

Growing Out of the Developmental State: East Asian Welfare Reform in the 1990s

Ito Peng
Department of Sociology
University of Toronto

Joseph Wong
Department of Political Science
University of Toronto

100 St. George Street
Toronto, Ontario
Canada, M5S 3G3
joe.wong@utoronto.ca
416.978.5459

Introduction

Over the past ten years or so, Japan, South Korea and Taiwan have embarked on a new social policy trajectory. Known most for their high growth capacities,¹ these East Asian developmental states have begun to shed their reputations as ‘welfare laggards’. With the implementation of universal health care, pensions and new social policy innovations in long term care for the elderly and in family care, the notion that East Asian developmentalism is singularly grounded in a ‘growth at all costs’ ethos seems less and less appropriate in today’s industrial East Asia. Though far from the benchmark of the European welfare state, we contend the *direction of reform* in Japan, South Korea and Taiwan is decidedly towards welfare state deepening. Indeed, social policies there are increasingly understood in universalist terms. They are inclusive. And social welfare has become legitimated by the language of social rights, and as such the provision of social protection is increasingly seen to be the responsibility of the state, and less so of the family and individuals.

Recent developments in social policy reform in Japan, South Korea and Taiwan run counter to our intuitive expectations, and furthermore, to conventional theories of postwar welfare state development; these cases surely warrant analysis and are certain to illuminate important comparative insights. The processes of welfare deepening in East Asia have been initiated precisely at the time when welfare state retrenchment is the norm. Retrenchment ‘talk’ has pervaded policy discussions in all three countries, though so far had little effect on actual social policy reform decisions. Furthermore, East Asian welfare reform has come about in the absence of any programmatic political parties or strong labor union mobilization. The politics of welfare state formation there has not been driven by an institutionalized left, unlike in the European or Latin American experiences.² And finally, Japan, South Korea and Taiwan have overcome the legacies of the East Asian developmental state model where re-distributive social policy was perpetually subordinated to higher priorities in stimulating industrial transformation, and where social welfare was understood by policy elites to be anathema to economic growth.³

Our contention is that Japan, South Korea and Taiwan have begun to grow out of the postwar developmental state model. More specifically, the very conception of development has been re-defined to allow for greater social content in public policy; this despite contemporary pressures supposedly hostile to the development of the welfare state. Our argument is structured in three parts. First, we contend that growth with equity during the postwar period in Japan, Korea and Taiwan left a fortuitous legacy for current efforts in deepening the welfare state. The costs of social welfare reform – economically, politically and ideationally – have been minimized in these East Asian cases, unlike their developmental counterparts in, for instance, Latin America. Second, we argue that the dynamics of welfare state deepening in the region need to be understood as part of a larger structural change to the social foundations of East Asian societies. Demographic shifts and changing norms surrounding the family and gender relations have created new pressures on the East Asian developmental states, which have in turn responded by expanding the scope of social safety nets and by including constituencies, such as women and the elderly, who had previously been excluded. Third, we unpack the political mechanisms through which these developmental legacies and social pressures have

translated into concrete policy measures. Here we focus on the politics of democratic development in Japan, Korea and Taiwan, and in particular, the political effects of political de-alignment and subsequent re-alignment on social policy agenda-setting.

Growing Out of the Developmental State

Explaining welfare reform during the 1990s in Japan, South Korea and Taiwan requires first an understanding of what has come to be known as the East Asian developmental state. Ian Holliday correctly points out that social policy regimes in East Asia during the postwar period were “productivist” in orientation. He contends that in the postwar developmental state “social policy [wa]s strictly subordinate[d] to the overriding policy objective of economic growth”.⁴ Holliday further stresses that social policy initiatives were de-linked from any conception of social rights and citizenship. For instance, universal access to education in Japan, Korea and Taiwan was not understood to be a mechanism for re-distributing wealth and equalizing opportunity for social class mobility, but rather as a means for human capital development, essentially an economic investment. Holliday therefore suggests that “minimal social rights” were “linked to productive activity” and that “state-market-family relationships” were “directed towards growth”.⁵ His is not a marginal view of East Asian social welfare.⁶

Given the imperatives of catch-up development, the developmentally oriented states in Japan, Korea and Taiwan were by and large legitimated by their ability to promote rapid and aggregate economic growth.⁷ Distributive considerations were secondary in this narrow conception of development. Indeed, there was little political contestation around the distributive implications of growth; the rare instances of mobilization tended to be dealt with swiftly and authoritatively by the state. Policymaking processes in Japan, Korea and Taiwan were driven by economic technocrats, who were themselves politically insulated from outside social forces. Policy agendas were therefore set by the state and decisions made by state officials. As such, re-distributive social policies, then, were marginalized. Things have changed, however. Beginning in the 1990s, social welfare reforms have emerged front-and-center in mainstream public policy agendas. This is the puzzle we seek to clarify.

It is true that the Japanese welfare state originated in the 1960s and 1970s, when universal health insurance and pensions were first introduced.⁸ However, those initial reforms were established in a context where Keynesian notions of active state intervention, the idea of embedded liberalism, and the legitimacy of the welfare state more generally still resonated among industrialized countries. Also, these post-war social policy reforms constituted an integral part of Japan’s ‘catch-up’ development strategy. The conservative Liberal Democratic Party’s (LDP) decision to push for welfare state expansion in the 1970s signaled to the international community Japan’s entry into the family of advanced industrial nations, and at the same time demonstrated the government’s success in steering economic development. Thus, reforms in Japan, when put into this postwar context, were not all that counter-intuitive. Even South Korea and Taiwan introduced limited social insurance programs, though their reach was selective and thus far from universal.⁹ What is significant, however, and from our perspective very counter-intuitive, was the welfare deepening trajectory of the 1990s in Japan, and in Korea and Taiwan, during a time when the welfare state was believed to be compromised in the interest of lean governments and unfettered markets.

Social Spending

There has been a significant increase in social security spending since the 1990s in Japan and the late 1980s in Korea and Taiwan. Japan's initial welfare expansion came during the 1970s when social security spending nearly doubled from 4.8% of GDP in 1970 to 10.2% in 1980. However, retrenchment efforts by the LDP in the 1980s curtailed any further rise in social spending, despite the fact that the proportion of people over the age of 65 increased from 9.1% to 12.0%.¹⁰ In the 1990s, expenditures increased again, and by 2001, social security spending had risen to 16.9%.¹¹ Social security spending as a percentage of GDP in Korea went from 1.57% in 1980 to 3.1% in 1990, and increased sharply after the 1997 economic crisis to 6.1% of GDP in 2000.¹² In Taiwan, social policy expenditures first increased during the 1980s when the provision of pension and survivors' benefits were expanded (from 2.87% of GNP in 1980 to 4.81% in 1990), and again in the 1990s after the introduction of the National Health Insurance program in 1995 (8.86% in 2000).¹³

[Insert Figures 1, 2, 3 here]

Political Contestation

Social welfare issues and social policy agendas have become an integral part of political contestation in Japan, South Korea and Taiwan. In this respect, the processes of growing out of the developmental state model have been embedded in the dynamics of political change. Along with that, norms surrounding democratic citizenship have been transformed.

Japan has been democratic throughout the postwar period, though its political system was dominated by the Liberal Democratic Party until the early 1990s. The LDP did not hesitate to use social policy instruments in order to undermine opposition forces and to avert political crises during the 1960s and 1970s. But because the LDP controlled the policy agenda and its bureaucratic allies dominated the policy decision-making process, social policy reform in the past was not so much the result of political contestation as it was a compensatory tool to maintain the ruling party's dominance.¹⁴ It was not until the 1980s, when the Japanese government began floating the idea of the 'Japanese welfare society' – a not so veiled attempt to steer the social policy agenda towards retrenchment – that social welfare reform became a key domestic policy issue around which contending political actors, from both within and outside the LDP, mobilized support. This mainstreaming of social policy contestation became even more pronounced after the LDP lost power for the first time in 1993.¹⁵ Since that time, multi-party competition and coalition building in Japan have turned social policy reform into a highly contested, and increasingly winning, political issue upon which to build electoral platforms. Social policy was put squarely on the agenda.

