V　福祉をめぐる個人・国家そして市民社会

15. Between Self-responsibility and Social Security: Japan and European Social Models from a Historical Perspective*

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Validity and Limits of the European Social Model

Is the European Social Model Transnational?

As integration within the European Union brings the idea of one Europe ever closer to reality, the process has generated positive discussion that the continent has its own social model with its own identity, or European-ness, especially when compared with the North American countries or Japan (Fink, Lewis, & Clarke 2001, Kaelble 1987). One of the most important features of the European model is the formation of the social security system and the emergence of the welfare state (*Sozialstaat*) as represented primarily by England, Germany, and Sweden. Europe is characterized as a fortress of the modern welfare states, which laid the institutional foundations of social insurance for accidents, illness, and old age before World War I and which greatly expanded the welfare system after World War II. This social security system has served increasingly as a beacon for the world, too, demonstrating a unidirectional transnationality captured in the expression "from Europe to outside Europe, never vice versa" (*vom Europa nach Übersee, nie umgekehrt*) (Kaelble 1987, p. 78).

Here two antithetical dimensions of the European social model are particularly notable. One is the uniqueness of European society when compared to the United States, Japan, or Australia. The other dimension is Europe's transnationality, or universality, its strong influence over many countries of the world. If this transnationality were strong enough, Europe's uniqueness would diminish and end. Conversely, if Europe were to remain unique, then its transnationality in the world would stay limited. Clearly, many countries outside Europe have followed the European experience, and some institutions adopted from Europe have already established their own tradition. Nevertheless, it is also true that they take their own stances quite · different from those in Europe. Many of these institutions have meanwhile acquired their own values, concepts, and forms based on their own social and historical conditions.

Such contrast exists in Europe itself as well (Esping-Andersen 1990, Leibfried & Pierson 1995). Esping-Andersen described the three different regimes of welfare capitalism that divided Europe into three models: the liberal (England), the conservative (Germany), and the social democratic (Sweden). Analyzing the historical and social process by which institutions formed in each of those countries, he derived the various approaches and concepts for dealing with universal risks in life. With this

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difference as a basis for further analysis, he then noted that the impacts of newly introduced social policies and their developments currently differ in the respective societies (Esping-Andersen 1996).

Because each regime of welfare capitalism has its own historical reasons for building its institutions in the manner it does, resolving the differences will not be so easy. The convergence of social policies in Europe is accelerating, however, with the path to one Europe being sought through points of agreement. The same issue exists at the world level. Dissimilarity among European, North American, Latin American, Oceanic, Japanese, and East Asian models is informed in each case by its own experiences and social conditions. The attempt to integrate them into a single system seems highly contentious, although the welfare-state systems in most of the countries have many European features—and problems—in common.

Where do these differences and similarities come from? How far do the differences go? Are these systems gradually converging toward a particular model? If Europe's approach to social security is a model for the world, in what manner and to what extent has it influenced the world? Which of its aspects have not had much impact—and why? Exploration of these questions may indicate whether the divergence between nations can be resolved in a unified system or whether they have to keep going their own ways. Investigations into Europe's universality and uniqueness can afford the chance to analyze the possibility and limits of creating a single model from different societies in the world.

Japan and European Social Models

Japan, whose industrialization began in the nineteenth century much earlier than in any other Asian country, lends itself well to this investigation. Because Japan had been eager to learn from western countries, it adopted many institutions from Europe. Since the very beginning of Japan's industrialization, the Japanese have chosen to follow the western—European and U.S. (*oubei*)—models. Especially from Germany, Japan has taken on many concepts and institutions from the health insurance bills in the 1890s to the Long-term Care Insurance Act of 2000. Japan is thus a textbook example of the transnational influence of the European, particularly the German, social model.

The result, however, remains specifically Japanese as regards both the level of social spending and the concepts and ways of dealing with the risks of life in society. Japan, with its own historical background and international position, has shaped a social security system with a character of its own. It may be instructive, then, to draw attention to important similarities and differences between the natures of the Japanese and European social security systems. Consider the following facets, which are based on Kaelble's (1987) main observations about the European social model:

1. *Europe rapidly and widely developed the first compulsory social insurance system, which characterizes the European social model.*

   Although the Japanese system of compulsory social insurance developed somewhat later than the ones in Europe did, it can still be classified as European. Japan began in the 1890s to attempt a transfer of the German system. Between World War I and World War II, most of the components were indeed taken on: compulsory health insurance for workers (1922), compulsory workers' pension (1938), compulsory health insurance for employees (1940), and voluntary national pension insurance for the nonemployed, that is, peasants, fishermen, and the self-employed (1941). Creation of the compulsory national pension scheme followed (1958), and universal insurance coverage was introduced in 1961. The amount of the country's social spending remained low, but the system resembled Europe's in many ways from the outset, and still does. With Japanese social spending rapidly rising along with the numbers of the society's eldest members, the European system of social insurance has arguably had a strong transnational influence on Japanese practice.

2. *The European social insurance system originated with workers in industry, a characteristically large sector in European society.*

In Japan many similarities exist between the sequence of development in industry and that in social insurance. In the same way that modernization policy of the Japanese government focused on industry, social insurance in Japan began with industrial factory workers. In addition to government officials and soldiers, who had been protected since the 1870s, factory workers started receiving preferential compensation aid (1916), health insurance (1922), and pension insurance (1938), policies that seem to be pursued by many countries seeking to industrialize. Another similarity might be that the social security system was enlarged under political and military pressure to prosecute war, in this case World Wars I and II (Titmuss 1963).

What distinguished Japan from Europe was the absence of traditional independent groups for mutual aid among workers as a basis for insurance. Europe had a long history of craft organizations and their mutual-aid associations, which became the foundation of social insurance systems that were organized in the world of work. In Japan, however, no such traditional groups existed for continuity of this kind, except companies.

3. *In Europe, political parties have had a big hand in shaping social security policy.*

The role that Japan's political parties have played in social security policy differs greatly from that of European parties. Government officials in Japan have always been much stronger than in Europe. The Japanese state has long had the character of a developmental state, and it set the supreme goal of catching up with the West. Discussions and conflicts concerning the formulation of social security policies have taken place only within government circles, not among the political parties, most of which have long depended on government officials. Because every party has had similar welfare policies, especially after World War II, they were said to be depoliticized (Takegawa 1997), even politically irrelevant.

