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*Annette H. K. Son*

**Social Policy and Health  
Insurance in South Korea  
and Taiwan**

A Comparative Historical Approach



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# Social Policy and Health Insurance in South Korea and Taiwan

A Comparative Historical Approach

Annette H. K. Son



UPPSALA  
UNIVERSITET

Dissertation for the Degree of Doctor of Philosophy in Economic History  
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#### ABSTRACT

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This dissertation deals with a comparison of social policy in South Korea and Taiwan. By tracing the historical origins of the modern social security institutions, as well as the historical process of modernization of medical care in Korea and Taiwan, this study can identify the extension of entitlement to health insurance as one of the most contentious social policy issues in the two countries.

Using a historical institutional approach, this study shows that, in both Korea and Taiwan, the direct presidential elections as well as the diffusion of international norms have been two important factors affecting the historical process of the extension of entitlement to health insurance.

The significance of the direct presidential election factor should be understood in the light of the distinctive political culture in Korea and Taiwan, where the political decision-making has been highly concentrated around the major political leaders and their personalities have assumed a prominent role in sociopolitical development. The significance of international norms should be understood with regard to the particular status of the two states, Korea and Taiwan. Both Korea and Taiwan belong to the states that have sought to build up their respective nations to be comparable to the industrially advanced countries in West during the post World War II era. In more recent years, this has been attempted through the development of social policy programs, even if many areas still need improvement.

*Key words:* social policy, health insurance, South Korea, Taiwan, social security institutions, state, regulator, entitlement to statutory health insurance, direct presidential elections, international norms

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“There are differences between countries in the way in which social policy interventions are interpreted and understood.”<sup>1</sup>

“Social policy, social welfare or social security cannot be regarded as carrying any universal connotation; different terms, with underlying conceptual and administrative differences, prevail in different countries.”<sup>2</sup>

## Research Problem

This dissertation is concerned with the social policy of the Republic of Korea (ROK; South Korea, hereafter Korea) and the Republic of China on Taiwan (ROC on Taiwan, hereafter Taiwan). Using a historical comparative approach it demonstrates that there are not only differences in understanding and interpreting social policy interventions in the different countries, but there are also different factors affecting social policy development in the different countries.

Since the mid-1980s, a host of social policy studies, dealing with the East Asian countries either as a cluster or as an individual unit, have been carried out.<sup>3</sup> These studies are informative and illuminating on a descriptive level. This is because they highlight some characteristics of social policy in East Asian countries that are different from those of West European countries.<sup>4</sup> According to these studies, social policy in East Asian countries is characterized by relatively low government social expenditure and comparatively limited social policy programs for meeting citizens' welfare needs.

There are two alleged reasons for these findings. One reason is that, as Kwon has argued, the government plays the role of regulator in East Asian welfare states, while in West European welfare states the government plays the role of financier, in some cases combined with the role of direct pro-

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<sup>1</sup> Freeman (1999), p. 52.

<sup>2</sup> Kennett and Yeates (2001), p. 60.

<sup>3</sup> See appendices 2, 3 and 4 for my review of prior research.

<sup>4</sup> In terms of geography, East Asia is comprised of Northeast Asia and Southeast Asia. Northeast Asia includes China, Japan, Korea, Taiwan, and possibly Hong Kong if it is counted as an independent unit, while Southeast Asia includes Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam (see appendix 1). However, in the context of social policy studies, East Asia is often represented by Hong Kong, Japan, Korea, Singapore and Taiwan which share a common Confucian heritage as well as a historical experience of rapid economic growth during the post World War II period.

vider.<sup>5</sup> The other reason is that the social policy programs in East Asian welfare states are still in the process of development.<sup>6</sup>

The previous studies are however problematic both empirically and methodologically. Empirically, they often describe a broad range of social policy programs without clearly explaining their reasons for the inclusion or exclusion of certain social policy programs in different countries. By doing so, they tend to miss national variations in the development of social policy programs among East Asian countries.<sup>7</sup> As some researchers have pointed out, the differences among East Asian countries today with respect to values, economic development and political circumstances are in general greater than among contemporary West European countries. They have further contended that the differences among East Asian countries become more obvious when one considers the combination of varying levels of economic and political development in those countries.<sup>8</sup>

Earlier comparative studies show a tendency to overlook national variations in social policy programs among East Asian countries. Moreover, they do not provide any clear reasoning behind the selection of countries included in their respective studies.<sup>9</sup> The reason for selecting countries for inclusion in each study has not been based on any clear comparative strategy. Instead, the selection has often been based on geographical convenience or Western concern with the economic impact of East Asian social policies on the economic development of West European countries.

As already noted, the previous studies generally agree on many common aspects regarding East Asian welfare states. However, they are in disagreements as to the logic of social policy development in East Asian countries, which has led them to suggest a variety of explanations for the development. Among the suggested explanations are the logic of industrialism,<sup>10</sup> the logic of Confucianism,<sup>11</sup> the logic of learning and adaptation,<sup>12</sup> the logic of political legitimacy,<sup>13</sup> and the logic of vulnerability.<sup>14</sup>

To be sure, all existing explanations help to demonstrate the commonalities among the East Asian welfare states as well as the differences between the East Asian countries and the West European countries. The problem is,

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<sup>5</sup> Kwon, H-j. (1997).

<sup>6</sup> Lee (1999); Jacobs (2000); Gough (2001); Kwon, H-j. (2001); Kwon, S. (2001).

<sup>7</sup> Two exceptions to this general trend are the work by Goodman, White and Kwon, H-j. (1998) and the article by Holliday (2000).

<sup>8</sup> Andersson (1998), p.4; Berger (1997), pp. 275-279.

<sup>9</sup> Two exceptions to this general trend are found in Jones' study (1993), p. 199 and Goodman and Peng's study (1996), pp. 194-198.

<sup>10</sup> Deyo (1992); Hort and Kuhnle (2000).

<sup>11</sup> Jones (1990 and 1993); Rieger and Leibfried (2001).

<sup>12</sup> Goodman and Peng (1996).

<sup>13</sup> Goodman, White and Kwon, H-j. (1998); Kwon, H-j. (1998 and 1999).

<sup>14</sup> Holliday (2000).

however, that they provide little insight into the historical dynamics of social policy development in the East Asian countries.

The logic of industrialism may have a certain relevance in the sense that East Asian countries have developed a number of social policy programs that are intended to protect the wage-earning population during industrialization. However, it can hardly offer a satisfactory explanation for the national variations in the development of social policy programs that are intended to protect the non-wage-earning population. The logic of Confucianism, even if we accept the ambiguity of the concept itself, cannot answer fully why East Asian countries that belong to the same Confucian cultural sphere have given priority to different social policy programs.<sup>15</sup>

As for the next two explanations, i.e. the logic of learning and adaptation and the logic of political legitimacy, they may be broadly pertinent to social policies in all modern capitalist countries, but they are certainly not distinctive to the East Asian welfare states, as Holliday has contended.<sup>16</sup> Lastly, the logic of vulnerability, understood as a combined effect of international market pressure and hostile neighbors, also loses its explanatory power, because those two factors have more or less remained constant for East Asian countries during the period this study concerns, while social policy has changed.

In short, these previous explanations on social policy development in East Asian countries are too general to provide sufficient insight into the historical dynamics of the development of social policy programs in those countries.

There are a number of social policy studies concerning Korea and Taiwan, in the form of case studies.<sup>17</sup> These prior works have four characteristics in common.

Firstly, following the established norm of Western social policy studies, they tend to describe a variety of modern social security institutions stemming from the state, while paying scant attention to the traditional social security institutions such as the mutual aid system. This is problematic because it does not adequately capture the comprehensive picture of how citizens' welfare needs have been met during the development of modern social security institutions. The structure and function of traditional social security institutions are also important for understanding the origin of the institutional characteristics of the modern social security institutions in Korea and Taiwan.

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<sup>15</sup> An indication that the different East Asian countries have given priority to different social policy programs is found in the work by Goodman, R., White, G. and Kwon, H.-j. (1998). See for example Berger (1997, pp. 265-266) for the varying use of Confucianism in explaining the different phenomena that have taken place in East Asia.

