5.15	0.26
Japan	8.12	5.88	2.08	0.16	10.77	6.00	4.26	0.51
UK	9.40	6.00	3.27	0.13	10.66	6.00	4.31	0.35
USA	9.46	5.61	3.40	0.45	12.02	5.80	4.92	1.30

\* A: Primary, B: Secondary, C: Higher.

Source: OECD, The World Economy in the 20th Century, Paris, 1989, Appendix C.

Furthermore, Korea manifested the highest level of mathematics proficiency, which is vital to decide the quality of labour force, as is shown in the following table.

<Table 3-5>

**Average Mathematics Proficiency (1988, for 13-year-olds)**

	Scores <sup>53</sup>
U.S.A.	473.9
Ireland	504.3
U.K.	509.9
Spain	511.7
Canada	529.0
South Korea	567.8

Source: Financial Times, 4 May 1990.

<Table 3-6> **Ratio of Tertiary Education**

	Ratio of Tertiary Education* (%)
Austria (1987)	29.4
Belgium (1987)	32.7
France (1987)	30.9
W. Germany (1986)	30.1
Korea (1988)	36.5
Brazil (1987)	10.9
Chile (1987)	17.8
India (1983)	8.9
Iran (1986)	4.9
Mexico (1987)	15.7

\* University and College level.

Source: UNESCO, Statistical Yearbook, 1989. Selected Countries.

53 Scores were are measured on the following principles:

Level 300 = Simple addition & subtraction

Level 400 = Basic operation to solve simple problems

Level 500 = Intermediate level skills to solve two-step problems

Level 600 = Measurement & geometry solving complex problems

Level 700 = More advanced mathematical concepts

The existence of professional managers and highly qualified engineers as well as a well-educated cheap labour force is vital for economic development. The tertiary level school enrollment ratio of Korea is much higher than most developing countries and rivalled developed countries, as is shown in the above table (Table 3-6).

As well, they have more readily accepted the advanced knowledge and technology from developed countries such as the U.S.A. It is fair to say that many public administrators, engineers, scientists, education experts who studied in the U.S.A. have played a pivotal role in modernising their societies. Although some critics argue that they transplanted American values and thus deepened dependency,<sup>54</sup> it might be inevitable in the process of industrialisation which needs vast numbers of experts.

It should be emphasised, however, that socio-cultural elements as such do not of themselves bring successful economic development. They could merely endow the contextual evidence for deepening and developing our understanding about the East Asian NICs industrialisation. What matters most is to scrutinise the roles and functions of the institutions which have driven nations to industrialise by way of particular policies.

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54 See, J. Midgley, Professional Imperialism: Social Work in the Third World (London: Heinemann, 1981). In it, the author argues that the value system of imperial nations is duly transplanted into developing countries through the professionals who have been educated in those developed countries.

### 3.2.2.3 State Autonomy

One of the main myths amongst the students of development studies is that the industrialisation of East Asian NICs is the result of a free market system. According to the neo-liberal viewpoint, the role of the state should be limited to public goods such as law enforcement, physical infrastructure, macroeconomic stability and education which are difficult for private sector to meet.<sup>55</sup> Thus any kind of state intervention beyond the boundary of public goods as listed above inevitably brings inefficiency, unproductivity, and thus market failure at last.

Although the governments of East Asian NICs have intervened very deeply in their industrial development, according to this line of interpretation, their role is limited to providing the environments for growth.<sup>56</sup> It means that they have pursued the 'right price' policy in the markets throughout the industrial development periods.<sup>57</sup> Not the governments, but the enterprises run by the private market principles led their economies successfully, and in turn, turned out to be the most effective agent for industrialisation. Thus it is reason-

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55 R. Wade, 'East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence', World Politics, 44 (January 1992), pp. 271-3.

56 For the neo-liberal interpretations of economic development, see, B. Balassa, The Newly Industrializing Countries in the World Economy (N.Y.: Pergamon Press, 1981); 'The Lessons of East Asian Development: An Overview', Economic Development and Cultural Change, 36 (April 1988); H. Hughes (ed.), Achieving Industrialisation in East Asia (Cambridge: Cambridge University Press, 1988); I. Little, Economic Development: Theory, Policy and International Relations (N.Y.: Basic Books, 1982). Here, neo-liberal is a subset of neoclassical economics.

57 It can be further argued that the intervention of the state is understood to make things 'right'.

able to assume that successful economic development of the region is the triumph of neoclassical economics.

However there have been scholars who call this orthodox paradigm seriously into question. They commonly argue that the sustaining economic growth of the region was brought about not by an 'invisible hand' but by a 'visible intervention' of government. According to them, the role of the government in industrialisation processes of the East Asian NICs was not only remarkable but very decisive, and also quite different from that of other developing countries, whether it be 'state capitalism',<sup>58</sup> 'entrepreneurial state',<sup>59</sup> 'bureaucratic state capitalism',<sup>60</sup> or 'bureaucratic-authoritarian industrialising regimes'.<sup>61</sup>

They commonly begin with the notion of the autonomy of the state from private sectors. Due at least partly to the Confucianism, the public authorities of the region have been traditionally respected, and thus have enjoyed full autonomy from civil society. In the political development of the post independence era, the autonomy of the state has been further strengthened. In Taiwan, for example, the nationalists retreated from mainland China could establish an authoritarian government free from the interests of the local landlords. It is in this regard that they could successfully enforce land reform across

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58 James F. Petras, 'State Capitalism and the Third World', Journal of Contemporary Asia, 6:4 (1976), 432-43; Berch Berberoglu, 'Toward a Theory of State Capitalist Development in the Third World', International Review of Modern Sociology, 9 (1979).

59 Raymond D. Duvall and John R. Freeman, 'The State and Dependent Capitalism', International Studies Quarterly, 25:1 (March 1981), 99-118.

60 Rachid Tlemcani, State and Revolution in Algeria (London: Zed Books, 1986).

61 Bruce Cumings (1984), op. cit.

the island. It was a turning point for the state of Taiwan to be strong and independent enough to command and guide the economy throughout the industrial development period.

In a similar vein, the American military regime in Korea after the independence has paid more attention to the land reform and education than economic development. They reckoned land reform, which was intended to reduce the power of the landed bourgeois, to be a firm defense against the political agitation from North Korea in which land reform was enforced in a more revolutionary way shortly after the independence.<sup>62</sup> At last, the Land Reform Act was passed in the Korean National Assembly in 1949 just before the Korean War. Although it was far from the wishes of the majority of tenant farmers, it served to reduce the economic and political power of the landed bourgeois, and thus the state of Korea could attain a considerable degree of political autonomy since then. Moreover, as the cold war has dominated the political situations of Korea and Taiwan more deeply since the middle of the fifties, the far right anti-Communist governments of the two countries have reinforced their autonomy from civil society.

It is now clear that the states of Korea and Taiwan have exercised almost full control over private firms, and this control is accordingly regarded as the main reason for their economic success, as is argued by Onis:

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62 Consistent with the Communist teachings, they carried out land reform by the principle of 'free confiscation, free distribution' in the March of 1946.

the phenomenon of "late development" should be understood as a process in which states have played a strategic role in taming domestic and international market forces and harnessing them to national ends.

Key to rapid industrialisation is a strong and autonomous state, providing directional thrust to the operation of the market mechanism. The market is guided by a conception of long-term national rationality of investment formulated by government officials.<sup>63</sup>

Quite simply, it is fair to say that the economic development of Korea and Taiwan has been brought about by the guidance and command of the state with an unusual degree of bureaucratic autonomy and public-private cooperation.

#### 3.2.2.4 Industrialisation Strategies

It is quite clear that proper industrial strategy is of great importance in propelling economic development. In this regard, Korea and Taiwan have fittingly selected export oriented industrialisation as the main strategy in industrialising their economies.

In this regard, there are two critical choices of Third World economic development strategy. First of all, Third World nations must decide their industrial structure in economic development: primary industry focused development or manufacturing focused development. However, the former option could not have been accepted in the region because both Korea and Taiwan commonly lack sufficient natural resources. Secondly, they also face the dilemma

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63 Z. Onis, 'The Logic of the Developmental State', Comparative Politics, 24:1 (Oct. 1991), p. 110.

of the 'import substitution industrialisation (ISI)' or the 'export oriented industrialisation (EOI)'. Korea and Taiwan are widely recognised as the successful cases of the EOI development.<sup>64</sup> Then, what made them determine the right policy at the outset of their industrialisation?

This issue is held central to any attempt to analyse Third World development. In fact, the ISI strategy was widely recommended by many advisers for developing countries in the post-war period. The basic idea of the ISI strategy originated from the historical experience of Latin American countries which had had EOI strategy until 1929. The economic depression of the early 1930s dramatically decreased the Western demands for Latin American products and accordingly revealed their economies' vulnerabilities to fluctuating external markets.<sup>65</sup> It served as an impetus to change their economies from outward export oriented to inward economic development in the post-war period. According to the recommendations of the United Nations Economic Commission for Latin America (ECLA), the larger Latin American economies accepted ISI strategy, designed to substitute the imports with domestic production, in the hope that it would realise the national desire to reduce dependency and to create employment.<sup>66</sup>

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64 It should be emphasised, however, these two strategies are not necessarily mutually exclusive. Looking back to the history of industrialisation of these two countries, it is fair to say that they have never abandoned the ISI strategy throughout the post-war period, although the priority was given to EOI strategy.

65 D. Hulme and M. M. Turner (1990), *op. cit.*, pp. 46-7.

66 Interestingly enough, the Latin American countries, which launched the ISI strategy, are more dependent on developed countries than the East Asian countries. See, J. D. Macomber (1987), *op. cit.*, p. 472-8.



Thus it would be fair to say that the ISI, rather than EOI, was the dominant industrialisation strategy widely held, both theoretically and practically, across the Third World countries throughout the fifties and sixties.<sup>67</sup> However, the seventies and eighties witnessed the rapid growth of economic prosperity of East Asian countries including Japan, and accordingly EOI strategy turned out to be the right policy of Third World development. The imperative question now is; what made East Asian countries choose EOI strategy under a goal-oriented planning?<sup>68</sup> In regard to this issue, Amsden attempts to explain it as follows:

Just as a strong state in Korea was the outcome not of policy choice but of a long process of social change, so too were the particular policies that the military regime pasted together in the early 1960s to form a model of accumulation that was rooted in the past.<sup>69</sup>

According to this line of thinking, the explanation of selecting a particular policy lies in large part with the historical past. One plausible explanation on this issue is that both countries have been greatly influenced by Japan since their independence. Those who formed politi-

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67 It is very noteworthy that the ISI strategy was accepted mainly by the larger economies such as Argentina, Brazil, Mexico (Latin America) and Pakistan (Asia) and Philippines (South Asia). In accordance with assignment of the ISI strategy, they maintained high tariffs and over-valued currency. For more details of ISI strategy, refer for example to Ibid., p. 472-4; D. Hulme and M. M. Turner (1990), op. cit., p. 101-11; D. Harrison, The Sociology of Modernization and Development (London: Unwin Hyman, 1988), pp. 75-8.

68 At the outset of industrialisation planning in the early sixties, the patronage institutions for the Third World development expressed their fear that the economic planning, rather than free market system, of developing countries would turn their economies to the Soviet model.

69 A. H. Amsden (1989), op. cit., p. 63.

cal elites of the early sixties were educated during the Japanese colonial periods, and thus were more accustomed to the Japanese model, which drove her economy to export-oriented development since the fifties under the command of the government.<sup>70</sup>

It should be noted, however, that the right decision does not itself bring one country prosperity. It should be accompanied with the state capacity to pursue its goals persistently. In regard to this issue, Macomber argues:

If a country is going to be interventionist, then it needs to be able to manage the implementation of the policy, as well as take the initial decision to intervene.<sup>71</sup>

Quite clearly, the issue at stake is not whether the state decides this or that policy, but how the government policies are directed and implemented. When the state capacity is defined as the ability to plan, formulate and implement its own goals<sup>72</sup>, it is fair to say that the states of the two countries have been autonomous and competent enough to guide and command their economies towards national interests.<sup>73</sup> In regard to Korea, Amsden argues:

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70 J. K. Kwon, Wolgan Choson (Monthly Choson), Sep. 1992 (in Korean).

71 J. D. Macomber (1987), op. cit., p. 478.

72 See S. J. Kim, The State, Public Policy and NIC Development (Seoul: Dae Young Moonwhasa), pp. 34-7. Meanwhile it is widely accepted that EOI strategy usually needs more state capacity than ISI strategy does, because the state should be competent enough to negotiate with foreign capitals and local bourgeois under the EOI strategy.

73 Central to the successful intervention of the states in the region is the single-minded commitment of the state elites to growth, productivity, and international competitiveness. Onis tries to explain the conception of this commitment by historical circumstances; 'security threat' and 'redistribution of income and wealth from the out-

Where Korea differs from most other late industrializing countries is in the discipline its state exercise over private firms.<sup>74</sup>

In regard to the Taiwanese economy, Tsai expresses a similar view:

the state in Taiwan, under the capable leadership of the Nationalist government, functions as an initiator in drawing plans for socioeconomic developments, while the private sector voluntarily and effectively seeks ways to implement these plans.<sup>75</sup>

### 3.2.3 Consequences of Economic Development

It is needless to say that the paramount goal of economic development is to improve the living conditions of the whole population. As noted previously, Korea and Taiwan represented impressive economic growth during the last three or four decades. We can now draw our attention to the consequences of their economic development.

The rapid economic development during the last three or four decades has brought immense societal changes in Korea and Taiwan. Their agriculture sector has dwindled as quickly as their modern industrial sector has grown. This transformation from an agriculture-based society to a modern industrial one has had a great effect on the de-

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set'. See, Z. Onis, 'The Logic of the Developmental State', Comparative Politics, 24:1 (Oct. 1991), pp. 116-7.

74 A. H. Amsden (1989), op. cit., p. 14.

75 W. Tsai, 'Social Changes under the Impacts of Economic Transformation in Taiwan: From Industrialisation to Modernisation during the Post-World War II Era', Studies in Comparative International Development, 24:2 (Summer 1989), p. 37.

mographics, urbanisation and employment patterns, family structure and income distribution. We will discuss these changes in this section respectively.

### 3.2.3.1 Demographic Changes

Taiwan and Korea are the world's second and third most densely populated countries after Bangladesh, though their population growth has steadily declined since the early sixties. What is worse, they both have limited natural resources and poor soil, of which only a quarter is arable in Taiwan and slightly less (22 percent) in Korea.<sup>76</sup> Thus it is not surprising that they were among the poorest countries during and just after the colonial period.

It is quite evident that the overall economic achievement of both Korea and Taiwan is reflected in the high growth rate of GNP and GNP per capita. It should be emphasised that the decline of population growth rate of Korea and Taiwan helped increase their respective GNP per capita considerably. Thus it is fair to say that demographic changes may be a cause, as well as a result, of economic growth.

It is generally accepted that one of the disadvantages of high population growth is the smaller percentage of

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76 T. Scitovsky, 'Economic Development in Taiwan and South Korea, 1965-81' in Models of Development: A Comparative Study of Economic Growth in South Korea and Taiwan, ed. by L. Lau (San Francisco: ICS, 1986), p. 155

the population of working age, which means a larger share of dependent population.<sup>77</sup>

In Taiwan, for example, the average growth rate of GNP during 1953 to 1962 was 7.5 percent. However, mainly due to the relatively high population growth rate of 3.5 percent, GNP per capita increased only 4.0 percent annually for these years. However, the steady decline in population growth afterwards and the high growth rate in GNP helped increase the income of Taiwan's population, as is shown in the following table.<sup>78</sup>

<Table 3-7> Average Growth Rates of GNP, Population, and GNP per Capita in Taiwan, 1953-1987. %

	GNP	GNP per capita	Population
1953-1962	7.5	4.0	3.5
1963-1972	10.8	8.1	2.9
1973-1987	8.4	6.5	1.7

Source: Executive Yuan, ROC, Taiwan Statistical Data Book, Various years, Quoted from H. Tien, The Great Transition: Political and Social Change in the Republic of China (Stanford: Hoover Institution Press, 1989), p. 27.

In a similar vein, Korea showed very high rate of population growth in the fifties. But since the early sixties when the first 5-year economic development plan was launched, the rate has begun to decline steadily. Since the early seventies, the rate has declined considerably, and it definitely helped increase GDP per capita in Korea since then, as is shown in the following table.

77 H. Oshima (1993), *op. cit.*, p. 178.

78 H. Tien, The Great Transition: Political and Social Change in the Republic of China (Stanford: Hoover Institution Press, 1989), pp. 26-7.

<Table 3-8> Average Growth Rate of GDP, Population, GDP per Capita in Korea, 1971-1990. %

	GDP	GDP per capita	Population
1971-1980	9.0	10.3	1.64
1981-1990	9.9	11.0	1.10

Source: National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1990; The World Bank, World Development Report (New York: Oxford University Press, 1992); Asian Development Bank, Asian Development Outlook (Hong Kong: Oxford University Press, 1992).

Meanwhile, mainly due to improved medical services, good nutrition and an overall increase in living standards accompanied by industrialisation, life expectancy in Korea and Taiwan has risen. It accordingly contributed to the increase of the population over sixty five years of age and the growth of the age dependency ratio of Korea and Taiwan, as is shown in the following tables.

<Table 3-9> Demographic Changes of Taiwan %

Year	Population Growth Rate	Percentage of Aged (over 65)	Age Dependency Ratio*
1953	3.8	2.5	4.5
1955	3.8	2.5	4.5
1960	3.5	2.5	4.8
1965	3.0	2.6	5.1
1970	2.4	3.0	5.1
1975	1.9	3.5	5.7
1980	1.9	4.3	6.7
1985	1.3	5.1	7.7
1989	1.0 %	6.0	8.9

\* = (Pop. 65 years or over / Pop. 15-60) \* 100.

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990.

<Table 3-10> Demographic Changes of Korea %

Year	Population growth rate	Percentage of Aged (over 65)	Age Dependency Ratio**
1960	n.a	n.a	5.3
1965	2.34*	n.a	5.8
1970	1.97	3.4	5.7
1975	1.61	3.5	6.0
1980	1.57	3.9	6.1
1985	0.93	4.3	6.5
1990	0.97	n.a	6.8

\* data of 1966

\*\* (Pop. 65 years old or over/ Pop. 15-65) \* 100

Source: National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1990; Major Statistics of Korean Economy, 1990.

As a result of the increase of the dependency ratio, aging of the labour force in Korea and Taiwan will also become a critical concern, with their median ages projected to increase dramatically over the next two decades.<sup>79</sup>

<Table 3-11>  
Median Age of the Labour Force in Korea and Taiwan

	Korea	Taiwan
1980	33.2	23.6
2000	37.3	36.7
2010	39.9	39.4

Source: J. Bauer, 'Industrial Restructuring in the NIES: Prospects and Challenges', Asian Survey, 32:11 (Nov. 1992), Table 2.

These demographic changes definitely increased the intensity of aging as a social problem in both Korea and Taiwan. In economic terms, aging affects productivity,

<sup>79</sup> J. Bauer, 'Industrial Restructuring in the NIES: Prospects and Challenges', Asian Survey, 32:11 (Nov. 1992), p. 1020.

mobility and labour costs.<sup>80</sup> However, the greater significance of the demographic changes lies in social aspects. Although family still plays an important role in meeting the needs of the aged in these societies, it is also true that the needs for social services for the aged have considerably increased as the traditional lineage system is steadily breaking down.

### 3.2.3.2 Family Structure

According to the teachings of Confucianism, the obedience of the son to the father is the most notable virtue, and normally the eldest son is obligated to live with and responsible for the care of his elderly parents. However, the rapid industrialisation of Korea and Taiwan during the last three or four decades seriously increases the strain of their traditional family system. Mainly due to the weakening of their traditional lineage system, fewer people live together in extended family networks, and thus their average household size for a family has steadily decreased.

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<sup>80</sup> *Ibid.*, p. 1020.



<Table 3-12> Average Number of Household Members

	Korea	Taiwan
1970	5.2	5.6
1975	5.1	5.3
1980	4.5	4.8
1985	4.1	4.4
1990	3.7	4.2*

\* 1987

Source: Ministry of Interior, ROC, Elderly Welfare in the Republic of China, 1989; National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1992.

In addition, it is noteworthy that the percent of extended families (three generations or over) has declined as well. In Korea, the number of these extended families has declined from 23.2 percent in 1970 to 12.5 percent in 1990.<sup>81</sup> In Taiwan, the percent of the aged living with children has declined: 75.67 percent in 1979, 70.24 percent in 1986, and 65.65 percent in 1989.<sup>82</sup>

Accordingly, these changes in the family structure of Korea and Taiwan have caused serious housing problems especially in metropolitan areas, and have significantly increased social needs such as the social protection for the aged living alone.

### 3.2.3.3 Employment Patterns and Urbanisation

In general, economic growth is accompanied by a transfer of human and non-human resources from agriculture to in-

81 National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1992, p. 262.

82 Executive Yuan, ROC, Social Indicators in Taiwan Area of the Republic of China, 1989.

dustrial sector, and the cases of Korea and Taiwan are not exceptions. In Taiwan, more than 90 percent of exports around 1950 were agricultural products. By the late eighties, agriculture accounted for only 6 percent of GDP, while manufacturers produced nearly one-half of GDP. Moreover, during the last three decades of the rapid industrialisation of Korea, agriculture dropped from 40 percent of GDP to less than 10 percent, while industry grew from one-quarter to one-half of the economy over the same period.<sup>83</sup> Stated briefly, Korea and Taiwan have become industrialised societies from agriculture ones during the last three or four decades.

Accordingly, the employment structure of Taiwan has transformed into the Western type. Employment in the secondary industry sector (manufacturing, construction and utilities) and the tertiary one (communications, transportations and services) has increased, while the primary production sector has steadily withered away. The following table shows the trends in the composition of the labour force by industry.

<Table 3-13> Employment by Industries (Taiwan)

	Primary	Secondary	Tertiary
1965	46.5	22.3	31.2
1970	36.7	28.0	35.3
1975	30.4	34.9	34.7
1980	19.5	42.4	38.1
1985	17.5	41.4	41.1
1989	12.9	42.2	44.9

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990.

83 J. C. Abegglen (1994), op. cit., p. 111.

<Table 3-14> Employment by Industries (Korea)

	Agri., Forestry & Fisheries	Mining & Manufacturing	SOC*& Others
1965	58.5	10.4	31.2
1970	50.4	14.3	35.3
1975	45.7	19.1	35.2
1980	34.0	22.5	43.5
1985	24.9	24.4	50.6
1989	19.5	28.2	52.3

\* Social Overhead Capital which includes construction.  
Source: National Bureau of Statistics, Economic Planning Board, ROK, Major Statistics of Korean Economy, 1990; Economic Active Population Survey, various issues.

It is interesting to note that the employment patterns of Korea have changed in a similar way, as is shown in the above table.

These changes in employment patterns duly spur the high rate of urbanisation both in Korea and Taiwan. In 1950, only 24 towns and cities in Taiwan had populations over 5000. By the early eighties, such places numbered nearly 70.<sup>84</sup> Accordingly, the percent of the population in cities over 100,000 has rapidly increased from 20.7 percent in 1950 to 50.2 percent in 1985.<sup>85</sup> The main cause of this rapid urbanisation is migration from rural areas, rather than the natural increase of urban residents. In Korea, the number of such cities (population of 50,000 or more) and the share of urban population also increased from 27 to 62 and 28.0 percent to 69.0 percent, respec-

84 H. Tien (1989), op. cit., p. 30.

85 A. Speare, Jr., P. Liu and C. Tsay, Urbanisation and Development: The Rural-Urban Transition in Taiwan (Boulder: Westview Press, 1988), p. 18.

tively, between 1960 and 1987.<sup>86</sup> Like Taiwan, a large part of urban population growth is accounted for by net migration. However, it should be pointed out that the rapid urbanisation of Korea took place mainly in the largest cities. In 1960, Seoul, the largest city in Korea accommodated 9.8 percent of the nation's total population. By 1987, its share rose to 23.6 percent.<sup>87</sup> But Taiwan's urbanisation pattern differs from that of Korea. Taiwan is a geographically compact island and, more importantly, many industries are located in smaller cities and towns. Thus Taiwan does not have a lop-sided concentration of population in a few metropolitan centres.<sup>88</sup>

Above all, one of the salient features in the urbanisation processes of Korea and Taiwan during the last three or four decades is that rapid urbanisation has taken place without a high level of urban unemployment, unlike many developing countries. The urban industries of Korea and Taiwan were active enough to absorb the job-seekers from rural areas, and thus they have kept very low rates of unemployment in urban areas throughout their industrialisation processes.

#### **3.2.3.4 Income Distribution**

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86 K. Kim and E. Mills, 'Urbanisation and Regional Development in Korea' in Korean Economic Development, ed. by J. Kwon (New York: Greenwood Press, 1990), pp. 411-2.

87 Ibid., pp. 412-3.

88 H. Tien (1989), op. cit., p. 30.

The post-war world widely witnessed increased inequality of income distribution both between and within countries. While rich countries were getting richer and richer, backward economies grew very slowly, falling further and further behind. What is worse, the domestic income distribution of these least developed countries has generally widened the gap between the rich and the poor.

Amongst those least developed countries just after the second world war, Korea and Taiwan are considered as a number of exceptional cases of successful economic development, which have achieved both growth and equity. They developed their economies very rapidly without experiencing the customary great and increasing inequalities and the emergence of mass unemployment.<sup>89</sup> It should be noted, however, that the economies of Taiwan and Korea also reveal some significant differences in income distribution, as was examined previously. Whereas, in Korea, income has become quite concentrated at the upper end, the income distribution of Taiwan has become more equal, though both countries show far more equitable development than most developing countries. Atul Kohli and others, for instance, found a sharp contrast between Korea and Taiwan, at least in the initial phase of industrialisation. In contrast to Korea which was classified among the 'Countries Showing Significant Rise in Inequality' in 1960-1970, Taiwan was grouped into the 'Countries Showing Significant Drop in Inequality' in the same period.<sup>90</sup>

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89 T. Scitovsky (1986), *op. cit.*, p. 136.

90 Atul Kohli and others 'Inequality in the Third World: An Assessment of Competing Explanations', *Comparative Political Studies*, 17:3 (Oct. 1984), Table 2, p. 289. As far

Moreover, the income gap between the highest and lowest 20 percent in Taiwan is smaller than that in such advanced countries as United States, Japan, the United Kingdom, Australia, and West Germany.<sup>91</sup>

The explanation of this striking difference in income distribution between Korea and Taiwan lies in large part with their different degrees of industrial concentration. Compared to the Korean economy dominated by a number of large conglomerates, Taiwan has hundreds of thousands of small and medium sized enterprises. Although it is a matter of debate whether a high degree of industrial concentration is advantageous for economic growth, it is quite obvious that industrial concentration must have contributed to the greater income inequality in Korea.<sup>92</sup>

### 3.2.3.5 Concluding Remarks

In general, to be a modernised society means that the society possesses a high degree of self-sustaining economic growth, a high level of social mobility, a diffusion of secular-rational norms in the culture, and

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as the distribution structure of Korea is concerned, the 'Kuznet's hypothesis,' which shows how inequality deepens in the initial phase of industrialisation, and beyond a certain level of industrialisation improves, could be applied. For the details of the income distributions of both Korea and Taiwan, refer to National Bureau of Statistics, Economic Planning Bureau, R.O.K, Social Indicators in Korea, 1990; Korea Institute for Economic & Technology (KIET), Industrial Structure and Economic Achievement of Korea and Taiwan (in Korean), 2nd ed. (Seoul: KIET, 1989); Overall Planning Department, CEPD, Executive Yuan, R.O.C, Taiwan Economic Statistics, Dec. 1990; Dept. of Statistics, Ministry of Interior, R.O.C, Statistical Abstract of Interior of the Republic of China, 1990.