The government has always decided on the substance of the policies, implemented the policies, and informed people about them. Every important policy-making issue pertaining to the insurance system, from health insurance to insurance for long-term care, has been passed to government officials and ex-officials in various organizations and universities. Their keen study of European policies has enhanced their authority. Their policies have generally been regarded as precedents of good government and management in the interest of the public.

Hence, there is little chance to change the decision-making system through public discussion. People in Japan are accustomed to accepting the system from the government. It is almost impossible for Japanese to imagine that Europeans often stage mass demonstrations or strikes in opposition to government plans.

4. *Historically, Europe has had a stronger inclination to grant public assistance to people in need than to depend on families for support.*

Another main difference between Europe and Japan is the approach to helping people in need. Japan embraces the concept of self-help—that is, of self-responsibility, the obligation to help oneself. People had been helping them by themselves in their families, and were required to avoid burdening the authority. The Japanese think that public assistance spoils people and is thus the worst way to lend help. The authorities have always tried to restrict public assistance consistently. Self-efforts and possible support from the family were encouraged and compelled by the government. The government felt almost no responsibility to relieve poor people directly. Instead, government authorities have tried to pursue economic policies meant to prevent people from becoming poor. Moreover, the Japanese people have not been in the habit of asking for public assistance. Especially after World War II, they insisted on economic policies supporting the efforts of individuals to fend for themselves, an attitude that survives to this day.

The indifference that both the Japanese people and their government show to civil, social, or public rights seems to be the key distinction between Japan and Europe. The words exist in the Japanese language, but they seem to remain imports from the West.

5. *Europe has had a long, steady tradition of nonstate, voluntary associations that effectively support and complement social welfare.*

In Germany, for instance, voluntary associations such as Caritas and Evangelical, Jewish, or workers' welfare organizations take responsibility for long-term care insurance. Japan, by contrast, is notable for its lack of associations such as guilds, friendly societies, Christian associations, and other voluntary independent groups. Of course, there have been individual Christians, Buddhists, and philanthropists who have dedicated their lives to social work, but they remained rare in Japanese society.

Labor unions did become a powerful force in Japan particularly after both world wars, but they played no positive role in social security policies. They were either too revolutionary to accept totalitarian welfare or too company-oriented to ask for civil rights. Social organizations for the poor were created in local communities beginning in 1918, but they were organized and controlled by national and local government, which monitored and restricted spending on public assistance. The absence of traditional independent movements is thus another of the most important differences between Japan and Europe.

6. *In most European countries the welfare state is characterized by a very high level of social spending.*

The concept of social spending does not seem to explain the Japanese social security system adequately. Economic policies such as public investments to achieve full-employment, tax exemptions for families and life insurance, and industrial policies to support small companies and the self-employed have functioned as important substitutes for welfare spending. Like workfare policies, they have been designed to reinforce the self-responsibility that people exercise in trying to avoid dependence on public welfare. These policies resulted in vast savings and in private life insurance in Japan after World War II.

Unemployment insurance and child benefits are prime examples of European measures that Japan long shunned. Company retirement benefits and government investment in creating jobs in needy regions have long been surrogates for unemployment insurance, not as labor market policy but as economic policy. In lieu of child benefits, there was the family, the company's family allowance, and a tax reduction for having children. The formal indexes and statistics of the welfare state in Europe sometimes cannot account for these features in Japan.

The Japanese Way of Dealing with Risks

Although the social insurance system and its institutions were eagerly imported from Europe and are now firmly rooted in Japan, Japan has developed its own way of dealing with security and life's risks in society. Institutional similarity and apparent convergence between the Japanese approach and its European model are apt to belie their basic difference, which stems from long and quite separate historical processes. Of course, both systems entail aspects associated with industrialization, national development, and war, but the Japanese welfare mix is rooted in its own historical conditions specific to that country.

The rest of this section offers an advance summary of hypotheses on the historical factors that have formed the Japanese social security system. It focuses on the period from the beginning of the country's industrialization in 1868 to the present, which is discussed in greater detail thereafter.

Dual Structure with Different Concepts

Japanese society is based mainly on the concept of self-help or self-responsibility, which stems from the traditional, self-imposed injunction that one should not trouble others and should not burden authorities. Within that framework, social security was introduced for certain privileged people: soldiers, government officials, workers, and employees. They were regarded as contributors to development—the national goal. This social security arrangement was partly a continuation of the administrative system of the Edo period but drew primarily on imported European models.

From the 1870s on, a dual structure with different concepts formed in Japan. Most of the working population consisted of peasants, fishermen, self-employed persons, and small factory workers, all of whom were left to rely mainly on themselves. By contrast, people working in large organizations enjoyed a higher level of lifelong protection. Only men figured as members of this community, and these employed males were insured as the family breadwinners.

The Basic Milieu of Self-responsibility

Before industrialization, most Japanese had been small peasants and fishermen, who made their living independently. For over 200 years in the Edo period, people relied on their self-sufficiency, paying taxes but also providing food for the urban market to improve their lot. They worked hard on their own for their individual family units. Families were relatively small, averaging about 4.5 persons, depending on the region. Women labored as diligently as men did, running independent side-businesses with all their opportunities and risks (Hayami 2001, Saito 1998, Smith 1988, Tanimoto 2003).

This system strengthened people's self-responsibility and mutual competitiveness. Apart from temporary organizations for local festivals, few voluntary, independent associations existed to ensure solidarity. There was also a tradition of small local groups organized under the Shogun for collective payment of taxes. They were not free associations but rather creations controlled from the top down.

When recession or depression periodically made it impossible for people to support themselves, the government would attempt to help them help themselves; not directly but by trying to prevent poverty, providing work through public investment, and promoting education to integrate them into society. People also expected the government to open opportunities for them on new markets. Both the government and the population thereby conformed to the concept of the individual's independence and self-reliance, without burdening social welfare.

The Basic Milieu of the Protected in Large Organizations

The employed, especially those in government and large companies, developed a completely different way of dealing with risks in life. Early on, these people created a security system to protect themselves with lifelong pensions, retirement benefits, compensation for on-the-job accidents, and health insurance by learning from Europe. Repeatedly enlarged, the system eventually protected this privileged group through various institutions with little relation to the market. Their standards of security differentiated into a hierarchy. With development as the national goal, the nearer one stood to the seat of authority, the better the benefits were. Many organizations regarded themselves as families or single communities, with the members of that closed circle enjoying better greater benefits than people outside it.