<sup>16</sup> Holliday (2000), p. 716.

<sup>17</sup> See appendices 3 and 4.

Secondly, the previous works lack any account of the relationship between the expansion of health insurance programs and the expansion of modern health care resources in Korea and Taiwan. As Ito's comparative study of the variations in the development of health insurance programs between Denmark and Sweden has shown, the population coverage of health insurance is to a great extent related to the availability of modern health care resources in a country.<sup>18</sup> In the cases of Korea and Taiwan, the growth of modern health care resources is expressed as the modernization of the health care systems in these two countries. It is therefore important to study how the modernization of the health care systems has proceeded in these two countries if we are to better comprehend and interpret the social policy interventions in the two countries under study.

Thirdly, in measuring the level of government social welfare efforts, earlier studies often employ the established concept of government social expenditure.<sup>19</sup> This is problematic because, as mentioned earlier, East Asian governments more often play the role of regulator than the role of direct fiscal provider, as West European governments do.<sup>20</sup> The focus of attention should be laid also on when and how the state exercises its regulatory role in different social policy programs.

Fourthly and lastly, earlier studies tend to compare social policy provisions in contemporary East Asian countries with those in contemporary West European countries. This is problematic because, as Freeman has contended, the interpretation and understanding of social policy interventions often vary from society to society.<sup>21</sup> This comparison of different social policy provisions without reflecting over the varying significance and implication of those provisions in different societies is a hindrance to a clear understanding of the driving force for the social policy development in Korea and Taiwan.

The present work differs from the previous social policy studies of East Asian countries in four major respects. Firstly, it focuses on two countries, Korea and Taiwan, which share a number of commonalities. It is hoped that the limitation of the number of countries studied will allow this dissertation to concentrate on the factors that illustrate sources of national variation on a common policy issue.<sup>22</sup>

Secondly, this dissertation is devoted to describing the structure and function of the traditional social security institutions in order to show the way citizens' welfare needs have been met while the modern social security

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<sup>18</sup> Ito (1980). According to him, two other contributing factors for the expansion of health insurance programs are the state subsidy to health insurance funds as well as the activeness of health insurance funds.

<sup>19</sup> See for example Ramesh (1995a) and Lin (1991).

<sup>20</sup> Kwon, H-j. (1998).

<sup>21</sup> Freeman (1999), p. 52.

<sup>22</sup> Mabbett and Boldersen (1999), p. 55.

institutions such as social insurance programs have been in the process of development in these two countries.

Thirdly, this dissertation explores the historical origin of the modern health care system in order to better understand and interpret social policy intervention in the two countries.

Fourthly and lastly, it focuses on the extension of entitlement to statutory health insurance, one of the most contentious social policy provisions in both countries. This approach might be fruitful in illuminating some explanatory factors of the social policy development in Korea and Taiwan.

## The objective of this dissertation

The overriding objective of this dissertation is to analyse the explanatory factors for social policy development in Korea and Taiwan. In doing so, this dissertation sets out to address the following specific issues:

- 1) to describe the structure and function of traditional social security institutions, exemplified by the mutual aid system in Korea and Taiwan, while the modern social security institutions have been in the process of development, and further, to explore the implications of traditional social security institutions for the evolution of the modern social security institutions in both countries.
- 2) to describe the modernization of medical care in Korea and Taiwan and to discuss the significance of entitlement to statutory health insurance in the context of Korea and Taiwan.
- 3) to explore the modern social security institutions, represented by the health insurance programs in Korea and Taiwan.
- 4) to elucidate factors influencing the historical process of social policy development in Korea and Taiwan that have been overlooked in the earlier studies of social policy in the two countries.

The present dissertation consists of six separate studies in order to deal with the research issues posed above. More specifically, Son (1996) attempts to provide a complementary picture on how the welfare needs of citizens have been met in the two countries under study, while Son (1999a) deals with the modernization of medical care in Korea. Son (2002a) provides some background information on Korea and Taiwan for a comparative study of social policy in both countries. Son (1998) and Son (2001) attempt to explore the development of health insurance in Korea and Taiwan respectively. These two studies should be seen as a first step toward a comparative study of the extension of entitlement to health insurance in Korea and Taiwan. Finally, Son (2002b) attempts to elucidate some institutional factors influencing so-

cial policy development in Korea and Taiwan that have been overlooked in the earlier studies of social policy in the two countries.

## The structure of this introductory essay

The structure of this introductory essay is as follows. The next two sections outline the theoretical frameworks and conceptual premises for this dissertation. They are followed by a presentation of the methods for this study. Next the sources utilized in this dissertation are presented. This is followed by a summary of major findings from the six studies included in this thesis. This introductory essay closes with a discussion of the theoretical, methodological and empirical implications of the dissertation.

## Theoretical frameworks

As indicated earlier, this dissertation addresses a number of empirical issues in its attempt to elucidate the factors influencing social policy development in Korea and Taiwan. Different issues are grounded in different theoretical frameworks. Rose's theory of welfare mix or welfare society is employed in order to fully capture the comprehensive picture of how citizens' welfare needs are met. The theory of modernization is employed in order to address the issue of the modernization of medical care in Korea and Taiwan. For the historical development of health insurance in Korea and Taiwan, four different approaches to social policy are employed. The theory of historical institutionalism is employed in order to account for the factors influencing the historical process of social policy development in Korea and Taiwan.

## Welfare mix or welfare society

Son (1996) applies Rose's theory of welfare mix or welfare society as a primary theoretical framework. His theory assumes that there are many different ways of achieving welfare in a society and that the total welfare in a society could be a mix of public (state) and private (market, family and other social systems) welfare. The mix of public and private welfare varies from society to society.<sup>23</sup> This theory has been proposed as a reaction to the rigid practice of the established Western social welfare studies that focus exclusively on welfare provided through modern statutory social security institutions. One of the important merits of Rose's theory of welfare mix is that it allows one to be attentive to welfare provided through traditional social se-

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<sup>23</sup> Rose (1986); see also Rodgers (2000).

curity institutions, such as the mutual aid system in Korea, and its role in modern Korean society.

## Modernization

Son (1999) deals with the modernization of medical care in Korea. As is well known, the term “modernization” is a concept that encompasses a wide range of phenomena.<sup>24</sup> In the context of this specific study, modernization signifies the transformation of social practices, which range from those that are indigenous and traditional, to those that originated from Western industrialized countries in the context of the non-Western countries. With specific regard to medical care, the modernization approach holds that as societies modernize, traditional medical practitioners are replaced by modern Western-trained medical practitioners within the state medical care system, which eventually results in the disappearance of traditional medical practitioners from the state medical care system.<sup>25</sup> Korea today, however, has a dual state medical care system in which both traditional medical practitioners and Western-trained medical practitioners coexist.<sup>26</sup> This study is therefore concerned with a wide range of measures taken by traditional medical practitioners in their attempt to preserve their profession in the course of modern Korean history (1876-1990). Examples of their actions include: the issuance of medical journals, the establishment of medical education facilities, active political lobbying for the preservation of traditional medical practitioners as a separate profession, the establishment of a professional association, the establishment of a traditional medical education curriculum comparable to modern Western medical education curricula, and the utilization of modern medical equipment in exercising traditional medical practice.

## Approaches to social policy

Son (1998 & 2001) deal with the development of social policy with a focus on the development of statutory health insurance systems in Korea and Taiwan respectively.

As noted earlier, the previous social policy research dealing with East Asian countries has suggested a variety of explanations for social policy development in Korea and Taiwan. This indicates that social policy in general and the extension of entitlement to statutory health insurance in particular in developing countries are outcomes of complex processes in which

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<sup>24</sup> See for example Levy (1966); Black (1966); Eisenstadt (1966); Myrdal (1968); Bendix (1970); Inkeles and Smith (1974); Hoogvelt (1976); Harvey (1989).

<sup>25</sup> Berg (1980).

