Globalisation, Political Discourse, and Welfare Systems in a Comparative Perspective: Germany, Japan, and the USA*

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Abstract: The welfare state in industrialised countries is being challenged by a number of developments: the globalisation or internationalisation of the economy, changing demographics, a transformation from industrial to post-industrial economies, as well as social and cultural changes. Although all of these variables are important, this paper addresses only the effects of globalisation on social policy arrangements in the Federal Republic of Germany, Japan, and the USA. The starting point of the paper is the hypothesis that the specific perception of globalisation and the constructed links to social policy arrangements within the political discourse must be taken into account when analyzing the effects of globalisation. Furthermore, it is argued that focusing solely on the state's activity within the realm of social policy might lead to distorted and misleading results. Finally, the different dynamics of welfare systems in the era of globalisation are discussed in a broader theoretical framework. It is argued that the concept of path dependency underestimates the changes that have taken place in the German, Japanese, and USA-American welfare systems.
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Introduction

Welfare states are currently being challenged by a number of developments: the globalisation or internationalisation of the economy, changing demographics, a transformation from industrial to post-industrial economies, as well as social and cultural changes [Kaufmann 1997]. Although all of these variables could be very important for specific changes in social policy, in this paper I will only address the effects of globalisation on social policy arrangements. It will be argued that the specific perception of globalisation and the constructed links to social policy within the political discourse must be taken into account as a key variable in an analysis of the effects of globalisation. Thus the central ques-

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tions addressed in this paper are: Has globalisation been causally related to changes of welfare systems within the political discourse? Have the constructed links between globalisation and the welfare system become dominant or even hegemonic within the political discourse? Have welfare systems changed in a way consistent with the specific perception of globalisation?

Furthermore, I argue that focusing solely on the *state's* activity within the realm of social policy could lead to distorted and misleading results. As case studies I have chosen Germany, Japan and the United States. These three countries constitute the centres of the current globalisation process, while at the same time they have large domestic markets and therefore seem less vulnerable to external economic developments. Moreover, Germany, Japan, and the USA have three very distinct welfare systems.

In the first part of the paper, I will briefly take up the debate within the social sciences about the economic limits of state social policy and highlight the importance of analysing the political discourse, before going on to discuss the concept of welfare systems in the second part. Third, I will show how various links between globalisation and the welfare system are socially constructed in different welfare systems. Fourth, I will sketch the more recent reform tendencies at the policy level. Finally, I will discuss the different dynamics of welfare systems in the era of globalisation in a broader theoretical framework.

1. Does globalisation limit social policy development?

The discussion concerning the economic limits of welfare states has a long tradition within politics and social sciences. It first received substantial attention, for example, from German social scientists as early as the late 1920s. These scholars argued that state social policy not only constitutes a burden but also a significant benefit for a capitalist economy [Heimann (1929) 1980; Briefs 1930]. In a more recent book published in the 1980s and entitled *Contradictions of the Welfare State*, Offe argues: "The contradiction is that while capitalism cannot coexist *with*, neither can it exist *without*, the welfare state" [Offe (1984) 1993: 153]. In other words, in addition to being a burden for the economy or the individual company, social policy can have various economic benefits, among which are the following: 1. Social policy can retain and enhance the physical ability to work; 2. Social policy can stabilise the demand function in times of economic crisis; 3. Additional benefits can occur as a result of the effects of social policy on the society as a whole, e.g. through its pacifying potential [Vobruba 1991: 49-89]. The extent of these benefits cannot be determined in an absolute and abstract manner and will likely differ among countries.

At the end of the 20th century social policy was once again identified as a burden by a substantial number of (political) economists. It was argued that the global economy increasingly determines the limits of the welfare state and will eventually lead to a transformation of welfare states into competition states [e.g. Jessop 1994]. However, various studies based primarily on quantitative empirical analysis contest these findings. They come to the conclusion that globalisation has not, or at least not yet, had significant effects on welfare state development. Therefore, one cannot speak of a secular transforma-

tion from welfare to (neo-liberal) competition states or even of an outright convergence on the basis of an Anglo-American model. It is argued that primarily domestic variables, especially demographics and party politics, still determine welfare state development [Garrett/Mitchell 1995; Esping-Andersen 1996; Garrett 1998]. Although this research has addressed very important issues, the process of political decision making has largely been treated as a black box. We still do not know empirically in what way globalisation influences social policy in different cultural and political settings. Does social policy constitute an asset or a burden in a global economy?