Democratic transitions in Taiwan and South Korea have drawn greater attention to social policy issues among both policymakers and citizens. Though the politics of democratic consolidation in Taiwan centered primarily on issues of national identity, sovereignty and cross-strait relations (with China), social welfare policies and other 'new politics' issues have nonetheless become core features of electoral competition.¹⁶ The same can be said of Korea's democratic transition. The student movement and

workers' mobilization during the late 1980s ensured that social policy debates remained central in Korea's emerging democracy.¹⁷ For instance, long-time dissidents Kim Dae-Jung and Roh Moo-Hyun were elected to the presidency on what were seen to be distinctly social welfare policy agendas. In both places, social policy has increasingly become an important cleavage and basis for political contestation among policy entrepreneurs. As in Japan, social welfare has become a part of mainstream political debates.

Inclusive Social Welfare

That industrialization and economic development go hand in hand with the expansion of public spending and social policy innovation was empirically demonstrated long ago.¹⁸ The advanced industrial countries of the west experienced this, just as Japan did during the 1960s and 1970s. Even late industrializers such as South Korea and Taiwan experimented with social policy reform then, even though beneficiaries were limited to those employed in the 'productive' sectors of the formal labor market.¹⁹ What is interesting, from the vantage point of the 1990s, is that social welfare deepening took place in Japan, South Korea and Taiwan during a time when not only was the welfare state supposedly in decline, but in an era in which national economic growth had slowed considerably in these three countries. Despite poorer economic performance, particularly in the post financial crisis period, new social policies were implemented which targeted those groups that had been previously excluded.

Universal health insurance was implemented in both South Korea and Taiwan during the 1990s. Recent efforts by the Korean government to consolidate the health insurance schemes were intended explicitly to promote greater re-distribution across wage earners and age groups.²⁰ Furthermore, both the governments in Korea and Taiwan expanded social security measures, primarily with the extension of pension benefits to previously excluded workers and greater efforts to provide universal income support for the elderly. In South Korea, unemployment insurance was legislated to cover part-time workers, most of whom are women. Additionally, recent reforms to the Basic Livelihood Allowance Program, the Mother-Child Welfare scheme and current efforts to extend long-term elderly care broadened the scope of social welfare in South Korea.²¹ In Taiwan, the government established the Commission on Gender Equality in Education as well as the Gender Equality Labor Law to ensure women's empowerment in entering or exiting the formal labor market. These new social policy packages include child care provisions as well as income support for single mother families. In both Taiwan and South Korea, tougher laws have also been implemented to protect women from domestic violence and workplace harassment.

Social policy reform in Japan has followed a similar trajectory, though perhaps a little less dramatic given that many of Japan's social insurance programs (health, pensions, and employment insurance) had been introduced earlier on. In Japan, a steady expansion of pension rights to women began in the mid-1980s with the standardization of the national pension scheme in 1985. The reforms ensured married women's rights to a national basic pension, the first tier of the pension scheme. The 1989 reform further enforced compulsory pension payments from all citizens over the age of 20, including students. Throughout the 1990s, pension reforms continued, including payment holidays for workers on parental leaves and adjustments to the pension eligibility age from 60 to 65 years. The 1989 Gold Plan in public elderly care was replaced by the 1997 Long Term

Care Insurance (LTCI) program, which in turn shifted eligibility for elderly care from mean-tested schemes to universalism. The government has funded 50% of the LTCI benefits through the general tax revenue, rather than relying solely on insurance premiums. The 1994 Angel Plan was implemented to provide social care and support for working families with dependent children. Through the expansion of public child care facilities and with the introduction in 1998 of a new income replacement program for parental leave, the Angel Plan has enabled families to better balance both domestic and workplace responsibilities.²² What is particularly significant about these recent social policy innovations in Japan is the fact that they have emerged from out of a larger social policy discourse that had earlier praised the principles of the Japanese ‘welfare society’ (of the 1980s) and the imperatives of state withdrawal from social protection schemes. Furthermore, the LTCI program and the Angel Plan represent a significant departure from the neo-Bismarckian social insurance model in Japan, towards a new principle of inclusive social citizenship based on what are increasingly understood to be universal social rights.

Recent social policy reforms in Japan, Korea and Taiwan have been, for the most part, universally inclusive. In some instances, recent social policy initiatives have been unequivocally re-distributive, reflective of how Japan, South Korea and Taiwan have begun to grow out of the postwar developmental state mold. The rest of this paper examines these transformative processes. The following two sections lay out the structural backdrop against which current social policy reforms have been introduced. The last part of our argument examines more closely the political mechanisms through which these structural changes have translated into more active politics of social policy agenda-setting in Japan, Korea and Taiwan.

Equity’s Place

The postwar developmental state in East Asia was geared for rapid economic growth. It was, as Holliday and others have stressed, fundamentally productivist in its political and economic orientations.²³ Indeed, an average of near 10% annual growth in Japan, South Korea and Taiwan between the 1960s and 1980s can in no way contradict this sort of characterization. They were, after all, miracle economies.²⁴

What was even more miraculous, however, was the degree to which economic growth in the region was accompanied by relative socio-economic equity. In terms of income distribution, the gini coefficient in Japan consistently hovered around 0.30 between the mid 1960s through to 1980.²⁵ In Taiwan, the gini was 0.32 in 1964 and stayed around 0.30 right up to the late 1980s.²⁶ The gini indicator was higher in South Korea, ranging from a low of 0.35 in 1970 to 0.41 in 1985,²⁷ but moved towards greater equality into the mid 1990s. By 1996, it had dropped to 0.28.²⁸ Despite some variation among the three cases, as a group, and when compared to their developmental counterparts in Latin America – where gini coefficients were consistently between 0.50 to 0.60 throughout the postwar period – it is clear that the distributions of income in Japan, South Korea and Taiwan were quite egalitarian.²⁹

Growth and Equity

Growth with relative equity in East Asia was no accident. It was, in many ways, by design of the postwar developmental state, politically and economically motivated on the part of the governing elite in Japan, Taiwan and South Korea. In the case of Japan, the

ruling Liberal Democratic Party (LDP) had to be mindful of equity concerns as it was challenged by both the Japanese socialist and communist parties in the early 1950s. In South Korea, the rise of student and worker movements during the late 1950s and early 1960s forced the incoming Park Chung-Hee military regime to take seriously the distributive consequences of economic growth.³⁰ In Taiwan, the authoritarian Kuomintang (KMT) regime, at one level, drew from the writings of party founder Sun Yat-Sen and his left-leaning principles of social, economic and political development.³¹ More pressing for the KMT, however, were the ethnic divisions on the island. Ethnic conflict between the newly arrived Chinese mainlanders and local ethnic Taiwanese required that the KMT promote socio-economic equity in order to prevent the concentration of wealth among the Taiwanese, whom, by around the early 1970s, were beginning to mobilize against the KMT regime.³²

Growth with equity was not simply a political strategy; it was also a part of East Asia's industrial modernization ambitions. Policymakers in Japan, Korea and Taiwan understood equity's place in the larger developmental project in the following way: macroeconomic policy and balanced industrial development, *and not social policy*, would foster equity. Growth and prosperity were always the pillars of the developmental state's economic objectives. For instance, poverty alleviation was an important priority in Japan,³³ though one that was embedded in the overriding imperatives of aggregate economic growth.³⁴ Debates about how to balance growth fundamentals and socio-economic equity were also evident in Taiwan and South Korea. In the end, growth-first policies were pursued by the three developmentally oriented states and flattening income disparities was anticipated to be a by-product of economic development more broadly defined. For instance, land reform, a process in which the landlord class was effectively broken and arable lands re-distributed, jumpstarted agricultural development. It also promoted greater socio-economic equity and thus narrowed the gap between social classes.³⁵

East Asia's development strategy was also predicated on a rapid transition from an agrarian economy to an industrial one, which in turn, relied upon the rapid accumulation of human capital through education and training. By the 1960s, Japan was well on its way to becoming a leader in electronics manufacturing and heavy industry, while South Korea and Taiwan were catching up in light manufacturing. To facilitate continual industrial upgrading, the developmental states in Japan, Korea and Taiwan quickly built up capacities for human capital development and labor up-skilling through, for instance, emphasis on universal education and the extension of accessible education. In Japan, high school enrollment rates rose sharply from 70.7% in 1965 to 91.9% in 1975 as the national government made a concerted push to expand public education; by 2000 the enrollment rate had reached 95.9%.³⁶ Similarly in Korea, high school advancement rates were 99.5% in 2000, increasing from 90.7% in 1985, and from 74.7% in 1975.³⁷ The high school enrollment rate in Taiwan also from 65.8% in 1975 to 95.3% in 2000.³⁸

Policymakers in Japan, South Korea and Taiwan indirectly promoted socio-economic equity through a strategy of full employment. In Japan and South Korea, large diversified firms were nurtured by the developmental state. The 'income doubling plan' of 1960 in Japan³⁹ and wage increases amidst the heavy and chemical industrial drive of 1972 in South Korea⁴⁰ typified this macroeconomic strategy of economic prosperity and equity. Taiwan's industrial base, on the other hand, was built upon the proliferation of

small and medium sized enterprises (SMEs). This industrialization model facilitated worker mobility and consequently narrowed the gap between social classes.⁴¹ In all three cases, industrialization built up firms, which in turn provided employment opportunities for skilled and non-skilled workers alike.