<sup>26</sup> In fact, the dualism of traditional and modern sectors is observable in many developing countries. See among others Estibill (1994), pp. 23-26.

socio-economic and political factors, both at the national and international level, exert varying influences. Moreover, the socio-economic and political factors are constantly changing, especially in the context of developing countries like Korea and Taiwan. For the sake of brevity, approaches to social policy in general and statutory health insurance policy in particular can be grouped according to their varying focuses: a socio-economic approach, a political approach, a state-centered approach and finally a transnational approach. In the following, the main points of these four different approaches are presented.

### **Socio-economic approach**

The socio-economic approach lays emphasis on the socio-economic transformation following the industrialization of a society. It is founded on the belief that as societies industrialize, they encounter common social “needs” and “risks” which are addressed by governments in broadly similar ways. Put in another way, this approach assumes that there is a close connection between the industrialization of a society and the development of social policy programs.<sup>27</sup> There are several socio-economic factors that are conducive to the extension of entitlement to statutory health insurance. Specifically, the growth of GNP per capita, the changes in occupational structure, the ageing of the population and increases in health care resources combined with advancement in medical technology are mentioned as important socio-economic factors that are conducive to the evolution of social policy.

### **Political approach**

The main thrust of the political approach is that democratic competition is conducive to the evolution of statutory health insurance policy. It is founded on the belief that the more intensive the electoral competition, the more likely that political elites extend social insurance coverage to a wider segment of the population in order to attract their votes.<sup>28</sup>

A second way politics matters for social policy is through non-electoral politics, such as social movements and protest in the absence of receptive electoral politics. Piven and Cloward claim that popular protest movements during political and economic crises have led to gains in social policies.<sup>29</sup>

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<sup>27</sup> Rimlinger (1971); Wilensky (1975); Flora and Alber (1981); Polanyi (1968).

<sup>28</sup> Pampel and Williamsson (1985); Ramesh (1995b).

<sup>29</sup> Piven and Cloward (1993).

### **State-centered approach**

The state-centered approach stresses the independent causal influence of the state on social policy. State-centered analysis asserts that state actions cannot be reduced to societal characteristics or events. The state is neither a tool used by social groups to achieve their ends nor a reflection of external social forces. State capacities or state autonomy are considered to be conducive to the expansion of social policy.<sup>30</sup>

### **Trans-national approach**

In contrast to the explanations emphasizing internal factors discussed so far, the transnational approach emphasizes external forces for explaining social policies. Although the impact of transnational factors on national social policy are, as Mishra argues, open-ended, multifaceted and interrelated, one can discern two different perspectives regarding transnational factors. One lays emphasis on the impact of economic globalization, which is understood as the openness of national economies with respect to trade and financial flows.<sup>31</sup> The other lays emphasis on the impact of social globalization, which is understood as the influence of international social organizations on domestic social policy formation.<sup>32</sup>

With regard to the development of health insurance, this approach particularly pays attention to the importance of ideological or cultural transmission from international social organizations such as the International Labor Organization (ILO) and the World Health Organization (WHO). Supporters of this line of argument maintain that the important features of globalization are not limited to economic linkages. Certain values and beliefs become institutionalized in the global arena and give rise to international norms. These “norm-like” forces affect nation-states as sub-units of the global system, stimulating the different national governments to improve social conditions. As some researchers have pointed out, governments of developing countries tend to believe that to comply with the world norms might confer them a more favorable international image in world politics, which they in turn employ as an important strategy for improving their political legitimacy in domestic politics.<sup>33</sup>

As revealed above, all four approaches lay emphasis on a specific aspect of social policy while disregarding other aspects. Taking the complex nature

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<sup>30</sup> Orloff and Skocpol (1984); Evans, Reuschemeyer and Skocpol (1985); Skocpol (1985); Amsden (1985); Wade (1988); Amsden (1989); Wade (1990); Petras and Hui (1991); Kim (1997).

<sup>31</sup> Wallerstein (1974); Wallerstein (1986); Clark and Flinson (1991); Deacon, Hulse and Stubbs (1997); Midgley (1997); Mishra (1999); Kennett (2001).

<sup>32</sup> Strang and Chang (1993); Kennett (2001).

<sup>33</sup> Strang and Chang (1993); Tang (1997), p. 71; Meyer (1987).

of social policies in general and the extension of entitlement to statutory health insurance in developing countries in particular into consideration, in Son (1998) and Son (2001), the intention is not to test or to confirm any of the four different approaches outlined above, but to describe and to understand the phenomenon under study, i.e. the historical development of statutory health insurance in these two countries. For this reason, the four different theoretical approaches help to delimit the scope and depth of the object being studied as well as to determine the priorities for data collection.<sup>34</sup>

### Historical institutional approach

Son (2002b) undertakes to deal with the national variations in social policy development in Korea and Taiwan. To this end, this study employs a historical institutional approach.

The historical institutional approach was developed in the late 1970s as a reaction to the “grand theories” that dominated in the comparative political studies of the 1950s and the 1960s. The grand theories, developed through broad and cross-national research, have often highlighted the common features and general trends extending across a wide range of countries. An unintended consequence of “grand theorizing” has been that it has tended to obscure the role of institutions that structure politics in different countries.<sup>35</sup>

Contrary to the grand theorists, the major concern for the historical institutionalists has been to develop “intermediate-level categories and concepts that would facilitate truly comparative research and advance explanatory theory”.<sup>36</sup> To this end, they have drawn attention to the role of institutions in shaping policy outcomes. They have been particularly attentive to developing a broader conception of the institutions that matter and in what way they are important.<sup>37</sup> At the same time, the historical institutionalists have rarely insisted that institutions are the only causal force in politics. Instead, they have typically sought to locate institutions in a causal chain that accommodates a role for other factors, particularly broader socioeconomic development, political transitions, and the communication and diffusion of ideas and norms.<sup>38</sup>

The general definition of institutions that the historical institutionalists work with includes both formal institutions and informal rules and procedures that structure policy outcomes.<sup>39</sup> Meanwhile, the actual definition of institutions applied in different studies has varied, largely due to the fact that

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<sup>34</sup> Yin (1993), p. 21.

<sup>35</sup> Thelen and Steinmo (1992), pp. 4-5.

<sup>36</sup> *Ibid.*, p. 3.

<sup>37</sup> Hall and Taylor, 1996, p. 937.

<sup>38</sup> *Ibid.*, p. 942.

<sup>39</sup> *Ibid.*, p. 938.

researchers with different disciplinary backgrounds have employed the historical institutional approach in addressing a variety of policy issues.<sup>40</sup> Often included in the definition of institutions are such features of the institutional context as the electoral system, the structure of government and of political party systems, the relations among various branches of government, and the structure and organization of economic actors like working class organizations.<sup>41</sup>

In analysing the time variations in the extension of entitlement to health insurance to the non-wage-earning population in Korea and Taiwan, as well as the transformation in social policy orientation at certain specific points in time in the two countries, this study will use the historical institutional approach to draw particular attention to three institutional factors: the political system and political culture in these two countries and the diffusion of international norms.

The focus on these specific institutional factors is motivated by particular historical reasons, the first of which is that both Korea and Taiwan have maintained a presidential government system and the second being that the two countries have had a common Confucian political culture. Confucian political culture is characterized, among other things, by an authoritarian and highly moralistic nature. In countries with a Confucian political culture, political decisions are often motivated by ethical arguments and political decision-making has gravitated into the hands of the top political leader and a limited circle of his political advisors, which implies that other democratic institutions such as the legislature, political parties, and interest groups often play a subordinate role in the policy process.<sup>42</sup> The third but not least important reason is that the previous studies of social policy development in East Asia have not systematically studied these institutional factors, despite their impact on the social policy development in politically and territorially divided nations such as Korea and Taiwan. Son (2002b) considers the influence of this political structure and political culture on the particular object of our study.