Furthermore, past research on the effects of globalisation did not address the fact that 'reality' is shaped to a large extent by social construction [Berger/Luckmann 1966] or, in other words, by the outcome of political discourse. Ian Hacking [1999] in his recent work entitled *The Social Construction of What?* has convincingly illuminated the different dimensions and the comprehensive reach of social construction. This is not to say that an increase in international trade or capital flows does not matter at all, but rather that these indicators can frame the political discourse. Hence, no magical, automatic process of functional adjustment and system adaptation exists. Moreover, political discourses define "the norms that determine when certain conditions are to be regarded as policy problems. Objective conditions are seldom so compelling and so unambiguous that they set the policy agenda or dictate the appropriate conceptualization" [Majone 1989: 23 f.]. In other words, for globalisation to influence social policies it has to be acknowledged as a relevant issue by political actors. Actors will generally have to take into account different normative priorities, issues and challenges as well as the various interpretations relating to them before they develop 'interpretive patterns' [*Deutungsmuster*] that make sense and give meaning to social issues [Gerhards 1995: 224]. Accordingly, actors in different countries might interpret globalisation differently and relate their understanding of these processes to social policy arrangements in various ways, depending on past experiences and cognitive focal points. Finally, in democratic political systems policy proposals succeed in the *long run* only if they reflect dominant interpretive patterns.

Although important contributions have been made by political scientists towards advancing the understanding of the influence of ideas in policy making [Goldstein/Keohane 1993: 3-30; Hall 1989,1993], there has been very little systematic empirical work on the influence of globalisation - conceptualised as an idea or political discourse - in the study of comparative social policy (exceptions are [Schmidt 2000; Cox 2001]). Based on these considerations, and building on the argument of Cerny [1997: 256], whereby "[globalisation's] most crucial feature is that it constitutes a *discourse* - and, increasingly, a hegemonic discourse ...", it seems to be more than appropriate to empirically study the effects of globalisation on welfare systems by analysing the political discourse.

2. The concept of welfare systems

As indicated in the introduction, I will not limit my analysis to *state* social policies but intend to take a broader approach. What reasons are there to include other than state social policies in the analysis? State social policies constitute the predominant way of establishing

security against social risks in most (West) European countries. Accordingly, the concept of the state as providing various means to limit social risks has shaped comparative social policy research to a great extent. However, state social policy is only one option for insuring against social risks. Consequently, functional equivalents of state social policy must be included in a comparative analysis, which goes beyond the (West) European welfare states. Hence, I define a welfare system as the sum of all social policy arrangements within a society. In order to give meaning to the concept of the welfare system and to operationalise it in a comparative setting, one needs a well-defined reference point to determine *what* is functionally equivalent, otherwise, the meaning of the concept remains very vague [Schriewer 1999]. In general the concept of the welfare system can be related to the ideal understanding of welfare, put forward by Kaufmann, who defines welfare as a political exercise "to establish or guarantee societal situations in which the individual benefit and the common benefit do not diverge, but reinforce each other in the sense of synergic effects" [Kaufmann 1994: 357 f.; translation msk]. Based on this definition of welfare, the reference point is defined as a social arrangement, which insures against the key social risks of age, sickness and unemployment or poverty in a collective and redistributive manner, with a relatively high degree of certainty for future claims [*Erwartungssicherheit*] [Vobruba 1983: 99-101].

State social policy is commonly defined in a narrow sense, i.e. mainly focusing on nominal social programmes, e.g. old age, sickness, or unemployment insurance provisions. Usually, these programmes are able to meet the above-defined criteria. In my conceptualisation of the welfare system I will keep to this narrow perspective when talking about state social policy. A second very important pillar of the welfare system is *work policy.* Work policy can be defined as the organisation of work and production conditions through the state or industrial relations. Its aims are to promote social integration and stability in order to reduce the risk of unemployment and/or poverty due to market forces. Such a policy encompasses redistribution and can - at least in principle - provide the same level of *Erwartungssicherheit* as state social policy in the narrowly defined sense. In other words, if the state or the industrial relations system guarantee sufficiently paid jobs, there might not be a widely acknowledged 'need' for social transfer programmes, and thereby work policy could effectively substitute state social policy in the narrow sense.

In addition to state social policy and family arrangements, the concepts of the welfare mix and regime theory [Rose 1986; Esping Andersen 1990, 1999] stress the importance of the market in terms of welfare production. Yet the welfare mix approach and the regime theory do not methodologically differentiate between individually bought insurance schemes based on market conditions and fringe benefits negotiated by social partners. It can be argued that there is a great difference between these two forms of providing insurance against social risks. Fringe benefits in general can have redistributive as well as collective elements and are widely regulated by the state to provide a relatively high level of *Erwartungssicherheit.*[1] Based on these considerations, I will regard fringe benefits, or 'private social benefits' [Adema 1999], as functionally equivalent to state social policy.

[1] Insurance against social risks bought in the private market usually has a very low *Erwartungssicherheit*, it is dependent on personal characteristics - such as personal health conditions, income etc. - and therefore, does not entail elements of redistribution [Higgins 1981].

