

# Society and Economy of Welfare State (Wohlfahrtsstaat)

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Declining birthrate, as a social issue, is a very serious problem in Japan not only because the decrease in the number of births threatens the maintenance of the population level but also because it affects the economy in general, the social welfare (pension system, among others) and the labor market. With the increased feeling of uncertainty about the future, we have to work out a method of assessing and determining the social welfare systems including public pension, public health and other benefits which are appropriate for the period to come. In this article, in order to provide a perspective on this issue, I begin with a reflection on the history of social welfare system, and then proceed to a cross-national research on social welfare models.

The term "welfare state" was first used in Germany in the posthumous work of Max Weber titled "Economy and Society" (Wirtschaft und Gesellschaft). Germany was experiencing a dramatic process of industrialization in 1880s and 1890s, which was accompanied by the development of labor disputes and workers' issues. In

the meantime, the socialist movement increased its strength in its efforts of uniting the proletariat, the social class of wage workers. In order to conciliate workers and prevent the development of such a force, Bismarck, Prime Minister at that time, introduced a series of laws on social insurance systems including Krankenversicherung (health insurance), Unfallversicherung (accident insurance) and Altersversicherung (old age insurance).

Although other countries, which experienced similar processes of industrialization and the development of social problems, followed German's example to introduce social insurance systems in order to maintain the social peace in respective countries, the social insurance systems introduced by Bismarck and reformed several times afterwards can be valued as highly foresighted when we consider the fact that in Japan even the Imperial Constitution was not enforced at that time.

After these developments, the world had plunged into World War I and World War II. In countries under the

rule of Nazi, social welfare and human rights were far from the reach of the people until the end of the war. On the other hand, in some countries, the wars promoted the strengthening of the welfare systems for the purpose of boosting the morale of the nation, which laid the basis for the establishment of welfare state systems in the post-war period. After the end of World War II, the advanced countries established social welfare systems on the basis of the historical development, the changing situation and the national thinking in respective countries. Thanks to the favorable economic development of the post-war period, which continued until the first oil crisis of 1970s, each country could extend its social welfare system in unison. This period can be characterized as "the progressive era of welfare state".

However, with the end of the general economic growth after the first oil crisis, welfare states were hit by crisis. The comparative study of welfare states was widely accepted in 1970s and 1980s, when there were many arguments about "the crisis of welfare state", as the theoretical basis for the leaders of the new generation of welfare states. Today, many of the advanced countries, faced with public-finance crisis together with the problems of declining birthrate and aging population, are in a period of transition in terms of social welfare systems.

The following three models envisaged by Gøsta Esping-Andersen, could be of reference when we think about the social welfare systems which are appropriate for the period to come:

- 1) "Social Democrat" model. This model is based on independent persons and commitments of the public sector. Typically adopted by Sweden and other Northern European countries. Taxes are the main source.
- 2) "Conservative/Corporatist" model. This model is based on families and traditional communities. From the institutional viewpoint, it is a kind of social insurance based on mutual assistance. Typically adopted in Germany and France. The source is a mixture of social insurance premium as the main source and taxes.
- 3) "Liberal" model. This model is based on independent persons and commitments of individual persons themselves. Self-responsibility is the principle. Typically adopted in the U.S., where the logic of market is prevailing. Private insurance premium is the main source instead of social insurance premium and taxes.

It is said that the social welfare system in Japan started on the basis of the "Conservative" welfare-state model of Germany or France and has gradually introduced elements of the "Social Democrat" model. On the other hand, judging from the scale of the social security benefit expenditure and the contribution of families, it also has

similarity with the Southern European model of welfare states observed in Italy and Spain, where social welfare depends heavily on families.

However, with the maturation of the society in Japan, traditional communities have been collapsing and the relationship of incorporated companies and families with individual persons has been changing. The society has been increasingly driven by individual persons as the basic unit. Nonetheless, the social welfare system is still based on the traditional communities and families. The current situation in Japan is characterized by the non-existence of new types of communities to replace the old ones and the isolation of individual persons. In this sense, it can be said that the social welfare system in Japan is in a transitional phase. If there is no way to go back to the traditional communities, should we take up the "Liberal" model represented by the U.S. and conceive of a system based on self-responsibility with built-in safety net as the minimum guarantee? Or, should we take up the "Social Democrat" model of Northern European countries and work out a system in which individual persons are ready to sacrifice their individual interests in favor of the protection by the public sector? The challenge for us for the time being might be to make a choice on our own model considering these two opposite models of the U.S. and the Northern Europe