Growth with equity in Japan, Korea and Taiwan was not explicitly driven by re-distributive social policy measures. On this score, the East Asian states did not differ too much from their Latin American counterparts. Some progressive taxation was implemented in Japan, though the re-distributive effect of this was mitigated, as it was in Taiwan and Korea, due to the high rate of income under-reporting, particularly among self-employed workers. As indicated above, some social policy initiatives (health and pensions) were implemented earlier on in Japan, though then social safety nets were provided primarily at the enterprise level. Universal social policy was next to none throughout the postwar period in Taiwan and South Korea. Limited social insurance programs were implemented, though these schemes by and large benefited only those who were formally employed, and in the case of Korea, those working in large firms, essentially the labor aristocracy. To reiterate, then, growth with equity in Japan, South Korea and Taiwan, at least during the immediate postwar period, was more the result of poverty alleviation strategies through employment and aggregate economic growth, rather than purposive re-distributive social policy.

Legacies of Equitable Economic Development

Evaluating the extent to which growth with equity in East Asia was driven by reasons of political expediency (co-opt the left, undermine opposition forces) or the result of macroeconomic fundamentals (wage growth through economic productivity) is not our main concern here. Rather, what matters were the legacies of this particular pattern of economic development on subsequent patterns of social welfare reform in the region. It is our contention that the legacies of equitable economic growth impacted (i) the economics of social welfare reform, (ii) the dynamics of social class politics, and (iii) the normative place of social policy change in contemporary understandings of development. The legacies of growth with equity shaped the context in which *current* social policy debates have been played out, and in which social welfare deepening has become a principled priority.

Social welfare policy is fundamentally about the re-distribution of wealth, about creating winners and losers. As such, the relatively egalitarian distributions of income in Japan, South Korea, and Taiwan have made it easier for policymakers today to consider re-distributive social policy as a way of maintaining growth and equity. We are constantly reminded by our Latin American colleagues that a key structural factor favoring social welfare reform in industrial East Asian countries has been their histories of relative income equality.⁴² The *economic costs* of re-distribution across wage groups and disparate households and/or demographic communities are much lower because the amount to be re-distributed is less onerous. In this respect, the economics of welfare deepening in East Asia has been much less constrained by structural obstacles endemic to wide gulfs in extant distributions of income. For Latin American social policy reformers, on the other hand, the high costs of re-distribution across very unequal income groups have limited their options.

Second, growth with equity in Japan, Korea and Taiwan has lowered the *political costs* associated with re-distributive social welfare reform. Again, the contrast with developments in Latin America is instructive. In industrial Chile, Mexico and Brazil, social class politics are very divisive. Social policy reform – either deepening or retrenchment – is understood as a zero-sum game, economically and politically. One social class benefits at the expense of others. Because of this, class conflict is played out in the formal political arena.⁴³ People in Japan, Korea and Taiwan, on the other hand, see themselves as being a part of ‘classless’ societies. More precisely, they understand theirs to be middle class societies. This is not to say that class politics have been completely obscured in East Asia. Class-based movements erupted in Japan during the 1950s and again in the 1970s.⁴⁴ In South Korea, the minjung movement of the 1970s and 1980s reflected class cleavages, even though statistically, the distribution of income was comparatively egalitarian.⁴⁵ Still, according to objective and subjective indicators, Japanese, Korean and Taiwanese societies have been largely middle class since around the late 1970s. To be sure, Japanese society was constituted by what scholars have called the ‘new middle mass’ during the 1980s.⁴⁶ Today the overwhelming majority of Taiwanese and Koreans similarly identify themselves as being from the middle class.⁴⁷ Simply put, class consciousness, as understood by sociologists, has been muted in East Asian politics.⁴⁸

The political effect of ‘classlessness’ in East Asia has been the *de-radicalization* of visceral class politics and social welfare contestation. In the case of Japan, Murakami notes that the “people of the new middle mass do not see the issues around them in ideological terms of class conflict or of revolution”.⁴⁹ The relative absence of social class cleavages has meant that the political costs of initiating social welfare reform are much lower in East Asia. In contrast to their developmental counterparts in Latin America, welfare deepening in Japan, Korea and Taiwan is not regarded as wholly benefiting or privileging one class over another. Indeed, when 90% of one’s society considers itself to be of the middle class – as is the case in Japan⁵⁰ – social policy reform tends not to be understood as a necessarily vicious, and thus politically costly, zero-sum game.

Third, growth with equity in Japan, South Korea and Taiwan has inculcated and strengthened the normative place of equity in the larger East Asian developmental project. As Milly points out, the legitimacy of equity as a socio-economic goal in Japan is as much about normative principles as it is about interest-based power politics.⁵¹ This is important when it comes to policy agenda setting.⁵² Even though equity was subordinated to rapid economic growth during postwar period in East Asia, the legacies of growth with equity, and the normative place of equity thereafter, have nonetheless acted as a *principled brake* or constraint on the legitimacy of the growth-at-all-costs ethos. It is within this normative framework that social policy reform has been discussed and in turn how welfare state deepening has been facilitated in Japan, Taiwan and South Korea.

Given their shared experiences of relatively egalitarian growth throughout the postwar period, East Asians have come to expect some degree of socio-economic equity in the distribution of wealth and in the distribution of opportunity. No matter how much policymakers may ascribe to market-based economic principles, people in Japan, Taiwan and Korea, including state-level policymakers, are able to tolerate only so much socio-economic disparity. According to World Values Survey data from the late 1990s, of 43

countries, Japanese and Korean respondents ranked 4th and 6th lowest in terms of tolerance for income inequality. Public opinion polls in Taiwan and Korea show that the majority of citizens there feel that income inequality needs to be narrowed and that social welfare reform should be made a policy priority.⁵³ Polls in Japan indicate that social welfare follows closely behind economic recovery as the top concern for people over the age of 20.⁵⁴ The Prime Minister's Office's opinion survey of 1994 also found that resolving social welfare and elderly care issues were a higher priority than all other issues, including economic growth.⁵⁵ The overwhelming majority of bureaucrats and legislators in Korea and Taiwan believe that the welfare state is a fundamental characteristic of democracy and that social and economic inequality leads to political conflict.⁵⁶

The implications of this normative and political context are not trivial, particularly in terms of how these polities have dealt with the forces of economic globalization. For instance, when the IMF intervened to bail out the Korean economy during the 1997 financial crisis, most expected that the nascent Korean welfare state would be forced to undergo retrenchment. Instead, President Kim Dae-Jung used this window of opportunity to in fact deepen welfare reform in the face of growing inequality, joblessness, and labor unrest. Reforms were consequently initiated in the areas of health care, income security, employment insurance and job re-training. Though Taiwan was not as severely afflicted by the 1997 financial crisis, policymakers and social policy activists there quickly learned that social protection for the vulnerable could be preempted through social welfare reform. In both places, the welfare state was understood not to be anathema to current global economic realities, but rather, an important buffer to the socio-economic vagaries of globalization.⁵⁷ Likewise in Japan, when the economic bubble burst in the early 1990s, and when new economic cleavages began to emerge in Japanese society,⁵⁸ the government responded with new social welfare policies, focusing specifically on active labor market measures, family policy, and long term care for the elderly.⁵⁹

In sum, people in East Asia, elites and the general public alike, have come to expect some degree of socio-economic equity. Moreover, given that past practices in promoting growth with equity through full employment and trickle-down policies have become less viable options given current economic realities, policymakers in Japan, Korea and Taiwan – themselves beholden to the norms of socio-economic equity – have increasingly turned to inclusive and re-distributive social policy.