Taken together, fringe benefits, work policies, and state social policies are the three key pillars of the welfare system as defined in my work.[2] Although each of these three pillars will be developed at least to some extent in all industrial societies, their range will differ within the various welfare systems. If we consider Germany, Japan and the United States, it becomes evident that these countries established very different welfare systems during the 'golden era' of post-World War II capitalism. In Germany, state social policy constituted the corner piece of the welfare system. It was based on the concept of social insurance, whose major aim was to secure the standard of living (*Lebensstandardsicherung*) in case a social risk should occur. A regulative work policy emphasising standard employment relationships was the normative precondition of the social insurance system. Fringe benefits only played a negligible role in terms of insuring against the risks of age, sickness and unemployment.[3]

In Japan, work policy has traditionally constituted the corner stone of the welfare system, although fringe benefits have played a significant role in the overall make-up [Shinkawa/Pempel 1996]. Work policy was largely achieved through protectionism and governmental regulation in terms of securing the livelihood of less productive workers through work in sheltered sectors. The institutionalised norms of the 'Japanese employment system' strengthened this approach. Well into the 1980s, workers with unstable and atypical employment very often used their stable income from farming, which was state guaranteed, to secure their standard of living. In addition, the comparatively overextended and highly regulated retail sector offered a huge reservoir of protected jobs. These arrangements not only 'hid' the true employment situation, but offered income to workers who had retired from a regular job and returned to self-employment in order to increase their pension income. For example, in the 1980s "[r]etailing [was] filled with underemployed workers who in other societies might well be unemployed" [Patrick/Rohlen 1987: 350] and would have received unemployment insurance or old-age benefits which would have added to the social spending figures very often used in comparative analysis [cf. Carlile/Tilton 1998: 5f.]. However, these arrangements were for the most part not financed by the state, but through high consumer prices. Furthermore, the 'Japanese employment system' guaranteed so-called lifetime employment for its core work force in large companies by keeping workers employed even in an economic crisis, whereas in Germany as well as in the United States economic considerations would have led to the dismissal of the redundant workers [Ernst 1988]. In the domains of securing income for (less productive) workers and seniors, work policy dominated the Japanese welfare system in the post-World War II era.

In comparative analysis the USA welfare state is often described as liberal or residual, meaning that the market should dominate and state intervention should be minimal. However, this approach is biased because it does not systematically take into account the role of fringe benefits. Up until the early 1970s, one can argue that fringe benefits secured

[2] Although I acknowledge that the family and voluntary associations can play significant roles in securing the social risks of age, sickness, and unemployment, past developments have shown that these social policy arrangements score very low on the dimension of *Erwartungssicherheit*.

[3] For a historical and systematic overview of social policy in Germany see Schmidt [1998] and Frerich/Frey [1996].

a growing portion of the working population and their dependents against the risks of age and sickness. These benefits were largely negotiated collectively between the employers and the unions, and at the same time were highly regulated by the state. From the perspective of the unions fringe benefits were considered to be 'social rights' [Brown 1999: 135-164], similar to the rights guaranteed by the state. In this sense, fringe benefits substituted state social policy [Stevens 1990]. Thus if we consider insurance against social risks as the main indicator, the United States had (by the 1970s) developed a substantial welfare system, in which fringe benefits constituted the main pillar in providing security against the risks of sickness and old age. In addition, if we add the public and private social expenditures, the costs of the USA welfare system were almost identical to the costs of European welfare states in the 1970s [Seeleib-Kaiser 2001: 280]. Securing income for workers, however, was largely left to the market.

To summarise, if we include economies outside Western Europe in our comparative welfare state analysis, we have to search for possible social policy arrangements that are beyond the reach of the standard euro-centric approach to social policy. During the golden post-war era, Germany, Japan and the USA developed very different welfare systems with regard to the key institutions that are relied on for providing security against the core social risks of ageing, sickness, and unemployment. Theoretically, analysing only the nominal state social policy dimension can result in a partial and distorted picture of the possible effects of globalisation.

3. Globalisation and welfare systems in political discourse

Before addressing the substantive political discourses within the three welfare systems a few remarks concerning methodology are necessary. In order to identify possible links between the globalisation process and the welfare system a qualitative content analysis was used. I searched the political discourses from the mid-1970s to the late-1990s for statements linking elements of the three welfare systems to the globalisation process, i.e. to the liberalisation of trade, capital flows, and the issues of sovereignty and autonomy.[4] Since the number of political actors participating in a national political discourse is very large, including all of them in the analysis would have made this comparative study impossible. Skocpol and Rueschemeyer have stressed the role of epistemic communities in generating social knowledge [Skocpol/Rueschemeyer 1996], and although this might be a very good approach for identifying the origins of ideas, it does not seem to fit the key problem addressed in this study, i.e. linking the political discourse to policy changes. It is assumed that for ideas to successfully influence the decision-making process in a democratic system they have to evolve into (dominant) interpretive patterns that are persuasive to the political decision-makers. Hence, I focus exclusively on the political discourse as shaped by key political actors [Hall 1989: 376 f.; 1993: 280].[5]

[4] For an overview of the different dimensions of globalisation see Held et al. [1999].

[5] For further methodological details see Seeleib-Kaiser [2001].