As for the time aspect, the development of health insurance programs in the two countries has taken place entirely in the post-World War II era. During this period, international social organizations such as the International Labor Organization (ILO) and the World Health Organization (WHO) have been active in formulating and transmitting international norms for the improvement of social and health conditions for working people and their

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<sup>40</sup> See among others Cheng and Haggard (2001); Dobbin (1994); Goldstein (1988); Gunnarsson (1995); North (1993); Orloff and Skocpol (1984); Wade (1990); Weir and Skocpol (1985); Amenta and Carruthers (1988).

<sup>41</sup> Thelen and Steimo (1992), p. 2.

<sup>42</sup> Yang (1994), pp. 14-17; Copper (1999), pp. 91-94; Hahm and Plein (1995); Myers (1994); Helgesen and Xing (1996).

families around the world. For some examples of the role of international social organizations in formulating and transmitting international norms, it suffices to mention two ILO supported works and one work published by WHO.<sup>43</sup> Son (2002b) considers in which way the international norms, emanating from the ILO and WHO, have been transmitted to Korea and Taiwan and what kind of impact they have exerted on social policy development in the two countries.

## Conceptual premises – Health insurance, sickness insurance, and medical insurance

Kennett and Yeates have argued that the connotation of terms such as “social policy”, “social welfare”, and “social security” often vary from country to country.<sup>44</sup> A similar argument can be made regarding the connotation of terms such as “health insurance”, “sickness insurance”, and “medical care insurance”, which literature on comparative health insurance policies have often employed as units of analysis. The varying understanding and interpretation of these three terms are to a certain extent the products of an individual country’s historical experience with health insurance.<sup>45</sup>

For instance, the term “health insurance” in Sweden is predominantly associated with “income maintenance insurance”, in that the major function of sickness insurance during the early period of health insurance development was to protect the insured from income loss in case of prolonged sickness.<sup>46</sup> Even today, most Swedes frequently interpret “health insurance” as “income maintenance insurance”, although the Swedish national health insurance encompasses both “medical care insurance (sjukvårdsförsäkring)” and “income maintenance insurance (sjukpenningförsäkring)”. The crucial difference between the two components of health insurance stems from the differences in the legal entitlement to the different types of health insurance benefits. For instance, legal entitlement to “medical insurance” is given to all residents of Sweden, while legal entitlement to “income maintenance insurance” is limited to persons over 16 years of age who have a minimum of 6,000SEK in annual income from work.<sup>47</sup>

In the case of the United States, in the 1960s, the term “health insurance” was principally associated with “medical insurance”, because the primary

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<sup>43</sup> Ron, Abel-Smith and Tamburi (1990); Ron (1993); WHO (1978).

<sup>44</sup> Kennett and Yeates (2001), p. 60.

<sup>45</sup> Son (1999b), pp. 10-25.

<sup>46</sup> Ito (1980), pp. 60-61; Andersson (2000).

<sup>47</sup> Elmér (1993), pp. 110-116.

aim of health insurance was to protect vulnerable groups from unbearably high medical bills.<sup>48</sup>

In the cases of Korea and Taiwan, their respective universal health insurance systems, implemented in 1988 and in 1995 respectively, are designed to provide equal access to medical care and, secondarily, purported to shield individuals and families from financial risks caused by a long-term hospitalization or technically specialized medical treatment. In both cases, medical benefits in kind take the lion's share of all the benefits provided, while no specific provisions for sickness benefits exist.<sup>49</sup> For this reason, the term "medical insurance" is preferable to the term "health insurance" in discussing the health insurance systems in both Korea and Taiwan. Nevertheless, as the two articles (Son, 1998 and Son, 2001) included in this dissertation demonstrate, the term "medical insurance" is more frequently used in the context of Korea, while the term "health insurance" is more frequently employed in the context of Taiwan. However, it is no overstatement that in the context of Korea and Taiwan, the terms "health insurance" and "medical insurance" are interchangeable. In sum, this discussion on the varying connotations of the different terms is important to note in order to better understand and interpret the implication of health insurance in the context of Korea and Taiwan.

## Methods – a comparative historical approach, combined with the case study method

This dissertation employs a comparative historical approach combined with the case study method. The combination of both the comparative historical approach and the case study method has four important implications for this thesis. First, the chosen methodological approach allows one to examine a country-specific story. Second, it can also allow one to discern varying explanatory factors when dealing with the same policy issue between two countries.<sup>50</sup> Third, it makes possible to compare the findings from one case with another case. Finally, the historical approach permits this study to utilize conventional concepts to develop a meaningful interpretation of broad historical patterns of social policies in Korea and Taiwan.<sup>51</sup>

The case study method has been continuously employed as an important tool in social science inquiry. It is also used as the first step toward a com-

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<sup>48</sup> Morris (1979), pp. 83-85.

<sup>49</sup> Son (2002a), p. 19.

<sup>50</sup> Mabbett and Boldersen (1999), p. 55.

<sup>51</sup> Jonsson (1987); Skoepol (1986), pp. 368-372.

parative study.<sup>52</sup> Furthermore, this method is preferred when the phenomenon under study is not readily distinguishable from its context.<sup>53</sup>

This thesis compares the cases of Korea and Taiwan. The selection of these two countries for comparative analysis is based on the principle of the “Most Similar Systems” approach.<sup>54</sup> According to Ragin, too many cases, as well as the large number of variables involved in any case, tends to make the comparative method unmanageable. Thus, the comparative historical method works best with a small number of cases (a small “N”).<sup>55</sup> This is because small-N studies allow one to look more deeply into the chosen cases and thus more accurately exclude and include appropriate possible explanatory variables.<sup>56</sup> Lijphart stresses that the countries compared should exhibit a number of commonalities.<sup>57</sup> The two countries selected for the “comparative-cases strategy” in this thesis have the following commonalities: the development and maintenance of a universal statutory health insurance system on the basis of the social insurance principle, territorial nation-states with a considerable rural sector, a Japanese colonial past, territorial and political division, a free market economy, entry into the world capitalist system at a similar point in time, a presidential government system, and a Confucian and Buddhist cultural tradition.

## Sources of data

This thesis consists of six separate studies that build on a variety of data sources. In Son (1996), the work by Choi on mutual aid is utilized in describing the structure and function of mutual aid in contemporary Korean society. Other data are mainly derived from both national and international statistics, with secondary literature on Korean social policy.

The primary sources utilized for Son (1999) are *The Forty Year History of the Korean Oriental Medical Association* (KOMA) and *The Eighty-five Year History of the Korean Medical Association* (KMA). KOMA, officially established in November 1952, is the interest organization for the Oriental doctors who practice Korean medicine. KMA, officially established in May 1952, is the organization for the Korean medical doctors who are educated in the Western system of medicine. *The Forty Year History of the Korean Oriental Medical Association* deals not only with the historical development of traditional Korean medicine from the beginning of Korean history to 1989,

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<sup>52</sup> Hantrais and Mangen (1996), p. 4.

<sup>53</sup> Yin (1993), p. 3.

<sup>54</sup> Przeworski and Teune (1970).

<sup>55</sup> Ragin (1987), p. 69.

<sup>56</sup> Lieberson (1985) p. 115.

<sup>57</sup> Lijphart (1975), pp. 163-165.

but also with the activities of the Oriental Medical Association from the time of its establishment in 1952 to 1989. By comparison, *The Eighty-five Year History of the Korean Medical Association* addresses both the historical development of the organization from 1908 and its role in the development of the Korean health insurance system.<sup>58</sup>

To examine both of the above publications has been important in three respects. The first is to see their differing attitudes toward the development of the medical care system in Korea. The second is to keep a balance between conflicting opinions of two different types of medical practitioners. The last, but most important reason, is to enhance the objectivity of the study.

Besides the histories of the two medical associations, other literature dealing with the modernization of Korean society in general and with medical care in particular are used as supplementary sources.

Son (1998) and Son (2001) explore the historical evolution of statutory health insurance in Korea and Taiwan from a comparative perspective. Therefore, it would be most desirable that the sources utilized for the two cases be similar. Unfortunately, precise comparable sources were not possible to obtain.