91 H. Tien, *op. cit.*, pp. 26-7.

92 L. Lau, 'Introduction' in Lau (1986), *op. cit.*, p. 9.

participation in the polity.<sup>93</sup> In other words, industrialisation usually brings increases in GNP and reductions in the unemployment rate by developing economic production systems and technology, and more importantly, duly conveying changes in non-economic spheres: social, cultural and political modernisation. Moreover, modernisation will not be completed without sustainable growth to pave the way for other extensive changes in the non-economic sectors of the society.<sup>94</sup> Thus development, in this understanding, must be seen as a social rather than a purely economic process.<sup>95</sup>

We have discussed societal changes in Korea and Taiwan brought about by their rapid industrialisation in terms of population, family structure, employment patterns and urbanisation, and income distribution. We may now draw our attention to how these societal changes impact the course of shaping the structure of welfare systems in Korea and Taiwan.

Industrial development is a critical factor in the genesis of modern welfare institutions and a key correlate of welfare effort, as a wealth of evidence suggests.<sup>96</sup>

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93 D. Lerner, 'Modernisation' in International Encyclopedia of the Social Science, Vol. X., ed. by D. Shills (New York: Macmillan, 1968), p. 386; W. Tsai (1989), op. cit., p. 25.

94 W. Tsai (1989), op. cit., p. 25.

95 H. Jones, 'Some Factors in Third World Social Policy', Social Policy and Administration, 17:2 (Summer 1983), p. 107.

96 See, for example, C. Kerr and others, Industrialism and Industrial Man: The Problems of Labour and Management in Economic Growth (New York: Oxford Univ. Press, 1964); H. Wilensky, The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure (Berkeley: University of California Press, 1975); P. Cutright, 'Political Structure, Economic Development, and National Social Security Programs', American Journal of Sociology 70 (1965), 537-50; P. Flora and A. Heidenheimer (eds.), The Development of Welfare States in Europe and America (New Brunswick, N. J.: Transaction Books,

Thus it seems quite clear that the socio-economic changes and associated social problems that emerged during the industrial transformation of Korea and Taiwan have had a great effect on the development of their welfare systems. These socio-economic explanations would provide general contexts within which the welfare system has developed and been implemented in such dynamically industrialising countries as Korea and Taiwan.

In terms of their demographic changes, two prominent phenomena can be found: the lower rate of population growth and the increase of dependency ratio, which possibly have far-reaching effect upon the aging problems. In general, the welfare system directly responsible for the welfare for the aged is a retirement pension programme. It is said that Taiwan has a relatively generous state pension programme<sup>97</sup> and its coverage has been steadily extended. However, it should be noted that many workers do not build up the necessary service years, because labour turnover rates are high and many firms in Taiwan are small and do not remain in existence for fifteen years.<sup>98</sup> Moreover, it is fair to say that there is no comprehensive pension scheme for the aged in Korea at the moment since it was not until 1988 that a pension programme was introduced in Korea.<sup>99</sup> However, it is possible to assert that a national pension programme of Korea was introduced

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1981); J. Midgley, 'Industrialisation and Welfare: The Case of the Four Little Tigers', Social Policy and Administration, 20:3 (Autumn 1986), p. 226;

97 Normally, fifteen years of requirement and up to a maximum of 45 months of wages.

98 W. Galenson, Labour and Economic Growth in Five Asian Countries: South Korea, Malaysia, Taiwan, Thailand, and the Philippines (New York: Praeger, 1992), p. 102.

99 Actually, the National Welfare Pension Act was passed in 1973 but has not been enforced for fifteen years.



in 1988 in order to absorb the baby boom generation, usually born in the early sixties, because this generation entered labour force in the middle of the eighties. It provides a good example as to how demographic changes translate into the making of a welfare system.

It is not clear, however, how the changes in family structure of Korea and Taiwan have affected their welfare systems. Mainly due to unique family support system, widely seen in the Confucian countries, it is hard to find the modification of their welfare systems according to the changes of family structure. In spite of the decline of the number of family members which causes a great demand for housing, there is no comprehensive housing benefits, and, what is worse, no family allowance scheme sponsored by the government.

It is quite obvious that changes of employment patterns in Korea and Taiwan have helped extend the coverage of such main welfare systems as the National Labour Insurance of Taiwan and the Medical Insurance of Korea. To say that employment patterns have shifted from the primary sector to the manufacture sector is to say that people in rural areas have flowed into urban areas to pursue job opportunities. Meanwhile, many of these immigrants with few skills and little capital were likely to be placed in small factories in which workers usually were not covered by the main social insurance schemes. Thus the existence of these immigrants intensified the necessity of extending the coverage of the welfare systems of both Korea and Taiwan.

In the early fifties when the Labour Insurance Act was first introduced in Taiwan, a person who is employed at an industrial establishment with ten workers or more was covered compulsorily. According to industrial development in general and the changing employment patterns in particular, the coverage of the Labour Insurance scheme was extended to those at an industrial establishment with five workers or more in 1979.<sup>100</sup> In Korea as well, when Medical Insurance, the main social insurance scheme, was enacted in 1977, only those employed at an industrial establishment with five hundred workers or more was covered compulsorily. Since then, there have been successive amendments to extend the coverage; the coverage of Medical Insurance was extended to those at an industrial establishment with three hundred workers or more in 1979, with hundred workers or more in 1981, and with sixteen workers or more in 1982, respectively.<sup>101</sup>

However, there is no welfare scheme for unemployed immigrants from rural areas in Korea and Taiwan. On the contrary, the Korean government limits the eligibility criteria of Livelihood Protection (Social Assistance) to those who have lived continuously at least five years in Seoul and at least two years in other major cities in order to hinder rapid urbanisation.

It is quite clear and widely pointed out that there has been a huge difference in income distribution between Korea and Taiwan. While Taiwan has shown a relatively

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100 S. Chiang, 'A Comparative Study of the Social Insurance System in Korea and Taiwan' (Unpublished M.A. Dissertation in Seoul National University, 1986).

101 In 1989, a person who is self-employed in urban area came to be covered.

egalitarian income distribution structure, Korea lags well behind. However, it is encouraging, as the World Bank notes, that the Korean government will be focusing increasingly on social development according to overall democratisation in Korea. The Sixth Five Year Plan clearly showed an emphasis on social expenditure increases to improve the standard of living of low-income households.<sup>102</sup>

It is quite clear, from the evidence of Korea and Taiwan, that industrial development and the accompanied societal changes do not automatically bring in greater welfare systems. They instead provide a general socio-economic context within which their welfare systems have developed. Moreover when we probe into such academic themes as the timing of welfare adoption and the level of welfare expansion more closely, some other variables should be added. Now we turn our attention to the political development of both Korea and Taiwan, which is generally supposed to have a more direct effect upon the development of a welfare system.

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<sup>102</sup> The World Bank, Trends in Developing Economies (Washington, 1990), p. 300. See also W. Galenson (1992), op. cit., p. 103.

### 3.3 Political Development of Korea and Taiwan

We have previously reviewed the economic development and accompanied societal changes in Korea and Taiwan during their rapid industrialising decades. We now consider the question of whether their remarkable industrial development, which brought affluence and duly contributed to structural change in their social systems, has facilitated their political development.

#### 3.3.1 Relationship between Industrial Development and Democracy

During the fifties and early sixties, students of development studies more or less were optimistic that decolonialisation and industrial development would bring the multiplication of democratic regimes in the Third World. In fact, it is quite fair to say that a newly emerged large middle class, which has a strong demands for political participation and institutional reforms, would give a boost to full democracy. It is in line with the 'no bourgeois, no democracy' thesis, which has been developed in the history of democratic traditions of the Western world.

However, this causal relationship between industrial development and political reform is not fully relevant to

most developing countries. O'Donnel, in his research in South American politics, contends that socioeconomic development would instead enhance the authoritarian regime's oppressive capabilities or set the stage for praetorian politics.<sup>103</sup> It, of course, is not exclusively confined to South American countries. Quite probably, it is applicable to the political situations of Asian countries in general. Diamond argues that there is no significant correlation between per capita GNP and Gastil's summary measure of civil and political liberties in his research of ten Asian countries.<sup>104</sup> Thus it is quite reasonable when Huntington argues that almost all newly independent countries became less democratic (Korea, for example) or remained undemocratic (Taiwan, for example)<sup>105</sup> If so, why is it that the remarkable industrial development of such developing countries as Korea and Taiwan has not brought some equally novel political reforms? One possible explanation can be found in their historical past.

According to Diamond, the supremacy of the state over civil society has been a major source of difficulty for democracy in many Asian countries.<sup>106</sup> He argues:

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103 G. O'Donnel, Modernisation and Bureaucratic-Authoritarianism: Studies in South American Politics (Berkeley: Institute of International Studies, Univ. of California, 1973).

See also H. Tien, 'Transformation of an Authoritarian Party System: Taiwan's Development Experience' in Political Change in Taiwan, ed. by T. Cheng and S. Haggard (Boulder: Lynne Rienner Publisher, 1992), pp. 37-9.

104 L. Diamond, Democracy in Developing Countries: Asia (London: Adamantine Press, 1989), Vol 3, Table 1.

105 S. Huntington, 'Will More Countries Become Democratic?', Political Science Quarterly, 99:2 (Summer 1984), pp. 193-7.

106 L. Diamond, Democracy in Developing Countries: Asia (London: Adamantine Press, 1989), Vol 3, p. 22.

If the state is too strong, centralised, and domineering, there will be little to prevent its incumbents from exercising power in an authoritarian and abusive fashion. . . ., On the other hand, if the state is too weak, it may be unable to deliver the social and economic goods that groups are expecting and demanding, and to maintain order in the face of conflict group demands.<sup>107</sup>

Whereas the civil society of the Western societies has developed since the age of industrialisation, that of developing countries has been, in general, immature and weakened, at least partly, by the colonial forces. Obviously the civil society, in which strong and autonomous interest groups and political parties can develop, has played a great role in establishing the rational-legal institutions through which various, sometimes factional interests can be mediated and modified in history.

However, traditionally, the supremacy of the state (administrative apparatus of the dynasties in Asia) over the civil society (subjects) has been deeply rooted, in most of Asian countries, since the medieval ages because these countries, in large part, have been under the influence of Chinese culture in which the government officials were greatly respected and the civilians were forced to respect them. Although the notion of democracy, modern government administration and rational social institutions were imported through contact with the Western societies, this tradition of authoritarianism has remained very firm in many Asian countries.

It is a very important point in explaining the establishment of the authoritarian regimes of such Asian

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<sup>107</sup> *Ibid.*, p. 22.

countries as Korea and Taiwan, and, what is more, this tradition is deepened and propelled by the militarisation of them. Undoubtedly, it does not imply that those authoritarian military regimes have enjoyed a high level of political stability. When military regimes retain a reactionary attitude toward civil society, their political instability would be exaggerated. Some would argue, on the other hand, that there would be no serious political crisis, if these regimes employed more reform-minded policies. It should be noted, however, they need great political endurance and financial support to fulfil the preconditions for reformative and progressive policies. Thus they are easily lured to use the coercive and repressive means of control, rather than seeking for consensus and adopting reformative policies in the face of political crises. What is more, it is widely accepted by highly ranked civil servants that the authoritarian policies are a more effective means than democratic one to pursue national goals such as economic development.

In fact, there are many examples in history of authoritarian political regimes, coercively but successfully, propelling economic development at the sacrifice of political liberties. Advocates of authoritarian regimes usually maintain the view that priority should be given to economic development because democracy, justice, order and other political propositions are possible only when people are free from physical needs including food, shelter, disease and so forth. Economic performance is prerequisite to, and precondition for the development of

democracy. Hence the following hypothesis can be proposed; 'If a political regime steadily and deliberately carries out various economic projects to propel economic development, the regime's legitimacy will be increased, and thus no serious political instability or crisis will be emerged'. However this hypothesis is not grounded in evidence because political problems of economically successful developing countries such as Korea and Taiwan suggest some important reservations. Diamond describes the dilemma as follows:

If they (military regimes of rapid developing economies) do not perform, they lose legitimacy, since performance is their only justification for holding power. . . . , If they do perform socio-economically, they tend to re-focus popular aspirations around political goals for voice and participation that they cannot satisfy without terminating their existence.<sup>108</sup>

Thus:

no matter whether they perform well or badly, they, in time, face demands for change.<sup>109</sup>

Sundhaussen calls it as the 'inevitable legitimacy crisis for military regimes'. It surely is mainly due to the historical characteristics of economic development itself. Economic development does not occur in a vacuum. Capital, technology, and labour are very essential elements for economy. Meanwhile, because most developing countries lack capital and technology, they commonly have

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108 *Ibid.*, p. 33.

109 Sundhaussen (1989), 'Indonesia'. Quoted from *Ibid.*, p. 39.



to foster the labour-intensive industries in the hope that those industries will play the role of locomotive for rapid economic development, and, in time, that the productivity of other industrial sectors will increase. It is the basic and main economic process of the stage theory in the tradition of the Modernization school.<sup>110</sup>

In the cases of Korea and Taiwan, labour intensity has been strengthened to improve the national competition, as these economies have been deeply engaged in the world trade market. As a corollary, the labour forces of these countries have suffered from low wages, long working hours, and, in most cases, coarse and even dangerous working conditions. It is very noteworthy that the political regimes of the two countries usually enforce very repressive measures against their citizens for fear of an uprising. According mainly to the demands of the world trade market, and partly to the interests of the domestic ruling group, labour-intensive industries have developed with the help of their Government's financial and political support at the expense of human rights, democracy and so forth.

More recently, however, both Korea and Taiwan have begun to transform their economic structures from labour-intensive industries to high value-added ones since the middle of the eighties, as was examined previously. A freer movement of technology and information is needed, which would contribute to a political change toward a

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<sup>110</sup> See W. W. Rostow, The Stage of Economic Growth: A Non-Communist Manifesto (Cambridge: Cambridge University Press, 1960); The World Economy: History and Prospect (Austin: University of Texas Press, 1978).

democracy. Meanwhile, L. Ya-li argues that the establishment of a viable democratic system in a developing country consists of two phases: 'the transition from an authoritarian system into one with some democratic and liberal features, though not yet a full democracy' and 'the consolidation of the new system and its evolution into a full democracy'.<sup>111</sup> In this regard, both Korea and Taiwan, which are 'partially democratic and partially authoritarian'<sup>112</sup>, can be said to be in the transition phase from an authoritarian rule to full democracy. During this phase, the dynamic process of democratisation itself may be set off by a 'prolonged and inconclusive opponents political struggle'<sup>113</sup> between advocates and entrenched opponents of democracy.<sup>114</sup> However, as economic development improves socioeconomic conditions and duly brings more freedom of civil society, political leaders are likely to accept democratic values and accordingly take some political reform measures toward a full democracy.<sup>115</sup> Now we turn our attention to the political development of Korea and Taiwan respectively.

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111 L. Ya-li, 'Political Developments in the Republic of China' in Democracy and Development in East Asia: Taiwan, South Korea, and the Philippines, ed. by T. Robinson (Washington, D.C.: The AEI Press, 1990), p. 46.

112 L. Pye, 'The New Asian Capitalism: A Political Portrait', in In Search of an East Asian Development Model, ed. by P. Berger and H. Hsiao (New Brunswick: Transaction Books, 1988), p. 81.

113 D. Rustow, 'Transition to Democracy: Toward a Dynamic Model', Comparative Politics, 1 (April: 1970), p. 352.

114 H. Tien (1992), op. cit., p. 38.

115 Ibid., p. 38-9.

### 3.3.2 Taiwan Politics

When the Kuomintang government retreated from mainland China and settled down in Taiwan at the end of the forties, it suffered severely from both the domestic and the external environment; military threat from the Communist regime in mainland China was intensified coupled with the Korean war, its economy was very poor and agriculturally-oriented, and most importantly, the government went deep into defeatism.<sup>116</sup> In this situation, the government seriously and painfully reviewed their defeat in the Chinese continent, and ambitiously undertook land reform,<sup>117</sup> which destroyed the agricultural village community, and accordingly transformed the agricultural labourers into industrial labourers.<sup>118</sup> Cal Clark argues about reasons for the changes of Kuomintang as follows:

First, the KMT concluded that development and reform were necessary to expand its popular appeal, ... , Second, there was considerable American pressure for liberalisation and for following the example of the U.S. occupation in Japan. , ... , Third, industrialisation was viewed necessary for building a defense industry.

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116 See Cal Clark (1989), *op. cit.*, p. 122

117 In an interview with a Western correspondent in China, Mao resolutely insisted that explanation for the Communist victory laid in large part with the 'land reform'. With deep factionalism and corruption, the Kuomintang government was not able to realise its basic principles, San Min Chu I (nationalism, democracy, and people's livelihood), during the civil war. It is very noteworthy that the Kuomintang government launched the nationwide 'land reform' in Taiwan soon after its retreat from mainland China. According to one line of argument, the underlying aim of the 'land reform' was to weaken the economic power of landed aristocracies in Taiwan.

118 Cal Clark argues that 'The subsequent urbanisation and industrialisation of Taiwan meant that breakdown of village life was associated with growing prosperity, not poverty', See, Cal Clark (1989), *op. cit.*, p. 125

Finally, the San Min Chu I certainly called for economic growth and liberalisation.<sup>119</sup>

Firmly based on the ideology of San Min Chu I (Three Principles of nationalism, democracy, and people's livelihood), and with the relatively well-educated labour forces, Taiwan actively participated in the world trade market and manifested the most successful economic development amongst Third World countries. Here it should be pointed out that, like the Korean economy, the Taiwanese economy has been basically the 'planned economy' in which the state actively participate and lead the economy sector. State technocrats and administrators, many of whom graduated from excellent American universities, were deeply involved into the industrialisation strategy. It can be assumed that their skilful and deliberate strategy for industrialisation coupled with the relatively well-educated abundant labour forces brought Taiwan remarkable prosperity.

Compared with the impressive industrialisation of Taiwan<sup>120</sup> during the past three or four decades, it is widely acknowledged that Taiwan has not duly developed equally novel political system since 1949 when the R.O.C. government retreated from mainland China. Accordingly, little documentation has been made, at least until the middle of eighties, to explain the political situation of Taiwan, and what is worse, it has been imprudently argued by many

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119 *Ibid.*, p. 126.

120 Taiwan, with other three East Asian NICs, has been one of few countries which manifested impressive economic growth during the past three decades. Its average annual growth rate of last four decades is over 9%, saving rate is highest in the whole world, and most importantly, inequality rate has considerably fallen, and thus has become similar to the levels of the developed countries

scholars that the government's authoritarian policies which have sustained relatively stable polity, have greatly contributed to the rapid economic development in whole process of Taiwanese industrialisation. However, when examined closely, it is self-evidently clear that 'economic growth under an authoritarian regime' has a clear limitation for further development. Undoubtedly, economic development in capitalist societies should be accompanied by free communications of informations, free trade, and ultimately, freedom of civil society.<sup>121</sup>

Hence such 'militarised society'<sup>122</sup> as Taiwan and Korea, though they might manifested impressive economic growth in the initial phase of industrialisation, would reach an impasse in moving towards the status of a developed country. Furthermore, the annual report of the World Bank, clearly provides solid ground for the strong correlation between democracy and economic development that most of countries in the category of the 'industrial market economies' which show highest per capita income are sorted out as 'democracy', whilst almost all Third World countries, with few exceptions such as India, are generally categorised as undemocratic countries.<sup>123</sup>

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121 Economic recoveries of the newly democratising Latin American countries such as Argentina and Mexico in the beginning of nineties illustrate how important the democratic value which provides political legitimacy to the regimes is to the production sector.

122 Halliday argues that Korea and Taiwan are not merely societies where military regimes assume the reins of government, but 'militarised society'. See Jon Halliday, 'Capitalism and socialism in East Asia', New Left Review, 124 (1980). In addition, the martial law had been effective across the island until 1987 when it was brought to an end.

123 See The World Bank, World Development Report, each year; Samuel P. Huntington, 'Will More Countries Become Democratic?', Political Science Quarterly, 99:2 (Summer 1984), 193-218. In it, the author further argues that 'the failure of democracy to develop in

In all respects, the Taiwanese polity can be well-equipped to the 'authoritarianism' in the Western perspectives.<sup>124</sup> However it should be pointed out that authoritarian regimes vary country to country and period to period as well. Thus the R.O.C. government in Taiwan must be distinguished from the Bismarkian regime in the end of 19th century, from the 'Bureaucratic-Authoritarianism' in Latin American countries, and also from the fascist regimes. It truly is the Chinese expression of the modern historical context within which her government has developed. To have a good grip on the nature of the R.O.C. government, one should pay an attention to what the Confucianism is and how much it has had an affect on Chinese politics.

Confucianism, or the Confucianists in general, has always placed great emphasis on the 'cause' rather than on the legally based rational processes. Once they assume their own 'cause', the rational process, if it is not in accord with the cause, would be readily withdrawn or even neglected. Provided that R.O.C. regime, as the de jure government of China, proclaims the restoration of mainland China<sup>125</sup> (Cause), and thus tries to maintain the national unity, they are not hesitant to be at the expense of other values such as democratisation, free speech, and

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Third World countries despite their economic growth can, perhaps, be related to the nature of that growth'. p. 204.

124 Winckler argues that Taiwan is best understood as a gerontocratic-authoritarian regime. See Edwin A. Winckler, 'Taiwan: From Hard to Soft Authoritarianism', The China Quarterly, no. 99 (Sep. 1984) p. 482

125 In fact, the Generalissimo Chiang Kai-shek was not much interested in the industrialisation of Taiwan. His efforts were mainly devoted to the restorations of mainland China.

multiparty parliament, which might, at least for its part, be regarded as the obstacle for national unity. It is in this regard that the R.O.C. government has maintained the inflexible foreign policies towards Communist regimes such as three 'No's; 'No Negotiations', 'No Compromise', and 'No Contacts'.

In sum, major defects, derived mainly from the strident policies of the government, of the Taiwanese polity can be described as follows:

First, the system created the possibility of a strong president who could dominate the system even within the constitutional framework;...., Second, the extraconstitutional fact that the R.O.C. has essentially been a one-party state meant that many of the democratic elements envisioned by the constitution were drastically curtailed. Third, the Constitution contained an 'emergence' clause that constitutional provisions could be restricted by law. ...., Finally, the conditions of open civil war that existed when the Constitution was adopted created less than optimum conditions for the exercise of democratic rights.<sup>126</sup>

In addition, it is very interesting to see that TW (Tang Wai: outside the party, literally, which represents the political opposition against the ruling party, Kuomintang) maintains to stick to the 'cause' as well. When they gathered together and tried to establish the DDP (Democratic Progressive Party), the government were likely to arrest the participants of the meeting. In this situation, whilst the leaders of the DDP attempted to compromise with the governmental authorities through private channels, 'they were unwilling to take such a

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126 Cal Clark (1989), *op. cit.*, p. 116.

conciliatory stance publicly'.<sup>127</sup> The uncompromising stance of both sides characterises, so we call, the transition periods from authoritarianism to democracy.

Numerous accounts have been made to explain the 'cause and effect' of democratisation, and further to manifest the laws or regularities of democratising processes in a world-wide context. True, as far as the political development of the past two centuries after the French Revolution is concerned, it is best understood as the 'ups and downs' of democracy. Shifting from the democratic regime to autocratic one had been frequently found in many European countries such as Germany, Italy and Spain in the first half of the twentieth century. Therefore, when we think about the historical context within which the democratic system is developed and implemented, it seems extremely hard to manifest to what extent and under what condition can democratic regime emerge.

However eighties of the twentieth century can be named as the overwhelming democratisation, or the breakdown of dictatorship in other word, of the Third World countries which were traditionally characterised as nondemocratic systems.<sup>128</sup> The beginning of eighties widely witnessed the retreat of military regimes of Latin American countries,<sup>129</sup> and the 'Yellow Revolution' in Philippines has had a great impact on the neighbouring Asian countries.

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127 See, Yangsun Chou and Andrew J. Nathan, 'Democratizing Transition in Taiwan', Asian Survey, 27:3 (March 1987), p. 288

128 Huntington decisively argues that 'With a few notable exceptions, almost all colonies that achieved independence after World War II shifted from democratic to nondemocratic systems'. See, Samuel P. Huntington (1984), op. cit., p. 197

129 By 1983, Argentina had a democratically elected government and Brazil also manifested impressive progress towards democracy. Ibid., p. 197



In 1987 the Korean government was forced by the citizen movement to reluctantly accept the direct presidential election which, at least partly, guarantees the democratic political system. More recently, the sweeping democratisation of the Eastern European countries illustrate that democracy has been the Zeit Geist throughout the eighties.<sup>130</sup>

In this regard, the sequent reforms of Taiwanese Polity [12th (1986) and 13th (1988) Party Congress of the ruling Kuomintang] are in line with the democratising trends of the Third World countries throughout the eighties. Three most prominent political reforms were carried out during 1986-1988:

1. the formation and institutionalisation of an opposition party in 1986.
2. the abolition of martial law and absorption of open dissent and public demonstrations in 1987 and 1988.
3. leadership change and liberalisation after the death of President Chiang Ching-kou in 1988.<sup>131</sup>

The aforementioned political reforms are largely based on the six-point programme of the proposal of the special Task Force in June of 1986:

1. To conduct a large-scale supplementary election to the central representative organs.
2. To put local self-government on a legal basis.
3. To simplify the national security laws.
4. To provide a legal basis for formation of new civic associations.
5. To strengthen public order.

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<sup>130</sup> What the most distinguished nature of the democratisation movement of these former authoritarian regimes is that it is brought out by the ordinary citizen, neither by political elites, nor by the deliberate institutionalisation of political conflicts.

<sup>131</sup> Cal Clark (1989), *op. cit.*, p. 136.

6. To strengthen party work.<sup>132</sup>

Based on the above programmes, the Kuomintang has gradually transformed itself from the power concentration typed Lennist party to more democratic one in ways to release the martial law on the one hand, and to compromise with the political opposition groups on the other hand. Thus the government has come to permit the formation of political party on conditions that 'party members must uphold the 1947 constitution of the ROC, be anti-communist, and oppose any move to establish an independent Taiwan.'<sup>133</sup>

The present political problems with which the Taiwanese polity faces are largely twofold: the weakening of the international status<sup>134</sup> which definitely causes legitimacy crisis of the Kuomintang government and the demand of political participation of islanders<sup>135</sup> who proclaims the independence of Taiwan. These two political problems will persistently force the government to accept the flexible and pragmatic policies.