Germany

In Germany, the political discourse of globalisation and the welfare system was primarily linked to state social policy. At the centre of the debate were the financing structures of the wage earner-centred social policy, i.e. social insurance contributions. Already in the mid-1970s, the Social Democrats raised the issue of globalisation and the increasing loss of autonomy with regard to pursuing an independent national economic policy. Generally speaking the Social Democrats emphasised the overall economic benefits of state social policy in times of increasing internationalisation, while at the same time arguing that the international economic situation made cuts in social policy programmes a necessity [SPD 1975; 1976].

Although the Christian Democrats initially rejected the argument brought forward by the Social Democrats in the 1970s, they utilised the increasingly global economy and developments in other countries to urge for a reduction of social insurance contributions and to demand cutbacks in state social policies in the early 1980s [CDU 1980: 45-48]. After the Christian Democrats gained power in late 1982 in a coalition with the Free Democrats, the debate about the negative impact of state social policies on the competitiveness of German companies receded, before resurfacing for a brief period in the late 1980s [CDU/CSU 1986: 12-41]. The ensuing unexpected German unification pushed the debate concerning the competitiveness of industry out of the forefront once again [cf. Heinelt/Weck 1998: 131 ff.]. Nevertheless, only three years after the formal unification was completed, and in the midst of a deep economic recession, the conservative coalition government placed the issue of staying competitive in the world market again at the top of its political agenda. It argued that state social policy would have to be consolidated. Reductions in social insurance contributions as well as corporate taxes were said to be imperative for staying competitive globally [Presse- und Informationsamt der Bundesregierung 1993: 60 f.]. Nonetheless, the governing coalition insisted that it was not its desire to unravel the state social policy and to implement a neo-liberal agenda. Indeed, the coalition argued that state social policy would generally benefit the economy within the global market; however, current arrangements were overextended, and therefore put pressure on the competitiveness of German companies [BMWi 1995: 64].

The opposition parties initially rejected the arguments put forward by the governing parties as an ideologically driven attack on state social policy, with the aim to redistribute from the bottom to the top [cf. SPD 1993]. Nevertheless, as the conservative coalition government continued to forcefully pursue the debate, the opposition parties accepted the general argument, starting around the time of the 1994 federal elections. By 1998, the Social Democrats as well as the Green Party included the demand to reduce social insurance contributions in their election platforms, justified by the argument that such a policy was needed to stay competitive in a global economy [SPD 1994; 1998; Bündnis 90/Die Grünen 1998].

Summarising the political discourse in Germany, one can argue that a strict budget consolidation policy and the need to reduce social insurance contributions in an era of globalisation in order to stay competitive have become the hegemonic interpretive pattern maintained by the political elite in Germany since the mid-1990s. However, arguments of

this kind did not fundamentally challenge the underlying belief that social policy in general promotes social peace and creates a positive climate in which businesses can flourish in the global economy. Moreover, the debate was about the specific structure and extent of state social policy in the era of globalisation and not about social policy per se.

Japan

In an analysis of the political discourse in Japan we can observe that globalisation was not primarily perceived in the past as limiting state social policy, but rather that the cost of work policy was the major issue in the debates of the 1980s and 1990s. Starting in the late 1970s, export-oriented companies - largely in consensus with the enterprise unions of those companies - demanded the liberalisation of agriculture and distribution policies. The high domestic prices, which were a result of protectionism in these sectors - so the argument ran - would increase wage demands, which would negatively affect the competitiveness of Japanese companies on world markets [Nikkeiren 1997: 13 f.; RIALS 1994: 5]. Furthermore, in the early 1990s, companies and unions feared that the United States would use trade policies to retaliate against Japanese protectionism [Rosenbluth 1992: 6; Kume 1997: 224]. Some governmental agencies even argued that an expansion of social provisions could counter accusations by foreign countries that Japan was relying on social dumping as part of its export strategy, and thereby contribute to keep foreign markets open for Japanese products [Kume 1998: 199 f.; Schwartz 1998: 138 ff.]. In the end a consensus was formed within the political elite, whereby it was deemed necessary to slowly open the market to foreign competition [Advisory Group on Economic Structural Adjustment for International Harmony 1986; 1987], while at the same time find new measures to maintain social cohesion. The proposed measures included increased investments in the social infrastructure, even if this meant increasing the government deficit, and a strong emphasis on employment policies [Kume 1998: 171 ff.] to buffer the impact of liberalisation [cf. Seeleib-Kaiser 2001: 206-215].

During the 1990s, enterprises were questioning another corner stone of the work policy, namely the Japanese employment system itself. This was based on the perceived need for more flexibility and cost reduction owing to the globalisation process. Against the vehement opposition of the unions, the employers demanded that the employment system be made flexible, which included a reduction in the percentage of lifetime employees [Keidanren 1995; Nikkeiren 1997a]. In order to achieve this aim, Keizai Doyukai [1997], an association of managers and executives, even proposed for example that substantial improvements be made in the unemployment insurance scheme. According to this association, improved access to unemployment insurance benefits would promote the necessary flexibility in the labour market. However, employers were not successful in dominating the political discourse, since the unions and government officials remained adamantly opposed to the proposed strategy [Osawa/Kingston 1996]. For example, Akira Takanashi [1995], the long-time chairman of the Central Employment Security Deliberative Council, argued: "the view of the 'flexible labor market' and that of disintegrating 'Japanese' employment practices are not at all acceptable". Ultimately employers, employees and the government em-

barked on a new project called 'The Third Way' which was intended to avoid the ills of the American and European responses to globalisation (i.e. the phenomena of the working poor and high unemployment rates [cf. Nikkeiren 1997b]).