Social and Demographic Changes

While the experience of growth with equity has provided the normative context for more inclusive social policy, the actual content of social policy reforms in Japan, Korea and Taiwan has been shaped by changes in demographic structure, as well as in family and gender relations. First, all three countries have experienced population aging (Table 1) and fertility decline. Although both Korea and Taiwan are demographically younger compared to Japan and other OECD countries,⁶⁰ the increase in the number of aged people in these two countries will outpace Japan over the coming decades. The proportion of the elderly population in Korea and Taiwan is expected to be much closer to Japan by 2035, at around 25% of the population.⁶¹ Simply put, Korea and Taiwan will soon experience a similarly rapid aging process, though in a much more compressed time

frame. This demographic shift will inevitably create pressures on the social safety net, as it has in Japan.

Insert Table 1

Second, the proportion of three or more generation households in these three countries has declined over the last few decades. At the same time, the number of single person households has increased, suggesting an erosion of ‘traditional’ living arrangements wherein elderly people live with and are cared for by their adult children. In Japan the proportion of households that are three generations or more declined from 16.2% to 10.6% between 1980 and 2000, while the proportion of single person households in Japan increased from 18.1% to 24.1%. During the same time period, the proportion of three or more generation households in Korea dropped from 17.0% to 8.4%, while single person households rose from 4.8% to 15.5%.⁶² Similar changes can be seen in Taiwan, where the proportion of three or more generation households declined from 25.1% of all households to 16.4% between 1990 and 2000, and where single person households increased from 12.2% to 18.9% in those ten years.⁶³

Changes in marriage patterns and gender relations are also evident. Divorce rates and the proportion of single mother families have increased in the three countries. In Japan, the divorce rate doubled between 1980 and 2000 (12.2% to 21.0%), in Korea it increased by approximately six-fold (5.9% to 35.9%), and in Taiwan the divorce rate rose from 14.0% to 23.8%. This increase is attributed to changes in public attitudes towards marriage and divorce, particularly among younger people, as well as attitudes regarding the burden of familial care in the case of divorce among older couples.⁶⁴ Studies in Korea also suggest that most divorces are caused by family breakdown during times of economic hardship, such as the 1997 financial crisis.⁶⁵ The increase in the number and proportion of single mother families in Japan (4% of all the households in 1980 to 6% in 2000) and Korea (3.9% to 5.6% between 1980 and 2000) closely parallels the increases in their respective divorce rate. Finally, the employment rate among married women in all the three countries has risen, indicating again a shift in attitudes about gender relations in the household and women’s relationships to the labor market.

Insert Table 2

The implications of changing family and gender relations on social policy are not trivial. First, demographic aging and fertility declines continue to exert pressures on the social security system, particularly as the schemes mature and begin to pay out. Second, demographic aging and declining fertility rates, in the absence of policy alternatives such as those encouraging inward immigration, exert pressure on these countries in dealing with long term labour shortages and possible population decline.⁶⁶ In the case of Japan, it is projected that its population will decline to half the current size by the end of this century. Third, changes in household structures and married women’s employment rate increases have resulted in demands for social care for the elderly and children. This issue has been further compounded in the case of Japan and Korea by the fact that increasing women’s labour market participation is considered a more desirable option than increasing immigration rates. Finally, the increase in the number of single mother families and rising poverty rates among them have led to ambivalent policy responses in these countries. In Korea and Taiwan, there has been an expansion of gender-based

income maintenance policies,⁶⁷ while in Japan, recent policy reforms have emphasized the linkages between single mothers and employment.⁶⁸

Given these social and demographic changes in Japan, Korea and Taiwan, and given the normative place of socio-economic equity in these societies, it should come as no surprise that more attention has been paid to inclusive and redistributive social policies. In the aggregate, social security spending as a percentage of GDP rose sharply during the 1990s in all three countries. There has also been a significant increase in the specific provision of social welfare support and social care. In Japan, welfare expenditures doubled between 1990 and 2000, most of which went to the expansion of social care provisions in elderly care (from ¥0.57 to ¥0.3.57 trillion) and the support of families and children, comprising public child care, after school programs, and family support programs (¥1.6 to ¥2.74 trillion)⁶⁹ (see figures 4 and 5 below).

(Insert Figures 4 and 5 here)

In Korea, social welfare expansion has been even more striking. Government expenditures for the employment insurance program increased from 4.7 million won in 1996 to 306,172 million won in 1999. Expenditures for childcare grew from 41,876 million won to 436,903 million won between 1991 and 2002 and government outlays for elderly welfare increased from 37,861 million won to 407,767 million won over the last decade.⁷⁰

Political Entrepreneurship

Thus far, we have drawn attention to the historical and structural backdrops against which current efforts in social welfare deepening have occurred in Japan, Korea and Taiwan. However, we do not take for granted that the emergence of new pressures or constituencies for welfare state expansion necessarily leads to significant changes to pre-existing social policy agendas. To put it crudely, the mere presence of old people does not necessarily mean aged-friendly social policy. This next section elaborates on the political dynamics of social welfare policymaking in present-day Japan, Korea and Taiwan. We argue that political change during the late 1980s and into the 1990s has facilitated new opportunities for social welfare policy agenda-setting. Strategic interaction between political elites from above and civil society mobilization from below has put social policy reform and welfare state deepening onto the mainstream political agenda.

Prior to the late 1980s, when Korea and Taiwan began democratizing, and prior to the early 1990s, when the LDP lost power for the first time in 38 years, opportunities for social policy debate were constrained. There were few openings for such deliberation. Opportunities to steer social welfare agendas from outside the developmental state apparatus were rare, as in the case of Japan, and non-existent, such as in authoritarian Taiwan and Korea. The limited degree of social policy change in Japan, Korea and Taiwan, then, was entirely state-led. The political space required for a more interactive process of social policymaking was simply not there.

Opportunities to re-configure social policy agendas did emerge during the late 1980s and early 1990s, however. Democratic transitions in Taiwan and South Korea and the defeat of the LDP in Japan during the early 1990s resulted in political *de-alignment*, a

process that created the political space for the emergence of new political actors and a new competitive dynamic. Opposition parties were formed in Taiwan and Korea. In Japan, the party system was re-constructed, with several new splinter parties spinning-off from out of the ailing LDP. The subsequent process of political *re-alignment* in the three cases opened up the issue space in which new policy agendas and ideas, including those related to social welfare reform, could come to the fore.

Political De-Alignment

Though martial law in Taiwan was not lifted until 1987, the opposition Democratic Progressive Party (DPP) was formed, illegally, the year before. Born out of the pro-independence Tangwai movement of the 1970s, the DPP was able to mobilize its grassroots bases quite effectively. The KMT continued to hold onto power, winning legislative elections in 1992 and the presidential elections in 1996. Yet, its support base slowly diminished during the early to mid 1990s as the DPP emerged as a possible contender. The DPP challenge was not insignificant, even back then. Similarly in South Korea, the incumbent authoritarian party, the Democratic Justice Party (DJP), was forced to confront opposition challengers soon after President Roh Tae-Woo announced direct presidential and full legislative elections during the summer of 1987. Grassroots leaders Kim Young-Sam and Kim Dae-Jung formed two opposition parties in May of that year. Though they failed to contend for the presidency in 1987, essentially splitting the opposition vote, their combined vote total for the spring legislative elections in 1988 was higher (43%) than the incumbent DJP's vote share (34%). In both Taiwan and South Korea, the initiation of democratic reform forced a political de-alignment as new parties were not only formed, they contended early on.