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132 Yangsun Chou and Andrew J. Nathan (1987), *op. cit.*, p. 286 The formation of the political party is legally grounded by this programme. However it is noteworthy that the government did not directly clarify the legal permission of formation of political party. In fact, the Kuomintang Secretary and Legislative Assemblyman Mah Soo-lay, in an interview with the Central Daily News on Nov. 12th of 1986, argues that "the key to party politics is not whether different parties can take turns to rule, but whether the ruling party is sincere and honest in implementing democracy". It means that the basic concept of parliament democracy in the Western societies is not accord with the Taiwanese polity. See, Chung-yang jih-pao, November 12, 1986, p. 2, quoted from Ramon H. Myers, 'Political Theory and Recent Political Developments in the Republic of China', *Asian Survey*, 27:9, (Sep. 1987), pp. 1007-1008.

133 See, Chung-yang jih-pao, Oct. 9, 1986, pp. 1-4.

134 It will be discussed in details in chapter four.

135 The difference between mainlanders and islanders are rather clear. Chinese who came from mainland China with the Koumintang government in the end of forties and their descendants are generally called as 'mainlanders'.

However, it can be argued, compared to the neighbouring countries, that the present Kuomintang regime has relatively high political legitimacy from the people because the Kuomintang has maintained around seventy per cent of support in the recent successive elections. Therefore, as was noted by Chou and Nathan, the future evolution of Taiwan's political system depends more on the flexible adaptation of the KMT (Kuomintang) towards the both domestic and international changes than on the democratic movement of opposition group.<sup>136</sup>

In all respects, the democratic processes of Taiwan in the end of eighties are different from those of the aforementioned Second and Third World countries, because it has progressed through the institutionalisation by the power elites of the ruling party, rather than through violent movements. The future Taiwanese politics will represent both the limitations and possibilities of democracy in the Third World countries.

### 3.3.3 Korean Politics

Political cataclysm and coups have been widely witnessed in the post-war Third World countries in general. Mainly due to the legacy of colonialism, the newly independent countries neither experienced nor developed their own po-

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136 Yangsun Chou and Andrew J. Nathan (1987), *op. cit.*, p. 296

litical system relevant to their situations, but just tried to transplant the democratic political institutions developed in the Western society. In fact, the concept of democracy itself does not fit to colonial situations at all. They haven't experienced democracy, nor been disciplined as a democratic citizen, irrespective of whether they recognised what the democracy meant or not. Although every independent regimes proclaimed democracy but the gap between rhetoric and reality remained huge. Moreover, the lack of competent politicians and administrators, coupled with the evacuation of the colonial administrators, to run these institutions worsened the political situations. Under such circumstances, it would not be surprising to see that most of newly independent countries have suffered from the unstable political situations since their independence.

Looking back to the history of Korean politics since her independence, we can find the typical form of political orbit largely shared with other newly independent countries: corrupted authoritarian rules, coups, civil resistance and coups again. Thus it would be a natural course that each newly emerged regimes has suffered from the lack of legitimacy in its power transition period. This legitimacy crisis and its response of the regime are our main concern of this section.

As was examined earlier the response of regimes facing a legitimacy crisis depends on the source of crisis itself. Unlike the legitimacy crisis of Taiwan being compared, it was exclusively a domestic matter. More pre-

cisely, it came from the political struggle of power elites.

Facing the legitimacy crisis, two options can be considered in general; strengthening the repressive apparatus, first of all, and the application of appeasement apparatus (social integration) secondly. This traditional policy of 'stick and carrot' has dominated the political situation of Korea since the former president Park seized power by the coup in May, 1961. It can be estimated that his regime skilfully utilised these two social apparatuses and kept a balance between the two throughout his terms, until 1979.

On the one hand, the response patterns of his regime represented repressive nature, especially when in crisis caused from the civil resistance: martial laws have been frequently proclaimed, the right of speech and publication have been yielded under censorship, and opposition leaders have been deterred from political activities, and sometimes, jailed. These repressive policies were justified by the military and ideological conflicts with the North Korea. He also utilised the division situations into his domestic rule.

On the other hand, he wisely recognised that the successful economic development was the best way to achieve the legitimacy of his regime. Accordingly, he launched ambitious economic development plannings, and it turned out to be the prominently successful so as to be an envy of all developing countries. He timely accepted the export-oriented industrialisation strategy and pursued

rapid growth policy throughout his reign. In fact, the economic prosperity of eighties can be appraised as the outcome of his initial design.

Seen in this light, it is fair to say that the members of ruling democratic party and the government of 1960-1961, which was regarded as the only legitimated regime until the early of nineties, were not competent enough to accomplish the successful industrialisation, though they had faith in democracy. They did not present determined will to industrialise the country, nor did they effectively control the erupted needs from all sectors of society. Their incompetence probably was due to the process of seizing the power itself, since they assumed the rein of government on occasion of the mass demonstration of April in 1960, which made the first president Lee retire from politics. It is fairer to say that they did not actively get the power but received from the people. Their ineptitude towards confusion period resulted in the coup of 1961.

Although it is the majority view that the coup was brought about by the political struggle between military elites, we have to recognise the political context within which the coup was possible. Looking back to the socio-political situations of Korea in the fifties and early sixties, we can easily find that most modernised and probably most resourceful social group was military elites, who usually were educated in U.S.A. Whilst most of the high ranked civil servants were trained by the Japanese colonial administration and kept their adminis-

tration skill even after the independence, the military organisation, rapidly developed on occasion of the Korean war, actively accepted the modern administration skills. Seen in this light, the political participation the military elites might be inevitable, whether it be a coup or other way.

However, the political misfortune of the former president Park lay in the fact that his regime had suffered from the lack of legitimacy throughout his eighteen years rule, in spite of his successful achievements in economic development. He could not overcome the political burden, that he overthrew the de jure government, until his death. Undergoing three subsequent direct presidential elections,<sup>137</sup> he designed more effective and power-concentrated political system, and carried out his second coup (Siwol Yushin) in October 1972.<sup>138</sup>

After the coup, his regime, which established the centralised power system, could concentrate defence and economic development without the burden of politics, and successful overcame the first oil shock. It should be emphasised, however, that 'authoritarianism without legitimate authority' inevitably brings corruption, abuse of power and, most importantly, cannot effectively and

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137 He won narrowly at his last direct presidential election in 1971 with the opposition candidate Mr. Kim Dae-jung. In this election he garnered 6,342,828 votes, whilst Mr. Kim won 5,395,900 votes. See, The Political Chronology of the Republic of Korea: 1945-1984, National Assembly Library, 1984 (in Korean). Reference Material for Enactment No. 235. In his election campaign, the opposition candidate Mr. Kim criticised and warned that then incumbent president Park was planning the generalissimo system which guaranteed his lifelong presidency. His predict turned out to be true by Siwol Yushin.

138 For more details about the Siwol Yushin, refer for example to Byungsun Kahng, 'The Yushin Constitution and the Establishment of Bureaucratic Authoritarianism in the Republic of Korea', Korea Observer: A Quarterly Journal, 23:2 (Summer 1992), 177-95.

resourcefully cope with the various demands duly developed and spurred from the socio-economic development. These needs from time to time turned to the political participation demands, but the existing authoritarian political system was not able to control, nor channel these demands skilfully. Their solution, unfortunately, was enforcing more repressive measures in response with ever strengthening political demands.

The end of the seventies witnessed the very considerable side effects of the rapid industrialisation; economic inequality, labour unrest and widespread demands for democratisation. Faced with this political crisis, the conflicts amongst power elites revealed in dealing with the Pusan and Masan incident, ultimately resulted in the assassination of the former president Park in 1979.

The vacancy of absolute power absolutely brings political confusion. Amidst this situation, the newly emerged military elites skilfully utilised this confusion and finally succeeded in seizing power by the coup in May 1980. This new military group created the new security-oriented regime under the control of general Chun.

Like his predecessor, the former president Park, the newly elected<sup>139</sup> president Chun has suffered from the legitimacy crisis throughout his reign. What is worse, the legitimacy crisis was intensified by his military suppression against the democratic movement in Kwangju during the coup in 1980. During his seven year rule, he exercised almost absolute power to all sectors of society

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139 He was not elected as a president by direct presidential election but by the voting college, which did not represent the political preference of the population.



and drove the country into the militarised society in order to keep his power.

Although the Korean economy developed remarkably and power was peacefully transferred to the successor during his rule,<sup>140</sup> he could not overcome the legitimacy crisis of his regime, mainly caused from his coup and cruel suppression of the Kwangju democratic movement. Along with the national prosperity and the increase of civil society, political discontent was more and more deepened and spread amongst people, which resulted in the success of June Resistance in 1987. Facing with this mass demonstration, the presidential candidate of then ruling party, Mr. Noh reluctantly proclaimed the programmes for democracy including the acceptance of the direct presidential election and the political pardon of the opposition leader Mr. Kim Dae-jung.

It is widely accepted that the period of authoritarian rule has passed by since the directly elected former president Noh assumed the rein of the government in 1988. Thus we may assume that the serious legitimacy crisis that the former president Park and Chun used to suffer has not occurred in the Korean political situation since 1987. It should be emphasised, however, that every regime in every epoch in history has faced political crisis. Moreover, it would not be absurd to say that sometimes political crises may be utilised to make the regime more susceptible and resourceful to the political demands of people. Thus we can argue that the political success

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<sup>140</sup> It was the first time in the Korean history since independence that the power of regime has transferred peacefully to the next regime.

of the regime depends on the response to the imminent  
crisis of the time.

## **Chapter Four: Welfare in Taiwan**

- 4.1 Overview of the Taiwanese Welfare System**
- 4.2 Major Factors Affecting the Adoption and Expansion of the Taiwanese Welfare System**
- 4.3 Concluding Remarks**

#### 4.1 Overview of the Taiwanese Welfare System

It would be too ambitious to attempt to summarise or outline the whole welfare system in such a limited space. This section thus does not embrace a comprehensive feature of the Taiwanese welfare system nor does analyse deeply enough to produce, justify or criticise some opinions. It simply is designed to offer some background study for the further argument of this research. However, it is also true that sometimes a synopsis will more effectively increase the understanding to the basic nature of the welfare system, when accounted for by those who fully comprehend the cultural context within which it has developed and been implemented, rather than scrutinizing every details of social provisions.

The Republic of China,<sup>1</sup> the longest independent state of the world,<sup>2</sup> has maintained its own traditional way of life and thinking on the basis of 'harmony with external world'. Looking back to the history of China, there have been many invasions of the neighbouring countries, and some of them succeeded to destroyed the existing dynasty and occupied the centre of the China.<sup>3</sup> It is worthy of notice, however, that once the external culture came into

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1 The Republic of China (ROC) is an official name, which covers all over the mainland China. Taiwan is one of the thirty five provinces in China and is the main territory presently under the control of the ROC. In this thesis, the Taiwan is mainly used unless otherwise noticed.

2 The first dynasty appeared in Chinese history was the Hsia dynasty dates back 2205, B.C.

3 The most recent example is the Ching dynasty (1644 - 1911).

China, it turned into the Chinese culture very quickly. It is undoubtedly due to the basic characteristic of the Chinese, so we call, 'harmony with the nature'. Thus it is not surprising to see that the concept of the Western welfare state has been melted into the traditional Chinese system.

It is widely accepted that the modern welfare system is based on the 'Three Principles of the People' (San-min-chu-i)<sup>4</sup> delivered by Dr. Sun Yat-sen<sup>5</sup> in 1923 in Canton, which have served as a guiding principle to the Chinese government and people. These ideals are clearly spelled out in the preface to the Constitution as 'in accordance with the teachings bequeathed by Dr. Sun Yat-sen, ... , safeguard the rights of the people, ensure social tranquillity, and promote the welfare of the people'. According to these ideals in the preface, the Constitution clarifies the responsibility of the State to improve the social security as follows:

1. To provide suitable opportunity for work to people
2. To improve the livelihood of labourers and farmers

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4 These three tenets, now the backbone of the ROC constitution, are the Principle of Nationalism, the Principle of Democracy and the Principle of Social Well-being. The KMT, the ruling Kuomintang later adopted these ideals as its basic approach to government and nation. See Republic of China Yearbook 1991-92 (Taipei: Kwang Hwa Publishing Company, 1991), p. 12. It should be pointed out, however, it was not delivered from the logical or rational theoretical basis. Rather, it is best understood as a political appeal to the Chinese people who suffered from the poverty, desperation and division. It was later succeeded by the 'New Life Movement' of Taiwan commanded by the Generalissimo Chang Kai-shek.

5 It is very interesting that he is admired by both ROC and PROC as a great patriot and a founding father of modern China, though he denied the inevitability of Communism in China.

3. Capital and labour in harmony and cooperation
4. To establish a social insurance system in order to promote social welfare
5. To promote the welfare of women and children in order to consolidate the foundation of national existence and development
6. To establish extensive services for sanitation and health protection in order to improve national health (Articles 152 to 157)

It can be argued that these destinations of the Constitution are the modern expression of the Chinese culture in accordance with the rapid industrialisation during the last three or four decades. It should be emphasised, however, that they have developed the welfare system on the basis of their own tradition, different from the Western welfare states.

Compared to the Western culture or value system based on individuality, the Confucian countries in Asia as well as the traditional Chinese culture have bestowed their supreme value to family. It is very interesting to note that this family-oriented nature of the Chinese culture is clearly exemplified in the Taiwanese welfare system. In Taiwan, the welfare services for the less-privileged people like the aged, disabled and children traditionally belongs to the responsibility of the family. Moreover, it is a reality that nearly all welfare benefits are given to the family, not to individuals.<sup>6</sup>

Now we turn our attention to the government administration of the welfare system in Taiwan, and see whether

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6 Ministry of Interior (MOI), Social Welfare of the Republic of China: Thought, System, and Implementation (Taipei: Government Information Office, ROC, 1989, updated source), pp. 2-3. Pages of this document may be varied from the original version because I don't keep a original book but a document file in a computer diskette.

or, if any, how different culture bears to the different administration.

#### 4.1.1 Administration of the Welfare System

##### 4.1.1.1 Administration of ROC government in general

According to the ROC Constitution, the ROC government is divided into three main levels; central, provincial and county/city, each of which has well-defined powers.<sup>7</sup>

The ROC Constitution, which was adopted, promulgated and began to be effective before the Kuomintang government retreated from the mainland China, bestows the highest representative of the nation to the president. He shall be the head of the state and shall have supreme command of the land, sea and air force of the whole country.<sup>8</sup> Under his presidency, there are five branches of the central government; the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Examination Yuan, and

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7 For the power of each level of governments, see The Republic of China Yearbook, 1991-92, pp. 86-123.

8 Adopted by the National Assembly on December 25, 1946, promulgated by the National Government on January 1, 1947, and effective from December 25, 1947. Since the Constitution defines the ROC government in Taiwan as the only legitimate (*de jure*) government in China, the president represents whole Chinese population and the central government under his presidency duly covers whole China. They still see the Communist regime in mainland China as the 'Communist Rebellion'. Although the President Lee signed the document authorizing the termination of the 'Period of National Mobilisation for Suppression of Communist Rebellion' in May 1, 1991, it does not necessarily mean that the ROC government approve the Communist government in China. Refer to Presidential Press Conference by Lee, Teng-Hui, on April 30, 1991.

the Control Yuan.<sup>9</sup> They are the highest national government organs. According to the Constitution, the Executive Yuan is the highest administrative organ<sup>10</sup> and has eight ministries, one of which is the Ministry of Interior which is directly responsible for social security.

The Taiwan Provincial Government was established in May 1947 as the highest administrative organ of the province. Its principal functions are to handle the general administrative affairs of the province, to supervise the local governments, and to promulgate and issue laws and regulations only to the extent that these do not conflict with the central government. In both 1967 and 1979, two main cities, Taipei and Kaohsiung changed their administrative status to the special municipalities under the direct jurisdiction of the Executive Yuan.<sup>11</sup>

Under the jurisdiction of the province are counties and cities, each of counties has a county government and council and each of cities has a city government and council. By law, the organisations of the county and municipality governments are similar to that of provincial government.<sup>12</sup>

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9 For the functions and powers of each branches, see The Republic of China Yearbook, 1991-92, pp. 91-104.

10 Article 53, Constitution of the Republic of China.

11 About the ROC local governments, refer to The Republic of China Yearbook, 1991-2, pp. 110-123.

12 Ibid., p. 116.



#### 4.1.1.2 Administration of Welfare Services

Social Welfare agencies exist at all three different administrative levels of ROC government; central, provincial and county/city.<sup>13</sup>

The Social Affairs Department in the Ministry of the Interior and the Council of Labour affairs of the Executive Yuan are jointly and directly responsible for the planning and development of social welfare programmes.<sup>14</sup> While the department of social affairs of the central government is responsible to planning, legislation and supervision of services, the counterparts of the provincial government and municipal government are in charge of implementation of such services.<sup>15</sup> The Taiwan Provincial government and two municipal city government have the Department of Social Affairs and the Department of Labour Affairs, directly responsible for implementing welfare services for each jurisdiction. In county and cities under provincial jurisdiction, the Social Affairs Bureau or Section is responsible for welfare services.

Meanwhile, the existence of good qualified social workers is most essential for both planning and implementing of welfare services. According to the Social Welfare Act, each government units responsible for welfare ser-

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13 *Ibid.*, p. 245.

14 The Council of Labour Affairs, established in 1987, provides employment guidance and labour welfare services in cooperation with the Ministry of Interior. For more details about the ministries, commissions and councils under the Executive Yuan, refer to *Ibid.*, pp. 92-5.

15 Gordon Hou-Sheng Chan, 'Taiwan' in *Social Welfare in Asia*, ed. by J. Dixon and H. S. Kim (London: Croom Helm, 1985), p. 332.

vices recruits qualified professional social workers. The professional quality of them has greatly improved and there are 2991 social workers are working for the Government in 1991.<sup>16</sup>

#### **4.1.2 Welfare Enactment and Welfare Expenditure since 1960s**

This section is designed to provide basic sources for an analysis of the determinants of welfare development in the next section. It presents two specific welfare efforts: welfare enactment and welfare expenditure. The following table (Table 4-1) and figure (Figure 4-1) show major welfare enactments and trends of welfare expenditures of Taiwan since the early sixties.

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16 There are two different ways to train social workers: school education and on-the-job training. For more details about the professional social workers working for the government, refer to Ministry of Interior (1989), *op. cit.*, pp. 11-2. Pages may vary.

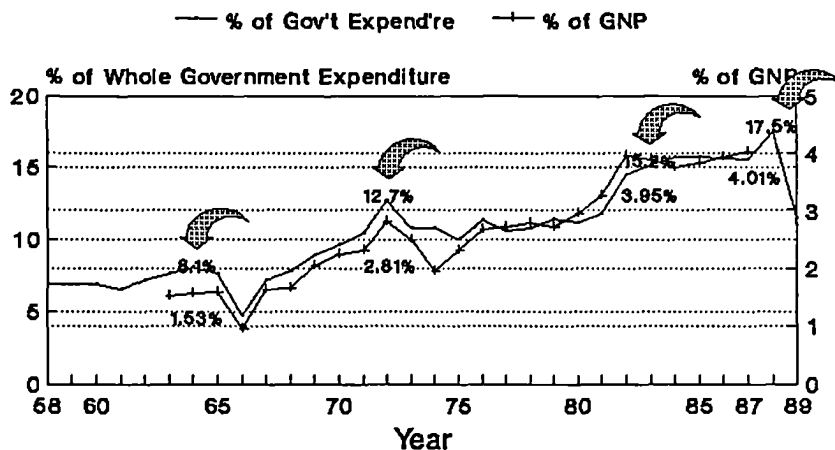
<Table 4-1> Welfare Enactments of Taiwan

Year	No. of Enactment	Contents
1968	1	Labour Insurance Law Revised
1973	2	Children's Welfare Law Labour Insurance Law Revised
1974	2	Labour Safety & Health Law Government Employees Insurance Programme Revised
1979	1	Labour Insurance Law Revised
1980	4	Welfare Law for the Aged Welfare Law for the Disabled and Handicapped Public Assistance Law Private School Faculties' Insurance Programme
1983	1	Vocational Training Law
1984	1	Labour Standards Law
1988	2	Labour Insurance Act The Settlement of Labour Disputes Law
1989	1	Juvenile Welfare Law
1990	1	Welfare Law for the Disabled and Handicapped Revised.

Source: Government Information Office, ROC, Social Welfare of the Republic of China: Thought, System, and Implementation, 1989 (updated source).

<Figure 4-1>

## Welfare Expenditure of Taiwan % of Government Expenditure & GNP



Taiwan Statistical Data Book, CEPD, ROC,  
1990, Yearbook of Financial Statistics,  
MOF, ROC, 1988

Meanwhile it should be pointed out that the welfare expenditure being used in this section comprises wide range of public services including community development and environment protection.<sup>17</sup> The following table shows the structure of the welfare expenditure.

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17 If the social welfare expenditure (social insurance, social assistance and welfare services) alone is taken into consideration, it would be more vividly reflect the political intention of the government. In fact, the term of social security in Chinese character literally comprises wide range of public policies, and thus it was not easy for me to get the data that the social welfare expenditure alone was recorded during my data collection trip in Taiwan. However, it can be said that the social security expenditure which includes public services such as community development and environment protection would, at least in part, reflect the political intention of the government as well.

<Table 4-2>

**Structure of Social Security Expenditure of 1992, All Level Governments** Unit: %

	Central	Taipei	Kaohsiung	Taiwan	Total
A	60.14	21.34	17.62	36.94	47.89
B	2.82	0.11	0.14	19.05	6.20
C	22.18	18.13	21.44	6.33	19.19
D	1.38	1.22	1.20	1.19	1.17
E	2.92	9.73	6.69	3.21	3.67
F	5.52	22.99	15.63	17.35	9.33
G	5.03	26.48	37.28	15.94	12.55
Total	100	100	100	100	100

A: Social Insurance

B: Social Assistance

C: Social Welfare Services

D: National Job-placement

E: Housing and Community Development

F: Public Health

G: Environment Protection

Source: Ministry of Interior (MOI), ROC, Report of Budget and Execution of All Levels of Government, 1993 (in Chinese).

#### 4.1.3 Implementation of Welfare Programmes

In this section, the practical provision of three main welfare schemes; social insurance, social assistance and welfare services, will be sketched very briefly.

#### 4.1.3.1 Social Insurance

Social insurance, first statutory welfare scheme instituted by the government, has been put into operation since 1950. Like other welfare system of developing countries, the social insurance scheme in Taiwan has been strongly influenced by the welfare state development in the post-war Europe, especially in Britain and West Germany.<sup>18</sup>

Now it comprises various social insurance programmes: labour insurance, government employee insurance, military servicemen's life insurance, insurance for the teaching and administrative staffs of private schools, and comprehensive accident insurance for students. In addition, the insurance scheme for coal miners<sup>19</sup> and farmers were introduced in 1986 and 1988 respectively.<sup>20</sup> Amongst them, undoubtedly the labour insurance has been held central not only in social insurance schemes but in overall welfare system.<sup>21</sup>

Labour insurance has been revised several times since its set up in 1940, each of which has expanded the coverage and increased the benefits. In 1950 when a new labour insurance scheme was created by the provincial government, only those employees who worked for companies with 20 employees or over were eligible to be insured.

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18 Gordon Hou-Sheng Chan (1985), *op. cit.*, p. 326.

19 Full name is the Coal Miners' Group Safety Insurance.

20 *The Republic of China Yearbook, 1991-92*, p. 249.

21 It is in this regard that the other insurance schemes, which aim to cover for special occupations, are excluded in this discussion.

One year later, its coverage has extended to the workers in the work places with 10 employees or over. It further expanded in 1979 to all workers in private firms with more than five employees.<sup>22</sup> The present Labour Insurance Act specifies that all workers in Taiwan between the ages of 15 to 60 are covered in the insurance scheme.<sup>23</sup>

The aim of the labour insurance is not single but manifold, though the prime object is to safeguard the insured in case of accident. It has been expected to redistribute the nation's wealth, to accumulate the capital, accrued from contributions, during the economic development, to reduce the government's financial burden, and to stabilise the supply of labour force.<sup>24</sup> It provides wide range of protection in case of maternity, injury, medical care, disability, old age, and death, though the unemployed still are not insured.<sup>25</sup> The rate of premium for normal accident insurance has been set by the Labour Insurance Act at 7 percent of the average monthly wage. Normally, the employees are supposed to pay 20 percent of the premium, whilst the employers pay remaining 80 percent.<sup>26</sup>

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22 Gordon Hou-Sheng Chan (1985), *op. cit.*, pp. 326-7.

23 Ministry of Interior (1989), *op. cit.*, p. 13. Page may vary.

24 *Ibid.*, p. 13. Page may vary.

25 *Ibid.*, p. 13-4. Pages may vary.

26 For the self-employed insurers, 40 percent of premium shall be subsidized by the provincial government concerned. About the rate of premium, see *Ibid.*, pp. 13-4.

#### 4.1.3.2 Social Assistance

Social assistance scheme of Taiwan, like the counterparts of other countries, has been set up on the principle of 'safety net', and thus is in nature ancillary to social insurance scheme. It provides living subsidy, assistance for medical care, emergency relief, and relief for disaster for those who are not eligible to be insured in the present social insurance scheme.

As the social insurance was created under the influence of the post-war European welfare state, the social assistance was greatly influenced by the 'War on Poverty' welfare programmes in the 60s of USA. Two prominent social assistance programmes, Shao-kang (little well-off, literally) and An-kang (healthy and wealthy, literally) were launched to tackle the poverty by providing vocational training, short-term loans for the self-employed and residential care for unattended chronically ill and disabled people.<sup>27</sup>

#### 4.1.3.3 Welfare Services

Some less-privileged people among child, juveniles, the aged, disabled and handicapped are entitled to receive special welfare services, according to their needs.

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<sup>27</sup> It is fair to say that these two welfare programmes are mixture of social assistance and welfare services. See Gordon Hou-Sheng Chan (1985), *op. cit.*, pp. 327-8.



Compared to the Western societies, East Asian countries in general are 'young' societies, in which the ratio of children population is relatively high. In Taiwan, more than 4.2 million people are under the age of 12, which represents over one fifth of whole population. Among those children, orphans, mentally retarded and disabled and children from low-income families are now receiving special benefits from the government.<sup>28</sup>

The Chinese society traditionally has emphasised the respect for the aged, consistent with the Confucian teachings. While most elderly people thus are now under the care of their offsprings, some of them without family needs special institutional care from the government. There are two different residential homes for the needy elderly; the 'Homes for Aged People' and the 'Homes of the Retired Servicemen'.<sup>29</sup>

In 1990, it was estimated that there were 154,162 handicapped and disabled people in the Taiwan province, each of whom has a 'Disabled and Handicapped Handbook'. The purpose of the welfare programmes for the disabled is to help them receive adequate education, training and assistance. The government is now providing special care and education according to their special needs.<sup>30</sup>

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28 The Children's Welfare Law enacted in 1973 subsidises needy families and funds day-care centres and juvenile homes. See The Republic of China Yearbook, 1991-92, p. 245.