From the analysis of the political discourse in Japan it is obvious that the key pillar of the Japanese welfare system, i.e. work policy, came under pressure through the process of globalisation. Eventually, a consensus was formed among political actors, who considered a change in the social policy arrangements within the Japanese political economy to be a necessity; nevertheless, it was felt that the proclaimed change should not go as far as to unravel the social fabric of Japanese society.

United States

With the increasing trade deficit during the 1980s, the loss of jobs and the costs of fringe benefits featured prominently in the political discourse [Democratic Party 1984]. Companies exposed to import penetration increasingly perceived fringe benefits as a cost factor, which impinged on their international competitiveness. During the late 1980s, demands by enterprises to reduce fringe benefits were the primary reason for strikes with more than 1000 involved workers [Victor 1990]. Furthermore, during the health care debate of the early 1990s, trade-oriented companies supported a greater role for government regulation in order to reduce their costs [cf. Committee on Ways and Means 1994: 184-192]. According to this view, employer-provided health care benefits had a negative effect on international competitiveness. This reasoning was also reflected in arguments put forward by the Democratic Party [1984: 79-B] starting in the mid-1980s, and culminated in President Clinton's call for national health care reform [Clinton 1994].

Like the debate on health care reform, the process of globalisation was used to justify the expansion of active labour market policies by the Democrats during the 1980s and 1990s. They argued that globalisation demanded increased investments in human capital [cf. Democratic Party 1984: 79-B; Reich 1991; Clinton/Gore 1992]. Alongside these arguments, the justification for an expanded active labour market policy was based on older arguments, which held that those workers who had been displaced by the effects of trade liberalisation policies were entitled to government compensation and training (for a historical perspective see [Frank 1977]).[6] In other words, the expansion of certain sectors of state social and active labour market policies was perceived by parts of the business community, as well as by the Democratic Party, as investments for promoting the competitiveness of the United States. State social policy was increasingly no longer viewed as an instrument primarily for use in the fight against poverty but as an instrument for boosting the economy in a global environment.

The political debates on the changes and reforms to the major public transfer programmes, i.e. AFDC or Social Security, were not explicitly connected to issues of globali-

[6] The interdependence of trade liberalisation and an expansion of active labour market policy resurfaced in all of the major trade debates, during the 1980s and 1990s [cf. Seeleib-Kaiser 2001: 288-298].

sation. Even during the Reagan administration, it was conservative ideological demands rather than the 'imperatives' of the global economy that largely drove the debates at the federal level [Seeleib-Kaiser 1993]. Accordingly, demands to expand state social and active labour market policies in the era of globalisation in order to increase competitiveness, as had been put forward by Democrats and segments of the business community since the late 1980s, met with fierce opposition from the Republican Party. Once again, their opposition was rooted in the conservative ideological agenda and not based on any possible economic limits determined by globalisation [Gingrich et al. 1994; House Republicans 1995].

Discourses in a Comparative Perspective

The analysis of the political discourses in the three countries has shown that globalisation was indeed linked to specific social policy arrangements in all three countries. However, the interpretive patterns were quite distinct. According to this analysis, globalisation per se does not constitute a limit to increased *state* social policy, independent of the specific welfare systems, as perhaps some Marxist or neo-liberal analysis stressing the transformation of welfare states into competition states would suggest. Moreover, the specific welfare systems, themselves based on historically rooted interpretive patterns, seem to determine the nature of the debate concerning the relationship between globalisation and social policy. Accordingly, the costs and benefits of the various pillars of the welfare system were interpreted differently. In Germany and Japan one can observe dominant interpretive patterns among the political elites in terms of the links between globalisation and the welfare system, whereas in the United States substantial differences among the elite persisted, owing to the fact that the Republicans for the most part did not perceive the globalisation process in relation to social policy arrangements.

4. The changing nature of welfare systems

Whether or not an overall change occurs in a welfare system is determined by the sum of the various perceived challenges it is facing. However, as has been shown, the challenge presented by globalisation has been *one* more or less continuous justification among political elites in *key* social policy debates over the last two and a half decades. This is not to say that other variables did not contribute to changes in the welfare systems. The point I am trying to make is that the perceived process of globalisation obviously had an impact on the 'need' to reform the three welfare systems. In this section, I will address the major policy changes in social policy within the three welfare systems over the last two and a half decades. This will allow us to evaluate in the conclusion whether the policy changes were consistent with the perceived needs for change due to globalisation.