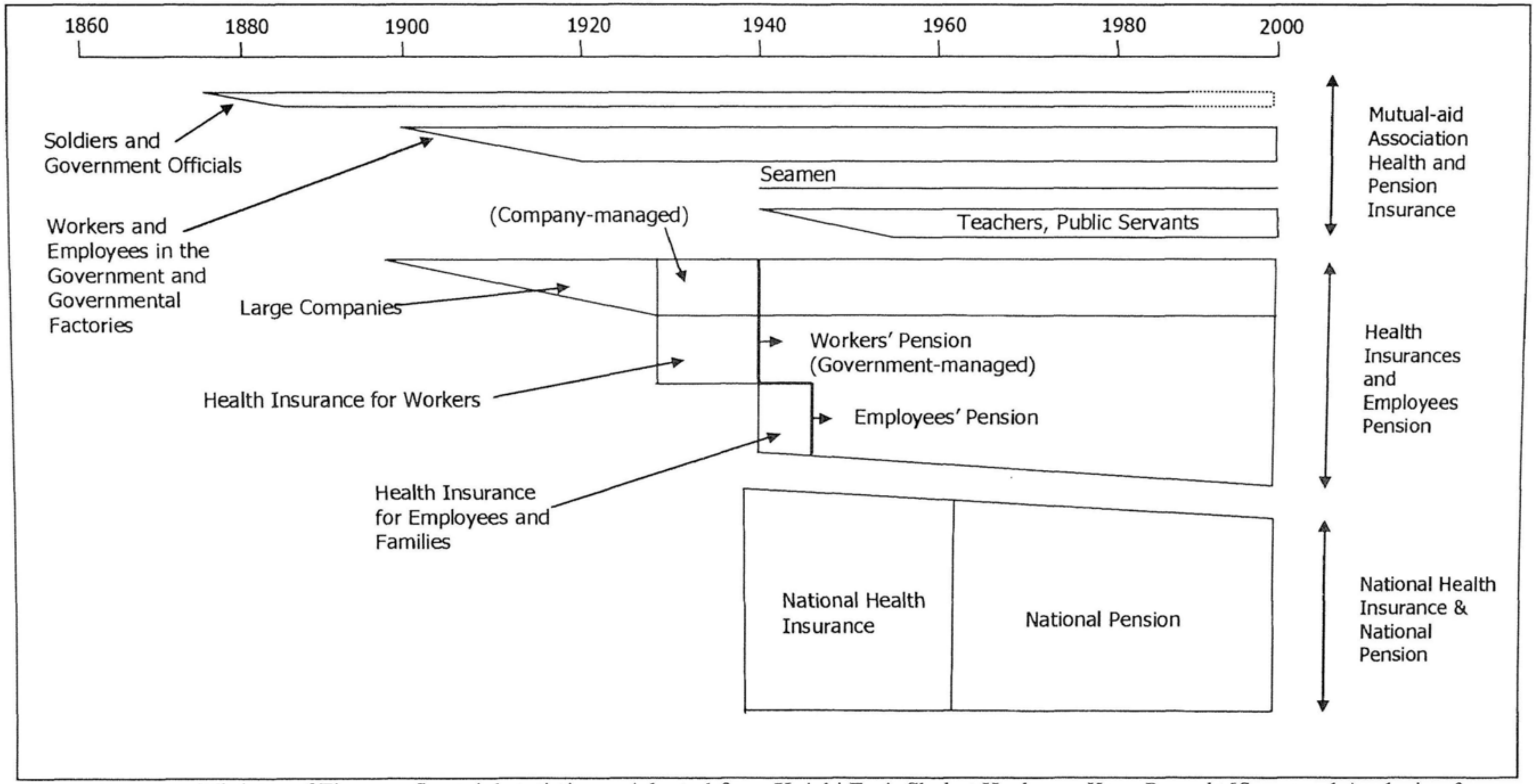
Many men, including their wives and children as a family unit, came to enjoy a relatively high level of security in this way. The system of protection was well managed and controlled by the organization automatically. These people did not have to worry about their lives and depended on their corporations.

Efforts to Increase Social Security, though Gaps Remain

Enlarging the Range of Coverage and Beneficiaries

The divide between the two groups has gradually decreased. Since the 1920s, the government has widened the health insurance system to encompass workers in small factories. Since 1938, it has brought the self-employed and the nonemployed into it as well, albeit with much different provisions. The authorities expanded social security partly in response to popular movements (after World War I and in the 1960s) and partly under pressure to upgrade the people's physical capacity to prosecute war from the 1930s to 1945. This enlargement, the drastic decline in the number of peasants and fishermen, and the increase in the number of employed people as a result of economic development after World War II made the system of privileged social security grow rapidly (see Figure 1). By 1961, the Japanese concept of social security had broadened to comprise the country's entire adult population, and the standard of insurance had risen, with the European system as the model.

Figure 1: Historical Process of Enlargment of the circle of insured people, 1870–2000.



Source: Japanese Ministry of Finance, financial statistics. Adapted from Koichi Emi, *Shakai Hosho no Kozo Bunseki* [Structural Analysis of Social Security], Tokyo: Iwanami shoten, 1984, pp. 68–69.

A Persistent Gap in the Levels and Concepts of Social Security

However, the Japanese social insurance system still had a structure with a hierarchical gap in benefits. Reflecting historical paths, three social insurance systems formed in sequence: first, for people in government employ as the best secured group; second, for company employees as the second best secured group; and last for the independently employed and nonemployed. A serious difference in the standard of insurance remained long after World War II. Although much has been done to decrease the gaps between the benefits granted to the different groups, and although a basic pension was introduced in 1985 as a common denominator for all pensions, Japan still has separate insurance systems with different levels of benefits.

Moreover, the structure of the systems still differs, particularly with regard to the concept of the family. The insurance system for both government and company employees was created for a male breadwinner so that he could support his entire family. The insurance system for the nonemployed was arranged for individuals, male or female. The co-existence of these two concepts—collective security in a closed, protected, male-breadwinner society as opposed to individual self-responsibility—still causes complication and confusion, especially for women.