29 The ratio of people over 65 has increased very steadily since 1950s. In 1992, they represent 6 percent of whole population. See, Ibid. p. 246. See also, Ministry of Interior (1989), op. cit., pp. 18-9. Pages may vary.

30 For more details about the government's service for the disabled, refer to Ministry of Interior (1989), op. cit., p. 19; The Republic of China Yearbook, 1991-92, p. 247-8.

## 4.2 Major Factors Affecting the Adoption and Expansion of Taiwanese Welfare System

In this section, the factors affecting welfare enactments and expenditure will be classified. However, since we recognise that the variables examined in previous chapter are not entirely satisfactory to be virtually and universally applicable to any country, they will be modified in accordance with the particular situations of each individual country. In selecting the variables being examined in this chapter, the following considerations have been taken into account:

1. Factors which are duly accorded with the particular historical context within which Taiwan has developed since 1949.
2. Factors which reflect both domestic and international situations.
3. Factors which have continuously and seriously affected the socio-politico-economic situations of Taiwan.<sup>31</sup>

According to newly classified variables, modified for the social, economic and political situations of Taiwan since the sixties, the most significant factor(s) in welfare state development of Taiwan will duly be identified. This will contribute to sharpening and deepening the un-

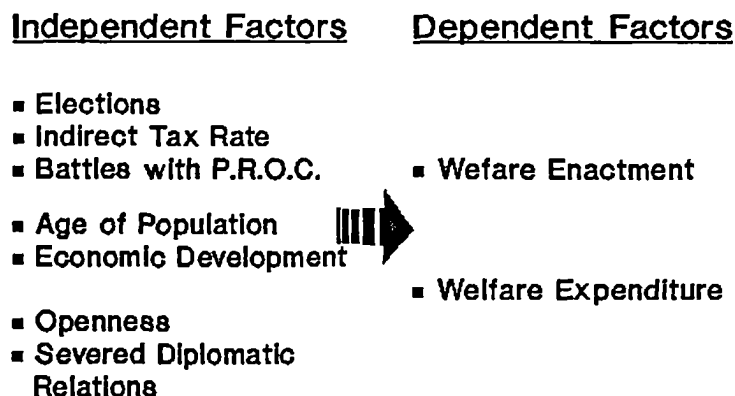
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31 It is in this regard that such factors as the ideology, riots, age of programme, age of population, and diffusion theses examined in the chapter two are duly disregarded. According to the particular situations of Taiwan, the battles with P.R.C. and the severed diplomatic relations instead are selected.

derstanding of the genesis of the welfare system of Taiwan.

<Figure 4-2>

### Conceptual Framework (Taiwan) Welfare Enactment & Expenditure



As is shown in the conceptual research framework, independent variables which seem to have decisive effects on the welfare enactment and welfare expenditure are duly classified into three groups: political-institutional context, socio-economic context and international context in accordance with the researches in chapter two. The first group is further divided into three dominant factors; elections, indirect tax rate, and battles with P.R.C. (Mainland China). The second group contains the age of its population, economic variables like employment by industries, GNP per capita, growth rate of GNP, tax burden rate and unemployment rate, respectively. The

last group is about international politics: openness and severed diplomatic relations with world's most powerful countries like G7 and the influential international institutions like United Nations.

#### 4.2.1 Political-institutional Context

##### 4.2.1.1 Elections

The elections in this section include those for National Assembly, Executive Yuan, Control Yuan (supplementary elections), and Taiwan Provincial Parliaments. In fact, members of National Assembly, Executive Yuan and Control Yuan were elected by the nationwide election in 1947 and 1948 for three-year terms. However, due to the Communist victory over mainland China, the succeeding nationwide elections have not been held since then, whilst the election for provincial parliament (Taiwan) has been held eleven times since 1951. It is in this regard that only supplementary members were elected for the aforementioned three nationwide elections.<sup>32</sup> The following is the number of the newly elected members of supplementary elections for the National Assembly, Executive Yuan and Control Yuan respectively.

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32 For further informations, see Cal Clark, Taiwan's Development: Implications for Contending Political Economy Paradigm (New York: Greenwood Press, 1989).

<Table 4-3> Number of Newly Elected Members

Year	National Assembly	Legislative Yuan	Control Yuan
1969	15	11	2
1972	53	51	-
1973	-	-	15
1975	-	52	-
1980	76	97	32
1983	-	98	-
1985	1	-	-
1986	84	100*	32
1989	-	130	-
Incumbent Number	773	250	52

\* The number of elected member may be different from that of other sources.

Source: MOI, ROC, Abstract of the Internal Affairs, 1990.

In addition, the political support to the ruling Kuomintang was still firm, even in the middle of transition period of 1986. The following table illustrates the ruling Kuomintang maintained around 70% of political support from its constituents.

<Table 4-4> Political Support of KMT

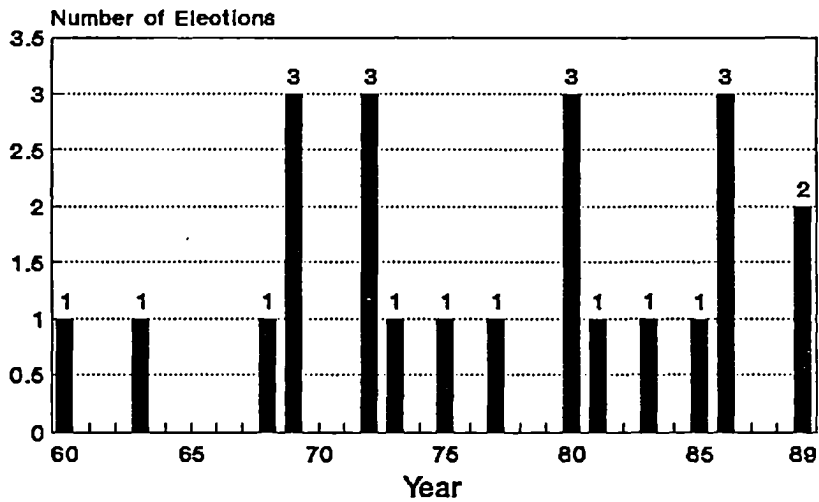
	Elected Numbers	% of Ballot Cast
National Assembly		
KMT	68	68.31
Others	16	31.69
Legislative Yuan		
KMT	59	69.87
Others	14	30.13

Source: Lien-ho-pao, Dec. 8, 1986, p. 2. Quoted from R. H. Myers Ramon H. Myers, 'Political Theory and Recent Political Developments in the Republic of China', Asian Survey, 27:9 (Sep. 1987), p. 1015.

Now the issue of the election thesis is whether the election has affected welfare enactments and expenditure.

<Figure 4-3>

### Elections in Taiwan National Assembly and Province MPs



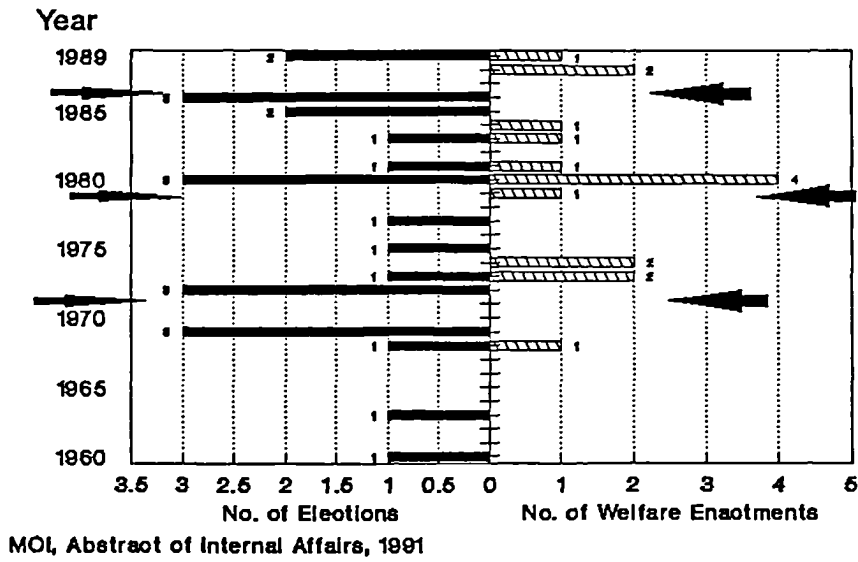
Abstract of Internal Affairs, MOI, ROC,  
1990.

The above figure shows the number of elections held in Taiwan since the early sixties.

Meanwhile, when we attempt to compare the elections with the welfare enactment, we can get the plausible account that the correlation between the election and welfare enactment has been relatively strong, as is shown in the following figure.

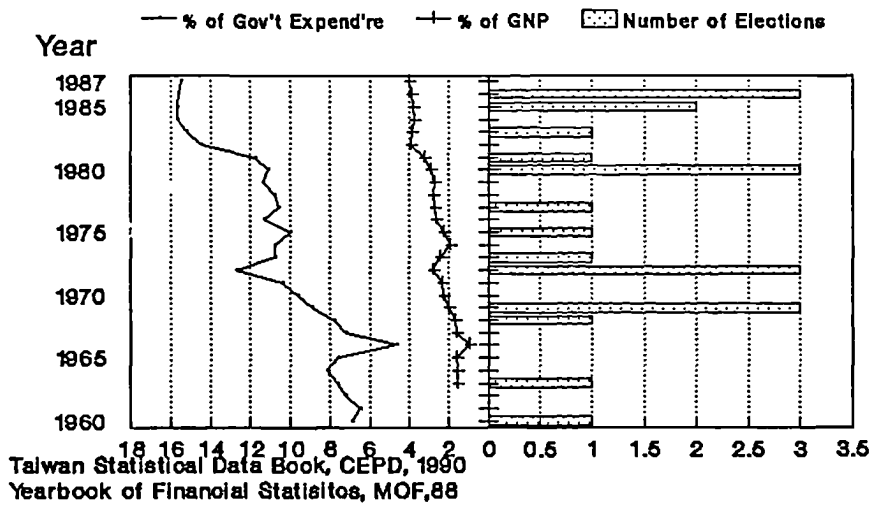
<Figure 4-4>

### Elections & Welfare Enactment in Taiwan National and Provincial Elections



<Figure 4-5>

### Election & Welfare Expenditure in Taiwan % of Government Expenditure & GNP



However, there is no strong correlation between the election and welfare expenditure in Taiwan, as is shown in the above figure.

#### 4.2.1.2 Indirect Tax Rate

Implicit in the indirect thesis is the idea that constituencies are likely to expect more benefits but less taxes for their services. In election, the candidates usually tend to promise 'more services, but less taxes' to garner the tax-payers' votes. However, it clearly is a contradiction. One of the ways to resolve this dilemma is to increase indirect taxes. In regard to this tax concealment thesis, DeViney argues that 'the greater the state reliance on indirect taxes, the greater the expansion of public expenditure for social programs'.<sup>33</sup>

However, as the following figure shows, the correlation between indirect tax and welfare expenditure in Taiwan turns out to be the reverse relationship. Thus it is hard to prove that DeViney's thesis is applicable to Taiwan, though it still is a matter of debate whether the indirect tax rate is the sole factor affecting the expansion of public expenditure.

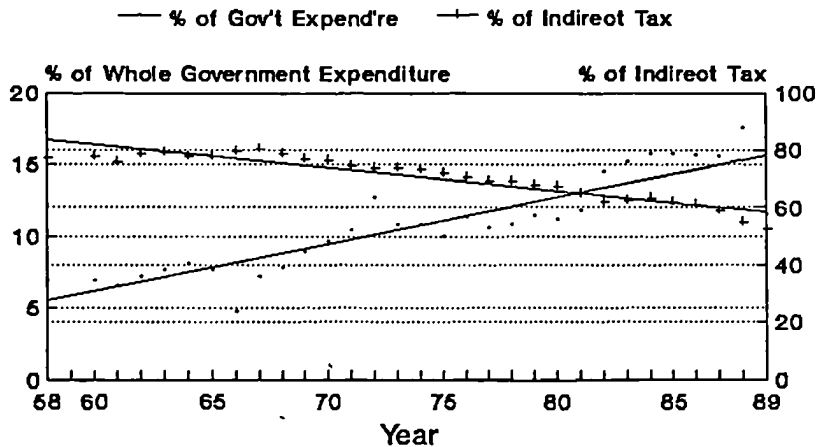
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33 S. DeViney, 'Characteristics of the State and the Expansion of Public Social Expenditure', Comparative Social Research, 6 (1983), p. 155.



<Figure 4-6>

### Welfare Expenditure & Indirect Tax, ROC % of Govern't Expenditure & Indirect Tax



Taiwan Statistical Data Book, CEPD, ROC,  
1990. Yearbook of Financial Statistics,  
MOF, ROC, 1988.

#### 4.2.1.3 Battles with mainland China

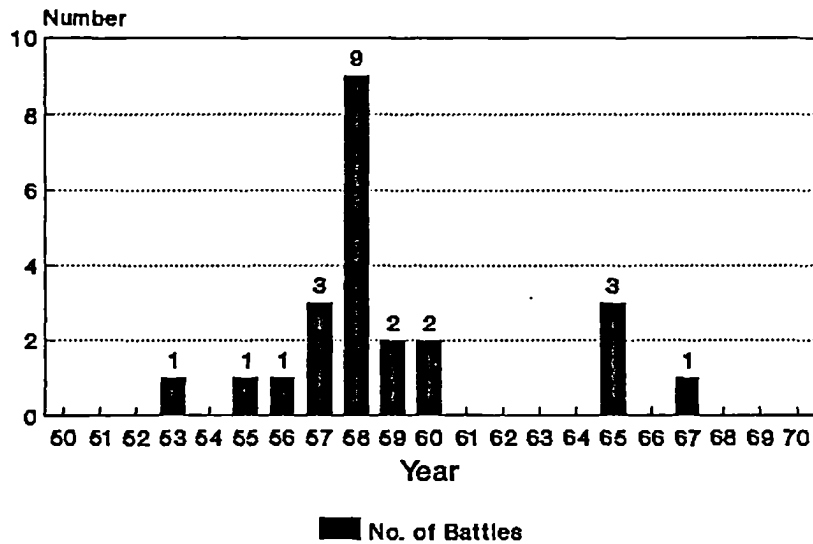
Battles against the Communist regime in mainland China, though it has not been extended seriously, have greatly influenced the shaping of the domestic polity by way of strengthening the anti-Communism sentiment of its people on the one hand, and of appealing the restorations of mainland to them on the other hand. At the peak of nine battles of 1958, however, the number of them had decreased, and moreover, battles have not broken out since the end of the sixties. This is partly due to the strong recommendation of the United States Government in line

with the international trends of Detente in the early seventies.

Ironically, military conflicts with mainland China, though it brought overwhelming fear about national security, has greatly contributed to stabilisation of domestic politics in Taiwan. The following figure presents the number of battles with mainland China.

<Figure 4-7>

### Battles with Mainland China



China Yearbook, 1991-2

However, we cannot find any significant correlation between military conflicts with mainland China (number of battles) and welfare enactment since the battles have never been brought out since the late sixties. As well, in terms of welfare expenditure, there is no reason to believe that battles with mainland China have had an affect on the changes of expenditure.

It thus can be assumed that military conflict does by itself lead neither to the enactment of welfare programmes nor the increase of welfare expenditure directly. It should be emphasised, however, that the military and ideological tension has obliged the domestic institutions, including the welfare system, to conform the logic of the cold war.

#### 4.2.2 Socio-economic Context

##### 4.2.2.1 Age of Population

Due to the development of medical services, good nutrition, overall increase of living standards, life expectancy of Taiwan has greatly increase from 58.6 in 1952 to 73.5 in 1989,<sup>34</sup> although the population growth rate has fallen.<sup>35</sup> Accordingly, both the portion of the aged (over 65) among the whole population and the age dependency ratio has risen dramatically since the early sixties. The following table summarises some important indices for population change.

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34 Council for Economic Planning & Development, Taiwan, Republic of China, Economic Development, 1990, p. 40.

35 The population growth rate has fallen from 3.8% in 1953 to 1.0% in 1989. See, Council for Economic Planning and Development, Taiwan Statistical Data Book, Republic of China, 1990.

<Table 4-5>

Life Expectancy and Age Dependency Ratio of Taiwan

Year	Life Expectancy	Percentage of Aged (<65)	Age Dependency Ratio*
1960	66.40	2.5%	4.8%
1965	69.71	2.6%	5.1%
1970	71.56	3.0%	5.1%
1975	73.42	3.5%	5.7%
1980	74.54	4.3%	6.7%
1985	75.81	5.1%	7.7%
1989	76.21**	6.0%	8.9%

\* = (Pop. 65 years & over / Pop. 15-60) \* 100.

\*\* 1988

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990; Department of Statistics, Ministry of Interior, Statistical Abstract of Interior of ROC, 1990.

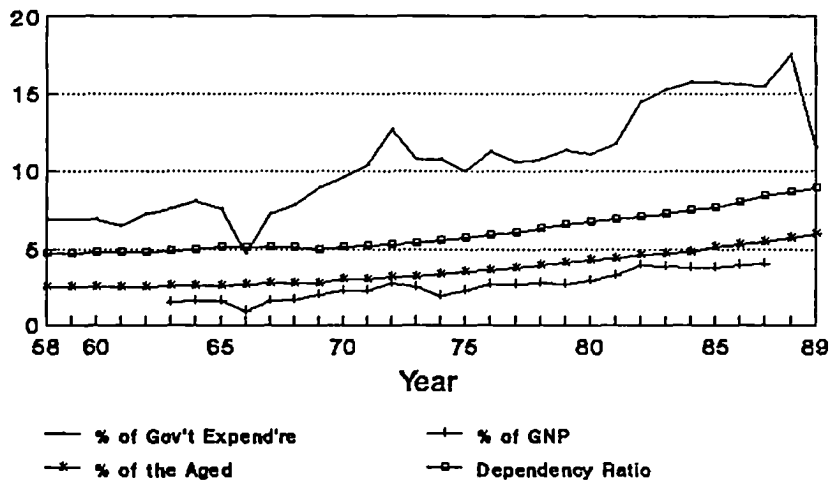
The basic idea of the age of population thesis is that a country with more aged people is likely to spend more social security expenditures than the one with less aged people. Compared with the Western developed countries, the East Asian countries generally have a less aged population and thus a lower rate of age dependency. It can be roughly assumed, according to this line of explanation, that the countries with less aged population like East Asian countries have fallen well behind in welfare state development. However it is clear that the plausibility of this thesis depends not on the existence of the aged group, but on the political power of the aged. It really is a precondition for any attempt to analyse the welfare state development on the basis of this thesis.

It seems that there is some correlation between the age indices (the proportion of aged and the age dependency

rate) and the trend of welfare expenditure, as is shown in the following figure.

<Figure 4-8>

### Aged Population and Welfare Expenditure



Taiwan Statistical Data Book, CEPD, ROC,  
1990. Yearbook of Financial Statistics,  
MOF, ROC, 1988.

It should be emphasised, however, that it still is dubious whether the age population thesis is applicable to the East Asian context. One of the most essential virtues of Confucianism is the filial duty, and thus aged people are generally respected by their juniors in these countries, consistent with Confucian teachings. It is a praiseworthy virtue that should be spread abroad. Interestingly enough, however, it more often than not in these countries hinders the natural development of the welfare state because the aged are generally expected to be supported, both financially and emotionally, by their sons and daughters.

Hence it is too naive to assume that the rise of aged population has had an effects on the increase of welfare expenditure, even though the two factors show some correlation in Taiwan.

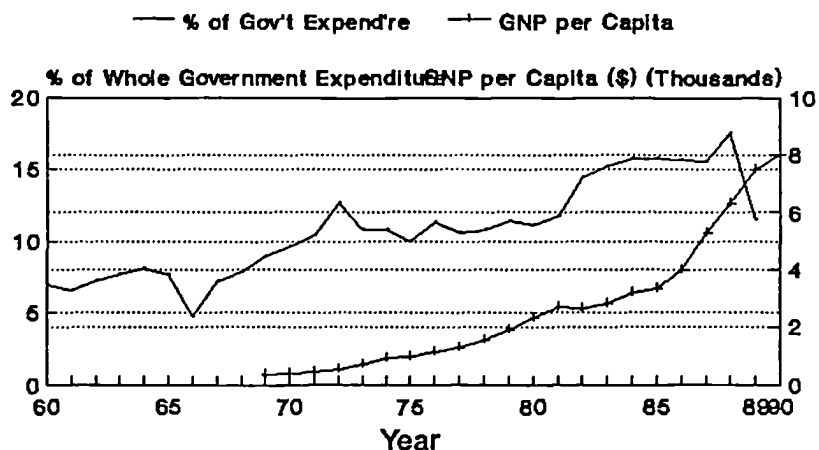
#### 4.2.2.2 Economic Development

Economic development of Taiwan during the last three decades has been unquestionably remarkable. Whereas plenty of material has been written to account for the economic success of Taiwan, too little attention has been paid to her welfare system. It really is of analytical value to examine the development of welfare system under a rapidly growing economy which has maintained the dynamism for over three decades.

It is widely accepted that the welfare expenditure of East Asian countries has shown incremental trend, and the Taiwan expenditure is not an exception. The portion of welfare expenditure of whole government expenditure has increased according to the growing economy, as is shown in the following figure.

<Figure 4-9>

### Welfare Expenditure & GNP per Capita % of Government Expenditure & GNP



Taiwan Statistical Data Book, CEPD, ROC,  
1990. Yearbook of Financial Statistics,  
MOF, ROC, 1988.

Though it is hard to ascertain that the economic development of Taiwan has directly influenced the increase of welfare expenditure in Taiwan, it does not totally neglect nor reverse the 'logic of industrialism' thesis. In fact, we cannot emphasise the importance of industrial development too strongly in the welfare state development. Welfare system may be the superstructural expression of industrial development. It provides the basic resources which make the ideas or commitment to get turned into the actual programme.

But the point here is that industrial development has not by itself made welfare enactment nor increase of welfare expenditure directly. We have to probe more direct

and plausible accounts on welfare system in Taiwan. Now we turn our attention to the international context.

#### 4.2.3 International Context

##### 4.2.3.1 Openness

Implicit in the 'openness' thesis is the idea that countries with a highly dependent economy towards world markets are likely to have more advanced social policies. Since these economies have a number of huge conglomerates to survive in the severe international competition, they have a traditionally strong labour organisation, and thus a strong progressive party or government in favour of universal welfare system.

This thesis has developed from the evidence of the Scandinavian countries. This section aims to examine whether it is solely specific to the highly corporatist countries or it can be extended to other highly dependent economies like Taiwan.

Taiwanese economy has launched the 'export-oriented industrialisation' since the early sixties, and accordingly, has rested heavily on international trade. The foreign dependency ratio has risen dramatically since the seventies and is now among the highest in the world.



<Table 4-6> Foreign Dependency of Taiwanese Economy

	Export % GDP*	Import % GDP
1962	11.4 (50.5)	15.9
1965	16.1 (46.0)	19.9
1970	26.3 (78.6)	27.1
1975	34.7 (83.6)	39.0
1980	48.5 (90.8)	48.5
1985	51.0 (93.8)	33.4
1986	54.9 (93.5)	33.4

\* ( ) indicates the percent of industrial products to whole export.

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1987

It should be pointed out, however, the industrial concentration rate of Taiwan has not been so high than is often thought. Compared to the Scandinavian economies and its East Asian competitors as well, the Taiwanese economy has developed on the basis of the medium-small sized companies, rather than huge conglomerates. For example, the property, value-added products and employment of upper 200 biggest companies are 42.6%, 41.5% and 21.3% respectively in 1976, compared to those of the upper 30 biggest companies in Korea are 37.2%, 33.2% and 18.6% respectively in 1982.<sup>36</sup>

As well, there has never been a strong tradition of labour movement in Taiwan since independence. In fact, the radical labour movement was strictly banned by the martial law which was brought to an end in 1986. Accord-

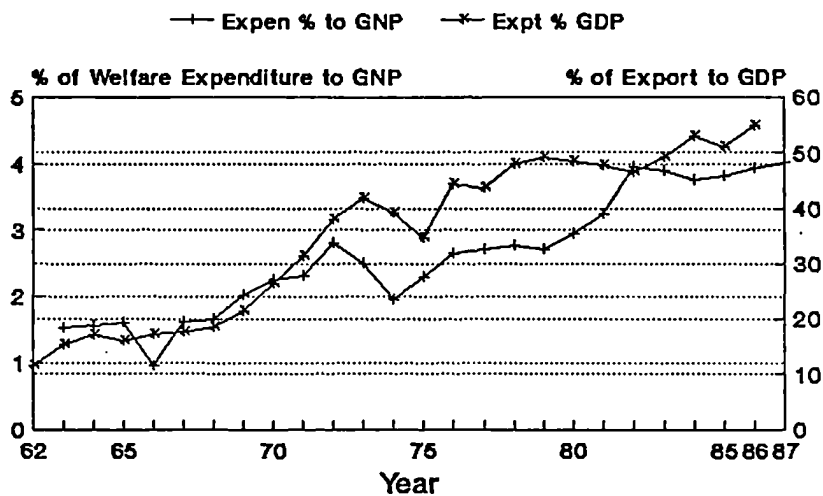
36 See, Korea Institute for Economics & Technology (KIET), Industrial Structure and Economic Achievement of Korea and Taiwan (in Korean) (Seoul: KIET, 1989), pp. 62-72.

ingly, up to 1990, only 44 percent of the 6.2 million paid employees were members of at least one union.<sup>37</sup>

When we think about the context within which this thesis has developed in Scandinavian countries, there is no reason to believe that this thesis is applicable to the welfare state development of Taiwan, although both the welfare expenditure to GNP and the percent of export to GDP has steadily risen, as is shown in the following figure.

<Figure 4-10>

### Welfare Expenditure and Expt % GDP



Taiwan Statistical Data Book, CEPD, ROC, 1990. Yearbook of Financial Statistics, MOF, ROC, 1988.

37 Republic of China Yearbook 1991-2, pp. 259-63.

#### 4.2.3.2 Severed Diplomatic Relations.

In the historical situation of Taiwan, diplomatic relationship with the world's leading countries like members of G7 or with the influential international organisations like the United Nations, has been held central in Taiwanese polity either domestically or externally, because the Kuomintang (National Party) regime has persistently endeavoured to maintain the political legitimacy over the mainland China. However the international status of R.O.C. government has dwindled, according to the pragmatic foreign policies of world's leading countries. The following table shows the comparison between P.R.C. and R.O.C in international diplomatic status.

<Table 4-7>

Number of Countries Recognizing the R.O.C. and P.R.C.<sup>38</sup>

Year	R.O.C.	P.R.C.
1950	53	26
1963	58	42
1966	60	50
1970	68	53
1973	39	85
1977	23	111

Source: Ralph N. Clough, Island China (Cambridge, Mass.: Harvard Univ. Press, 1987), pp. 153-54; quoted from Cal Clark, Taiwan's Development: Implications for Contending Political Economy Paradigm (New York: Greenwood Press, 1989), p. 97.