Germany

Measures to limit the level of social insurance contributions have been a primary aim of the various social policy reforms since the 1970s.[7] One of the major consequences of this policy approach has been that in the case of unemployment and old age the former guarantee of the achieved living standard has become - to say the least - more fragile. The changes since the second half of the 1970s were initially primarily targeted at the unemployment insurance and active labour market policy. According to the Labour Promotion Reform Law enacted in 1997, an unemployed person can no longer reject an offer of work outside his or her occupation or level of qualification as unsuitable. In addition, an unemployed person now must, during the first three months of unemployment, accept a job offer even if it pays up to 20 percent less than the previous job, and up to 30 percent less in the following three months. After six months the unemployed person must accept basically any job offer which pays at least the amount of the unemployment compensation payment [Bieback 1997]. These changes are contradictory to the notion of securing the achieved standard of living through the social insurance scheme, and the state seems to be relying increasingly on a means-tested approach (for a similar argument see [Heinelt/Weck 1998: 48-56]).

Although the institution of old-age social insurance was largely left intact during the social policy changes of the 1980s and early 1990s, this was to change by the mid-1990s. Through the implementation of the *Rentenreformgesetz 1999*, which was legislated in 1997, the replacement rate for the model pensioner [*Eckrentner*] would have been reduced from 70 to 64 percent. Based on this measure, once again a substantial percentage of the elderly would have to depend on means-tested social assistance, according to estimates by the Chairman of the Social Security Council [Schmähl 1999: 417 f.]. However, at the same time, regulations were liberalised to strengthen the incentives for employers to provide fringe benefits [Wirth/Paul 1998]. With this legislation the former government coalition of Christian and Free Democrats implicitly decided to withdraw from the principle of publicly guaranteeing the former achieved standard of living. Although the incoming new red/green coalition government initially suspended the implementation of this law, a return to the *Lebensstandardsicherung* within the statutory old-age insurance was not on their agenda. Like the previous government their goal has been to limit the replacement rate at a considerably lower level and to encourage occupational and private arrangements in securing a larger portion of retirement income. In part this has been accomplished by the pension reform enacted in early 2001, which aims at controlling the future level of social insurance contributions. On the benefit side the implementation of this reform will lead to a reduction of the replacement ratio from 70 to 64 percent [Seeleib-Kaiser 2002].

Finally, if we look at the specific institutions of state social policy over the last 25 years, we can witness a substantial change in the normative underpinnings and institutional design. It becomes obvious that the formerly overarching principle of guaranteeing

[7] This approach was briefly interrupted by the unification process and the transfer of the structures of the West German welfare state to the East, which has resulted in a steep increase of social insurance contributions during the 1990s.

the once achieved standard of living through a wage-centred social insurance system is clearly receding in the effort to stabilise and eventually reduce the social insurance contributions. However, this development cannot be accurately described as a 'neo-liberal' policy approach. Moreover, it reflects a redefinition of the state's role under changed circumstances.

Japan

Analysing the Japanese welfare system, we saw substantial changes in the legislation governing the agricultural and distribution sectors aimed at liberalising the market. At the end of 1993 the government finally agreed to incrementally open the rice market to foreign competition, and in 1994 it lifted the monopoly on the distribution of rice in order to promote market mechanisms. However, a new fiscal programme to counter the possible negative effects - worth 6.1 trillion Yen - accompanied these market liberalisations. About fifty percent of the sum was set aside for public works programmes to improve the infrastructure of rural areas and more importantly to provide employment opportunities for farmers [Foreign Press Center 1996: 45 f.; Vogel 1997: 14]. In the retail sector, the so-called *Large Scale Retail Store Law* was substantially revised in the early 1990s, which made it easier for larger stores to compete in the market [Schoppa 1997: 146 ff.]. These changes have already led to substantial consequences in the retail sector by reducing the overall number of workers in this sector and especially the number employed in small retail shops. Together with the changes in the agricultural sector these changes will reduce the opportunities for less productive workers to be gainfully employed in sheltered sectors. Although the agricultural and the distribution sectors still absorb a substantial number of workers, these numbers are decreasing, and consequently the role of these sectors as functional equivalents to unemployment and pension schemes will diminish [Seeleib-Kaiser 2001: 217-220].

While there had also been pressures to liberalise the Japanese employment system, it did not change fundamentally for the insiders throughout the 1990s. In 1998, almost 7 percent of the workforce could be considered as in-house unemployed, i.e. workers who are formally still employed but have become redundant in an economic sense [Bosse 1998]. In addition, the insiders can still rely on the fringe benefit system, which has remained largely unchanged over the last decade. However, the employment system has lost its significance for the younger cohorts, for whom it has become increasingly difficult to enter the labour market on a permanent basis during the last two decades [Genda 2000].

At the same time, the state has extended its role within the welfare system in two ways: First, active labour market policies were expanded during the 1980s and 1990s. One primary focus was to give incentives to employers to keep particularly older workers in their employment [Kume 1998; Ohtake 2000]. Second, the state greatly enhanced public work programmes via massive deficit spending in order to cushion the structural changes - a policy which has been characterised as 'Keynes in the Orient' [Chorney 1996: 371]. At the end of the 1990s, the budget deficit had risen to about 10 percent and the debt to 116 percent of GDP, whereas at the beginning of the decade the Japanese government was still running a budget surplus [WuDunn/Kristof 1999].