The process of de-alignment in Japan was slightly different, though the political consequences were similar. Mired in scandals and the weight of Japan's sluggish economic performance in the early 1990s, the LDP was defeated in legislative elections in 1993. For the first time, and albeit for only a short time, the LDP was in the opposition. Discontent within the party erupted and longstanding factional splits were cemented by the creation of new splinter parties. The Japan New Party was created in 1992 by LDP defectors, and it later joined the New Frontier Party coalition in 1994. The Shinseitō ('renewal') party and the Sakigake ('harbinger') party were also formed by LDP defectors vowing to democratize Japanese politics through political and electoral reforms. According to Mayumi Itoh, over 20 new parties were formed after 1993.⁷¹ Electoral reform in 1994 fuelled the de-alignment process, even though the reforms were originally intended to facilitate a stable two-party system in Japan.⁷² Small parties continued to proliferate. The Japanese Socialist Party renamed itself the Social Democratic Party, signaling the moderation on the left wing. This in turn gave renewed life to the Japanese Communist Party.⁷³ More and more independent candidates were also declared.

Not unlike the experiences of Taiwan and South Korea, the dawning of the new post-LDP hegemonic era in Japan resulted in a process of political de-alignment. This created a new competitive dynamism, or what we call political space, that had rarely been experienced in Japan, and never before in Taiwan and South Korea. The incumbent parties' hold on to power was no longer a foregone conclusion. Opportunities for new patterns of policymaking, and the emergence of new social welfare agendas more

specifically, emerged in this charged political setting. Simply put, de-alignment pried open what were once closed political systems.

Political Re-Alignment

Political de-alignment was a process fraught with uncertainty and chaos; in chaos, however, actors adjusted. They strategically re-aligned themselves, forged new identities, cultivated new bases of political support and ultimately scramble for new issues with which to gain electoral advantage. The processes of re-alignment in Japan, South Korea and Taiwan reshaped the political landscape and the dynamics of democratic competition, making way for new social policy agenda items.

During the immediate post-transition period in Taiwan, the principal cleavage in electoral competition was over the resolution of the independence versus reunification with China issue. Yet, given that the majority of voters in Taiwan sought to maintain the status quo (neither independence nor reunification), this particular cleavage was found to be irreconcilable in the short term. It soon became clear that this single cleavage structure was stagnant. New issues were needed to energize political competition.⁷⁴ Political entrepreneurs in Taiwan thus re-aligned themselves around new cleavages in order to capture new bases of electoral support.⁷⁵ Similarly in South Korea, single cleavage competition based on personal/regional affiliations had also become stagnant. As in Taiwan, new issues and thus new bases of competition needed to be mobilized in South Korea. It was through this process of political re-alignment that the idea of social welfare quickly gained prominence. Welfare proved to be a winning issue. Indeed, social policy reform was particularly attractive in this process of re-alignment because it effectively cross-cut the existing regional or ethnic cleavages dominant in Korea's and Taiwan's democratic politics.⁷⁶

The Japanese case was a bit more complex, though the logic of re-alignment is not inconsistent with the foregoing analysis of Taiwan and Korea. In Japan, the proliferation of new political parties and the fractionalization of the party system created new opportunities for political actors to re-define themselves, and in the course of this re-alignment, to gain new bases of political support. Parties needed to differentiate themselves from each other. The LDP, for instance, could no longer position itself as a catch-all party, a strategy that had served it well when its competitors were weak and its hold on power uncontested. In other words, the LDP could no longer be everything for everyone. It was expected, therefore, that competition in Japanese politics would become more issue-oriented.

With a significant portion of the electorate not affiliated with any political party, political entrepreneurship became a premium in Japan. According to T.J. Pempel, "the system [wa]s ripe for the emergence of political entrepreneurs able to mobilize voters around their increasingly divergent interests".⁷⁷ The changing socio-economic profile of Japanese voters – increased mobility, tightened labor markets, growing income disparity, and demographic pressures – compelled parties and their leaderships to adjust their strategies and their target constituencies. For instance, the declining relevance of the rice coalition in the countryside forced the LDP to diversify its core voters. Other parties were forced to adjust too. The Japanese Socialist Party moved towards the center, hoping to capture a broader base of electoral support.⁷⁸ This of course made room for the new socialist party and the resurgent Japanese Communist Party. Small splinter parties also

came to play increasingly important roles in the policy process as partners in coalition building.⁷⁹

Political re-alignment in Japan, Taiwan and South Korea resulted in new patterns of political entrepreneurship centered around issues of social welfare. Although its impact in Japan was not as dramatic as in democratizing Taiwan and South Korea, we can nevertheless conclude that through the process of re-alignment and coalition building, the Japanese political system and the political entrepreneurs who animate Japanese politics, were forced to be more *receptive* to new policy agendas, and social welfare reform figured centrally. The opportunities for entrepreneurial agenda-setting were therefore present in Japan, especially in the years after the LDP shake-up.

Societal Mobilization

To say that the politics of social welfare deepening in East Asia has solely been the product of top-down political entrepreneurship is to overstate our case a bit. The opening up of political and issue space has made politics in Japan, Korea and Taiwan more receptive to new ideas. Still, the energy behind this new politics has come, in part, from the bottom-up and from out of a rejuvenated civil society. Put another way, the politics of social welfare policy agenda setting has been shaped by the *interaction* of state and societal actors.

Prior to the 1990s, civil society mobilization in Japan was sparse. What little civic activism there was tended to be local, and usually in reaction to some specific grievance.⁸⁰ Non-governmental mobilization then was neither national in scope nor very pro-active. By the 1990s, however, things had changed. Riding the wave of voluntarism and increased social activism after the 1995 Hanshin-Awaji earthquake, the Japanese government passed a revised non-profit organization (NPO) bill in 1998, easing restrictions on group formation and eliminating bureaucratic intervention in their operations. By year end 2001, over 5,500 new organizations had been formed.⁸¹ Robert Pekkanen suggests that this resulted in a “shift in the state-society power balance” in terms of how public interest issues are dealt with.⁸²

For instance, the Women’s Committee for the Improvement of Aged Society (WCIAS) in Japan was a key player in the long term care insurance (LTCI) reform process of the 1990s. The WCIAS was a member of both the Ministry of Health and Welfare’s policy advisory body and the specific research task force in charge of the LTCI reform. According to ministry bureaucrats, the WCIAS was instrumental in shaping the reform outcome, advocating for long term care as a right of citizenship and demanding changes be made to the compensation scheme. The outcome of the reform bill was initially threatened by conservative factions in the LDP, which tried to steer the reform agenda away from such rights-based claims. In response, the WCIAS partnered with the Sawayaka Welfare Association and in turn launched a national political campaign, the ‘Ten-Thousand Citizens Committee for Long Term Care Insurance’. The organizations lobbied politicians and industry organizations. They effectively ran a media campaign, gaining even more support from the citizenry. Through an alliance with the Democratic Party, the opposition was able to pass the reform bill, winning the legislative support of some LDP defectors and independents along the way.⁸³

Civil society actors’ roles in steering social policy agenda-setting and social policy decision-making have been even more pronounced in democratizing Taiwan and

South Korea. In Taiwan, for instance, over 200 social movement groups joined together in 1998 to make the 'National Health Insurance Coalition' (NHIC). The grassroots alliance was formed in response to KMT efforts initiated in 1997 to privatize Taiwan's universal health insurance system. The NHIC comprised different groups, ranging from women's organizations to the independent labor movement, from professional medical associations to organizations representing children and the aged. The movement coalition effectively cut across class lines as well as other social cleavages. Drawing on not only its grassroots networks, the NHIC also enlisted the assistance of outside health policy experts (including one high ranking health bureaucrat) to draft the coalition's manifesto. The NHIC, like the WCIAS in Japan, comprised what we might call 'expert-activists'. The NHIC petition, which detailed arguments against the privatization reform proposal and articulated tenable policy alternatives, was then circulated to all legislators and Ministry of Health bureaucrats. Politicians and bureaucrats were swayed. Many health officials balked at the KMT's privatization plan and several KMT legislators voted against the party leadership's proposal. As a result, the privatization reform failed to pass in the legislature.⁸⁴