38 With few exceptions such as Saudi Arabia, the R.O.C. government now maintains the diplomatic relationship with relatively small countries. Due to the pressure of P.R.O.C government, Korean government, which has been a long-time patronage of the Taiwanese government in international politics, decided to sever the diplomatic relationship with R.O.C. in 1992.

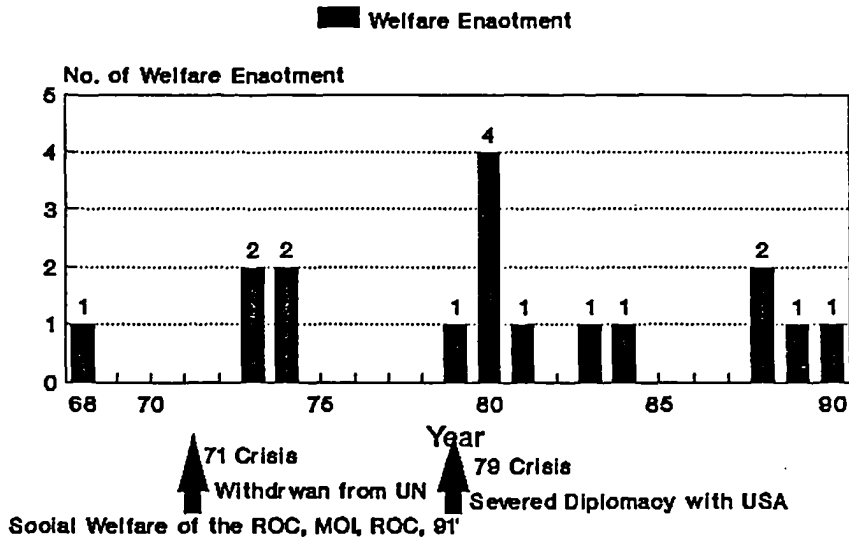
It is widely acknowledged that the most serious crises of Taiwanese politics since 1949 came from severed diplomatic relationship, not from the domestic problems. In 1971, the Republic of China, one of the founder of the United Nations, was withdrawn from the UN. Since 1971, the number of countries recognizing P.R.C. has exceeded that of countries recognizing R.O.C. Furthermore, the United States of America, once the strongest supporter of the R.O.C. government, decided to sever the diplomatic relationship with R.O.C. in 1979, and officially recognised P.R.C. as de jure government in China. It deepened the political isolation of Taiwan, and brought about serious subsequent domestic crises in Taiwan. It is very noteworthy that welfare enactments were actively made around two serious crises. It demonstrates the strong correlation between the political crisis and welfare enactment (See Figure 4-11). Moreover, the trend of welfare expenditure shows momentary increase around the two crises as well (see Figure 4-12). The percent of the welfare expenditure to whole government expenditure and GNP in 1972 were 12.7% and 2.81% respectively and those of 1982 were 14.5% and 3.95%. When we think about the general trend that the increase of welfare expenditure would be made one or two years after the enactment, it is a natural course that the welfare expenditure has steeply risen since 1982.<sup>39</sup>

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39 Whilst the percent of welfare expenditure to whole government expenditure before 1982 remained around 11%, that of 1982 and 1983 showed 14.5% and 15.2% respectively.

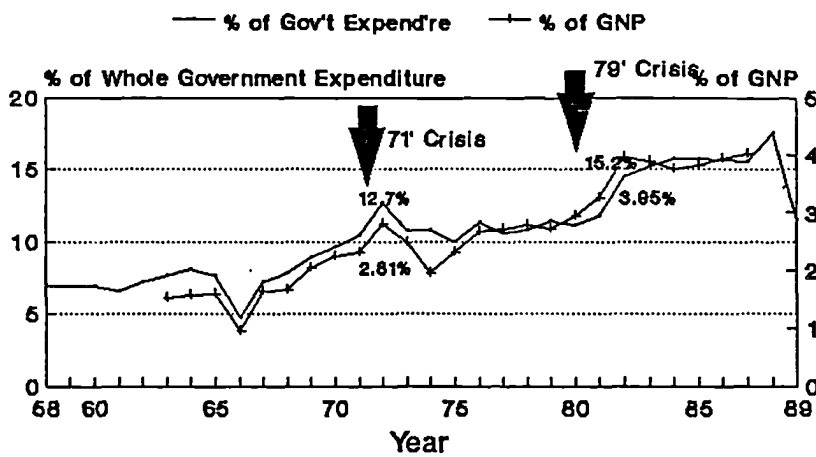
<Figure 4-11>

### 71' & 79' Crisis and Welfare Welfare Enactment & Political Crisis



<Figure 4-12>

### 71' & 79' Crisis and Welfare Welfare Expenditure & Political Crisis



Taiwan Statistical Data Book, CEPD, ROC,  
1990. Yearbook of Financial Statistics,  
MOF, ROC, 1988.

### 4.3 Concluding Remarks

Throughout the fifties, sixties and early seventies, the logic of industrialism has been prevalent in explaining the emergence and development of welfare state. Inherent in this thesis is the idea that the modern welfare system can be understood as a product of the changing needs created by the development of industrial societies. It means that such social factors as the breakup of the extended family, the ageing population, and the rapid urbanisation and so forth impact the course of shaping the structure of welfare systems.<sup>40</sup> Thus it is fair to say that 'Only the form and extent of the welfare state, rather than its very existence, is a political issue in market-dependent societies'.<sup>41</sup>

However, since the seventies, the second camp has appeared, stressing the importance of working class in the emergence and development of the Western welfare state. They ushered in to criticise the then orthodox interpretation, the logic of industrialism, that it tended to make the working class the passive object of social and economic transformation.<sup>42</sup> They duly gave more weight on the organised expression of trade unions, left parties

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40 For details of the societal changes of Taiwan, please refer to chapter three.

41 C. Pierson, Beyond the Welfare State?: The New Political Economy of Welfare (Cambridge: Polity Press, 1991), p. 19.

42 See F. G. Castles, The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890-1980 (Wellington, New Zealand: Allen and Unwin, 1985), pp. 1-9. In it, the author indicates that the passive role of the working class was also a theme that characterised the interpretation of the welfare state development in the tradition of Marxism.

and left or coalition government in the development of welfare state.

Research into the Taiwanese welfare system in the previous section, however, manifests the view that neither camp has stood up well to the Taiwan case. Yet there is a wealth of evidence to indicate that the explanation for the determinants of welfare efforts in Taiwan lies in large part with the legitimacy crisis, mostly from the severed diplomatic relationships, of the regime. Seen in the previous figures (4-11, 4-12), it is self-evidently clear that the political crises have been a major determinant factor both in welfare enactment and expenditure in Taiwan. It also clearly implies that the state, however defined, definitely decides the timing of enactment of welfare programmes in an attempt to tranquillise political crises. Now we can have a clue as to how, why, and in what respects the welfare system of Taiwan is different from those of advanced countries. It can be further assumed that the welfare systems of Taiwan are basically designed to cope with the political crises, and thus can achieve and maintain their political legitimacy.

The importance of the case of Taiwanese welfare system lies in the fact that it has developed under the authoritarian regime on the one hand, and with the rapid economic development on the other hand. According to the main findings of this chapter, we can propose the theme that the welfare system was brought about by the serious

political crises, in order to restore the legitimacy of the regime. It further assumes that authoritarian government has influenced the timing of welfare enactment and the level of welfare expenditure in favour of its political interests.

However, it should be manifested that there is a limitation of this argument. Since this chapter did not discuss the history of welfare legislations of Taiwan, and, moreover, the social factors have not been adequately taken into account, this argument can be maintained only to the extent that what sort of political interpretation can be proposed when relating the timing of welfare enactments and the level of welfare expenditures to the political crises in Taiwan.



## **Chapter Five: Welfare in Korea**

- 5.1 Overview of the Korean Welfare System**
- 5.2 Major Factors Affecting the Adoption and  
Expansion of the Korean Welfare System**
- 5.3 Concluding Remarks**

The case of the Taiwanese welfare system, as was examined in the last chapter, evidently illustrates that the political crisis amongst other factors have had the most significant effects on the welfare enactment and welfare expenditure. It can thus be further assumed that welfare system of Taiwan has been basically designed to cope with the political crises, and to achieve or restore the political legitimacy of the regime in the long run. However, it still is a matter of further inquiry whether this political crisis thesis is solely specific to Taiwan, or it can be extended to different cultural context. Now we turn our attention to the case of the Korean welfare system.

For this research purpose, this chapter first of all describes, albeit briefly, the overview of the Korean welfare system with a view to provide a background research for the main argument of this chapter. The next section deals with the welfare efforts (welfare enactment and welfare expenditure) in relation with the independent factors, and probes which factor is the most significant factor in the development of the Korean welfare system.

Identifying the most significant factor, we can get more reasonable and deeper understandings of the nature of the welfare system in Korea. This chapter concludes that political crisis amongst other factors decides the timing of welfare enactment and the trends of welfare expenditure, as is in the case of the Taiwanese welfare system.

## 5.1 Overview of the Korean Welfare System

The task of scientific inquiry is to present an empirically based interpretation of the welfare system of the individual countries within a given historical context. To attempt a close examinations of the Korean welfare system, along with the Taiwanese welfare system, would be of enormous interest to those interested in the welfare system of the region. It would further contribute to the enrichment of the literatures of the social policy in ways to present some possibilities to overcome the parochial nature of the discipline.

It is widely recognised that both Korea and Taiwan are situated in a very particular position in the international context. They are different from the advanced countries with respects to their colonialised experience and relatively backward economies, different from the former socialist countries with respect to their rigidly pursuing capitalist development, different from the less-developed countries with respect to their relatively flourishing economies, and also different from other NICs (Latin American NICs, East European NICs and South European NICs) with respects to their preserving the Confucian tradition, and manifesting consistent and solid economic growth even in the hardest times of the world market. In many respects, Korea and Taiwan seem to have much in common, though they have some difference in details.

In regard to the similarities of Korea and Taiwan, Euh and Baker succinctly describes as follows:

When examined closely, Korea and Taiwan show some striking similarities in their political and economic system. Both countries are small geographically and are densely populated with very homogeneous populations. Both countries have export-driven economies. Both have been dominated in the past by Japanese military forces. Both have encountered political conflict since the Second World War - Korea with the political tensions from North Korea and Taiwan as a result of the political split with Mainland China, the People's Republic of China. Both nations have been administered by dictatorial or military governments with varying degrees of political domination from the central government.<sup>1</sup>

Now the issue at stake is whether the political crisis thesis, endeavoured by the evidence of the Taiwanese welfare system, can be applied to the case of the Korean welfare system.

According to this research purpose, this section first of all describes the administration of the Korean welfare system. Secondly, it provides the basic source of the analysis of the Korean welfare system: the welfare enactment and the welfare expenditure since the early sixties. Thirdly, it explains how the welfare programmes are operating in practice.

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<sup>1</sup> Yoon-Dae Euh and J. C. Baker, The Korean Banking System and Foreign Influence (London: Routledge, 1990), pp. 78-9.

### 5.1.1 Administration of the Welfare System

#### 5.1.1.1 Administration of the Korean government in general

Since the research deals with the statutory welfare system operating on the basis of governmental networks, it would be worth describing overall governmental administrations beforehand, and accounting for how welfare system is administered.

The Republic of Korea has maintained the presidential system as a governmental form since the early sixties.<sup>2</sup> The Government thus shall be, at least in principle, checked by, and balanced with the national assembly and the judicature. The president is in the highest level of the government, and also is the chairman of the cabinet which consists of the prime minister, the deputy prime ministers, the head of the government ministries and ministers of state.

Administratively, the local governments are divided into one special city (Seoul), five direct jurisdiction cities (Pusan, Taegu, Kwangju, Inchon and Daejon<sup>3</sup>), which enjoy provincial status, and nine provinces. A province

2 In fact, the Korean government had maintained the presidential system since 1948 when the Republic of Korea established the first government. The Second Republic, borne out by the mass demonstration of the April, 1960, however, abandoned the presidential system and instead adopted the parliamentary system, for fear that the strong presidential system would lead to dictatorship. This government was collapsed by the coup in May 1961 and thereafter the presidential system has been sustained until now.

3 Daejon has been a direct jurisdiction city since 1989.

is subdivided into county (Kun, 137), city (Shi, 67), town (Eup, 179) and township (Myon, 1260) whilst the special city and direct jurisdiction cities are further divided into Ward (Ku, 67) and sub block (Dong, 2104).

Traditionally, it is often told, the influence of centralised power over whole country has been dominant since the medieval ages, and thus the role of government in directing and intervening private sector has been widely and readily accepted by the people. It is mainly due to the strong tradition of Confucianism which takes great emphasis on the hierarchy of social members. Under the Confucian social structure, the state officials are recruited from the scholar class which also forms major part of the upper class, and thus the state officials proudly considered themselves as the 'directors of society' rather than as the 'servants of society'. According to Lohmann, this tradition of Confucianism has a serious impact on the contemporary welfare system as well.

The contemporary administration of Korean social welfare, along with other aspects of public and/or nonprofit administration have been heavily influenced by the distinctive Confucian system of administration with its formal emphasis upon meritocratic civil service examinations at times supplemented by informal emphasis upon other, non-meritocratic factors.<sup>4</sup>

However, it should be pointed out that the deep-seated tradition of Confucianism alone cannot account for the

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4 R. A. Lohmann, 'The Organization and Administration of Korean Social Welfare: A Review of the Literature', Papers of Social Policy (published in Korea), 2 (1989), p. 240.

recent development of the centralised power in modernised Korea, though it would provide a clue to further the debate. One of the most well-grounded arguments around this subject would be to place the focus on the overflowing of Militarism over whole society since the early sixties.

Quite simply, the main reason for the superiority of centralised power over whole society, coupled with the overflowing of militarism, is largely twofold. In order to establish a strong anti-Communist fortress on the one hand and to facilitate the economic development on the other hand, the political regimes persistently have required the national unity and efficient administration.

#### **5.1.1.2 Welfare Administration of the Korean Governments**

Amongst twenty ministries of the Korean government, the Ministry of Health and Social Affairs (MOHSA) is directly responsible for matters related to public health, endemic prevention, public hygiene and sanitation, public relief, emigration, family planning, and various social welfare programmes.

The main tasks imposed on MOHSA are:

- (1) To permit the establishment, dissolution and annexation of social welfare corporations,
- (2) To train the welfare service civil servants or social workers,
- (3) To manage the social welfare fund, and to supervise the Livelihood Protection fund,
- (4) To set the criterion of the level of protec-

tion declared performances of Livelihood Protection of local governments, (5) To guide, supervise, manage the welfare activities according to the Welfare of the Disabled Act, Welfare for the Aged Act, Welfare for the Children Act and the Welfare for the Women Act (6) To manage the committees regarding welfare activities, (7) To guide and superintendent the Korean Social Welfare Association.<sup>5</sup>

It also has six special committees of which function is to assist, consult and supervise the welfare services of MOHSA.<sup>6</sup>

Under the planning and the supervision of the MOHSA, the local governments of provincial status have board of Health and Social Affairs in charge of delivering welfare services in its district. At the county level, there are the department of social affairs and women and juveniles.

Meanwhile, the functional and administrative division between the central government and the local government has been very ambiguous, sometimes duplicated, not only because the Local Authority Act defines the distinction between original tasks and delegated tasks very comprehensively but also because the tradition of local authority has not been settled down successfully. In case of the delegated tasks, the state generally plans, guides, supervises and expends the necessary outlay, whilst the

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5 Internal document of MOHSA (in Korean).

6 They are (1) Committee on Medical Insurance, (2) Committee on Disaster Relief, (3) Committee on Social Welfare, (4) Committee on Public Assistance, (5) Committee on Child Welfare, (6) Committee on Public Relief. For more details of the roles and functions of these committees, please refer to S. M. Seo, I. S. Choi and S. K. Kim (eds), The Reform of Social Welfare Delivery System and the Utilisation Policy of Professional Workforce (Seoul: KDI, 1988), pp. 79-81 (in Korean).



local government is directly responsible to operate programmes.

The best way to single out the relationship of local government to its counterpart would be to focus on the expenditures of each government. The following table shows steady increase of local government's expenditure.

<Table 5-1> The Structure of Government Expenditure  
Unit: %

Year	1970	1975	1980	1985	1990
Central Gove't	75.9	77.5	75.2	67.1	57.7
Local Gove't	24.1	22.5	24.8	32.9	42.3

Source: Bureau of Local Financial Administration, Ministry of Home Affairs, ROK, Financial Yearbook of Local Government, each year (in Korean).

In a similar vein, the portion of the central government expenditure of social development exceeds the local government expenditure in scale as well. The following table indicates the ratio of local government expenditure in the sphere of social development in 1989.

<Table 5-2> Social Development Expenditure of Local Government, 1989  
unit: %

	Ratio to Whole Expenditure
Social Development	45.2
1. Health	51.7
2. Social Security & Welfare	29.3
3. Housing & Community Development	60.0
4. Other Community & Social Services	21.7

Source: The Bank of Korea, ROK, Economic Statistics Yearbook, 1990.

5.1.2 Welfare Enactment and Welfare Expenditure  
since 1960s

<Table 5-3> Welfare Enactment of Korea

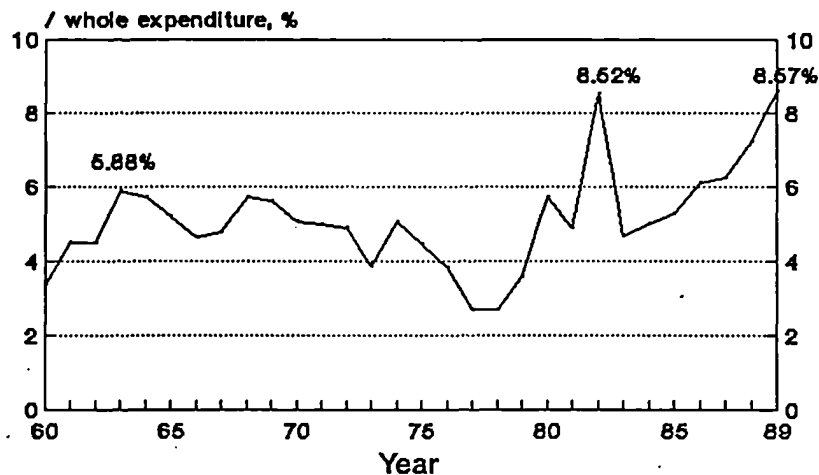
Year	No. of Enactment	Contents
1960	3	Pension for Civil Servants Acceleration of Employment for Disabled Welfare for Mentally Retarded
1961	4	Special legislation for Adoption of Orphanage Law for the Protection of Juvenile Child Welfare Law Public Assistance Law
1962	8	Seamen Insurance Law (not enforced) Pension for Soldiers Disaster Relief Law Insurance for Soldiers Social Security Committee Law Special Relief Law for the Men of Merit and North Korean refugees Law for Sailors Law for Public Health Centre
1963	3	Law for Social Security Workmen's Accident Compensation Insurance Law Medical Insurance Law
1967	1	Temporary Measures for Self-support Programme
1970	2	Laws for Social Services Amendment of Medical Insurance Law
1973	3	Mother and Child Health Law National Pension Law (not enforced) Pension Law for Private School Teachers
1977	2	Medical Insurance Law for Civil Servants and Private School Teachers Medical Insurance Law
1981	3	Child Welfare Law Law for Welfare of Mental and Physical Handicapped Law for Welfare of Elderly Law
1982	1	Amendment of Public Assistance Law
1987	2	Amendment of Medical Insurance Enforcement of National Pension

Source: Various sources

The above table (Table 5-3) and the following figure (Figure 5-1) show the number and contents of welfare enactments and the general trends of welfare expenditure of central government since the early sixties, which would serve as the main source for an analysis of the Korean welfare system.

<Figure 5-1>

### Social Expenditure of Central Government Ratio to Whole Gover't Expenditure



Major Statistics of Korean Economy, EPB, ROK, 1990. Economic Statistics Yearbook, BOK, ROK, 1990.

Unlike the case of the welfare expenditure in Taiwan, this trends represents the percent of social security and welfare expenditure to the whole government expenditure. It would more vividly reflect the political intention embedded in the government expenditure.

### **5.1.3 Implementation of the Welfare Programmes**

In this section, the practical operations of three main welfare programmes: social insurance, public assistance and welfare services, will be depicted very briefly.

#### **5.1.3.1 Social Insurance**

The very meaning of social insurance is defined as a scheme designed to cover the certain happenings such as unemployment, old age, and invalidity in return for his/her contributions. The Korean social insurance scheme in this understanding is best represented by two prominent programmes: the national pension and the medical insurance.

These twin pillars of social insurance scheme are now the backbone of the whole Korean welfare system and their importance is getting more and more emphasised according to the economic prosperity.

#### **The National Pension System**

The national pension programme is basically designed to provide pension benefits to the insured persons and their families in contingency of their old-aging, invalidity or death of householders, in order to stabilize the living conditions of citizens and eventually to promote the gen-

eral welfare situation of whole country. It is run on the basis of funded system, and the amount of contributions and benefits vary according to the insurants' incomes, ages, employment status, and health.

Like other social welfare system, the national pension programme also has undergone laboured disputes and adjustment since its creation. Furthermore, mainly due to the vast amount of fund in the scheme, it has been very sensitive political issue in the arena of the Korean politics. For instance, it was widely indicated that the underlying aim of the enactment of National Welfare Pension Act in 1973 was to subsidize the heavy and chemical industries, rather than to improve the general welfare of recipients. However mainly because of the weak fiscal infrastructure of the Korean Government,<sup>7</sup> it has not been enforced until the mid-eighties, though the Government intended to immediately carry the programme into effect across the country when the National Welfare Pension Act was firstly enacted in 1973. According to the solid economic growth during the last two decades on the one hand, and the upgrading of welfare needs of people, the Government has attempted to review the national pension system, and eventually promulgated the National Pension Act in 1986. Moreover it can be argued that the demographic changes and the changes of employment structure, occasioned by the rapid

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7 Its operation was cancelled by the President's emergency decree of Jan. 14, 1974.

industrialisation and urbanisation, affect the enactment of the Act.

According to the National Pension Act, every citizen whose age ranges from 18 to below 60, who resides in the Republic of Korea, is entitled to be covered by the national pension scheme except civil servants, regular military personnel and private school teachers who have been covered by their own pension programme.<sup>8</sup> In addition, employees having foreign nationality are eligible to be involved in this programme as well.

The insured persons are classified into three categories: the working place insurants, the community residents insurants and the voluntarily and continuously insurants, respectively. The working place insurants are further divided into the compulsory insurants and voluntary insurants. Firstly, all employees and employers engaging in the working places having ten or more than ten employees regularly are covered by the programme compulsorily. Those engaging in the working places having more than five to less than ten employees regularly can be insured by the programme on voluntary base. Secondly, the self-employed persons including farmers and fishermen also can be involved in the programme voluntarily. Lastly and thirdly, those (over sixty years old) whose insured term is less than twenty years, but who want to continue the contribution can be

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<sup>8</sup> The civil servant Pension programme since 1962, the military personnel pension since 1962, and the private school teachers pension programme since 1973, respectively.

consecutively involved in the programme until their age of sixty five. Thus they can be largely grouped into two separate ways, compulsory base and voluntary base.

The national pension programme provides three different kinds of benefits and the payment of lump-sum refund. They are the old-age pension, disability pension, survivor (bereaved) pension. Meanwhile, the old-age pension, as a main pension scheme which provides the standard of benefits to other pension schemes, is further divided into five different categories: the basic old-age pension, reduced old-age pension, old-age pension for active seniors, early old-age pension, and special old-age pension, respectively. Basically, the amount of benefit is composed of the basic pension and the additional one. The amount of basic pension functions as the guide-line to all pensions, whilst the amount of additional pension varies according to the health condition and number of dependent.

The following table contains the conditions for each categories of the old-age pension.

<Table 5-4> Conditions for the Old-aged Pensions

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1. Basic old-age pension : Payable to the person whose insured term is 20 years and more, and who is not engaged in the remunerative works at the age of 60.

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2. Reduced old-age pension : Payable to the person whose insured term is more than 15 and less than 20 at the age of 60.

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3. Old-age pension for active seniors : Payable to the person (over 60 and below 65) whose insured term is 20 years or more, but is engaged in the remunerative work.

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4. Early old-age pension : Payable to the person (over 55 and below 60) whose insured term is 20 years or more, who is not engaged in the remunerative work, and also wishes the pension payment.

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5. Special old-age pension : Payable to the person whose age spans between 45 and 60 (1st, Jan. 1988), who has insured for more than 5 years.

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Source: MOHSA, ROK, White Paper of Health and Society, 1990, p. 253 (in Korean).

Unlike private pension schemes, the national pension is basically designed to improve the distribution structure, and thus the amount of benefit is legally determined for this purpose. However it is very hard to estimate how effectively the unequal distribution would be improved through the National Pension scheme. Be that as it may, as is shown in the following calculating formula for the basic pension, A (flat rate section) is basically devised for income redistribution because the amount of basic pension is calculated on the basis of the standard monthly income of all insurants, regardless of each insurant's income level, whilst B (earning relative section) aims to encourage the work incentives of insurants.



<Table 5-5>

Calculating Formula for the Amount of Basic Pension

$$X = 2.4 * ( A + B * 0.75 ) * ( 1 + 0.05n )$$

Where,

- X : Amount of benefits  
2.4 : a constant which determines the amount of basic pension after 20 years of the insured term.  
A : average of the standard monthly income of whole working insurants in one year before commencing year of benefit.  
B : average of the standard monthly income of each insurant in the period of contribution.  
0.75: a constant calculated on the basis of 40% of the last remuneration paid to the insured persons who retires after 20 years of the insured term and whose monthly remuneration level indicates the mean value of all amount of the standard monthly income of all insurants.  
0.05: adding rate to each one years after 20 years of the insured term.  
n: number of years after 20 years of the insured term.

Source: MOHSA, ROK, White Paper of Health and Society, 1990, p. 250 (in Korean).

The additional pension is payable to the insurant who has dependent family member, and the amount is decided on the basis of the following table.

<Table 5-6> Additional Pension Payment		Unit: Won*
Coverage	Condition	Amount
Spouse	-	67,920/yr
Children	below 18, or disabled (2 children)	40,750/capita, yr
Parents	over 60, or disabled (including parents in law)	40,750/capita, yr

\* The exchange rate of Won to the British pound is around 1,200, though it varies.

Source: MOHSA, ROK, White Paper of Health and Society, 1990, p. 252 (in Korean).

## The Medical Insurance System

The medical care system of Korea is largely divided into three different programmes: the medical insurance, the medical assistance and the medical aid, respectively. Amongst them, the latter two programmes are provided for the low-income families under the public assistance scheme.

Since the creation of the medical insurance programme in 1977, it has developed very quickly so as to every citizen resides in Korea is now covered by the system. They are basically divided into three different groups: the employees in the work shop, civil servants and private school teachers, and farmers, fishermen and self-employed in urban area. The following table shows the level of contributions according to the classified groups.