As to the case of Korea, the primary sources are divided into three categories. The first and most important primary source category is *The Protocols for the Health and Social Affairs Committee* from the Korean National Assembly. These protocols contain valuable information regarding the initiators of the Health Insurance Law along with the policy aim and background of the law. The second category includes various legislation on health insurance promulgated by the Korean government. The third category comprises various official publications and periodicals from Korea. These periodicals and secondary sources are useful for understanding the political and socio-economic circumstances under which the health insurance system developed.

For Taiwan, the primary sources are divided into two categories. The first category includes various legislation on health insurance promulgated by the Taiwanese government, while the second category includes various official publications and periodicals from Taiwan. Another important source is interviews with Taiwanese officials; these interviews were motivated by the unavailability of other primary sources. In both Son (1998) and Son (2001) the findings of wide-ranging comparative and case studies available in English, Korean, and Chinese are also utilized.

Some selected social-economic data on Korea and Taiwan in Son (2002a) are based on the national statistical records that are broadly used by both

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<sup>58</sup> The year 1908 is the point of time when the first professional society for Western-trained medical doctors, called the Society of Korean Medical Research, was established by Korean Western-trained medical doctors (Korean Medical Association, 1993, p.48).

academic researchers and policy makers, while the description on the political development is based on the secondary sources.

Son (2002b) utilizes the findings from the existing literature on the political transitions and social policies of Korea and Taiwan, as well as official publications, both from the Korean and the Taiwanese governments and from international organizations such as the ILO and WHO. It is important to point out that these sources provide only partial information regarding the specific research questions that this article attempts to answer. The empirical sources of the analysis are therefore complemented by information from international organizations such as the ILO and WHO. However, even this limited information allows an analysis of current explanations of the two countries' social policy development in a broader context of domestic political development, as well as considering the ideological influence from abroad in developing countries.

## The Articles

In this section the major findings and implications of the six articles that make up this dissertation are presented briefly.

The first four articles (Son, 1996 & 1998 & 1999a & 2001) deal with slightly varying subjects and, as mentioned earlier, are subsequently based on slightly different theoretical frameworks. They, nevertheless, have three aspects in common. The first and most important commonality of the first four articles, as well as the fifth article, is that they all provide the contextual framework in which the extension of entitlement to statutory health insurance took place. Secondly, they are all descriptive and historical in orientation. Third, all four articles are case studies, with the first three dealing with the Korean case and the last concerning the Taiwanese case. The first article deals with the traditional social security institution in Korea, mutual aid. The second article concerns the modernization of medical care in Korea. The third article deals with the construction of medical insurance in Korea, while the fourth article explores Taiwan's path to a national health insurance system. The last article (Son, 2002b) is an attempt to integrate the findings from the first four articles by analyzing the divergent pattern of the extension of entitlement to statutory health insurance in Korea (1976-1993) and Taiwan (1958-1997). The following provides short summaries of each article.

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Son (1996) "Mutual Aid in the Welfare System in the Republic of Korea" describes the mutual aid system in Korea. In this article mutual aid is defined as material and nonmaterial activities among citizens to enhance their well-being without government intervention and consequently beyond govern-

ment budgets. It has deep roots in Korea and is interwoven into the social evolution of the Korean people. The aim of the article is two-fold. One is to demonstrate how welfare needs are met in a newly industrializing country where the modern social security provisions are in the process of development. The other is to fill a gap in conventional social policy studies which have concentrated on the development of modern social security provisions, expressed mostly in monetary terms in government budgets. The article shows that the mutual aid network in Korean society is organized around close social networks including extended family members, school relations, places of employment, and regional relations.

The most important finding in this article is that mutual aid in Korea has played an important role in meeting citizens' welfare needs, not only in terms of material aid, but also with regard to psychological aid. The article points out the limitations of mutual aid in meeting modern social contingencies. Unlike modern social security institutions in which income redistribution takes place "vertically", that is from rich to poor, mutual aid income redistribution, the traditional social security institution, takes place "horizontally", that is between generations or between those with similar income levels. This implies that when welfare needs originate from any of the low income groups, welfare needs might not be adequately met.<sup>59</sup>

As the title of the article indicates, this study deals exclusively with the case of Korea. It can nevertheless be argued that the findings in this article are to some extent also relevant to the case of Taiwan, which in turn is supported by the findings in two case studies. One is Yean-Ju Lee, William L. Parish and Robert J. Willis's study on intergenerational support in Taiwan. They show that the vast majority of adult children in Taiwan provided net financial support to their parents during the period of rapid economic growth.<sup>60</sup> The other is Susan Greenhalgh's study on the prominent role played by family-owned small and medium-size enterprises in Taiwan's economic development. Greenhalgh argues that families provide not only necessary capital for running the family enterprises, but that they also played an important role in meeting the welfare needs of citizens during the period of rapid economic growth in Taiwan.<sup>61</sup>

What is worth pointing out about mutual aid in Korea and Taiwan is that this traditional social security institution has been applied even in the modern social security institution. There are two prime examples of this claim; one concerns the choice of organization, while the other has to do with entitlement to statutory health insurance. In the early stages of the development of statutory health insurance, health insurance units have been frequently organized around a common workplace both in the private and public sec-

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<sup>59</sup> Son (1996).

<sup>60</sup> Lee, Parish and Willis (1994); see also Rozman (1991), pp. 30-34; Robinson (1991).

<sup>61</sup> Greenhalgh (1988); see also Goodman and Peng (1996), p. 199.

tors, and the entitlement to statutory health insurance was given not only to the wage-earner himself/herself but also to his/her family members. This organizational characteristic of the Korean modern social security institution, as well as the application of a Confucian family tradition to the extension of health insurance coverage, recalls Douglass C. North's logic of institutions: that the decision to choose a specific institutional arrangement is "path-dependent".<sup>62</sup> On the whole, the impact of this type of institutional arrangement on the development of modern social security is substantial. That is, in the process of statutory health insurance development, social solidarity tended to be limited to a workplace or a locality, and in consequence no nationwide income redistribution could take place either in Korea or Taiwan.

As described above, the structure of mutual aid is reflected in the institutional characteristics of modern social security institutions in the two countries. This indicates that to fully understand the institutional characteristics of modern social security institutions in Korea and Taiwan, it is necessary to study the institutional characteristics of traditional social security institutions.

It is, however, important to make clear here that the mutual aid system is, by definition, ill-equipped to cope with the consequences of a rapidly ageing population, the disintegration of the traditional family structure, rising international migration, the sudden rise in unemployment, and other social problems that have become obvious after the 1997-98 Asian economic crisis. This indicates that the mutual aid practice should never be employed by the state social policy makers in both Korea and Taiwan as a pretext for delaying the improvement and expansion of other modern social security institutions such as unemployment insurance and old-age pension insurance.

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The article "Modernization of Medical Care in Korea (1876-1990)" by Son (1999a) focuses on a dual system of medical care in Korea, where traditional medical practitioners and Western-trained medical practitioners coexist. The article has two objectives. One is to fill the gap in social science studies which to date exclusively have dealt with the interaction between Western and Asian medical traditions in India, China and Japan, the three large states which often represent Asia. The other is to provide a historical background to the development of statutory health insurance in Korea. This study demonstrates how medical care in Korea has been transformed from a system led by traditional medical practitioners to one led by Western-trained medical practitioners over the past 100 years. The article argues that the dual medical

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<sup>62</sup> North (1993), p. 143; Berman (1998); Lindbom (1998); Magnusson and Ottosson (1997); Magnusson and Ottosson (2002). See also the definition of path-dependency by David Wilsford: "A path-dependent sequence of political change is one that is tied to previous decisions and existing institutions." (Wilsford, 1994, p. 252).

system in Korea has been shaped by conflicts between traditional medical practitioners and Western-trained medical practitioners throughout its various stages of historical development.