Return to the Original Position under New Conditions

Reemphasis on Traditional Measures of Self-security

Japan experienced its economic miracle until 1973. On the strength of this economic development, the government announced its decision to make Japan a welfare state like Europe's at that juncture. But the oil shock in the same year faced Japan with another alternative, the "Japanese welfare society" (LDP 1979). In order to curb social spending, the government shifted emphasis to the self-responsibility of the individual, the family, and the companies, an approach reinforced by the neoliberalism of the 1980s. Japan has thus reverted to its traditional concept, according to which people, such as individual peasant families, work for the market competitively on their own as outsourced workers or independent contractors. Instead of social spending, economic, fiscal, and industrial policies—which are generally regarded as something quite separate from welfare policies—have continued to serve as traditional measures of social security in Japan. Because the government wanted to maintain and foster the principle that people take responsibility for themselves, it made public investments and gave subsidies to local governments to save jobs for local workers and to support their families. As a result, this policy replaced welfare spending. The government was not alone in seeking self-protection. The people, too, developed their self-security—by building up savings and taking out private life insurance.

Change in the Preconditions for Self-responsibility

The new problem of the traditional concept, however, is that the structural change in society has been eroding the traditionally strong ties in families and companies. The creation in 2000 of insurance for long-term care shows that the family's potential to give support is waning. Not a few companies, too, are lowering the level of collective security that they provide. Many young people wind up having to leave the protected circle of the employed by becoming temporary or outsourced workers. People today are sometimes in too weak a position to be self-responsible.

Differing Portrayal of the Japanese Welfare State

To grasp what this hypothesis means, it is instructive to know the manner in which the Japanese welfare state has been discussed in the literature.

From the Standpoint of Western Models

From the late 1970s to the early 1990s, Japan was hailed as a model for western countries. Observers stressed the merits of the Japanese community model, of the collectivism it promoted in the companies. Vogel (1979), for example, noted that social security at the company and family levels seemed to confirm Japan's economic success. Gould (1993), however, examined the Japanese welfare system in greater detail and advised against uncritical Japanization of social security. He specified not only merits of the system but also disadvantages such as its authoritarian character, and found it hard to see why Japanese did not expect the state to help them. More comprehensively, Dore (1973) and Albert (1991) underscored that the type of capitalism represented by Germany and Japan—known as organization-oriented capitalism or the Rhine model and often discussed as the community-based company—is diametrically opposed to the market–oriented capitalism of the Anglo-Saxon or American model.

Contradicting the emphasis that other analysts place on the Japanese community-based model, Esping-Andersen (1996) asserted that Japan is characterized by liberalism as much as England and the United States are. In the three worlds of welfare capitalism that he described, he positioned Japan basically in the liberal regime because the level of Japanese social spending was much lower than that in the two other regimes, although he also portrayed Japan as a corporatist-statist system. Several years later, though, he changed his position, categorizing Japan as a hybrid model derived from both the liberal and conservative regimes, for he found that the Japanese social insurance system has much in common with Germany's conservative model (Esping-Andersen 2001). In the same article, Japan was also referred to as a regime that is possibly even a mixture of three models, for it pursues a full-employment policy, an important feature of the social democratic regime.

Clearly, it has been difficult and confusing to classify Japan within the framework of ready-made models based on Europe (Miyamoto 2003). Japan is very similar to, yet also very different from, the various other regimes in the West. It has been sometimes referred to as a collective community, yet at other times it has been called a liberal society like that in Anglo-Saxon countries. Unable to fit into a single category, Japan has come to be recognized as a hybrid or mixture of the various types in the western countries. These regimes have been modeled solely on European or more broadly western experiences, and thus cannot adequately explain the different history and social framework from which they arose.

From the Standpoint of Asian Models

Attempts to find nonwestern frameworks for discussing Japan's system of social security have paralleled the explorations cited above. One norm proposed by Rose (1989) and Rose and Shiratori (1986) is the American-Pacific social welfare system, whose level of social spending is lower than that in many European countries. Jones (1993) rated eastern Asian social welfare society positively as a family welfare system rooted in Confucian precepts. Rieger and Leibfried (2003), too, have tried to explain the Japanese welfare state in terms of the difference between Christianity and Confucianism. Deyo (1992) adopted a wider hypothesis by discussing the developmental state and developmentally supportive social policy, which have validity for many late-developing countries. Goodman and Peng (1996) positioned the eastern Asian social welfare regimes in Korea and Taiwan as a Japan-focused model (Miyamoto 2003).

Analyzing Asian countries in their own contexts, these studies are more fruitful than the discussions based on western models. Even so, making models, especially unified models, of Asian experiences is not easy. Because the timing and history of Japan's development differs so much from that of other Asian countries, it is more difficult to create an Asian social model than a European one. In criticizing Welfare Orientalism, Goodman, White, and Kwon (1998), for instance, question the degree of similarity that Asian peoples are claimed to have through Confucianism.

A Step toward Resolving Contradictions

The seeming contradictions and confusion regarding Japan's social welfare system as described in the preceding reviews must be elucidated. First, why have some observers underlined its community-based collectivism while others have classified the system as liberal? What appears to be contradictory is not, however. It is consistently understood that Japan's community-based companies evolved in a society that espoused principles of the individual's self-responsibility. The same answer applies to the next question of whether Japan is a hybrid of the conservative and liberal welfare regimes. It is not a hybrid or mixture of regimes. It is mainly from Germany that Japan imported social insurance institutions for its originally small circle of protected members, which had emerged in a society imbued with a concept of self-responsibility.

Finally, why is Japan referred to as social democratic, although the Socialist Party has seldom governed the country? Japanese policies are not based on social democracy, although the full employment policy and the educational policy apparently look like the active labor market policies of social democracy. Japanese policies are based on the government's completely different concept of keeping people self-responsible, of helping them help themselves. Unlike social democracy, it is not related to a concept of solidarity. It is not designed to affirm people's right to work but rather to promote self-security and avoid dependence on government welfare. Hence, welfare spending aside from social insurance has been extremely low in Japan.