If we look finally at the state social policy, we can witness a general consolidation occurring in the early 1980s, affecting in particular the 'able-bodied', prime-aged workers, whose access to social transfers was restricted. Yet these programmes have always played a minimal role within the welfare system, since the Japanese traditionally ascribe work with a very high value. In other areas clear expansions were visible: first, the minimum public pension system was improved through a reform legislated in 1984; second, expansions were enacted later in the 1980s and early 1990s in the areas of social services, including long-term care, and family policy [Seeleib-Kaiser/Thränhardt 2000].

To sum up, the Japanese welfare system is relying less on regulation and protectionism and more on fiscal policy and active labour market policies to reduce the risk of unemployment for less productive workers and provide security against the risk of old age. Although work policy still seems to be at the centre of the Japanese welfare system, there has been a substantial change in terms of the instruments used to achieve social cohesion. The role of direct fiscal intervention has clearly increased. To some extent these policies seem to resemble the stereotypical, orthodox social democratic approach.

United States

Looking at the USA welfare system, we have also witnessed changes that have increased the role of the state, while at the same time the significance of fringe benefits has declined substantially. The latter change can be traced to the restructuring of the workforce, which at least in part is the result of the globalisation process. While in 1979 about 70 percent of the USA population under the age of 65 had health insurance coverage through fringe benefits, the percentage declined to 63 percent in 1996 [Mishel et al. 1999: 146]. Low-skilled workers and those employed in the manufacturing sector, which is much more exposed to fierce international competition than other sectors of the economy, have been most severely affected by this development [EBRI 1997a]. Although we can observe a less dramatic decline within the domain of retirement benefits, workers are increasingly covered by defined contribution plans, whereas in the past they had been covered by defined benefit plans. With this structural change risk is shifted from the employers to the employees [EBRI 1997b; Economist 1999].

Along with this retrenchment in the sector of fringe benefits the government has *expanded* its role in health and active labour market policies through incremental reforms during the second half of the 1980s and in the early 1990s. In 1995, almost 14 percent of the population under the age of 65 were covered through governmental health care programmes, whereas only about 9 percent had been covered a decade earlier [Committee on Ways and Means, 1996: 1031]. Starting in the second half of the 1980s the federal government liberalised the eligibility criteria in the Medicaid programme in order to make access to health care easier for former welfare recipients and children of poor families. In addition, through the legislation of the *Health Insurance Portability and Accountability Act of 1996* the state intends to reduce the risk to workers of losing health care coverage automatically when changing employers. One of the goals of this law has been to increase the flexibility of workers in the labour market [Peterson 1998].

Although substantial cuts in active labour market policy were enacted during the first years of the Reagan administration, expenditures rose continuously thereafter until the mid-1990s. If we control for the percentage of the unemployed, the United States spent more on active labour market policies in 1995 than in 1975 [Seeleib-Kaiser 2001: 317-324]. Although the Clinton administration with its emphasis on improving human capital was unsuccessful in substantially reforming the active labour market policy, it managed to put greater emphasis on and achieve an increase in funding for programmes aimed at addressing the needs of dislocated workers [President of the United States 1998: 53].

Unemployment insurance and traditional public transfer programmes, such as the old-age retirement programme, did not undergo any substantial changes at the federal level. In the area of public assistance (read AFDC) the federal government transferred the full authority to determine eligibility and benefit standards to state governments and thereby withdrew its responsibility for the non-working poor.[8] At the same time, however, the federal government greatly expanded its support for the working poor through the Earned Income Tax Credit (EITC) programme, which at present covers about 18.5 million families, whereas the AFDC programme at its peak in 1994 supported about 5 million families [Committee on Ways and Means, 1996: 467; 2000: 813].

Contrary to conventional wisdom, we can find an expansion of the role of the federal government in social policy areas it in the past had neglected. An increasing part of the population is insured through the government against the risk of illness, whereas the once dominant fringe benefits are on the wane. In the area of active labor market policy the government is increasingly shifting the focus of programmes towards dislocated workers, who in the past had not been the primary target of its policies.