<Table 5-7> Level of Contributions Unit: %

	% of monthly income	% of contribution
A	3 - 8	50*
B	4.6	50**
C	Varies according to income, property, number of family, etc.	50***

A: Employees in the work shop

B: Civil servants and private school teachers

C: Farmers, fishermen and self-employed in urban area

\* The rest of contribution is paid by employers

\*\* The rest of contribution is paid by the government

\*\*\* The rest of contribution is paid from the general taxation

Source: MOHSA, ROK, White Paper of Health and Society, 1990, p. 203 (in Korean).

In general, there are two kinds of benefits in the medical insurance scheme: the basic benefits and the supplementary benefits.<sup>9</sup> The former benefits contains the medical care benefits and delivery benefits,<sup>10</sup> whilst the benefits for funeral and delivery expenses belong to the latter category. The following table shows the level of expenses paid by the patients in the medical insurance system.

<Table 5-8> Level of Expenses Paid by Insurers

	Clinic	Hospital	General Hospital
In-patient	20%	20%	20%
Out-patient	55%	40%	30%*

\* In case of below 10,000 Won, the insurers are supposed to pay 2,000 Won in 1990.

Source: MOHSA, ROK, White Paper of Health and Society, 1990, p. 203 (in Korean).

### 5.1.3.2 Public Assistance

The basic aim of the public assistance scheme is to protect the poor and incompetent, and to guarantee the minimum level of living, as is declared in the Constitution.<sup>11</sup>

It comprises the livelihood aid for those who are unable to work and also have not any supporter of their

9 MOHSA, ROK, White Papers of Health and Society, 1990, pp. 202-3.

10 The delivery benefits are payable to the person who receive delivery care at a designated medical institutions. See Ibid., pp. 202-3.

11 The Constitution declares the basic human rights as follows:

- (1) All citizens shall be entitled to a life worthy of human being,
- (2) Citizens who are incapable of earning a livelihood due to a physical disability, disease, old age or other reasons shall be protected by the state under the conditions as prescribed by law (Article 34).

livelihood (home care persons and institutional care persons), the public assistance for self-support for those who are suffering from the monetary shortages mainly due to disease or lack of proper education and techniques (Self-Support Protection Persons), and the medical aid for the low income persons. The following table describes the overview of the Livelihood Protection Scheme.

<Table 5-9>

**Livelihood Protection Recipients and Provisions**

Category	Eligibilities	Provisions
Home care persons	The person who belong to family composed only of those who are unable to work because of disease or physical disability, the aged (65 or over), the children (18 or younger), and the pregnant women	Livelihood Self-support Educational Delivery Funeral
Institutional care persons	The person who are under protection of various social welfare institutions such as homes for children or the aged.	Same the above
Self-support protection persons	The persons who are workable but earning too small income to maintain their lives, thus needing social assistance to improve the level of their lives	Self-support Educational

Source: Social Welfare Long-term Development Committee, ROK, Long-term Development Planning for Social Welfare in Korea, Conference Paper, 1989 (in Korean); MOHSA, ROK, Major Policies and Programme in Health and Social Welfare Services, 1988 (in Korean).

The allocation of the public assistance scheme is operated based on the principle of selectivism. The criterion to provide the legal base on which the Government

select the entitled recipients largely depends on the financial capabilities of the Government and the minimum level of living standards. For the selection of the entitled recipients, the Government sets some criteria about per capita income of a family and the value of household property, based on the nationwide means-test for the low-income families. The criteria is modified every year according to the changes of the economic growth rate, budget of general government, increase rate of prices and so on.

#### **5.1.3.3 Welfare Services**

Welfare services for the vulnerable groups such as the aged, the disabled, the women and the children are oriented toward improving their social lives, not only by providing physical provisions, but also by encouraging and developing their potentiality to be integrated into normal social activities. However, mainly due to the weak fiscal infrastructure of the Government, and partly due to the lack of proper man power and organisation, personal social services has not developed in full-scale, simply concentrating on the institutional care for the aged, orphanages and disabled.

The well-being of the children (under the age 18) is protected by the Child Welfare Law amended in 1981. However, mainly due to the lack of the financial support of the government and the lack of numbers of specialists,

the child welfare services are mainly limited to accommodate orphans to the child welfare institutions. Besides, the government operates the technical and vocational training for the grown-up orphans and the support for the child-headed families.<sup>12</sup>

The government enacted the Aged Welfare Law in 1981 and promulgated the Chart of Respect for the Aged in 1982 to improve the spirit of respect for the aged. Main welfare services for the aged is to provide the proper accommodation for lone aged people. In addition, the government provides the free health examination,<sup>13</sup> and the job-placement plan for the aged.

According to the survey in 1985, there are around 915,000 disabled people in Korea. However, most of them are not properly accommodated in the special institutions for the disabled.<sup>14</sup> Thus the enlargement of welfare facilities for the disabled are absolutely needed at the moment.

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12 Social Welfare Long-term Development Committee, Long-term Development Planning for Social Welfare in Korea, Conference Paper, 1989, pp. 173-4 (in Korean).

13 The priority is given to the aged with the low-income.

14 In 1990, there are only 131 institutions for the disabled nationwide. See, Social Welfare Long-term Development Committee, Long-term Development Planning for Social Welfare in Korea, p. 158 (in Korean).

## 5.2 Major Factors Affecting the Adoption and Expansion of Korean Welfare System

Like the case of the Taiwanese welfare system, the factors being examined in this section would be newly classified according to the social, economic and political situations of Korea since the sixties, on the basis of the arguments in the chapter two. Similarly, the most significant variable in welfare enactment and welfare expenditure will be singled out from the evidence of the Korean welfare system. The results of this chapter would lead us a conceivable conclusion about the origins and nature of the welfare system in the region.

In specifying the proper factors for the case of the Korean welfare system, the criteria rather similar to that in case of the Taiwanese welfare system will be applied. They are:

1. Factors which are duly accorded to the particular situations of Korea since the early sixties.
2. Factors which have considerably and persistently influenced the social, economic and political situations of Korea.

According to the above criteria, the factors relevant to the case of the Korean welfare system will be selected and duly classified into three contexts: Political-institutional context, Socio-economic context and International context. The first group is further divided into

three factors: elections, indirect tax rate and coup. Compared to the political-institutional context of Taiwan, the factor 'coup' replaces the 'battles with the P.R.C.', whilst the first two factors are unchanging. Unlike the Taiwanese politics, which has maintained relatively stable political situations since 1949, the Korean politics has been dominated by the subsequent coups since the early sixties. This factor thus warrants scrutinizing for any attempts to analyse the Korean welfare system.

The second group includes age of population, economic development and labour disputes. Amongst them, the newly adopted factor in the second group is 'labour disputes' factor. Unlike Taiwan, there has been a strong tradition of labour movement in Korea since the independence of 1945<sup>15</sup>. Although the labour disputes had been strictly prohibited under the authoritarian military regimes, the late eighties witnessed a dramatic uprising of labour disputes according to changes of political climates.<sup>16</sup>

The last context deals with the 'openness' thesis. Unlike the case of the Taiwanese welfare system, there is a growing interest in the 'openness' thesis for the study.

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15 Evidence suggests that the labour movement just after the independence was organised and guided by the communist organisations widely spread across the nation.

16 The dramatic increase of the labour disputes in the late eighties was occasioned by the June Protest which ultimately drew the democratic proclamations addressed by the then president candidate, Mr. Noh Tae-woo, of ruling party in 1987. In it, he declared the democratic programmes including permission of the direct presidential election and the pardon and political restoration of the strongest opposition leader, Mr. Kim Dae-jung. Historically, its importance lays in the fact that the peoples' political power towards democracy, which had been repressed under the subsequent military regimes, was firstly realised on occasion of the June Protest.



of social policy in general, mainly because the labour movement has been very active since 1987.

On the basis of the framework of the three contexts, each specified factors will be closely examined, and the most significant factor in accounting for the genesis of welfare enactment and the trends of welfare expenditure will be identified. The following figure displays the conceptual framework of this section.

<Figure 5-2>

### Conceptual Framework (Korea) Welfare Enactment & Expenditure

#### Independent Factors

- Elections
- Indirect Tax Rate
- Coup
- Age of Population
- Economic Development
- Labour Disputes
- Openness



#### Dependent Factors

- Welfare Enactment
- Welfare Expenditure

## 5.2.1 Political-institutional Context

### 5.2.1.1 Elections

The basic idea of the election thesis is that the election candidates usually adopt a positive attitude towards enactment of welfare programmes, and thus increase of expenditure in order to garner the vote of the populace. The precondition of this thesis, of course, is a representative parliamentary democracy in which people can freely exercise their political power into the policy making processes. In this regard, the election thesis merits particular attention for research into the nature of welfare programmes in the East Asian countries, where politics are typically under the control of authoritarian regimes.

<Table 5-10> Elections in Korea since 1962

	Number (Year)
National Referendum	4 (62', 67', 72', 80')
Presidential Election	4 (63', 67', 71', 87')
National Assembly Election	8 (63', 67', 71', 73', 78', 81', 85', 88')

Source: National Assembly Library, ROK, The Political Chronology of the Republic of Korea: 1945-1984 (in Korean), 1984; Dong-A Ilbosa, The Korean Year Book (in Korean), each year; Korea Newsreview, each week.

Since the early sixties, there have been three national referenda, four presidential elections,<sup>17</sup> and eight national assembly elections in Korea, as is shown in the above table.

Compared with the Koumintang (KMT) in Taiwan which has dominated domestic politics since its retreat from mainland China, Korean ruling parties have changed several times since independence.<sup>18</sup> Interestingly enough, however, every national referendum gave ruling parties victory, and all of the presidential candidates of the ruling party has defeated the opposition counterpart. However, at the tenth election for members of National Assembly, the Sinmindang (New Democratic Party) then opposition party, garnered 34% of votes, whilst the ruling party has won only 32%. The dramatic changes has come from the thirteenth National Assembly election held in 1988. The voting result has approved the ruling Minjongdang (Democratic Justice Party) to become a minority party (125 seats), whilst three opposition parties won 136 seats including 10 independent seats. This political situation resulted in the political merge of the ruling party with the two opposition parties, the creation of the new majority ruling party, Minjadang (Democratic Liberal Party). Seen in this light, Korean politics has been somewhat less stable than Taiwanese politics, where

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17 Indirect presidential elections, based on the voting college, are not included. On occasion of the October Coup (Siwol Yushin).

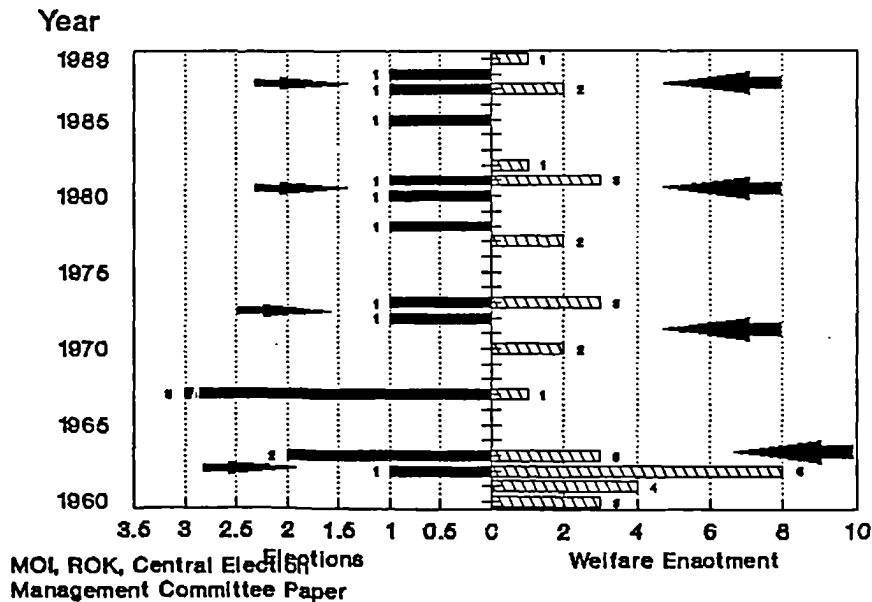
18 Jayudang (Liberal Party) was the ruling party from 1948 to 1960; Minjudang (Democratic Party) 1960-1961; Konghwadang (Republic Party) 1962-1979; Minjongdang (Democratic Justice Party) 1980-1990; Minjadang (Democratic Liberal Party) 1990-up to now.

the ruling Kuomintang has maintained around 70% of the votes. Political instability in developing countries from time to time is brought about by active political participations and changes.

It seems very interesting that the following figure proves that welfare enactments were actively made around the election years. However, it is not likely that the election has brought considerable increase of the welfare expenditure, as is represented in the figure 5-4. It may imply that corresponding expenditure was not entailed after the welfare enactment in election years.

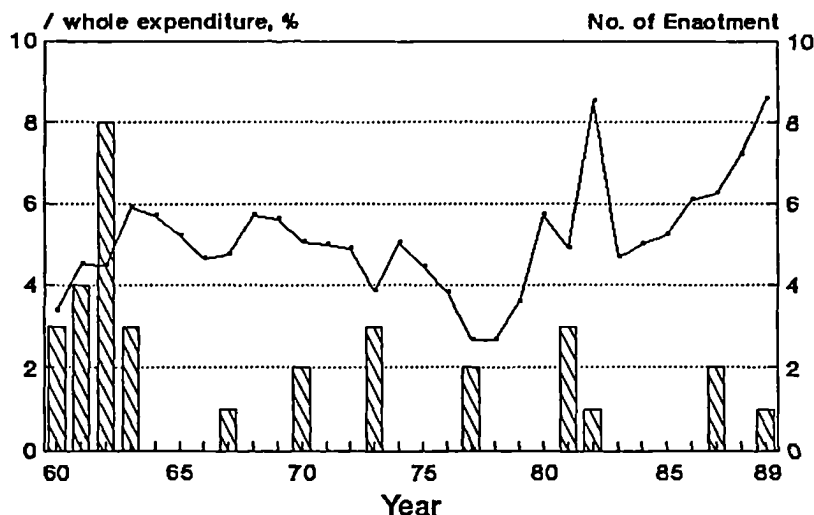
<Figure 5-3>

### Election & Welfare Enactment



<Figure 5-4>

### Election and Welfare Expenditure



Major Statistics of Korean Economy, EPB, ROK, 1990. Economic Statistics Yearbook, BOK, ROK, 1990.

#### 5.2.1.2 Indirect Tax Rate

This thesis is closely related to the above election thesis. In general, voters who are also tax-payers tend to expect more benefits through public services, but expect to pay less taxes. Therefore election candidates are likely to promise 'more benefits, less tax' in order to garner votes. It really is a dilemma facing to public officials as well as election candidates in a representative democracy.

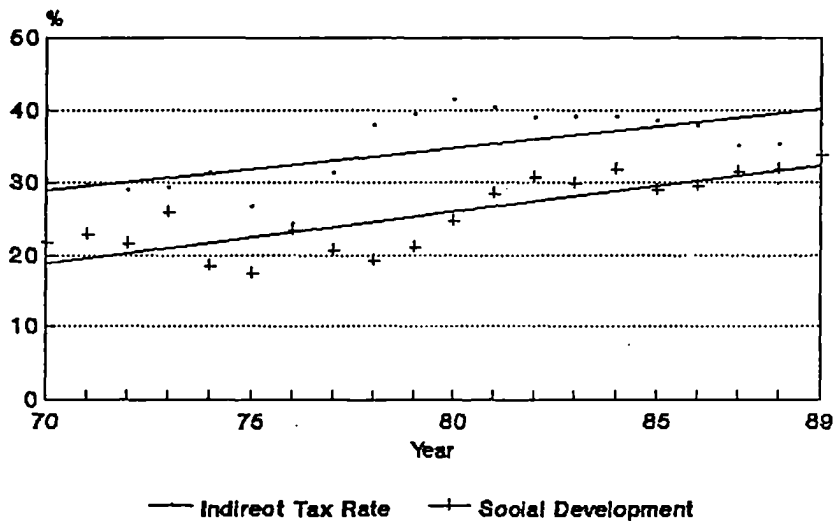
Hence, as noted previously, the idea of indirect tax rate thesis is based on the assumption that the public officials are usually forced to conceal the costs of public policies in election years, and it result in the in-

crease of the indirect tax rate, which could avoid the anger of tax-payers.

According to the premise of this thesis, the indirect tax rate is largely expected to show positive trends, at least if the welfare expenditure has increased year after year. As far as the welfare expenditure and indirect tax rate in Korea since the early sixties are concerned, it is clear that both has correlated to each other, as is shown in the following figure.

<Figure 5-5>

### Welfare Expenditure & Indirect Tax Rate



Major Statistics of Korean Economy, EPB,  
ROK, 1990.

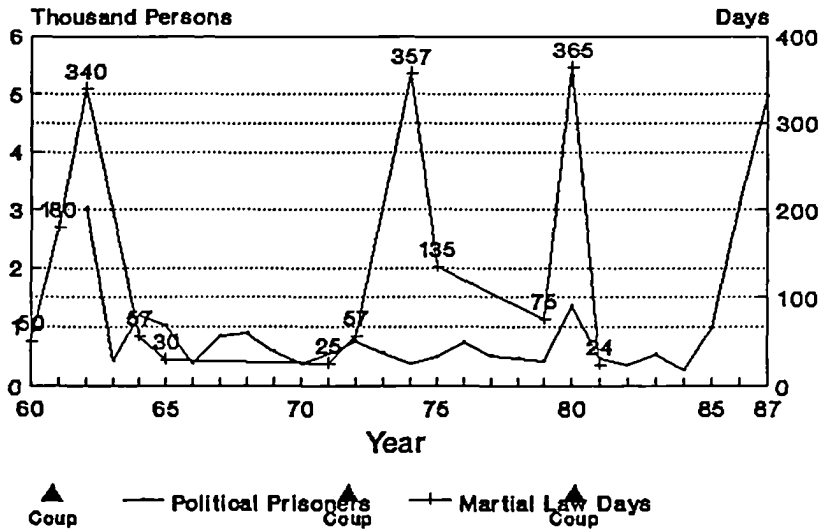
### 5.2.1.3 Coup

Like the politics of developing countries in the last three decades, the Korean polity has been dominated by the three coups happened in 1961, 1972 and 1980 respectively.

The first coup was made by the general Park in the 16th of May in 1961. After that, he has assumed the reins of government until his death in 1979. The second coup was made in October, 1972 by himself for the purpose of, according to the proclamation of the coup, firstly more competent defence against the North Korea and effective economic development under the strong leadership of the government. It is widely accepted that the prime priority has given to defence and economic development during his reign of 18 years, and thus the welfare sectors has been relatively neglected. The third coup was made in May, 1980 by general Chun, who represented the new military power, just after the assassination of the president Park. He ruled the government until his resign in 1988. The following figure shows the political crises including the number of political prisoners and martial law days, occasioned by the three coups.

<Figure 5-6>

### Political Crises of Korea



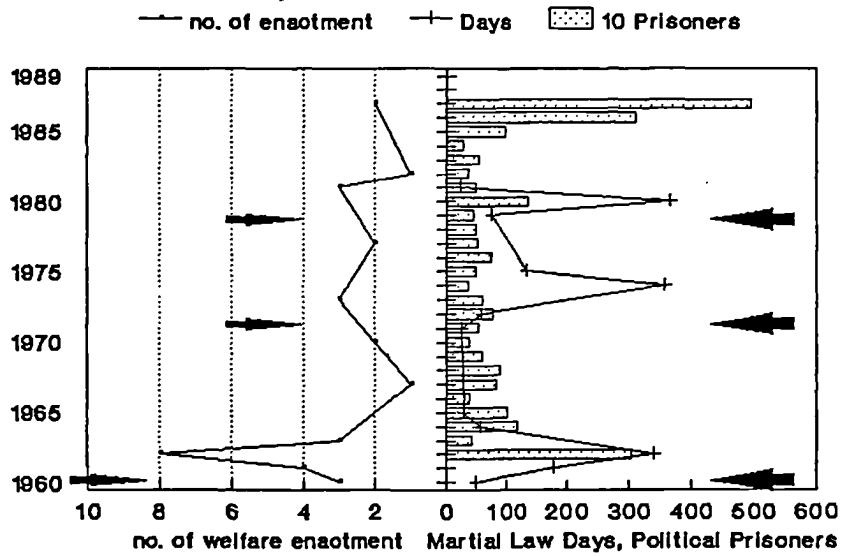
Political Chronology of ROK, National Assembly, 1984. Various Sources.

The issue at stake now is how much the political crises like coups has affected the welfare state development in Korea. This thesis is held central in any analysis of the Korean welfare system since the political crises has dominated almost every sector of Korea. The following figure illustrates strong correlation between welfare enactment and political crises.



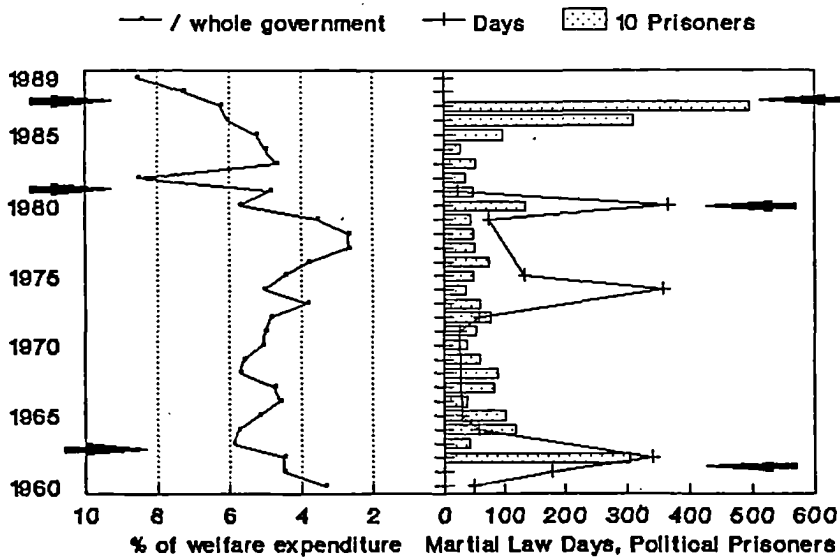
<Figure 5-7>

### Political Crises and Welfare Enactment



<Figure 5-8>

### Political Crises & Welfare Expenditure



As is shown in the above figure, we can also find the relatively strong correlations between the welfare expenditure and political crisis.

## 5.2.2 Socio-economic Context

### 5.2.2.1 Age of Population

This thesis arose from the assumption that nations with more aged population are likely to spend more social security expenditure. In fact, 'the more aged population, the more social security benefits' assumption has been supported by the evidence from the Western welfare states, which have become an aged society since the post-war. Financially, increasing aged population has been a great burden for all developed welfare states, since the aged need more welfare spending.<sup>19</sup> Especially in the benefits for pensioners which account for almost half the total social security budget in Britain, the number of pensioners is the main determinant of pension cost.<sup>20</sup>

It should be emphasized, however, more importance lies in the fact that the age dependency ratio which indicates the size of the aged population relative to the working population has increase dramatically, and thus

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19 A wealth of evidence suggests that the cost of medical care in NHS for the old aged (late eighties) is ten times as much as that of forty years old. See, *Financial Times*, 1 April 1993.

20 Reform of Social Security: Programme for Change, Volume 2, Cmnd. 9518 (London: HMSO, 1985), p. 3.

intensified the financial burden to all Western countries.

No one would doubt that this thesis may be suitable for the explanation of the increase of welfare benefits in the Western welfare state, though it is a matter of debate whether the size of the aged population is the sole determinant. However, the relevance of this thesis should be sought in the kind and level of benefits for the aged in individual countries.

In this regard, it is dubious that this thesis is relevant for the explanation of welfare expenditure in Korea, since the national pension scheme was put into operation only a few years ago, and the benefit level of the Old Aged Allowance, enforced in 1992, is too low to increase of the living standard of the aged.<sup>21</sup>

Since the launch of the family planning activities, the population policy of Korea has been estimated as one of the most successful population policies amongst developing countries. Mainly due to the effective administration and active public relations of the military government, population growth rate has fallen dramatically since the early sixties. Moreover, life expectancy of Korea has risen, owing to the improved medical service, good nutrition and the increase of living standards. Both the decreasing population growth rate and the increasing life expectancy account for the steady rise of

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<sup>21</sup> The actual benefit of the Old Aged Allowance, payable monthly to the over 65, is only 10,000 won (around 8-9 British pound).

the age dependency ratio. The following table shows some important indices for population change.

<Table 5-11>

**Life Expectancy and Age Dependency Ratio of Korea**

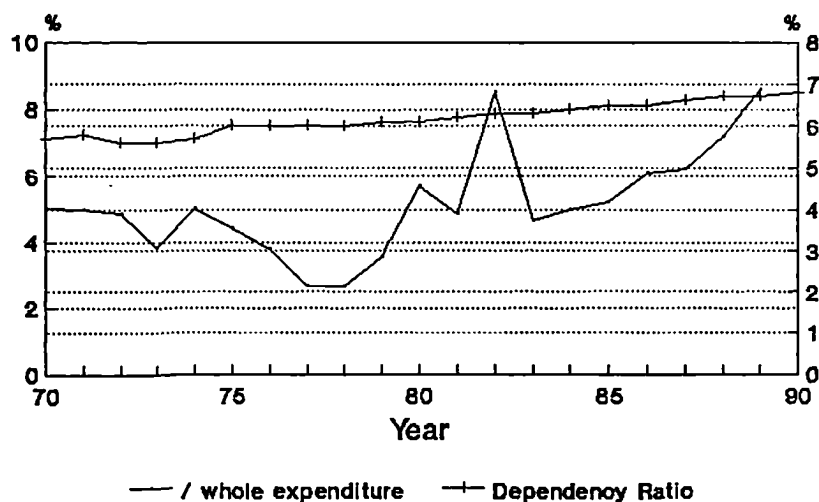
Year	Life Expectancy	Population Growth Rate	Age Dependency Ratio*
1960	55.3	n.a%	5.3%
1970	63.2	1.97%	5.7%
1980	65.8	1.57%	6.1%
1990	71.3	0.97%	6.8%

\* (Pop. 65 years old & over/ Pop. 15-65) \* 100

Source: National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1990; Major Statistics of Korean Economy, 1990; Korea Development Institute, Statistical Data of the Korean Economy: Past and Present, 1992 (in Korean).

<Figure 5-9>

### Demographic Change & Welfare Expenditure



Major Statistics of Korean Economy, EPB, ROK, 1990. Economic Statistics Yearbook, BOK, ROK, 1990.

When we compare the trends of welfare expenditure with the increase of dependency ratio and population ratio of over 65 years old, we can get the above figure. However, it is not likely that trends of welfare expenditure well correspond to the rise of the age dependency ratio. The explanations of this lie in large part with the fact that welfare for the elderly has been low on the government's list of welfare priorities since caring for the elderly is traditionally a family not a state responsibility. Thus it seems clear that this thesis does not relevantly account for the trends of welfare expenditure in Korea.