There are two important impacts of the dual system of medical care on the development of the Korean health care system. One is that day-to-day medical care provided by Western-trained doctors is frequently associated with the privileges of being in an urban, middle and high income group, while medical care provided by traditional doctors is frequently utilized by those in the rural, low income group.<sup>63</sup> The other implication, which is closely related to the first, is that in the earlier stage of statutory health insurance development, entitlement to statutory health insurance came frequently to be associated with the privileges of the urban, regular wage-earners.<sup>64</sup>

As in the earlier article on the mutual aid system in Korea, the empirical findings in this article on the modernization of medical care in Korea to a great extent also have relevance to the modernization of medical care in Taiwan. There is evidence for this claim in Taiwan. In an article dealing with the integration of traditional medicine into modern health care systems in Taiwan, Chunhuei Chi argues that traditional medicine has frequently been chosen as the first medical care alternative by those who lack entitlement to statutory health insurance. Their main reason is that, according to Chi, the average cost of treatment is usually lower for Chinese medicine than for modern Western medicine.<sup>65</sup> The consequence of this dual medical practice in Taiwan is the same as in Korea. Western medical care is given higher status than traditional medical care and the entitlement to statutory health insurance is considered to be the privilege of urban, regular income-earners, whether they be government employees or private sector employees.

This empirical reality indicates that to fully comprehend the role of social policy in a developing country, it is necessary to pay close attention to the historical context in which a specific social policy has evolved.

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Son (1998) "The Construction of the Medical Insurance System in the Republic of Korea, 1963-1989" aims to explore the rapid developmental process of the medical insurance system in Korea. The study does not bind itself to any specific social policy theories, but rather concentrates on answering two specific empirical questions: 1) How did Korea succeed in establishing nationwide medical care coverage in such a short period of time? and 2) Why and in what respect is the national medical insurance system in Korea

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<sup>63</sup> This association also stems from the scarcity of modern health care resources in rural areas, which in turn depends on the underdevelopment of modern infrastructure and the relatively low income level in rural areas (Whang, 1986, p. 167).

<sup>64</sup> Son (1998).

<sup>65</sup> Chi (1994), p. 314.

similar to that of Japan? The answer to the first question is found in the closed structure of health policy-making processes, in which the presidents and their close aids and technocrats played a key role. They could impose policy decisions on the private sector whenever they deemed necessary, either for their political goals or for the structural adjustment of the changing society. Undoubtedly, Korea's rapid socio-economic transformation since the early 1960s has also contributed to the rapid development of its medical insurance program. The answer to the second question is found in the makeup of Korean bureaucratic elites in the early 1960s, when the foundation of the Korean medical insurance system was laid. The majority of bureaucratic elites at that time were Japanese-educated who, therefore, had easy access to Japanese Medical Insurance Law, which they no doubt employed in formulating the initial Korean Medical Insurance Law. The two shared features in the Korean and Japanese medical insurance systems are: 1) compartmentalization of financial and administrative units and 2) inequality in contributions and benefits.<sup>66</sup>

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Son (2001) "Taiwan's Path to National Health Insurance (1950-1995)" explores the historical evolution of statutory health insurance in the Republic of China on Taiwan from its inception in 1950 to the inauguration of the National Health Insurance Program in 1995. It is mainly based on three theories of social policy: the socio-economic approach, the political approach, and the state-centered approach. Based on these theoretical frameworks, the study focuses on the timing of the adoption of the different statutory health insurance schemes targeted to various segments of the population. It is argued that Taiwan's adoption of Labor Insurance for workers in 1950 could be best explained by the country's specific historical circumstances. The then-ruling Nationalist government was keen to build up Taiwan as a showcase for the whole of China. The article also shows that the entitlement to statutory health insurance, until the inauguration of the National Health Insurance program in 1995, was only conferred both to wage-earning industrial workers and to those who had close affiliation with the then-ruling Nationalist government. The National Health Insurance Program, launched in 1995, brought the remaining non-wage-earning population, such as the elderly and children, under the statutory health insurance protection. This measure should be seen as the Nationalist government's adjustment to its changing domestic political position. From the mid-1980s the rising opposition, the Democratic Progressive Party (DPP), accelerated its criticism towards the underdevelopment of social policy by the Nationalist government.<sup>67</sup>

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<sup>66</sup> Son (1998).

<sup>67</sup> Son (2001).

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A research paper (Son, 2002a) provides some background information on Korea and Taiwan for a study of social policy in both countries.

The country information shows that both countries have experienced rapid economic growth and have undergone an equally profound socio-economic structural change during the post-World War II period. It also shows that despite a profound socio-economic transformation over the past four decades, strong family relationships still prevail in both countries.

On the other hand, the two countries differ considerably in their histories of political transformation. The political transformation of Korea has been more volatile than that of Taiwan, which is indicated by the frequent revisions of the national constitutions and the changes in the political leadership in Korea.

The section on the historical development of social insurance programs in Korea and Taiwan shows two institutional characteristics of social policy in both countries. One is that the role of the state in operating social insurance program is essentially limited to that of regulator rather than to that of direct fiscal provider. The other is that in both Korea and Taiwan, the emphasis on social insurance is based on short-term productivity maintenance programs rather than long-term income maintenance programs. Moreover, it also shows that the statutory medical insurance program is the most prominent social insurance program enacted in Korea and Taiwan in terms of population coverage.

The section dealing with some characteristics of the national medical insurance systems in Korea and Taiwan shows that the two countries diverge in their historical pattern in the extension of entitlement to statutory medical insurance, but have similarities in the institutional frameworks for medical care financing and administrative modes and medical care delivery systems.

The major argument of Son (2002a) is that the level of statutory medical insurance coverage could be employed as a crude indicator for government social welfare efforts in the context of Korea and Taiwan. This contention is based on two facts: one is that government social expenditure in Korea and Taiwan neither captures the dynamics of the respective governments' welfare effort, nor does it adequately reflect the government welfare effort, while the other is that both Korea and Taiwan had succeeded in launching universal health insurance programs.

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Son (2002b) "The Extension of Entitlement to Health Insurance in South Korea and Taiwan: A Historical Institutional Approach" explores the extension of entitlement to health insurance to the non-wage-earning population in

Korea and Taiwan . The purpose of this study is to elucidate some factors influencing social policy development in Korea and Taiwan that have been neglected in the earlier studies of social policy in the two countries. The major questions raised here are two-fold: 1) how can we account for the time variations between Korea and Taiwan in the extension of entitlement to statutory health insurance programs to the non-wage-earning population, and 2) how can we account for a transition in the role of the state in social policy programs from that of a regulator to that of a fiscal financier at some specific point in time?

To that end, this study has employed a historical institutional approach that helps draw particular attention to the common political system and culture of Korea and Taiwan. Earlier studies, often concentrated on demonstrating the general patterns of social policy development in the East Asian countries, have not paid sufficient attention to these distinctive institutional factors in Korea and Taiwan.

The three important findings of this article that were possible to highlight through the theoretical insight provided by the historical institutional approach are as follows. First, the time variations in the extension of entitlement to health insurance to the non-wage-earning population in Korea and Taiwan can be related to the time variations in implementing direct presidential elections in the two countries. Second, the occasion of direct presidential elections seems to be important for the transformation of social policy orientation in both Korea and Taiwan. Third, the diffusion of international norms have had a positive impact on the extension of entitlement to health insurance to the non-wage-earning population and thus have contributed to the improvement of the well-being of underprivileged citizens.

## Concluding remarks

This dissertation has dealt with a comparison of social policy development in two developing countries, Korea and Taiwan, with the aim of exploring some important factors affecting the social policy development in the two countries. By tracing the historical origin of the modern social security institutions as well as the historical process of modernization of medical care in Korea and Taiwan, this study illustrates the complexity behind the extension of entitlement to health insurance in Korea and Taiwan during the post World War II period. The extension of entitlement to health insurance to the non-wage-earning population in both Korea and Taiwan indicates a significant departure from previous social policy practices by the governments of the two countries. This is because it signifies the transition in the role of the state in social policy from that of a regulator to that of a financier.

The focus of analysis was, therefore, laid on the possible explanations to the time variation in the extension of entitlement to health insurance for the

non-wage-earning population and the reasons behind the two countries' re-orientation of their social policy practices.