The impact of civil society's transformation has also been felt in Korea's recent efforts in social policy innovation. During the late 1990s the Korean government legislated and eventually implemented (in 2003) the health insurance integration reform, a measure that administratively and financially consolidated what were then hundreds of decentralized regional and enterprise-based medical insurance schemes. The intention was to maximize risk pooling among different patient profiles, as well as to facilitate greater re-distribution across disparate income households. As in Taiwan and Japan, civil society mobilization and bottom-up policy advocacy were critical in steering the reform agenda towards this reform trajectory, and ultimately in determining the legislative outcome. The integration reform idea initially faced tremendous opposition from industry and conservative politicians. However, broad-based grassroots mobilization compelled the newly Kim Dae-Jung administration, and even opposition legislators, to pass the reform. Health Solidarity took the lead, forging a cross-class alliance with the middle class civic groups on the one hand and the usually isolationist Korean Confederation of Trade Unions (KCTU) on the other. Health Solidarity, like the NHI Coalition in Taiwan, also enlisted outside policy experts to advise the coalition's core constituent groups. By positioning themselves as expert-activists, social movement leaders were invited to be a part of the executive's policy planning process, gaining membership on to several agenda setting committees in the Ministry of Health and Welfare and the ruling party's social policymaking division.⁸⁵

In sum, civil society groups have become important social policy advocates in East Asia. By taking advantage of the processes of political de-alignment and re-alignment during the mid 1990s, societal organizations have positioned themselves to be key sources of policy innovation, especially in social welfare reform. Societal groups have effectively mobilized their grassroots bases as a way of gaining electoral voice, particularly as traditional vote-mobilizing networks (*koenkai*) and old-style pork barrel politics are now less useful in Japan and in democratizing Taiwan and South Korea.⁸⁶ Finally, social movement groups have quickly accumulated valuable policy expertise, thus facilitating their access into bureaucratic and legislative policymaking networks, and ones from which they had previously been shut out. The interactions of state and non-

state actors in this democratic political space have consequently re-shaped policy agenda-setting processes wherein social policy ideas have not only emerged as important issues in civil society's grassroots but they have also been flagged as winning issues for government policymakers.

Conclusion

This paper has offered structural and political explanations for social policy expansion in Japan, South Korea, and Taiwan during the 1990s. We have argued that while the productivist welfare regime approach to social policy development in East Asia contributed useful insights to comparative welfare state debates, its explanations are no longer adequate given the changes that have taken place over the last decade or so. Instead, we offer explanations based on a combination of structural and political factors. We have argued that welfare state expansions observed in Japan, Korea, and Taiwan were in part shaped by social and demographic shifts, such as demographic aging combined with low fertility and changes in family structures and gender relations. In addition, these reforms reflected a prevailing normative understanding of equitable economic development, a principle that became entrenched during the postwar period.

While these social and demographic factors created pressures on, and motivations for, welfare state deepening, the mechanisms for social policy change were constituted by significant changes to domestic politics in Japan, South Korea and Taiwan. Why, at a time of economic contraction and when international trends were pointing to fiscal conservatism, did these three East Asian countries choose the route of welfare state expansion? We contend that a new politics of the welfare state in Japan, Korea and Taiwan was possible because of new domestic political dynamics. The process of political de-alignment in Japan after the collapse of the LDP hegemony in 1993 and the on-going political re-alignment process in Korea and Taiwan since the mid-1990s created new political incentives for welfare state expansion. These processes encouraged new patterns of political entrepreneurship centered on social welfare issues, and created openings for emergent civil society groups to participate in social policymaking processes.

In presenting our analysis, we have eschewed the urge to explain social policy development in East Asia based on a fixed regime template. Rather, we have sought for a more careful examination of the interaction between structural and political factors that have shaped and re-shaped new social policy reform trajectories. In doing so, we have also moved our attention away from explaining East Asian welfare states with static regime typologies towards explaining welfare state policy reform in Japan, Korea and Taiwan by mapping out and re-configuring broad changes to their polity, economic and society.

TABLES

Table 1: Aging Population (% population over 65), 1980-2020

	1980	2000	2020
Japan	9.1	18.5 (2002)	25
Korea	6.2	7.2	14.5
Taiwan	6.2 (1990)	9.4	17.0

Sources: Japan Institute of Labor (2003); Korean National Statistics Office (2003) *Future Household Projection*; Director-General of Budget, Accounting, and Statistics, Executive Yuen, Taiwan (2004) *The Statistical Yearbook of Republic of China*.

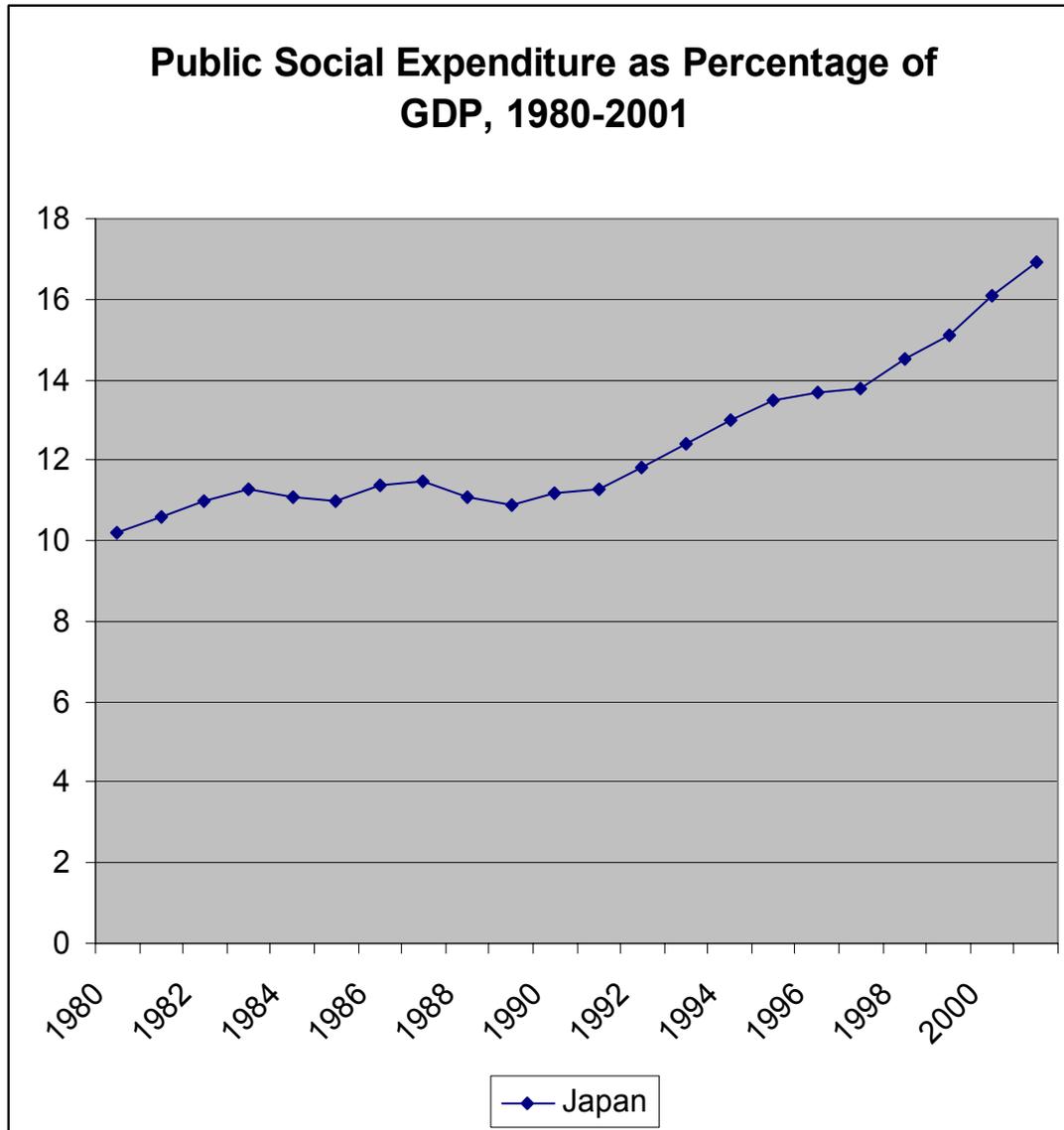
Table 2: Women's Economic Activity Rate in Japan, Korea and Taiwan, 1960-2000

	1960	1980	2000
Japan			
Women	45.8 (1975)	47.6	48.2
Married women	45.2 (1975)	49.2	52
Korea			
Women	37.0 (1963)	42.8	48.3
Married women	36.9 (1963)	40.0	47.9
Taiwan			
Women	N/A	39.2	45.7
Married women	N/A	44.4 (1993)	47.0 (1997)

Sources: Nihon Fujin Dantai Rengokai (1999) *Fujin Hakusho 1998*; KWDI (2003) *Statistical Chart on Women*.