#### 5.2.2.2 Economic Development

The logic of industrialism, which depicts the coming of welfare state as a product of industrial development, probably has been the most influential account of the determinant of welfare programmes. According to this line of thinking, the origins of the welfare state are largely seen to lie in societal changes associated with the broad processes of industrialisation and the destruction of the traditional way of life which used to provide social provisions and secure family life.<sup>22</sup> Seen in this light, it seems clear that the level of economic development is not only a prerequisite but the most significant variable for welfare state development.

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22 See, C. Pierson, Beyond the Welfare State?: The New Political Economy of Welfare (Cambridge: Polity Press, 1991), pp. 14-21.

Being faithful in the Anglo-Saxon functionalist sociology, this thesis has developed in the post-war affluent periods and has reflected the 'end of ideology' mentality. According to Wilensky, probably the most influential and authoritative advocate, the political ideology or party is not relevant for explaining the post-war welfare state development, since the welfare state is truly a by-product of the changing needs occasioned by the industrialisation, far from the political will of political elites.<sup>23</sup>

This is of great interest for the analysis of the determinants of welfare programmes in Korea, where the dynamism of capitalist development has been maintained, and the traditional community has been destroyed very quickly. In fact, the economic development of Korea since the early sixties has been remarkable in all respects. From the tradition-oriented agriculture country in the early sixties, it has become a leading industrial country in the Third World in the late eighties. Its annual growth rate is amongst the highest in the world and accordingly the GNP per capita increased from \$82 in 1961 to \$4968 in 1989. Moreover, unemployment rate has dra-

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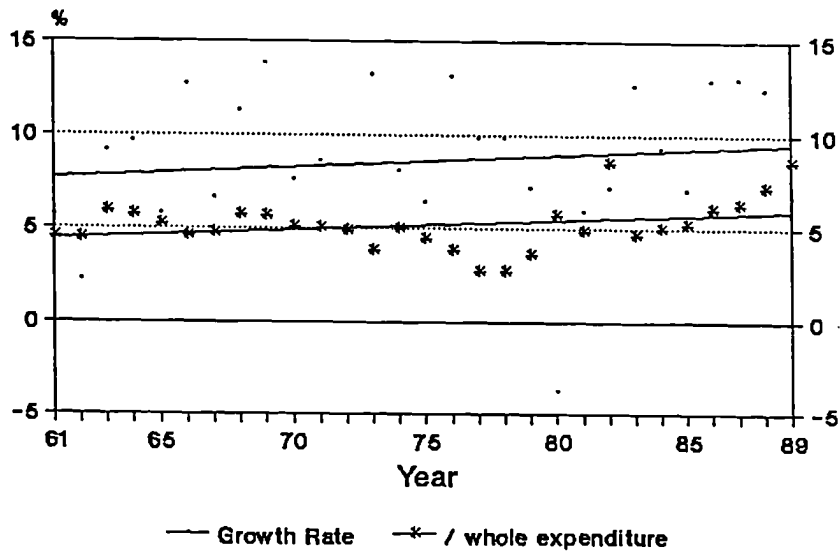
23 See H. L. Wilensky and C. N. Lebeaux, Industrial Society and Social Welfare (New York: Free Press, 1965); H. L. Wilensky, The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure (Berkeley and Los Angeles: University of California Press, 1975). However, in his later study, he found that Catholic dominance in government had affects on the social security expenditure, whereas the left party dominance did not from the evidence of 19 advanced countries. See H. L. Wilensky, 'Leftism, Catholicism, and Democratic Corporatism: The Role of Political Parties in Recent Welfare State Development', in The Development of Welfare States in Europe and America, ed. by P. Flora and A. J. Heidenheimer (Princeton: Transaction Books, 1981).

matically fallen from 8.2% in 1963 to full employment (2.6% in 1989) and the tax burden rate has steadily increased.

When we compare the trends of welfare expenditure with the indices of industrial development such as economic growth rate, we can get a corresponding trends of both indices.

<Figure 5-10>

### Economic Growth & Welfare Expenditure



Finance Statistics, MOF, ROK, 1991.

It should be emphasized, however, that it is hard to explain the fluctuations of the welfare expenditure of each year, though we cannot deny that economic development has been a requirement for welfare expenditure. For example, this economic development thesis cannot account for why the Korean government spend 8.52% of whole expenditure to welfare sector, which far

exceeded the average percent of welfare expenditure, in 1982. Moreover, it cannot provide plausible accounts on the different timing of welfare enactment and different speed of expansion of welfare system amongst nations with a similar level of economic development.

#### 5.2.2.3 Labour Disputes

There has been a strong line of thinking in the study of social policy that the post-war welfare state development can be accounted for as a process of accommodation between capital and labour mediated by the state. According to this line of thinking, the welfare state has developed as a social integration apparatus designed to mediate the demands of organised labour power in capitalist society. As the political power of labour class has increased so as to form left or left coalition governments, frequently seen throughout sixties and seventies in the Western European countries, they more or less were more positive in adoption and expansion of welfare programmes. Thus the basic assumption of this thesis is that the more powerful the union is, the more welfare programmes will be expected.

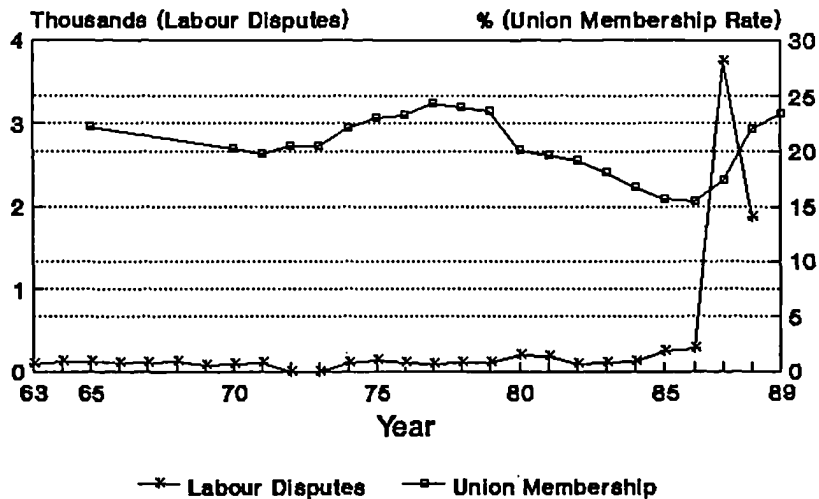
It is a reality that the Korean labour movement has been strictly prohibited by the military government since the early sixties, though there was a strong tradition of labour movement associated with communist ideology before



the Korean War. The Korean government deeply and actively intervened in the labour union process with a view to protect the industry. Thus the union membership rate had been relatively low and, moreover, the number of labour disputes had been extremely low before June 1987, when the democratisation programmes were declared by the ruling party presidential candidate. On the occasion of June Democratic Movement, it is very noteworthy that the number of labour disputes rocketed in 1987 and 1988. The following figure displays that the number of labour disputes in 1987 outnumbered around ten times as much as the average number, whilst the union membership rate did not show parallel increase.

<Figure 5-11>

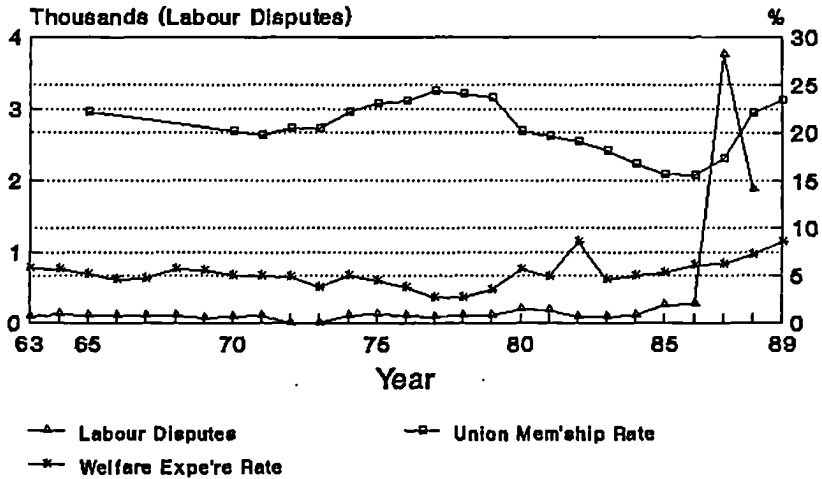
### Labour Disputes & Union Membership Rate



Labour Statistics Yearbook,  
MOL, ROK, 1991.

<Figure 5-12>

## Labour Movement & Welfare Expenditure



Labour Statistics Yearbook,  
MOL, ROK, 1991.

However, when we compare the trends of welfare expenditure and the labour movement indices such as the union membership rate and the number of labour disputes, we cannot find any plausible correlation between them. Thus we can represent the view that the labour movement does not by itself influence on welfare expenditure in Korea, irrespective of whether it appears as a serious threat to the society or not. For such a labour movement to be fruitful in welfare state development, the existence of a party of the left, which advocates the interests of the working class, may be vital.<sup>24</sup>

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<sup>24</sup> Several attempts have been made to form a left-leaning party in Korea. However, mainly due to the red complex of Korean people, they have failed to produce any member of parliament.

### 5.2.3 International Context

#### 5.2.3.1 Openness

As is explained in the last chapter, the basic idea of the openness thesis is that nations with a highly dependent economy towards world markets tend to operate more universal welfare provisions. Mainly due to the severe international competition, these nations usually have a big conglomerates in order to concentrate limited resources. These huge corporations inevitably bring big and strong counterpart, labour unions. On the political basis of these powerful labour unions, these nations more often than not have left or left-coalition governments, which are generally in favour of universal welfare provisions.

This thesis merits particular attention for the analysis of welfare system in Korea, since the export oriented industrialisation has been the main strategy of the economic development of Korea since the middle of sixties, and its industrialisation has been led by huge corporation under the command of the state.<sup>25</sup> The following table shows dependency of the Korean economy to world market.

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<sup>25</sup> Compared to the Taiwanese economy, the economic share of huge conglomerates is dominant in Korea. For example, the upper 30 biggest companies account for 37.2%, 33.2% and 18.6% of the property, value-added products and employment respectively. See Korea Institute for Economics & Technology (KIET), Industrial Structure and Economic Achievement of Korea and Taiwan (Seoul: KIET, 1989), pp. 62-72 (in Korean).

<Table 5-12>

**Foreign Dependency of Korean Economy**

	Export to GNP (%)	Import to GNP (%)
1970	15.0	24.0
1975	28.0	38.2
1980	34.7	45.9
1985	35.8	38.0
1989	34.8	32.9

Source: National Bureau of Statistics, Economic Planning Board, ROK, Major Statistics of Korean Economy, 1990.

Moreover, the late eighties witnessed vast eruption of labour movements as is shown in the figure 5-11. Thus we can presume that Korean economy shares some preconditions such as export oriented economy, high concentration of huge conglomerates and strong labour movement, of this thesis with Scandinavian countries from which it has come into bloom.

<Table 5-13>

**Central Government Expenditure on Social Security and Welfare**

	1972	1990
Denmark	41.6	38.8
Norway	39.9	39.2
Sweden	44.3	55.9
Korea	5.9	12.2

Source: The World Bank, World Development Report: Development and the Environment, 1992.

But when we compare the social security and welfare expenditure of Korea with those of Scandinavian countries, we can find huge gaps between them, as is

shown in the above table. Now the question is what makes them so enormously different in the social expenditure, though some appearance of their economy, the precondition of this thesis in other words, are similar.

First of all we can take the economic gap into account. In fact, Denmark, Norway and Sweden are amongst the highest income countries in the world and their GNP per capita is generally three or four times as high as that of Korea. However, as we have examined in table 5-13, the level of economic development is not much to do with the level of social expenditure of the government.

Secondly, the defence expenditure of Korea is much higher than those of Scandinavian countries. The percent of defence expenditure in Korea is 25.8% in 1990, whilst those of Denmark, Norway and Sweden in 1990 are 5.4%, 8.0% and 6.3% respectively. It surely contributes to huge gaps in social expenditure between Korea and Scandinavian countries.

Thirdly, Korea has never had the left party which is supposed to channel the voice of labour movement into politics. Thus we can understand why the very existence of left party or government is so important in welfare state development.

In sum, this thesis gives us a good clue as to why and to what extent the Korean welfare system is different from that of the Western advanced countries in general and the Scandinavian countries in particular.

### 5.3 Concluding Remarks

From the evidence of the second section of this chapter, it seems clear that political crises, amongst other factors, have had the most significant affect on the development of welfare system, especially in the welfare enactment. Figure 5-7 presents strong correlation between the political crises and welfare enactment. This assumption is further justified by the fact that little enactment was made in the relatively stable political periods. In addition, it also proves that election has relatively associated with the welfare enactments (Figure 5-3). In terms of welfare expenditure, it is comparatively related with the political crises (Figure 5-8), though not so clear as in the case of Taiwanese welfare expenditure, and also turned out to be related with the trends of indirect tax rate (Figure 5-5). However, other independent factors, such as age of population, economic development, labour disputes and openness, turned out to be less likely to accord with the explanation of the development of welfare in Korea.

Accordingly we can draw our conclusion that the welfare system of Korea is basically designed to cope with the political crises, aiming to achieve the political legitimacy of the regime. The result of this chapter would give us a good starting point to recognise and analyse as to how, why and to what extent the welfare system of Korea is different from that of advanced

welfare states. Now we can propose the 'political crisis' thesis which recognises the welfare system as a response pattern of legitimacy crisis of the regime.

However, as is the case of Taiwan, this argument has a limitation since this chapter did not scrutinise the societal changes and their impact upon the welfare system of Korea, and a full documentation of welfare legislations of Korea has not been adequately made. This argument thus should be limited to the question of what kind of interpretation is possibly presented when relating the timing of welfare enactment and the level of welfare expenditures to the political crises in Korea.

Thus different approach would be needed to analyse the welfare enactment and welfare expenditure after 1987. In addition, we have to accept that it still is a matter of debate whether we can apply this thesis, developed from the evidence of the cases of the Korean and Taiwanese welfare system, to the welfare system of other authoritarian regimes in Third World countries.

**Chapter Six:**

**Arguments about the Development and Implementation of  
Welfare in Korea and Taiwan**

**6.1 Industrialisation and Welfare: 'Aversion to  
Welfarism' and 'Human Capital Development'**

**6.2 Politics and Welfare: Political Crisis Thesis**



Economic recession of the Western economies has increased the scepticism about the welfare state throughout the eighties and early nineties. In spite of ever-increasing welfare expenditures, income inequality has widened and large numbers of people are still in poverty. What is worse, the number of those without work is supposed to remain high for an indefinite period ahead.<sup>1</sup> These economies seemingly lost their faith in social advance measures to cope with, or at best to prevent, such social diseases of capitalism as poverty, inequality and unemployment. This gloomy picture of the Western welfare states in the last decade may present a discouraging prospect to the developing countries that are now attempting to establish Western-typed welfare systems.

However, as far as the Far Eastern countries are concerned, it may not be such a disappointing episode since they make up their own brand of welfare states.<sup>2</sup> In these countries, there have never been widespread calls for Western-type social rights as in the Western welfare states. It is in this regard that Japanese officials were reluctant to introduce the social market system of Germany, notwithstanding their great respect for German achievements. Moreover, Singapore's governing socialists

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1 T. Wilson and D. Wilson, 'Beveridge and the Reform of Social Security - Then and Now', Government and Opposition, 28:3 (Summer, 1993), p. 353.

2 C. Jones, 'The Pacific Challenge: Confucian Welfare States', in New Perspectives on the Welfare State in Europe, ed. by C. Jones (London: Routledge, 1993), p. 199.

never sought to emulate the policies of Britain's post-war Labour Government and the Hong Kong civil service did not wish to see a British-style welfare state in Hong Kong. Although American influence in Korea and Taiwan has been tremendous since their independence, 'America's liberal 'land of opportunity' welfare state was scarcely calculated to appeal to Korea and Taiwan'.<sup>3</sup> It implies the fact that different perspectives are absolutely needed to analyse any aspects of the welfare systems of the East Asian countries.

It is in this regard that this chapter will discuss two prominent arguments ('aversion to welfarism' vs 'human capital development' and political crisis) concerning the development of their welfare systems, on the basis of the studies in chapters four and five, which examined the welfare systems of Korea and Taiwan.

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<sup>3</sup> Ibid., p. 207.

## 6.1 Industrialisation and Welfare: 'Aversion to Welfarism' vs 'Human Capital Development'

It is encouraging that some scholars have attempted to analyse welfare systems of Korea and Taiwan in relation to their unique industrialisation. To a large extent, there are two leading views amongst the researches of the welfare systems of Korea and Taiwan: 'aversion to welfarism' and 'human capital development'.

### 6.1.1 'Aversion to Welfarism'

According to the 'aversion to welfarism' view, the political elites of Korea and Taiwan not only neglect the necessity of welfare but resolutely oppose the expansion of welfare. Some scholars pay attention to the commitment of free market system prevalent amongst the political elites who have guided the economic development of these countries. In his review article concerning a developmental state, Onis presents the view that a single-minded commitment of the state toward the private market system is vital for economic development:

Economic development, ... , constitutes the foremost and single-minded priority of state action. Conflict of goals is avoided by the absence of any

commitment to equality and social welfare. ... There is an underlying commitment to private property and market, and state intervention is firmly circumscribed by this commitment.<sup>4</sup>

He adds:

the [Korean] government's fiscal policies have complemented its highly interventionist industrial policies ... Yet the welfare state function has been virtually absent. The state has assumed no responsibilities outside the domains of production and capital accumulation.<sup>5</sup>

Midgley presented a similar view in the following paragraph:

The incrementalist style of social policy making in the four Asian NICs has been congruent with a marked reluctance on the part of political elites to expand social programmes. They have consistently affirmed their faith in the virtues of free enterprise, self-reliance and hard work and frequently declared an aversion to welfarism.<sup>6</sup>

According to this line of thinking, the political elites of these countries have shown reluctance towards welfarism since it was largely considered to discourage foreign investment, work incentives and profit making. In addition, mainly due to the high military tension of the region, Korea and Taiwan traditionally have spent more on the military expenditure than other developing

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4 Z. Onis, 'The Logic of the Developmental State', Comparative Politics, 24 (1991), p. 111.

5 Ibid., p. 113.

6 J. Midgley, 'Industrialisation and Welfare: The Case of the Four Little Tigers', Social Policy and Administration, 20 (1986), p. 234. My emphasis.

countries.<sup>7</sup> Stated briefly, they have to spend a considerable portion of government revenue on defense as well as concentrate national capital development. Moreover, unlike other government expenditures such as infrastructure, once the welfare programme has been put into operation, its expenditure tends to increase year after year.

As far as the welfare expenditure of Korea and Taiwan is concerned, there is a strong empirical support for the 'aversion to welfarism' view. Compared to the upper-middle-income Latin American countries like Mexico, Uruguay and Brazil, and former Eastern communist countries like Hungary and Czechoslovakia, the governmental expenditures to social security and welfare of Korea and Taiwan have lagged far behind. Moreover, this thesis gains support from the fact that these aforementioned countries, as compared in the following table, generally allocate a greater portion of their government expenditures on

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7 Many academic attempts have been made to assess the opportunity costs of the military burden spending in terms of economic growth, social welfare expenditure and resource allocation in developing countries. Benoit's can be appraised as one of pioneering works. See E. Benoit, 'Growth and Defence in Developing Countries', Economic Development and Cultural Change, 26 (1978), 271-80. In it, the author, contrary to common perception, leads the conclusion that military spending may have a positive influence on economic growth. However, his findings have been under criticisms. Refer, for example, to B. Biswas and R. Ram, 'Military Expenditure and Economic Growth in Less Developed Countries: An Augmented Model and Further Evidence', Economic Development and Cultural Change, 34:2 (1986), 361-72; S. Deger, Military Expenditure in Third World Countries: The Economic Effects (London: Routledge & Kegan Paul, 1986). In terms of the influence of military burden on social welfare, Peter Hess from his own econometric model concludes that 'Larger military burdens may have been at the expense of improved social welfare'. See, P. Hess, 'The Military Burden, Economic Growth, and the Human Suffering Index: Evidence from the LDCs', Cambridge Journal of Economics, 13 (1989), 497-515.

social security, despite their GNP per Capita being much less than that of Korea and Taiwan.

<Table 6-1>  
**Government Expenditure on Social Security and Welfare**

Countries	GNP per capita (\$,1990)	% of Total Expenditure	
		1972	1990
Mexico	2490	25.4	13.0
Uruguay	2560	52.3	50.3
Brazil	2680	35.0	20.1
Hungary	2780	n.a	35.3
Czechoslovakia	3140	n.a	25.3
Korea	5400	5.9	12.2
Taiwan	7900	12.7	17.5

Source: The World Bank, World Development Report, 1992: Development and the Environment, 1992; Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990; National Bureau of Statistics, Economic Planning Board, ROK, Major Statistics of Korean Economy, 1990.

The above table implies that the 'logic of industrialism' thesis, which maintains that welfare systems tend to develop in accordance with industrial development, has not adequately described the cases of Korea and Taiwan. There has in fact been little room for welfare in their economic development periods, though this line of interpretation needs more empirical evidence.

### 6.1.2 Human Capital Development

It should be emphasised, however, that the 'aversion to welfarism' thesis does not inconsistent with the 'human capital development' thesis. It is widely accepted that the Korean and Taiwanese government's resolute determination to increase the condition of health and education has been a success, in tandem with the national prosperity.

This thesis begins with the fact that the East Asian countries have spent more on education and health, as their economies have adjusted to a high value-added economic structure since the eighties. Accordingly, some scholars focus on the industrial structure of these countries, and argue that social policy of the region is basically designed to serve the requirement of economic development policy. Undisputedly, the main source of economic development of these countries is nothing but human capital, in contrast with other developing countries such as Latin American countries where natural resources are abundant. Thus these East Asian countries are generally expected to invest more on education, health and possibly social services for the purpose of developing the quality of human resources. As is clearly argued by Deyo:

under a development strategy of human-resource-intensive export oriented industrialization (EOI), social and economic development goals are often compatible and closely linked. East Asian social

policy has been driven primarily by the requirements and outcomes of economic development policy, unlike the situation in Latin America, where extrabureaucratic political pressures have played a more prominent role in shaping social policy.<sup>8</sup>

Thus the 'human capital development' thesis is of growing interest to those interested in the social development of developing countries. We will discuss this thesis focusing on education and health of Korea and Taiwan respectively.

#### 6.1.2.1 The Case of Taiwan

In fact, the employment structure of Taiwan has transformed into the Western type. The employment in the secondary industry sector (manufacturing, construction and utilities) and the tertiary one (communications, transportations and services) has increased, while the primary production sector has steadily withered away, as was examined in chapter three.

Moreover, the economy has been transformed into a more highly value-added industry structure. In the secondary industry sector, the production index of heavy industry has risen remarkably since the eighties, while the mining industry, for example, has decreased as the following table shows.

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<sup>8</sup> F. C. Deyo, 'The Political Economy of Social Policy Formation', in States and Development in the Asian Pacific Rim, ed. by R. Appelbaum and J. Henderson (Newbury Park: Sage, 1992), pp. 289-90.



&lt;Table 6-2&gt;

## Composition of Industrial Production

Base: 1986=100

	Mining	Heavy Industry	Light Industry	% of Heavy Industry to Mfg.
1981	137.88	63.68	67.52	46.76
1982	123.93	62.93	69.26	45.83
1983	120.46	74.32	76.32	47.55
1984	116.45	84.72	84.71	48.22
1985	106.99	85.47	88.18	47.44
1986	100.00	100.00	100.00	48.22
1987	96.84	115.61	107.07	50.14
1988	94.77	126.07	105.45	52.68
1989	83.47	134.22	105.36	54.26

Source: Overall Planning Department, Council for Economic Planning and Development, Executive Yuan, ROC, Taiwan Economic Statistics, 1990.

The Taiwanese economy is now undergoing a transformation toward a more advanced industrial structure. It is noteworthy that medical care has developed in tandem with this transformation. The following table indicates the rapid development of medical care of Taiwan since 1970.

&lt;Table 6-3&gt; Availability of Medical Care

	A*	B*	C*	D*	E*
1971	5.1	2087	4.6	1892	619
1975	3.9	1732	3.4	1492	526
1980	3.3	1624	2.7	1323	446
1985	3.0	1553	2.1	1130	258
1989	2.9	1639	1.7	965	232

\* A: Average area served by each health & medical facility (km<sup>2</sup>).

\* B: Persons served by each health & medical facility (person).

\* C: Area served by each physician (km<sup>2</sup>).

\* D: Persons served by each physician (person).

\* E: Population per hospital bed.

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990.

In terms of education, the ROC Constitution requires that no less than 15 percent of the national budget, 25 percent of provincial budgets, and 35 percent of county and municipality budgets shall be appropriated for education.<sup>9</sup> According to government datum, government expenditure for each student has increased markedly since 1970s, as is presented in the following table.

<Table 6-4>

Provincial Government Expenditure for Each Student

Unit: NT\$

	A*	B*	C*	D*
1971-2	11752	4828	6140	2477
1975-6	21627	10190	11232	6523
1980-1	45223	20635	23789	14927
1984-5	58575	25380	33157	25891
1988-9	140452	37250	46257	22566

\* A: Provincial colleges & universities.

\* B: Provincial middle schools.

\* C: Provincial vocational schools.

\* D: Provincial elementary schools.

Source: Council for Economic Planning and Development, ROC, Taiwan Statistical Data Book, 1990.

Moreover, the late eighties witnessed a change in the government's attitude toward welfare, as was illustrated in the development strategy in economic development plans of Taiwan.

<sup>9</sup> Republic of China Yearbook 1991-2, p 267.

<Table 6-5> Economic Development Plan of Taiwan

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Contents of Plans	Welfare Commitment in Development Target (policy)
1st to 6th Four-Year Plan (1953-76)	None
7th Four-Year Plan (1976-81)	To increase living standards (1st/5)*
8th Four-Year Plan (1982-85)	None
9th Four-Year Plan (1986-89)	To expand public welfare (6th/6)*

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\* presents the policy priority. For example, 1st/5 means that the policy ranked 1st out of five policies.

Source: KIET, Taiwan (Seoul: KIET, 1989).

The above table shows that there has been no welfare commitment throughout the sixties and seventies. It is only since the late eighties that the government's commitment to welfare emerged in the economic development plan of Taiwan.

It is a matter of debate, however, whether these commitments were brought about by the requirements and outcomes of economic development, as is noted by Deyo, in accordance with the 'human-resource-intensive export oriented industrialisation'.<sup>10</sup> Moreover, it should be emphasised, these commitments to welfare do not of themselves establish the welfarisation of Taiwan. Being normative by nature, the commitments should be put into a more concrete form such as actual welfare programmes and increases in welfare spending.

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<sup>10</sup> F. C. Deyo (1992), op. cit., p. 289.

### 6.1.2.2 The Case of Korea

As is the case of Taiwan, it is widely accepted that the main source of the remarkable economic development is an abundant supply of highly educated human resources. Mainly due to the extensive investment by the government, pre-college school enrollment (primary, middle and high school) is 95%,<sup>11</sup> and adult illiteracy is less than 5%, lowest amongst the upper-middle income economies.<sup>12</sup>

Additionally, there has been considerable improvement in health indices since the sixties, as is shown in the following table.