So far, research trying to account for Japan's economic success has focused mainly on Japanese companies and their collectivism, community orientation, and cultural (particularly Confucian) elements. As important as it is to study the structure and mechanism of major companies, those organizations are only a part of Japanese society. Previous research tended to ignore the bulk of Japanese society: all the people outside companies. They have not had the same logic as the large companies. Preserving the traditional way of life handed down from the Edo period, they formed individualistic, self-responsible family units instead. That way of life was rather market-conscious in its own way. The family units were competitive and industrious. They did not embrace the concept of solidarity with each other but rather practiced self-help, with the family members improving their lives through their own efforts on the market. This kind of people should not be ignored, especially in studies of the Japanese social security system. When seeking to comprehend the Japanese logic behind the country's approach to social security, one must keep in mind the major companies as well as these self-responsible people and the policies for them.

The Historical Approach to Analysis Today

Previous research has two further fundamental problems. First, it was apt to focus on contemporary analysis of statistics or policies. That method can sometimes clearly identify the characteristics of the Japanese social welfare system but often cannot clarify the reasons for them. As a result, such work had to rely on borrowed models or ready-made ideas. To avoid this limitation, I suggest taking a historical perspective on why and how the Japanese social security system evolved as it did, how it was influenced or not influenced by the European social mode, and how it has shaped the contemporary situation of Japan.

Second, previous research inside and outside Japan was pursued quite separately in Japanese and English, respectively. Not many Japanese have taken part in the discussion outside the country, and non-Japanese researchers have not sufficiently consulted many studies written in Japanese on Japanese social security. The following observations may bridge between the two worlds.

Historical Path Dependency of Japanese Social Security

This section gives a detailed look at the historical development of the Japanese social security system. It is divided into six main periods: 1868–1914, 1914–1931, 1931–1945, 1945–1955, 1955–1973, and 1973–1990s.

1868–1914

Insight into the Japanese system of social security first requires an appreciation of the historical and international environment of Japanese industrialization. The Japanese state was committed to economic development, a stance that predetermined the protection that people were afforded in the initial stage of the country's modernization.

Japan began modernizing in the Meiji period in 1868, after the Shogun was defeated in the Edo period (1603–1867). Contact with Western countries made Japan recognize its serious backwardness. As the new leaders of the state, government officials set their minds to catching up with the West. Their highest priority was the *fokoku-kyohei* policy, which meant strengthening the country's economy and army as in advanced Western countries. Within ten or twenty years of introducing Western systems, the new government had developed industry, banks, the police, the army, a host of laws, the Constitution, education, the medical system, and other elements of the social and economic infrastructure. All policies, social security among them, were designed to achieve this supreme goal of development. It has remained the nation's utmost priority, and until recently it essentially regulated the Japanese social system.

Introduction of the European Social Insurance System

Efforts to bring the German social insurance system to Japan began early. In 1881 the *Meiji Daily* reported the Imperial Decree of Kaiser Wilhelm I in Germany, who expanded a trail-blazing social policy program designed to insure the industrial workers against sickness, accident, disability, and old age (Seimei Hoken Gaisha Kyokai 1934, p. 113). The German initiative served as the model for Japan's first draft of workers' health insurance legislation, which was prepared by Shimpei Goto, an upper-class bureaucrat in the Japanese Ministry of the Interior. Living in Europe, mainly Germany, from 1890 until 1892, Goto had become familiar with the German social insurance system. He was much impressed by it and found Bismarckian compulsory health insurance the best way to ameliorate the lives of poor workers and thereby to help achieve the Japanese government's goal of *fukoku-kyohei*. He ordered Professor Seitaro Kubota to visit Europe and write the draft, which Goto submitted to the Japanese Cabinet in 1895, 1897, and 1898. Kubota also published *Workers' Compulsory Insurance* in 1899 as the first book to introduce the German social security system into Japan (Asakura 1957, Kondo 1974, Saguchi 1977).

Although Goto's efforts failed, German social insurance system received more public attention in Japan than it had beforehand. The Ministry of the Interior began to prepare its own draft of the workers' health insurance law. Many books on the subject were published, including Kosaku Uemura's *Workers' Insurance* (1906), Kumazo Kuwata's *Factory Act and Insurance* (1909), Makizo Totsuka's *Principles of German Social Security Laws* (1910), Hiromoto Mori's *Workers' Insurance* (1911), and the Postal Saving Bureau's *Social Security* (1912). These books explained the German social insurance system and furnished examples from Austria, Switzerland, Sweden, Norway, Denmark, England, France, and the United States. The Postal Saving Bureau was represented at the Fifth World Insurance Conference in Berlin in 1906, and the Society for Social Policy, founded in Japan in 1896 after the *Verein für Sozialpolitik* in Germany, took up the subject of workers' insurance in 1911. Gradually, Japanese public opinion came to favor an importation of the "advanced" social insurance system from Europe, especially from Germany.

Social Security for Nationally Important Members of Society

Nevertheless, the workers' insurance system was not approved until 1922, for the members of society who were presumably important for national development already enjoyed a certain degree of protection in this period. The earliest measures of Japanese social security served the government itself: the benefit pension (*onkyu*) for the navy (1875), the army (1876), and government officials (*kanri*) (1884). They were legally regulated in the Onkyu Act of 1890 and unified in 1923. The military and members of the government, as the key figures for *fukoku-kyohei*, received life-long security.

Workers in government-run factories were the next group to receive coverage, though their level of benefits was much lower than that for the military. To foster rapid industrialization, the Meiji government founded many arms factories, steel mills, shipyards, mining operations, and spinning and silk mills. As a matter of national policy, these workers were treated better than workers outside government factories. As of 1875, they received compensation aid if injured on the job, the first social security benefits granted to Japanese factory workers in the Meiji period (Daiichi 1982, Yoshiwara & Wada 1999).

As of 1880, the government began to sell these factories to large companies, later *zaibatsu,* such as Mitsui or Mitsubishi, transactions through which compensation aid for factory workers was introduced into the private sector in 1887. The circle of beneficiaries was augmented to encompass miners in 1890, who also received health insurance as of 1905, a measure modeled partly on the German *Knappschaftskasse* (German miners' insurance scheme).

The compensation aid for general factory workers was intended by the Ministry of Agriculture and Commerce in 1887 as a factory law modeled on legislation in England. But the government's plan met strong opposition from private companies, so its enactment was delayed until 1911. From 1916 on, the employer guaranteed the workers medical treatment and compensation of half their wages if they were injured or became sick on the job.

Mutual-Aid Associations in Corporations

Inspired partly by Japanese traditions and partly by European models, Japanese corporations began in the 1890s to form mutual-aid associations to provide for the protection of their members in private companies and government corporations (Kagoyama 1967, Saguchi 1977, Sakaguchi 1985).