Policy Developments in a Comparative Perspective

The policy changes that we have witnessed in the three welfare systems during the last two and a half decades indicate that within each of them core elements of the post-World War II social compacts have undergone substantial changes. In Germany, the once dominant normative framework of securing against social risks through social insurance and thereby guaranteeing formerly achieved standards of living has become fragile. Even in the once sacred area of protecting against the risk of old age, we can see new elements of private arrangements. Japanese work policies have undergone substantial changes, leading to a greater reliance upon direct state intervention through active labour market and fiscal policies within the welfare system in order to secure against the risks of unemployment and old age. An increase in state social and work policies has also been the approach followed in the United States in securing against the risks of sickness, unemployment, and low pay, whereas the once dominant role of fringe benefits has been waning. Accordingly, describing these developments through the concept of path dependency would seem to exaggerate the stability of welfare systems. Although the three welfare systems still differ in a whole variety of dimen-

[8] However, compared with other programmes the authority of the federal government in this programme has never been comprehensive.

sions, they are more similar today than they were two and a half decades ago, each losing some of its distinct characteristics. How far these developments will continue into the future and whether they can be generalised is not yet fully clear. However, other recent research that shows a greater emphasis on the 'formal welfare state', i.e. state social policies, in Australia and New Zealand [Schwartz 2000; 2001], as well as a trend towards strengthening 'private' social policy arrangements in some Scandinavian countries [Benner/Vad 2000], corresponds with the evidence presented here. We seem to be witnessing a more widespread development towards convergence among the different welfare systems.

5. Conclusion: some theoretical reflections on comparative social policy

The process of globalisation was linked to 'necessary' changes within the three welfare systems analysed. In Japan and Germany we see dominant interpretive patterns, while in the USA differences within the elite continue to exist. The policy changes implemented in the last two and a half decades largely correspond to the constructed links between the process of globalisation and the welfare system. These findings contradict the analysis, whereby globalisation did not have any significant influence on social policy. In contrast to traditional comparative studies of social policy this analysis did not assume interests or party preferences ex post. Moreover, it systematically studied the justifications on the part of the political elite for policy changes as well as the changes themselves. Demographics and the theory of power resources could be able to explain differences among various countries, such as the Federal Republic of Germany, Japan, and the USA, but they cannot explain, why the three welfare systems have changed in the way they have. If we want to grasp the meaning of the dynamics and causal relationships behind change, we have to place greater emphasis on the analysis of the political discourse and look beyond nominal state social policy.

The interpretation of globalisation can lead to a redefinition of the economic costs and benefits of state social policy within the various welfare systems. Generally speaking we cannot find any unrestrained development towards pure market solutions, as orthodox neo-liberal or Marxist analysis would suggest. On the one hand, we can observe developments towards a greater emphasis on state social policies in those countries which had previously relied more on 'private' solutions, such as fringe benefits and work policies, owing to the perceived needs of globalisation. On the other hand, Germany, which has relied heavily on state social policy in the past, is increasingly focusing on the introduction of at least some 'private' solutions to secure against the basic risks of modernity. Based on these findings, comparative social policy analysis should move beyond the standard repertoire of analysis, which is still very heavily biased towards analysing public social expenditure data and nominal social policy. Moreover, we should also include functional equivalents of state social policy when comparing social policy developments and welfare systems across cultural boundaries. Only if we take a broad perspective is it possible to understand the causal effects of globalisation on the state's capacity and willingness to intervene in markets, and of the dynamics within the current welfare systems. In this sense we could conceive a welfare system as a space for options, which leaves room for national adjustments that do not necessarily have to lead to a race to the botton.

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Renewal of the Library of the Institute of Sociology, Academy of Sciences, Czech Republic, Prague

During the week of August 12-18, Prague and other parts of the Czech Republic suffered the worst flooding seen in more than a century. The oldest parts of the city, where the Institute of Sociology is located, had prepared in advance for events of this kind but not of this scope: at the height of the flooding the Vltava River was seven meters above its normal level. Many institutions and businesses in the area of the Old Town, such as the National Theatre, the Czech Philharmonic Orchestra, the Municipal Library and the National Library, were inundated.

The storage facilities of the Library of the Institute of Sociology, which it shared with the Institute of Philosophy, are located below ground, and consequently were completely flooded, with the water as high as 2.75 meters in some rooms. By the time the police permitted access to the area again, large parts of the Library's collections were destroyed.

The Library contained numerous volumes dating back over the last two centuries, with more than 120,000 books and other domestic and foreign publications, 90,000 of which were located in the underground storage space. Unfortunately, we managed to remove only a small portion of the collection before the flooding. After, volunteers worked to save the books by removing and preparing them for a cold-storage facility, but what was not frozen within 48 hours was lost. Approximately 25,000 books have been frozen, but we do not know how many of these will ultimately be salvageable once they have been dried. We have certainly lost at least 30,000 volumes, including many series of journals which were often the only copies available in the Czech Republic.

This is a heavy blow to the academic community, and particularly the Institute of Sociology which was only renewed in 1990. Probably the largest source of sociological and related literature in the Czech Republic has been almost completely destroyed. Many books, journals and materials that were obtained with serious difficulty, and often only with international help, have now been lost. It will be difficult for the Institute to overcome this loss, not only for financial reasons but also as the Library's large collection served the needs of so many - researchers at the Institute, its guests, the larger academic community, and students - both through direct access and inter-library loans.

We would welcome and appreciate any assistance from those interested, either through the material contribution of books and journals or through a financial donation to the Institute of Sociology of the Academy of Sciences of the Czech Republic, Jilská 1, Prague, 1, Czech Republic.

Czech Crown account no.: 18038031/0710

EURO account no.: 478665183/0300

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