<Table 6-6> Improvement of Health in Korea

	Persons per Physician	Persons per Hospital Bed	Coverage of Medical Insurance or Assistance (%) <sup>*</sup>
1965	2645	n.a	
1970	2159	1949	
1975	2100	1661	
1980	1690	1001	29.8
1985	1379	549	57.7 <sup>**</sup>
1989	1066	452	100.0

\* Medical insurance has been enforced since 1977.

\*\* 1986

Source: National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea, 1990.

11 As well, the number of students per teacher has considerably declined since the early sixties. National Bureau of Statistics, Economic Planning Board, ROK, Social Indicators in Korea 1990. For more details of the development of education in Korea, refer to chapter three.

12 The World Bank, World Development Report 1992: Development and the Environment (Oxford: Oxford University Press, 1992).

Even so, the Korean government has traditionally given more weight on education than social welfare or health, consistent with the Confucian teaching, which places great emphasis on education. The following table shows that the percentage of government expenditure on education is the highest amongst upper-middle-income countries, whilst that of health is relatively low.

<Table 6-7>  
**Percent of Government Expenditure on Education and Health**

Countries	Education		Health	
	1972	1990	1972	1990
Mexico	16.4	13.9	4.5	1.9
Uruguay	9.5	7.4	1.6	4.5
Brazil	8.3	5.3	6.7	7.2
Hungary	n.a	3.3	n.a	7.9
Czechoslovakia	n.a	1.8	n.a	0.4
Korea	15.8	19.6	1.2	2.2

Source: The World Bank, World Development Report 1992: Development and the Environment, 1992.

As inferred from the above table, the Korean government has been unwilling to finance traditional welfare sectors such as health and social security, whilst a relatively high portion of funds has been spent on education. The basic priorities of the Korean government on social expenditure are clear; they are ready to spend government monies so long as it is concerned with economic development, but are still very reluctant to enhance welfarism.

Despite this reluctance, the portion of both health and education among government expenditure has considerably increased, while that of economic services has declined since the early eighties when the economy began to be restructured to highly value-added industries.

<Table 6-8>

Growth Rate of Expenditure on Health, Education and Economic Services since 1980

Unit: %

	Health	Education	Economic Services
1980	1.02	14.63	25.99
1985	1.29	16.56	21.87
1989	2.18	17.50	16.98

Source: The Bank of Korea, Economic Statistics Yearbook, each year.

Moreover, the Korean government has begun to recognise the need of a welfare system since the late eighties, according to the transformation toward highly value-added industrial structure, as is shown in the following table.

<Table 6-9> Economic Development Plan of Korea

Contents of Plans	Welfare Commitment in Development Strategy (policy)
1st Five-Year Plan (1962-66)	None
2nd Five-Year Plan (1967-71)	None
3rd Five-Year Plan (1972-76)	Social security and promotion of national welfare (7th/7)*
4th Five-Year Plan (1977-81)	None
5th Five-Year Plan (1982-86)	Expansion in social development (7th/7)*
6th Five-Year Plan (1987-91)	Increase government support for educating children of low-income families (8th/14)*  Expand public welfare programmes and improve redistribution of income gradually so as to maintain economic stability (13th/14)*

\* presents the policy priority. For example, 8th/14 means that the policy ranked 8th out of 14 policies. Source: S. A. MacManus, 'The Three "E's" of Economic Development...and the Hardest is Equity: Thirty Years of Economic Development Planning in the Republic of Korea (I)', Korea Journal, 30:8 (Aug. 1990), pp. 5-7.

Thus the Korean government is now recognising the need of a welfare system in economic development (human capital development thesis), despite having neglected or rejected the idea of overall welfarism throughout the past industrialisation periods.

### 6.1.2.3 Concluding Remarks

In this section, we discussed two prominent views about the development of welfare systems in Korea and Taiwan in relation to their unique industrialisation. However, these two apparently irreconcilable views are not mutually exclusive. Rather, it would be fair to say that both arguments are supplementary to each other, two sides of one coin. Seen in the historical development of Korea and Taiwan, the 'aversion to welfarism' view seems to be of more interpretative value throughout the industrialisation processes. It should be emphasised, however, their welfare systems, especially health and education, have developed throughout the eighties in tandem with the growing economies. In other words, as their economies have rested more and more heavily on high value-added technology, the state has come to recognise the importance of developing human capital, which may be the only source of economic development of this period. As a result, the political elites seem to reckon the welfare systems to be a firm buttress for further development of their economies.

In sum, we duly reached the notion that the 'human capital development' thesis provides a strong explanation of the development of welfare systems in Korea and Taiwan, though the 'aversion to welfarism' thesis is not thereby contradicted. We can now maintain the view that



their welfare systems have been driven primarily by the requirements of overall economic development policy.

## 6.2 Politics and Welfare: Political Crisis Thesis

We concluded in the last section that we cannot emphasise the importance of industrial development too strongly in the welfare state development. A Welfare system may be only the superstructural expression of industrial development. Industrial development provides the basic resources which make the ideas or commitment to implement an actual programme. However, it does not by itself result in direct welfare enactment and welfare expenditures. It is thus necessary to examine more plausible accounts on the development of welfare systems in Korea and Taiwan. We turn our attention to political accounts on their welfare state development: the political crisis thesis.

Analysing the timing of welfare enactments and the trend of welfare expenditure of Korea and Taiwan in chapter four and five, we could find that both Korean and Taiwanese governments were more active in enacting welfare programmes and spent more on welfare programmes when in serious political crises. It merits the attention of those interested in the welfare determinants since it is a unique phenomena which can not be accounted for by the existing accounts on welfare determinants. Now is the time to propose a theoretical lens which fits the unique development of welfare systems of Korea and Taiwan. This research thus proposes a 'political crisis'

thesis which might stand up well to the evidence of both welfare systems.

The basic assumption of the 'political crisis' thesis is that the regime is likely to introduce or enact welfare programmes more actively, and tends to spend more on welfare programmes, when faced with a serious political crisis. Here we can raise the question of 'why does the regime show a more positive attitude towards welfare when in political crisis?' The answer is closely related to the problem of legitimacy.

#### 6.2.1 Political Crisis as a Source of Legitimacy Crisis

Legitimacy is traditionally defined as the 'capacity of the system to engender and maintain the belief that the existing political institutions are the most appropriate ones for the society'.<sup>13</sup> In regard to this legitimacy theme, Jones and Moran argue as follows:

... Control of the means of coercion is an important guarantor of sovereignty. But the sovereign power of a state depends not only on its capacity to coerce: it also rests on the recognition by citizens that the state has the authority or right to exercise power over those live in its territory. This is commonly called legitimacy.<sup>14</sup>

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13 S. M. Lipset, 'Social Conflict, Legitimacy, and Democracy' in Legitimacy and the State, ed. by William Connolly (Oxford: Basil Blackwell, 1984), p. 88.

14 B. Jones and M. Moran, 'Introduction: Explaining Politics' in Politics UK, ed. by B. Jones and Others (Hemel Hempstead, Hertfordshire: Philip Allan, 1991), p. 10.

When in times of great societal transformation, however, the legitimacy of the state is likely to be in serious political jeopardy and accordingly a legitimacy crisis may arise. A crisis of legitimacy is a crisis of change, and it constitutes a crisis of state.<sup>15</sup> Binder,<sup>16</sup> in his influential book, classified crisis into five categories, identity crisis, legitimacy crisis, participation crisis, distribution crisis and penetration crisis; whilst Habermas<sup>17</sup> grouped it into four categories: the economic crisis, rationality crisis, legitimation crisis and motivation crisis respectively. In addition it has been called as the 'crisis of accumulation' by Offe<sup>18</sup> or 'Hegemony crisis' by Gramsci<sup>19</sup> and so forth. Meanwhile Grew<sup>20</sup> describes the interrelationships among five crises, from which we can assume that the 'legitimacy crisis' is held central amongst others, as follows:

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15 S. M. Lipset (1984), *op. cit.*, p. 89.

16 Leonard Binder, Crisis and Sequences in Political Development (Princeton: Princeton Univ. Press, 1971).

17 Jurgen Habermas, Legitimation Crisis (Boston: Beacon Press, 1975).

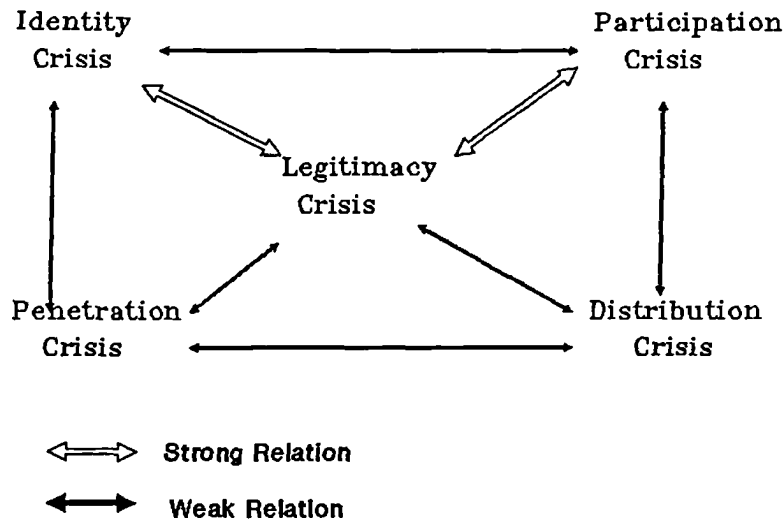
18 Claus Offe, Contradictions of the Welfare State (London: Hutchinson, 1984).

19 Antonio Gramsci, Selections from the Prison Notebooks (London: Lawrence and Wishart, 1971).

20 Raymond Grew, 'The Crises and Their Sequences', in Crisis of Political Development in Europe and the United State, ed. by Raymond Grew (Princeton: Princeton Univ. Press, 1978).

<Figure 6-1>

## The Relationship of Crises



Thus the political crisis of a regime is best described as the 'legitimacy crisis of sovereign power'. Quite simply, we can argue that a legitimacy crisis would arise when the state has impaired, for whatever reasons, its own authority to govern the populace, and thus loses their political support.

Lipset illustrates two possible ways of a legitimacy crisis occurring during a transition to a new social structure as follows:

- (1) the status of major conservative institutions is threatened during the period of structural change
- (2) all the major groups in the society do not have access to the political system in the transitional period, or at least as soon as they develop political demands. After a new social structure is established, if the new system is un-

able to sustain the expectations of major groups,  
... , a new crisis may develop.<sup>21</sup>

Whilst the first case of loss of legitimacy is best depicted in the transformation of monarchies to democratic republic, the second type of legitimacy crisis concerns political participation. This 'entry into politics' crisis is generally brought about by an absence of the modernised political institutions which are expected to embody political demands.<sup>22</sup> This crisis will be intensified when coupled with other crises such as an identity crisis, a legitimacy crisis, a distribution crisis and a penetration crisis.

As is mentioned earlier in chapter three, East Asian countries necessarily foster labour intensive industries because they lack sufficient capital and technology for economic development. Since the Import Substitution Strategy has failed, labour intensity of those industries has been purposely strengthened to increase national competitiveness, as these economies have been deeply engaged in world trade. According to the demands of world trade, labour-intensive industries have developed with the assistance of their Government's financial and political support at the expense of human rights, democracy and so forth. It was assumed, at least by the members of ruling group, that an export-led industrial strategy based on labour-intensive industries was the

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21 S. M. Lipset (1984), *op. cit.*, p. 89.

22 L. Binder and others, Crises and Sequences in Political Development (Princeton: Princeton Univ. Press, 1971), pp. 55-63.

only way to increase the national production, and accordingly to legitimize their rule.

However, looking back to the history of Korea and Taiwan where political regimes traditionally retain reactionary attitudes toward civil society, the legitimacy of a regime depends not only on economic success but also on the democratic institutions. Although they have developed their economies very rapidly, it does not necessarily mean that these authoritarian regimes have enjoyed a high level of legitimacy. As economic development has improved the standard of living, civil society has developed and begun to demand the democratisation of all sectors of the society, and to resist against the authoritarian regimes which, in a certain level of development, would inhibit the free expansion and self-development of civil society. It has obviously caused a crisis of legitimacy of the regime.

Moreover, when coupled with serious political crises such as the coups of 1972 and 1980 in Korea and severed diplomatic relations in Taiwan, the legitimacy crisis has been exacerbated. We will now look at the response of this legitimacy crisis: welfare.

### 6.2.2 Welfare as a Response of Legitimacy Crisis

When faced with the crisis of legitimacy, regimes often take measures to restore or increase their legitimacy. The responses of the legitimacy crisis, in large part, are divided into two different ways, repression and social integration. Whilst every political regime has its own physical means of control which, directly or indirectly, serve to keep social order, the social integration function is of more importance, and has come to be the main and more essential function for patterns maintenance. Poulantzas<sup>23</sup> claims that two different state apparatuses (repression state apparatus and ideological state apparatus) are essential for modern states. Seen in this light, it seems clear that the ideological state apparatus serves the function of social integration, of which the nationwide establishment of welfare state is a component.

As far as the political situation of developing countries is concerned, repressive control is more frequently used, and is regarded as a more effective way to manage the legitimacy crisis. Moreover the frequent exercise of repressive control itself may cause or intensify the legitimacy crisis. However, the function of social integration apparatus including social welfare system has been of growing importance in the Third World polities.

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23 N. Poulantzas, Political Power and Social Classes (London: New Left Books, 1973), pp. 99-107.



Most of the Third World regimes, whichever way they might use to seize the power, are claiming to stand for the representative democracy which, at least in principle, guarantees human rights, political liberty and a basic level of living standards, in their constitutions. Hence they usually utilize the social integration apparatus equally with the repressive apparatus, and welfarisation functions well as an apparatus for social integration. However it still is matter of debate, first of all, whether a welfare system contributes to political stability and thus political legitimacy of regimes, and, secondly, if so, the degree to which they enhance the legitimacy of regimes.

It is widely accepted by students of social administration that social services might, at least in part, contribute to political stability, and in turn the polity accords legitimacy to the regime. Whilst this issue can be traced back to the ages of the Elizabethan Poor Law, the more apparent example can be found in the post-war welfare state: the Beveridge Report. According to Jose Harris, central to the Beveridge's thinking is the idea that welfare programmes could contribute to social and political integration.<sup>24</sup> Social insurance, for example, which served as a backbone of the post-war welfare state, definitely contribute to the political solidarity in ways to share the social risks with his fellows,<sup>25</sup> as is suc-

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24 See, J. Harris, William Beveridge (Oxford: Clarendon Press, 1977), pp. 102-3.

25 Beveridge declared his central idea of social reform as 'Men should stand together with his fellows' in 1942.

cinctly described by Peter Baldwin as 'Once risks are pooled, the individual faces uncertainty no longer alone but as part of a larger group'.<sup>26</sup>

It should be emphasised, however, that this discussion suffers from three central weaknesses, according to Vic George and Paul Wilding:

1. terms are left undefined and the issues are discussed at a level of generality which makes it extremely difficult what it is that is being discussed;
2. the argument has proceeded by assertion. There has been little attempts to gather, let alone review, evidence;
3. the value assumptions implicit in discussion of social and political stability have been left unexplored.<sup>27</sup>

We can easily guess how difficult it is to assess the political influences of social services, because there has never been a universally accepted instrument with which to measure it. What is worse, we can not define or measure political stability.<sup>28</sup> There is no universally accepted indices or scales through which it can be analysed. Nor can we satisfy any of them, even if we select one.

Thus, in this discussion of the political impact of social services, the authors have suggested that 'the best that can be done at the moment is to bring together what

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26 P. Baldwin, The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975 (Cambridge: Cambridge Univ. Press, 1990), p. 2.

27 Vic George & Paul Wilding, The Impact of Social Policy (London: Routledge, 1984), pp. 187-9.

28 The authors define it as 'a situation in which there is general acceptance in society .of the legitimacy of the existing economic, social and political system' Ibid., p. 188.

little evidence is available, to show the connections which can be plotted, albeit tentatively, between social services and political order and to attempt a hopefully constructive use of the sociological imagination'.<sup>29</sup>

Actually the 'sociological imagination' was originally conceived by C. W. Mills<sup>30</sup> with a view to emphasize how important the 'historical perspective' is to sociologists. By virtue of a sociological imagination, according to Mills, a sociologist can recognise the interaction processes between 'personal behaviour' and, 'historical circumstances to which it belongs'. His notion of history (Historicism) is very similar to the principle of historical relativism of Karl Marx, which postulates that human behaviour is confined to the historical and material conditions, and henceforth social existence depends on a particular form of social relation, though Mill's major effort is oriented toward criticizing two dominant intellectual methodologies of that time: 'grand theory' and 'abstracted empiricism'. Thus the application of the sociological imagination without the exploration of history could be a plausible excuse for social scientists to escape the methodological impasse which they face, but is not a desired direction.

Seen in this light, it is not quite evident whether the 'impacts of social services on political stability' has been fully appreciated within a historical analysis by

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<sup>29</sup> *Ibid.*, p. 188

<sup>30</sup> C. W. Mills, The Sociological Imagination (New York: O.U.P., 1959).

the authors, but the following five ways in which social services contribute to political stability may provide a good starting point to explore the relationship between the 'polity' and 'welfare' in capitalist societies.

1. the easing of potentially disruptive problems,
2. their adoption of definitions of social problems which do not challenge the economic and social order,
3. the way they encourage, reward and punish certain values and certain forms of behaviour,
4. the support they provide for authority and hierarchy in society,
5. the way in which they help transform class conflict into less threatening group conflict.<sup>31</sup>

In general we can say that welfare systems increase political stability. In other words, why have the post-war Western states launched and maintained very expensive welfare system, if it has not contributed much to its political legitimacy ? However, it still is not quite clear how much they overcome the problems of the three central weaknesses of the discussion. For example, we have no ascertainable answers to simple questions like 'how much social services contribute to political stability, even if we accept that they do?' or 'can it be applied to all types of political regimes?' or 'what sort of social services can contribute to social services most significantly?', and so forth. It is thus that a documentation of each historical context is needed in order to analyse the impact of social services on

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31 V. George and P. Wilding (1984), *op. cit.*, p. 188.

political stability. In other words, the assumption that welfare systems would contribute to social and political stability, and thus to enhance the political legitimacy of the regime should be examined by the historical documentation of individual cases.

According to the evidence from the cases of two prominent East Asian countries, Korea and Taiwan, the 'political crisis' thesis turns out to be a solid interpretation of the determinants on the development of their welfare systems. In terms of the welfare state development of Taiwan, the severed diplomatic relationship has had significant influence on the timing of the welfare enactment and the trend of welfare expenditures, as was examined in chapter four. The interpretation on the determinants on the Korean welfare state development is somewhat similar to that of the Taiwanese welfare state development. When faced with serious political crises occasioned by the coups of 1972 and 1980, the Korean government became active in the enactment of welfare programmes, though did not spend much more on welfare programmes after the coups. It means that the 'political crisis' thesis can still be applied to Korea.

## **Chapter Seven: Conclusion**

It has been persistently argued that the main weaknesses of the study of social policy are 'lack of theory' and 'parochialism'. In this regard, this research is basically designed to cope with the two shortcomings of the discipline through the study of the welfare systems of two prominent East Asian countries: Korea and Taiwan.

In fact, the cases of the two East Asian countries merit the attention of those interested in the development of the discipline by virtue of the fact that they offer a unique opportunity to gain insights into the development of welfare in rapidly industrialising societies, as societies which have maintained the dynamics of capitalism for decades.<sup>1</sup> Moreover, to study their welfare systems would provide a good starting point to overcome the two shortcomings of the discipline in ways; first, to test the objectivity and relevance of the theories developed in the Western cultural context, and secondly to widen academic attention beyond the Western cultural context. It is in this regard that this research focuses on two prominent themes in relation with the development of welfare systems in Korea and Taiwan: 'industrialisation' and 'politics'.

In terms of the former theme this research examines first the industrialisation processes of Korea and Taiwan, and proposes two main arguments about the relation-

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1 J. Midgley, 'Industrialism and Welfare: the Case of the Four Little Tigers', Social Policy and Administration, 20:3 (Aug. 1986), p. 227.

ship between industrialisation and welfare: 'aversion to welfarism' and 'human capital development'. It provides the general context within which welfare systems of Korea and Taiwan have developed and been implemented. Secondly, in order to probe into the relationship between politics and welfare, this research attempts to identify the most significant variable in accounting for welfare enactments and welfare expenditures of Korea and Taiwan, and propose the 'political crisis' thesis. It will provide an explanation as to why, how and to what extent their welfare systems different from the welfare systems of other countries.

Looking back to the origins of the post-war British welfare state, as was examined in chapter two, the war-time idealism, widely shared by the whole population, has turned into the Beveridge Report, which has served as the backbone of the welfare state since its publication. Mainly due to the post-war consensus of the British polity, the Beveridge-Keynesianism orthodoxy has remained virtually intact in the British society and thus the welfare state has been ever expanding until the emergence of the new right government in 1979.

Since the early eighties, the new right ideology has dominated whole sectors of the society, and public policy especially has gone through a complete transformation. Market enhancing measures like privatisation were widely applied to the traditional public sectors including the



welfare system. The welfare state has encountered stiff criticism on account of its excessive costs, ineffectiveness and encouragement of welfare dependency. Of late, the far right ideologues and politicians allow the welfare system only to the extent it does not conflict with the principle of the market economy. It surely is a great change from the Beveridge-Keynesianism orthodoxy based on social democracy.

In this regard, it is fair to say that the Reform of Social Security<sup>2</sup> published in 1985 is a true reflection of this new right ideology. In it, individual responsibility has been emphasised and efficiency enhancing measures have been widely implemented. Overall, this report vividly illustrates how political ideas get turned into actual policies.

We can now draw some implications from the historical experience of the British welfare state. It is possible to argue that political factors like war and ideology have decisively affected the development of the welfare state. In other words, politics tells us much about the development of the welfare state: its experiment, consolidation, expansion and retrenchment.

Roughly speaking, it further implies that the complete removal of the existing social order such as through war or revolution is conducive to the making of the welfare

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2 Department of Health and Social Security (DHSS), Reform of Social Security (London: HMSO, 1985).

state as a form of social reform,<sup>3</sup> whilst the change of political climates would bring the change of social policy in peace time. It surely is of analytical value to analogise the Korean and Taiwanese welfare system with the historical development of the British welfare state.

In the cases of Korea and Taiwan, however, it should be noted that too little attention has been paid to their welfare systems. Though there have been plenty of social science literatures dealing with their industrialisation, political system and cultural tradition in accordance with their rapid economic development, they have not been dealt in full in the study of social policy, mainly because major academic achievements of the discipline have been exclusively focused on the Western welfare systems. This research hopefully will contribute to widen the scope of the study of social policy as an academic discipline.

Reviewing the historical context of the development of welfare in Korea and Taiwan, and examining their welfare systems in more detail in chapter four and five, we could find that their welfare systems have developed in accordance with their unique industrialisation. Another approach, however, is needed to account for timing of welfare enactments and trends of welfare expenditures of Ko-

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3 Kathleen Jones supports this view that 'War had unexpectedly turned out to be a great engine of social advance. There was a new altruism, and a new passion for social justice'. See K. Jones, The Making of Social Policy in Britain 1830-1990 (London: Athlone, 1991), p. 121. Total upheaval of the existing social order such as through war and revolution is conducive to a social reform which might not be realised by conventional political processes in peace time. For more details about the war-time solidarity among the British people, refer to chapter two.

rea and Taiwan. In chapters four and five, we demonstrated that the existing account of welfare determinants, developed in the Western societies, do not adequately explain the case of the two welfare systems. This research proposes instead the 'political crisis' thesis, and argues that it stands up well to the evidence of both welfare systems.

The basic assumption of the 'political crisis' thesis is that the regime is likely to introduce or enact welfare programmes more actively and tends to increase welfare expenditures when faced with the serious political crisis. Accordingly, this research argues that politics is the most significant factor to the changes of welfare systems. According to the evidence from the cases of the two prominent East Asian countries, Korea and Taiwan, the 'political crisis' thesis turns out to be a solid interpretation of the determinants on the development of welfare system in the region.

In terms of the welfare state development of Taiwan, it is very clear that the severed diplomatic relationship has had the most significant influence on the timing of the welfare enactments and the trend of the welfare expenditure (Figures 4-11 and 4-12). It is noteworthy that the interpretation of the determinants on the Korean welfare state development is somewhat similar to that of the Taiwanese welfare state development. It means that the 'political crisis' still endures in the case of Ko-

rea, especially in the timing of welfare enactment (Figure 5-7).

It should be pointed out, however, that the welfare expenditure of Korea correlates rather imprecisely with political crises when compared to the case of Taiwan. Whilst the portion of social expenditure among total government expenditure posted 5.88% in 1963, two years after the 1961 coup, and that of 1982, also two years after the 1980 coup, represented 8.52%, there were no salient changes in the trend of welfare expenditure during or after the 1972 coup (Figure 5-8). It is mainly due to the historical nature of the coup itself. Whilst the 1961 and 1980 coups were typical military uprising to overthrow a de jure government, the 1972 coup was more in line with the Royal coup.

Interestingly enough, the trend of welfare expenditure is closely related with the indirect tax rate in Korea. Compared with the reversed relationship between them in Taiwan (Figure 4-6), both are strongly correlated to each other (Figure 5-5). It is mainly due to the political situations of Korea since the early sixties. Compared with the Taiwanese election, in which the ruling Kuomintang garnered over seventy percent at every level of elections, the Korean elections have shown intense competition between the ruling party candidates and the opposition counterparts. Thus party programmes, most of which were connected with community development of the constituency, were largely trumpeted to the electorate.

It is for this reason, too, that the indirect tax rate has increased just before and during election years.<sup>4</sup>

We duly reach the conclusion that politics not only matters but influences the timing of welfare enactments and the trend of welfare expenditure in the cases of Korea and Taiwan. To put it succinctly, the East Asian regimes have been more active in both welfare enactment and welfare expenditure when in serious political crisis. This is supported by the fact that welfare enactments were not actively made and welfare expenditures were generally lower during the politically stable periods. Implicit in this conclusion is the idea that welfare systems were politically utilised by the regime to tranquillise political crises, irrespective of whether it contributes to political stability.

However, it is dubious whether this thesis is applicable to other developing countries, especially to the second wave NICs in the South East Asian region. Historical documentation of each country is needed to test the applicability of the thesis. I will leave this subject open for further research.

In sum, this research does not aspire to devise or develop any type of theoretical model sufficiently abstract to be universally applicable to other countries, nor does

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<sup>4</sup> For more details of the relationship between election and indirect tax rate, refer to chapter two.

it attempt to test the existing theories concerning Korea and Taiwan. It instead attempts to probe what sort of explanations can be proposed when the welfare enactments and welfare expenditure of Korea and Taiwan are examined. The main findings of this research provides an explanation as to why, how and to what extent their welfare systems are different from those of other countries.

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