One of the earliest instances is Mitsubishi ship-building under its director at that time, Heigoro Shoda (Nakanishi 2003). Influenced by Professor Shinkichi Koizumi, who had lived in England from 1875 to 1878, Shoda introduced health insurance for the workers in 1890 (amended in 1898), compensation aid for factory workers in 1897, and the retirement benefit and corporate pension for white-collar employees in 1902. All these ideas were from England, but the system was not mutual help or free association. It was organized and initiated by the company itself.

A second case is Kanebo Spinning, often referred to as the best and oldest insurance system in Japan (Muto 1934/1998, Saguchi 1977). The influence on this corporation's president, Sanji Muto, came from Germany. Muto had been greatly inspired by a book about the welfare system in the Krupp firm, which was regarded as an ideal model for the company health and pension insurance. In 1905 he created a company-managed mutual-aid association in Kanebo to cover diseases, accidents, death, and pension for all the workers. The Kanebo welfare scheme was based on an insurance premium equivalent to 3 percent of each worker's wages and the same, or more, amount of money from the company.

The epochal Japanese organization of this kind was the National Railway Mutual-Aid Association (Saguchi 1977, Woo 2003), which was conceived with the German model in mind after Japan's railways were nationalized in 1907. The association had begun germinating a year earlier with a Japanese government official who, on assignment in Germany, had been highly impressed by the welfare scheme of the German railway system. Upon returning to Japan, he gathered section chiefs, a math teacher, a German translator, and a professor of insurance and had them formulate a proposal for compulsory workers insurance based on the German system. Opposition from the Ministry of Finance at first limited coverage to compensation and retirement benefits when the plan was introduced in 1907. By 1911 it embraced about 100,000 workers and employees. The first president of the Japanese national railway, Shimpei Goto, advocated the concept of a large community or family as a basis for this insurance system.

In the following years, mutual-aid associations began to spread to many large private firms and departments of the government (see Table 1). Most of them had compensation aid, and many offered insurance for injury, disease, death, and a dismissal allowance. However, only large companies such as Mitsui, Mitsubishi, Toshiba, and Kanebo adopted pension systems, many of which were not insurance schemes but rather benefits from the company. Before World War I, mines had 76 mutual-aid associations; factories, 216 (Daiichi 1982, Rodo Shiryo Iinkai 1959).

All these systems were instituted from the top of the organization; they had nothing to do with voluntary mutual association or workers' movements. Unlike Europe, Japan had no tradition of workers' mutual-aid organizations (Nimura 2001). The welfare system was controlled solely by the company and was bestowed as collateral protection upon the loyal members of the community.

Table 1. Spread of the Mutual-Aid Association (*Kyosai Kumiai*)[a] among Major Private Companies and Government Organizations (1890–1920)[b]

Year	Organization
1890	Onoda Cement
1897	Mitsubishi Nagasaki Shipbuilding
1902	Ikegai Steel, Fuji Paper
1903	*Kure Navy Factory*, Hokkaido Coal Mine Steamship (Japan Steel Muroran)
1905	*Yahata Steel*, Kamaishi Steel, Kanebo Spinning
1906	Mitsubishi Kobe Shipbuilding
1907	*National Railway, Yokosuka Navy Factory* , Kubota Steel
1908	*Department of Government Monopoly*
1909	*Department of Government Printing, Department of Post*, Japan Steel
1911	Kobe Steel
1912	*Imperial Navy*
1914	Kawasaki Shipbuilding
1915	Shibaura Manufacture, Meidensha
1916	Uraga Shipbuilding, Sumitomo Steel, Muroran Steel
1917	Osaka Steel
1919	*Imperial Army, Department of Forest*, Ishikawajima shipbuilding
1920	*Police*, Hitachi, NEC, Osaka Machine

[a] Initially, it was called Aid Association (*kyusai kumiai*), meaning that the company relieved the employed.
[b] Italics signify government organizations.
Adapted from *Kenko Hoken-Ho Seiritsu-shi* [Formation of the Health Insurance Law], by Kiichi Ogawa (ed.), 1974, Osaka: Osaka-shiritsu-Daigaku Keizaigaku-Kai [Association for Economics of Osaka City University]; *Nihon Shakai Hoken Seido-shi* [History of the Japanese Social Insurance System], by Takashi Saguchi, 1977, Tokyo: Keiso Shobo; and *Nihon Kenko Hoken-ho Seiritsu-shi-ron* [Historical Formation of the Japanese Health Insurance Law], by Masayuki Sakaguchi, 1985, Tokyo: Koyo Shobo, pp. 33–34.

The first labor movement in Japan formed in 1887, and the first labor union in the country's heavy industry, the Steel Workers' Union (*Tekko Kumiai*), experimented with a mutual-aid system for disease, injury, death, and dismissal as of 1897. With the help of Fusataro Takano, who had worked as a general organizer of the American Federation of Labor in the United States and who had returned to Japan in 1895, the Steel Workers' Union tried to rally workers. Within one or two years, however, the effort collapsed from lack of internal motivation and from government repression of the socialists, ending the independent systematic mutual-aid system in the labor unions once and for all (Hyodo 1971).

The Japanese mutual-aid associations, controlled from the top in each organization and having no connection to voluntary movements, formed a foundation for later health insurance. In this respect, the mutual-aid associations were similar to the company health insurance funds (*Betriebskrankenkassen*) of nineteenth-century German corporate welfare schemes integrated in Bismarck's social insurance system (Tanaka 2001). In Japan, though, the associations were much less autonomous than their counterparts in Germany.

Public Assistance

The people covered by mutual-aid associations were highly privileged. As core members of society working for the national goal of development, they enjoyed greater protection in institutions than other people did. In Japan, the closer one was to the government, or the more important one's contribution was to the national goal, the better off one was, a relationship possibly not unlike many in developing countries in Latin America and Asia.

Most people, by contrast, were left on their own. In the Edo period, poor people were to be assisted by their families first, secondarily by relatives and neighbors, and only then by the local government (*han*), and lastly by the central government (*bakufu*). This arrangement resembled the structures encoded in the General Land Law of Prussia in the eighteenth century, except that Japan had no autonomous organizations like guilds.