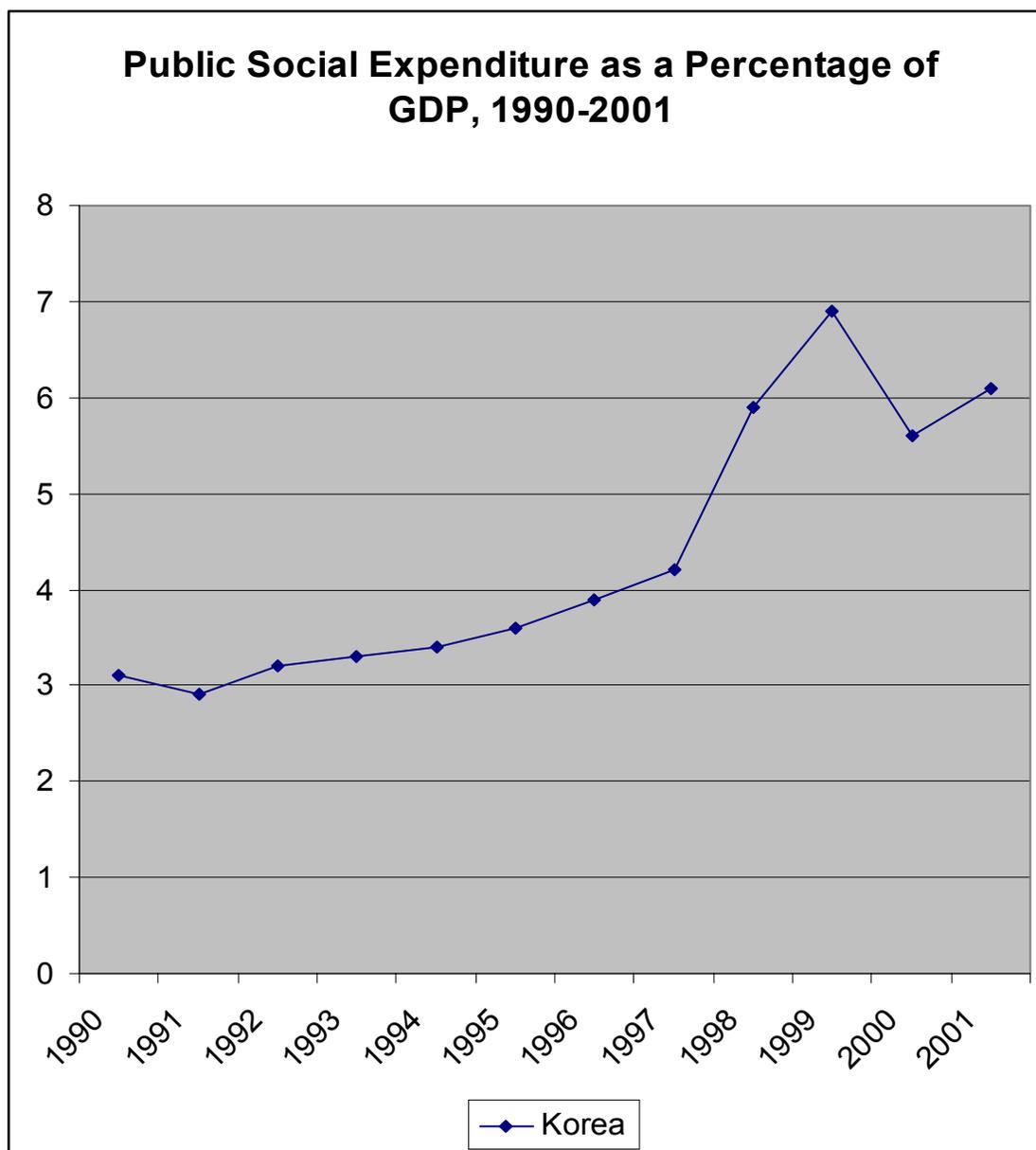
FIGURES

Figure 1: Public Social Expenditure as Percentage of GDP, 1980 – 2001, Japan



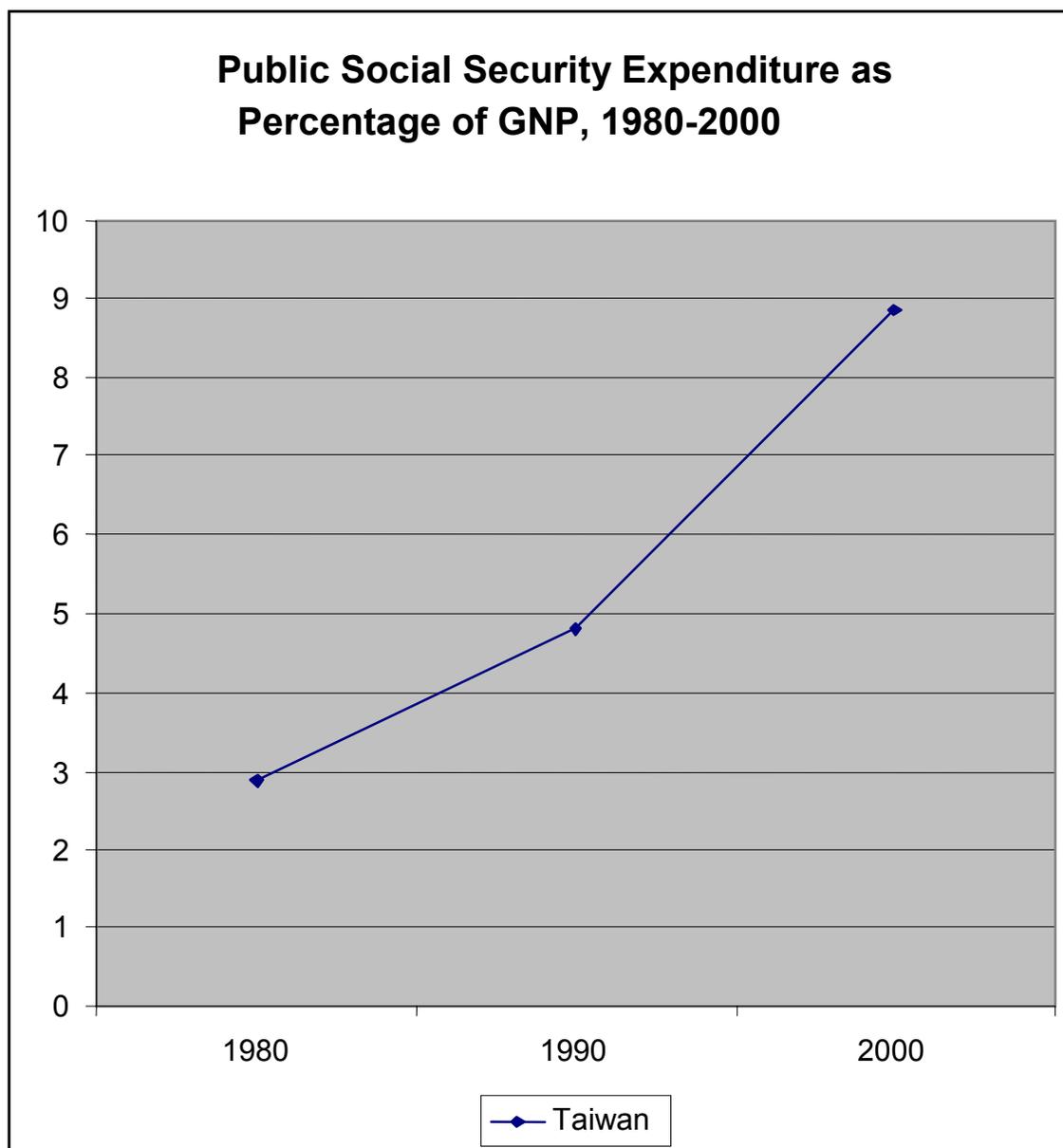
Source: OECD, *Social Expenditure Database*, 2004