In so doing this dissertation has employed a historical institutional approach that helps draw particular attention to the common political system and culture of Korea and Taiwan. Earlier studies, often concerned with demonstrating the general patterns of social policy development in the East Asian countries, have not paid sufficient attention to these distinctive institutional factors in Korea and Taiwan.

The findings of this article can be summarised as follows. First, the time variations in the extension of entitlement to health insurance to the non-wage-earning population in Korea and Taiwan was related to the time variations in the implementation of direct presidential elections in the two countries. Second, direct presidential elections were the focal point for the transformation of social policy orientation in both Korea and Taiwan. Third, the diffusion of international norms have had a positive impact on the extension of entitlement to health insurance to the non-wage-earning population and thus have contributed to the improvement of the well-being of underprivileged citizens.

The significance of the direct presidential election factor in influencing the historical process of social policy development in Korea and Taiwan should be understood in the light of the distinctive political culture and the characteristics of political parties in the two countries. Traditionally, both Korea and Taiwan have maintained a person-oriented political culture. This implies that political decision-making has been highly concentrated around the major political leaders and that their personalities have assumed a prominent role in socio-political development. Political parties in Korea and Taiwan, unlike their counterparts in the West European countries, have not exhibited clearly diverging ideologies.

As for the significance of the diffusion of international norms, this should be understood in light of the particular status and fundamental orientation of the two states. A common feature is that both Korea and Taiwan belong to states that have sought to build up their respective nations to become comparable to the industrially advanced countries in the West during the post-World War II era. In the earlier period, this was sought through rapid economic development, while the aim in more recent years has been the development of social policy programs, even if many areas still need improvement. It has become even more important for the two states to demonstrate their conformity to international norms if they want to differentiate themselves from their counterparts on the other side of their national borders, i.e., from North Korea and the People's Republic of China, respectively.

In arguing for the significance of the above-mentioned two factors influencing the historical process of social policy development, this dissertation does not exclude the influence of other factors such as economic growth, democratization of the overall society, and the aging of the population on the

social policy development in the two countries. Like the studies of other historical institutionalists, this thesis has sought to develop some intermediate-level categories and concepts that would facilitate the understanding of variations in social policy outcomes between the two countries which share a number of commonalities. The complex process of social policy development in developing countries has also been pointed out in the section dealing with the four different approaches to social policy.

This study has two key theoretical implications for social policy studies in Korea and Taiwan. First, in order to reflect the complexity of social policy development in developing countries, it is necessary to examine a variety of causal factors that are assumed to be closely related to the issue in question. Second, the majority of existing explanations on the logic of social policy in East Asian countries are too general to offer a clear explanation of why the governments of Korea and Taiwan have transformed their social policy orientation at some specific point in time. This is valid even regarding explanations based on the logic of political legitimacy. Further specification is required so that one can locate clearly in which conjuncture in history the political legitimacy is called into question and in which context the crisis in political legitimacy is translated into the improvement of the well-being of the underprivileged. The present study shows that the historical institutional approach provides new insight into the historical logic of social policy development in Korea and Taiwan. As pointed out earlier, in the cases of the two countries, the direct presidential elections are occasions during which political legitimacy is called into question. The extension of entitlement to health insurance to the non-wage-earning population around the time of direct presidential elections was employed as an important political strategy for improving the political legitimacy of regimes on both the national and international level.

There are two significant methodological ramifications of this dissertation. One is that the comparative historical approach to social policy development in Korea and Taiwan yields new insights into the differences in interpretation and understanding of social policy intervention. The other is that by focusing on two countries that share a number of similarities, the thesis could effectively concentrate on the complexity of factors behind national variations on a common policy issue.

There are three important empirical ramifications of this dissertation. First, to analyse social policy intervention in developing countries, it is necessary to trace the historical origin of modern social security institutions in those countries. Second, to better illuminate the factors influencing the social policy development in developing countries, it is necessary first to focus on an issue of controversy and thereafter assess the issue with specific regards to the formal and informal institutions in which developing countries have developed their social policy programs.

Finally, the institutional factors influencing social policy development in the future will not necessarily be consistent with those factors revealed in this study for two crucial reasons. One is the emergence of pluralistic forces in both the Korean and Taiwanese polity since the mid-1980s, as well as the profound socio-economic transformation that Korea and Taiwan have undergone since the 1997-98 Asian economic crisis. The other is the fact that the great proportion of the population that has been brought under the protection of the statutory health insurance program will undoubtedly want a greater say in the improvement of health insurance benefits in the future.

Appendix 1. Map over Korea and Taiwan with their neighboring countries



Source: <http://altavista.com>, (2002-02-23), modified by the author.

Appendix 2. List of some previous comparative social policy studies concerning Korea and Taiwan

Year	Author(s)	Main focus	Examined types	Employed method	Countries included	Time periods	Major findings
1986	James Midgley	Relationship between industrialization and social welfare	A variety of social security provisions	Qualitative	Hong Kong, Korea, Singapore, Taiwan	1950s-1980s	No relationship between industrialization and social policy development.
1986	Nelson W. S. Chow	Industrialization and social policy provision	A variety of social security provisions	Qualitative	Hong Kong, Korea, Singapore, Taiwan	1980s	No relationship between industrial development and social policy development.
1990	Catherine Jones	Characteristics of five Asian welfare states	Government expenditure in defense, education, social security, health care, housing	Descriptive	Hong Kong, Korea, Singapore, Taiwan, Japan	1960s-1986	The low state intervention in social welfare has been conducive to the working of welfare capitalism.
1992	Frederic C. Deyo	Variations in social policy	Income policy, wage subsidy, education, social security program	Descriptive	Hong Kong, Korea, Singapore, Taiwan	1960s-1980s	Economic development and proactive social policy have been mutually supportive.
1992	Stewart MacPherson	Characteristics of social policy	A variety of social programs as well as general social and environmental policy	Descriptive	The Four Asian NICs, Bangladesh, Burma, China, India, Malaysia, Philippines, Thailand	Early 1990s	The economic adjustment by the governments of the Asia Pacific region in the wake of the turbulence in the world system has adverse impacts on social and environmental development. The dominance of reactive approach to social welfare and social policy, sporadic piecemeal efforts to deal with social problem.

1993	Catherine Jones	Characteristics of welfare state	Social security, health, education, social welfare service	Descriptive	Hong Kong, Korea, Singapore, Taiwan, Japan	Early 1990s	Confucian welfare state, 'household economy' welfare states.
1995 <sup>a</sup>	Mishra Ramesh	Differences in statutory social security arrangements	Government expenditure in social security programs	Qualitative	South Korea, Singapore	1972-1991	The variations are related to the different economic objective of the two states and the different international social constraints they face.
1995	Howard A. Palley and Chikako Usui	Variations in social policy for elderly	Pension, welfare service	Descriptive	Japan, Korea	Post-WWII period	Korea has developed its social policy for the elderly in more incremental manner than Japan.
1996	Alan Walker and Chack-Kie Wong	Question the Western ethnocentric construction of the welfare state that predominates in comparative social policy research	Public and social spending	Qualitative	China, Hong Kong	1970-1991	Social policy research needs a global political economy perspective.
1996	Roger Goodman and Ito Peng	East Asian social welfare systems	A variety of social welfare programs	Qualitative	Japan, Korea, Taiwan	1892-1994	Social welfare policy is subordinated to the state's economic policy. Japan, Korea and Taiwan show significant divergences in the patterns of social welfare. "Learn-as-we-go-approach" to social welfare.

1997	Huck-ju Kwon	East Asian welfare systems	Government spending, income distribution	Qualitative	Japan, Korea, UK, Sweden	1989-1992	Neither Timuss' classification nor Esping-Andersen's classification fit into the welfare systems in Korea and Japan. In both countries, state is regulator in financing welfare. Private transfers play a significant role in the mix of private and public welfare.
1998	Roger Goodman, Gordon White and Huck-ju Kwon (editors)	East Asian welfare systems, convergence or divergence among them	Housing (Singapore), pensions (South Korea), health insurance (Taiwan), personal social services (Japan), welfare system (Hong Kong), welfare reform (China)	Qualitative, Comparative approach	Japan, Korea, Taiwan, Hong Kong, Singapore, China	Post WWII period	The concentration on government expenditure as an indicator of welfare provisions leads to miss the other means through which welfare is provided and which are often regulated by government. East Asian governments of every type have been much more effective than Western governments at passing on to individual responsibility for their own welfare and simultaneously legitimating themselves via their welfare regimes.
1998	Huck-ju Kwon	Distinctiveness about the welfare systems in East Asia	Social insurance programs, housing	Qualitative Historical institutional approach	Japan, Korea, Taiwan, Hong Kong, Singapore	Post WWII period	East Asian states play a role of regulator in financing welfare program. These welfare systems are less effective in redistribution.