Through the more than 260 years of the Edo period, most peasants and fishermen had only themselves to rely on. But their productivity rose as they strove to meet market demand, and their lives improved. They still had something to trade beyond what they eventually had to pay in taxes. Like small businesses, families sharpened their mutual competitiveness. In fact, many households enjoyed additional support from small side-businesses run by the family members. Accordingly, individual self-help became the traditional principle in this stratum of Japanese society.

The new government that ended the Edo period did not change the basic orientation to self-help (Yoshida 1960, p. 90). The Indigent Person's Relief Regulation (*Jukkyo-Kisoku*) of 1874 was the first public assistance law. It strictly limited eligibility to single males younger than 15 years or older than 70 in the family register who could not work and who had no family or relatives. In 1902, Tomoichi Inoue, an official in the Ministry of the Interior, explained with satisfaction that the number of poor people living on government relief was 16,000 in Japan, as compared to 1 million in England and 1.5 million in Germany and France (Ikemoto 1999). The government repeatedly asserted that people should help each other rather than burden the government. Means tests for public relief became stringent, and attempts to widen the circle of recipients all failed in 1891, 1897, and 1902.

In the field of medicine, the Japanese government adopted the German medical system in 1870, abandoning the traditional Chinese system, whose clinics were used by most Japanese at that time. Education and training in German medical science made progress in Japan, and the number of independent physicians increased, but most of the population lost access to formal medical treatment.

The lack of traditional voluntary groups for helping people left a void that was only partly filled by individual institutions. The Christian children's homes, the first of which was established by Catholic nuns in 1872; the Buddhist children's homes; and the Settlement House founded in Tokyo by Sen Katayama in 1897 (Tahiro 1987) were rather exceptions in Japanese society as a whole.

"Positive" Policies to Cope with the Poor

Although there was no concept of public responsibility for poor people or of a right to such protection, the government did have a policy to help people avoid impoverishment. In the early twentieth century, a new concept of social reform (*kanka-kyusai*), which later developed into a "social project" (*shakai jigyo*), emerged to cope with social changes such as labor movements and the burgeoning ranks of the poor in the recession after the Russo-Japanese War (1904–1905). The concept originally came from European social reform movements but was transformed by the Japanese Ministry of the Interior into a Confucian idea of "spiritually improving bad people through virtuous policy" (Ikemoto 1999, Tashiro & Kikuchi 1987). In other words, the intention was to educate and enlighten people to increase their motivation to contribute positively to the national goal of *fukoku-kyohei* and thus prevent them from adopting or espousing socialistic doctrine.

The new social reform policy rested on following principles: (a) It is more important to prevent people from becoming poor than to help the poor directly by giving money. (b) It is more important to reform people's spirit positively than to prevent them from becoming poor. (c) Independent self-help and mutual support among families and neighbors is the foundation of both the preceding principles. These "positive" policies, formulated by officials such as Inoue and Kubota, long characterized Japanese social security policy.

The concept of social solidarity came also from France. Ichimin Tago, an official in the Japanese Ministry of the Interior and later a member of the diet, stated that social policies should not aim mainly at protecting the weak but rather at increasing the happiness and freedom of the people (Tago 1922). This "positive" attitude led not to public assistance but to public investment in lieu a social security system.

With no tradition of voluntary associations and no constant movement of people, this initial attempt by Japan to introduce the European social model led to the model's adaptation to the Japanese context. The only mutual-aid systems that were formed were those in the corporations to protect the group most directly supporting Japan's national goal of development. The vast majority of the population was left out. The gap between two kinds of people in terms of the concept and level of protection became a gulf. A few core members of society enjoyed health insurance and lifelong pensions, whereas masses of people had only themselves to rely on.

1914–1931

During and after World War I, Japan felt the influence of the Russian Revolution and the creation of the International Labor Organization (ILO). Socialist and labor movements rapidly became powerful. In 1918 many strikes occurred in large companies and spontaneous mass action against climbing rice prices (the Rice Uprising), with housewives as the main protagonists, spread across Japan. That year the government appointed a committee to study relief programs, a step also taken by the Social Department in the Ministry of the Interior created in 1920. But turmoil persisted, with more than 300,000 people involved in labor disputes in 1919. In 1920 May Day was observed in Japan for the first time, and in 1922 the Japanese Communist Party was founded.

Just as socialist movements in Japan were inspired by those in Western countries, so were Japanese plans for social security. In order to calm public unrest and conciliate workers, many changes in social security were conceived and forwarded, a period that has been referred to as Japan's Bismarckian phase of carrot-and-stick policy (Saguchi 1977). Germany itself, however, had meanwhile undergone revolution and had shed the authoritarian character it had had under the Empire.

Introducing Health Insurance for Workers

Health insurance for the general worker in Japan was approved in 1922 and implemented in 1927. It figured among the most important systems that Japan modeled on European social insurance, specifically on German and Austrian practices of actuary and compulsory insurance for general workers, which covered sickness, injury, death, and childbirth.

The Japanese health insurance system had some of its own provisions, too, however. First, it applied only to factories with more than 15 workers (a threshold lowered to ten in 1923 and to five in 1934) and did not extend to white-collar or female workers. Nor did it pertain to the mutual-aid associations in government-run corporations. Second, the system provided for accident compensation from the employers, though in 1922 the communist-run Labor Union Alliance organized a strike against health insurance to keep workers from having to contribute to its funding.

The third important difference between the Japanese and European approaches to health insurance for the common worker was the insurers. In Germany, the insurers were a variety of groups with tradition, including the guild (*Innung*), the miner's association (*Knappschaft*), the auxiliary fund (*Hilfskasse*), the factory or company (*Betrieb*), and local authorities (*Ort*, *Gemeinde*). In Japan, the only organizations on which the health insurance system could depend were the mutual-aid associations on the welfare plans of the companies. The government made use of these associations, and companies who employed more than 500 workers had to create one after obtaining government approval. Companies with between 300 and 500 workers could create one. This insurance was company managed, with large companies becoming insurers, as in Germany.

Most small and medium-sized companies had neither any experience with mutual-aid associations or financial room to establish a new system. They were not as privileged and protected as big companies, so in this area the government became the direct insurer, an arrangement called government-managed insurance. The gap between company-managed and government-managed variants of the same health insurance persisted a long time, with the former type offering better security.