Figure 2: Public Social Expenditure as a Percentage of GDP, 1990 – 2001, Korea



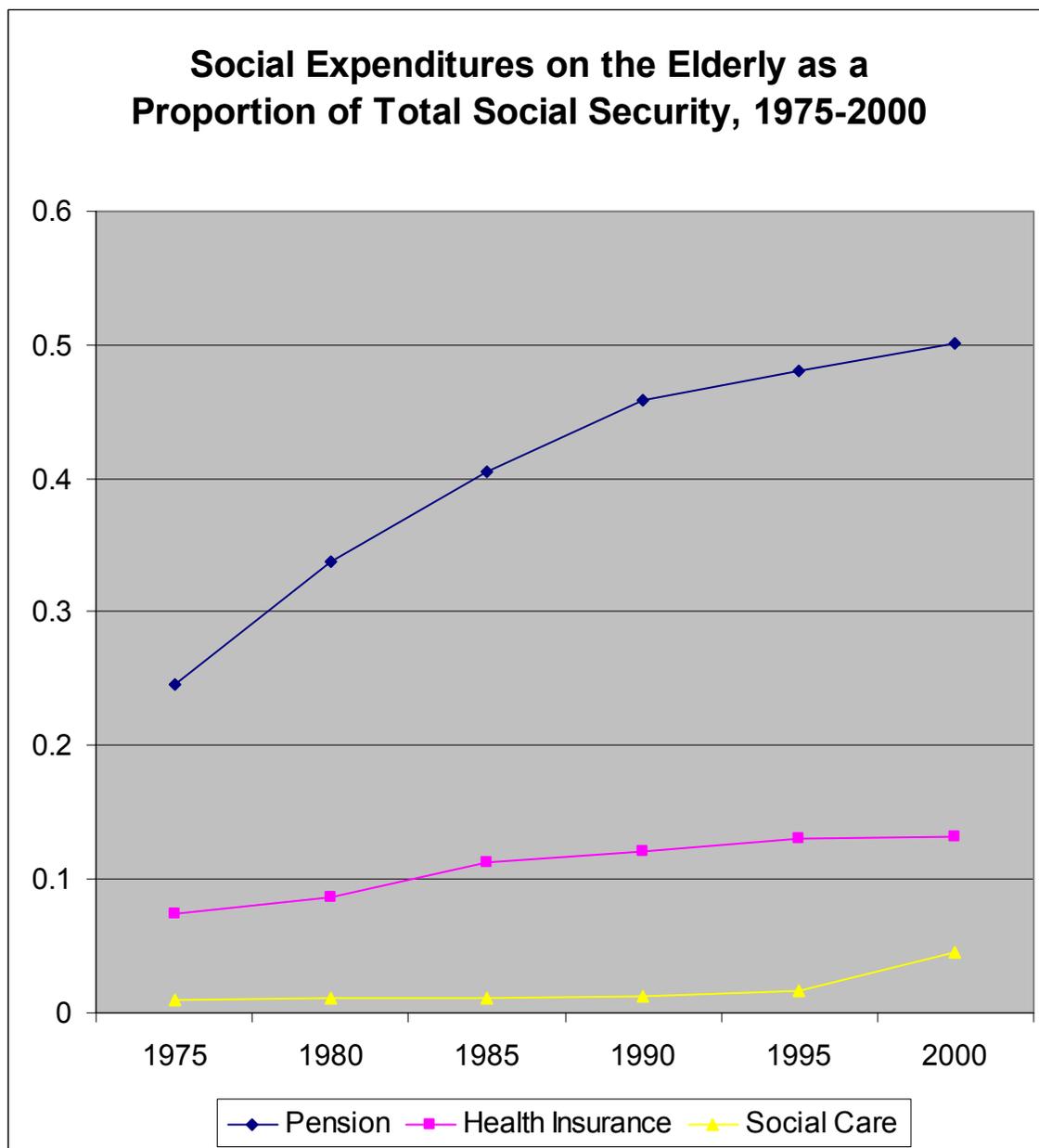
Source: OECD, *Social Expenditure Database*, 2004

Figure 3: Public Social Expenditure as a Percentage of GNP, 1980-200, Taiwan



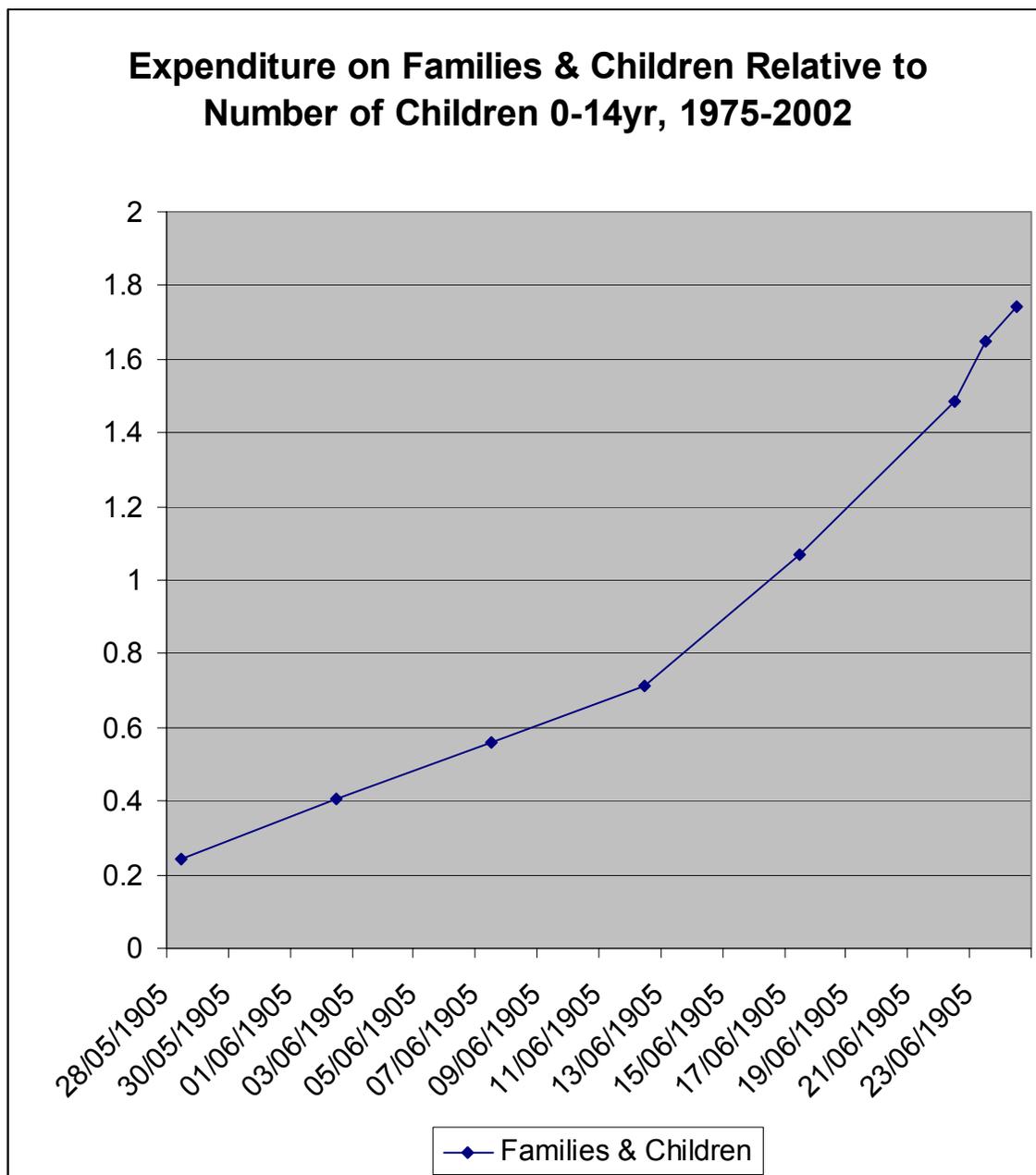
Source: Executive Yuan, *Statistical Yearbook of the Republic of China 2003* (Taiwan: DGBAS)

Figure 4: Social Expenditures on the Elderly as Proportion of Total Social Security, 1984-2000, Japan



Source: National Institute of Population and Social Security Research, *The Cost of Social Security in Japan, FY 1969-2002* (Tokyo: NIPSSR, 2004)

Figure 5: Expenditure on Families & Children Relative to Number of Children 0-14 years, 1975-2002, Japan



Source: National Institute of Population and Social Security Research, *The Cost of Social Security in Japan, FY 1969-2002* (Tokyo: NIPSSR, 2004)

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