2000	Sven E. O. Hort and Stein Kuhnle	Development of the Asian welfare states	Occupational injury, sickness, pension, unemployment insurance, family allowance	Qualitative	China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand	1919-1999	The Asian countries generally introduced social security programs at a lower level of 'modernization' than Western European countries. Rapid and strong economic growth in the decade 1985-1995 has in general been accompanied by welfare expansion. Even after the financial crisis of 1997 expansion of state welfare responsibility is more evident than efforts to reduce or dismantle state welfare responsibilities.
2000	Ian Holliday	Social policies in general	Bureaucratic politics at the unit level, a range of key shaping factors at the system level	Qualitative	Japan, Hong Kong, Korea, Singapore, Taiwan	Post WWII period	Japan, Hong Kong, Singapore, Korea and Taiwan are all part of productivist world of welfare capitalism, but they divide into sub-groups within it.
2000	Didier Jacobs	The sources of low public expenditures on social welfare	Public expenditures on education, health care, social security & welfare housing & community development	Qualitative	Japan, Hong Kong, Korea, Singapore, Taiwan	1980-1995	Public expenditures on social welfare are bound to rise a lot in Japan, Korea and Taiwan, while the level of protection in Hong Kong and Singapore is well below the standards of Western countries.
2001	Mishra Ramesh and Mukul G. Asher	Determinant of social policy	Health, education, social security	Qualitative	Indonesia, Malaysia, Philippines, Singapore, Thailand	Post WWII Period	Domestic factors play more significant role than international factors in shaping the orientation and substance of the social policies in the region. A high priority is given to education.

2001	Ian Gough	The impact of globalization on welfare systems	Social spending and welfare outcomes in terms of human development index and poverty rate	Quantitative	Korea, Malaysia, Thailand, the Philippines and Indonesia	After 1997	Despite common, sudden and decisive macroeconomic problems, the social policy reactions have differed across the five countries, in part reflecting variations in their welfare regimes.
2001	Elmer Rieger and Stephan Leibfried	East Asian welfare state structures, their distinctiveness and the logic behind them	Social security, public welfare, health, education, housing	Qualitative	Japan, Korea, Taiwan, Singapore, Hong Kong	Post World War II period	Social policy in East Asian countries has the following characteristics: a stronger integration of social policy to economic policy, a closer tie between the development of social policy and the development of general economic policy and private business establishments, less emphasis on universalism and egalitarianism. East Asian social policy has its roots in the Confucian culture.

## Appendix 3. List of some previous case studies of Korean social policy

Year	Author(s)	Main focus	Examined types	Employed method	Time periods	Major findings
1981	Joon-kyu Sohn	Social welfare policy-making	Three social security laws	Qualitative	1959-1979	Policy-making processes of social welfare in the sixties were more democratic, rational and scientific than in the seventies.
1985	In-Hyub Chang	The development of social welfare programs	Personal social services, social security programmes	Descriptive	1960-1980	The Korean welfare system is in the process of development. The co-ordination and integration of the private and public social welfare systems is an essential ingredient of a comprehensive Korean social welfare system.
1986	Ha-cheng Yeon	Social welfare policies	Social development policy, the relation between economic growth and social welfare, major social welfare programs, future plan for social welfare	Descriptive	1977-1984	Rising concern over income inequality and relative poverty. Economic growth has positive effects on social welfare. Health insurance system is under expansion and pension program is under consideration.
1993	Soonwon Kwon	Social protection and health insurance	Economic policy, the evolution of social security system, national health insurance	Qualitative, Multiple regression analysis	1962-1990	Health care demand by the citizens is more closely related with the increase in health care service resources and ages than the economic level

1995a	Mishra Ramesh	The rapid development of social security systems in Korea	Social insurance programs	Qualitative	1970s-1990s	Social insurance programs primarily benefit public servants, military personnel and urban wage-workers. They are in favour of the working of the market economy. They are closely associated with the state's industrialization strategy. The state-centred theory has the highest explanatory power.
1996	Sang-hoon Ahn	Genesis of the Korean welfare state	A variety of social programs and the four basic social insurance programs	Qualitative + Correlation and Multiple regression analysis	1948-1993	The emergence of the Korean welfare state is better explained by the 'conflict theory of welfare state' such as 'crisis theory' and 'power resource theory' than 'the evolution theory' such as 'industrialization theory' and 'economic growth theory'. The development of the Korean welfare state can be best explained by the politics of legitimatisation.
1999	Huck-ju Kwon	The development of social welfare	Industrial accident insurance, the public assistance program, national health insurance, the national pension program	Qualitative Historical institutional approach	1960-1992	

4 Appendix 4. List of some previous case studies of Taiwanese social policy

Year	Author(s)	Main focus	Examined types	Employed method	Time periods	Major findings
1985	Gordon Hou-Sheng Chan	The development of social welfare programs	Personal social service, social security programmes	Qualitative	1945-early 1980s	The three forces – traditional ideas of social welfare, internal social response to industrialization, and the exogenous impacts on Taiwan's economy – are intertwined to shape the welfare system of Taiwan.
1985	Wen-Hui Tsai and Ly-Yung Chang	The development of social welfare programs	Child welfare, aged welfare, disabled welfare, social assistance programs	Qualitative	1950-1980	The development of these social welfare programs was closely related to both internal and external factors.
1990	Wan-I Lin	Social welfare development in Taiwan	Social insurance, social assistance and personal social service	Historical, qualitative + Time series analysis	1683-1980s	The development of social welfare in Taiwan has lagged behind the dramatic economic growth from 1945 to 1980s.
1991	Wan-I Lin	The structural determinants of welfare effort	Social insurance, social assistance and personal social service	Time series analysis	1952-1987	There is a strong relationship between the welfare effort and industrialization and economic growth in Taiwan. The allocation of social protection failed to keep pace with either the dramatic growth in national wealth or the people's demands for social program.
1995	Yeun-wen Ku	Taiwan's welfare development	Government's social expenditure	Qualitative	1955-1990	The level of Taiwan's social expenditure is relatively low. The KMT-related group receive over 70 percent of social expenditure Increases in social expenditure are more closely related to political than to economic factors.

1997	Wen-Hui Anna Tang	The evolution of the national health insurance in Taiwan	Health insurance	Qualitative	1950s-1990s	The evolution of domestic politics led to the passage of the National Health Insurance Act in 1995. The existing social insurance structure exerted a great influence on the implementation of compulsory national health insurance in 1995.
1997	Yeun-wen Ku	The relationship between Taiwan's capitalist development and the development of state welfare.	A wider social policies, including education and public health and social insurance	Historical, Qualitative	1895-1990	The development of state welfare in Taiwan was shaped by the varying degrees of four forces (the capitalist world system, state structure, state ideology and social structure). The development of state welfare in Taiwan is constrained by the contradiction and conflict induced by the capitalist development.
1998	Chao-Yin Lin	The policy-making process for Taiwan's national health insurance program	Health insurance	Qualitative	1986-1995	The key features of Taiwan's NHI policy-making process from 1986 to 1995 bore a closer resemblance to those of the pluralist model than those of the statist model or the corporatist model.
1998	Yeun-wen Ku	The development of social welfare	National health insurance	Qualitative	1980s-1996?	National Health Insurance is one of the outcomes of the democratisation in Taiwan in the 1980s during which the opposition Democratic Progressive Party and other social movement raised the heightened demand for welfare.

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