The use of a company-level association instead of a voluntary workers' association has been recognized in Japan as a specifically Japanese feature, at least when the system is compared to that in Britain (Ogawa 1974, Saguchi 1977). But having a company-level organization as a carrier of social insurance is not in itself unique, as shown by the company health insurance funds (*Betriebskrankenkassen*) in Germany (Tanaka 2001). The unique aspect of the system in Japan was the absence of any autonomous actor capable of becoming an insurer—aside from the government and large companies.

Japan's initial Health Insurance Act covered about 2 million people. By 1934, it reached more than 3 million people: approximately 2 million in the government-managed scheme and about 1 million in company-managed schemes. With a working population of about 26 million, of whom 4 million to 5 million were factory workers, Japan had at least half of its factory workers covered.

Public Investment and Retirement Benefits instead of Unemployment Insurance

Between 1918 and 1922, many other drafts drawing on the European model and advice from the ILO were planned as well. They included an unemployment insurance bill, a seamen's insurance bill providing for pension insurance, a labor union bill, and a bill for establishing public employment offices. Only the bill for public employment offices was successful (1921). In Japan, most such legislation failed to pass because of the gap between the European concepts on which they were based and the Japanese reality to which they had to be adapted.

In 1918 the investigative committee on relief programs combating unemployment submitted a report that made four recommendations. First, the government should require companies to try and avoid firing many workers at one time and, when such dismissals were inevitable, to pay them their retirement benefits. Second, the government should require local communities to make public investments in the construction of bridges, roads, and railways and to build factories for the army or navy. Third, the government should propose that unemployed people return to their farms and fields in their hometowns or reclaim new land. Fourth, the government should promote the creation of employment offices. These recommendations became the basic position of the government, which denied unemployment insurance but urged public investment to create jobs.

In 1925 the Minister of the Interior declared that Japan would not institute unemployment insurance, justifying the decision on the grounds that having the government pay money to unemployed people would encourage them to become lazy. Instead, the government henceforth began to pay subsidies to the communities, and the six major cities—Tokyo, Kyoto, Osaka, Yokohama, Kobe, and Nagoya—began earth-moving and construction work to absorb the unemployed. It was Japan's first experiment with influencing the labor market through public investment.

Retirement benefits constituted a second measure substituting for unemployment insurance. This system existed only in big companies, in only 7 percent of Japan's factories by company regulation, and in 10 percent without such regulation. Many labor unions therefore fought hard to win retirement benefits for their members between 1927 and 1934. In 1934, the Ministry of the Interior rejected the ILO's recommendation that unemployment insurance be compulsory, invoking the tradition of using the retirement benefit as a dismissal allowance. The ministry also studied the financial situation of unemployment insurance in Europe and concluded that it could seriously jeopardize the national budget. In the end, the ministry formulated the Retirement Benefit bill in 1935, enacting it in 1936.

The Elberfeld System from Germany

Although an increasing number of workers employed in companies entered the health insurance and retirement benefit scheme, other people were still left to fend for themselves. Even as unemployment soared after World War I, the government remained firm in its stance, which had not changed since passage of the Indigent Person's Relief Regulation of 1874. The Rice Uprising of 1918, however, did lead to a supplementary measure from Germany to cope with deteriorating conditions.

Known by the name of the German city in which it had been conceived in 1853, the Elberfeld system was an approach to civic social relief in which reputable men, as welfare committee members, were authorized to distribute tax money to the poor. A similar idea was introduced independently in Okayama in 1918, the same year in which the governor of Osaka had a professor draft a framework based on the Elberfeld system, which spread to Tokyo and other cities. In Osaka and Tokyo—Japan's largest urban centers—district committees (*homem-iin*) consisting of local officials, policemen, landlords, teachers, and doctors were formed to investigate the way of life led by the poor and to keep an eye on them.

The district committee system became law in Japan in 1936 and was adopted by all of the country's local communities as a way to fill the void in national relief policy. It had a communal top-down authoritarian character, however, and therefore granted little help to families in difficulty. Administered in cooperation with police, governors, and landlords, it functioned instead like a watchdog institution to prevent abuses of public assistance and to repress socialist movements. During World War II, this system also served as a vehicle for mobilizing the local people for the national cause. It was not a civil, voluntary organization, and though its name was changed to People's Life Committee (*minsei-iin*) after the war, its function did not shift fundamentally.

Europe has a steady tradition of community-level, voluntary, mutual-help organizations based on religion and labor movements, which leads to local mutual-help systems like social stations (*Sozialstationen*) in Germany. In Japan, by contrast, such voluntary systems, whether run by Christians, Buddhists, or labor movements, have remained rare exceptions. The major source of help for the poor was the government, which did not want people to burden it.

No Time for Social Reformism to Take Root

Despite the engrained preference for self-reliance in Japan, a current of European social reformism survived in part of the government. The Social Department in the Ministry of the Interior, the main leader of Japanese social policy in the 1920s, was strongly influenced by progressive European thought, which had come from many kinds of European social reform movements since the 1890s. Social Department officials thought it necessary to create legal institutions for promoting social welfare and preventing social unrest. This thinking produced the health insurance bill (finally passed in 1922) and the labor union bill, both of which were considered many times in the diet.

But the historical process in Japan differed greatly from that in Europe. In Germany, for example, the labor and social democratic movements had been forces even well before World War I. In Japan, only government officials had tried to introduce social reformism; the people themselves had had almost no experience speaking out or discussing in public. There was no platform for social reform other than the plan from the ministry. Second, revolutionary Marxism developed at the same time as social reformism, leading the socialist movements to begin attacking the policies of social reform as appeasement of the workers. As a result, social reform movements had little time to take root in Japanese society.

1931–1945

The period from 1931 through 1945, from the beginning of Japan's military involvement in China to the end of World War II, was epochal in the development of the Japanese social insurance system. The nation's supreme goal changed to that of winning the war. Accordingly, social policies were designed to improve the population's health, stabilize people's lives, and thereby equalize all the people to mobilize them for war, as in other countries during wartime (Janowitz 1976, Kazahaya 1939, Okochi 1940, Titmuss 1963, Zhong 1998). In 1938 the Ministry of Welfare was created and made independent of the Ministry of the Interior. The Ministry of Welfare established two important institutions—national health insurance for the nonemployed and pension insurance for all employees—as a foundation for a universal insurance system.

National Health Insurance for Self-Responsible People in 1938

Unlike the health insurance scheme introduced in 1927, the national health insurance plan approved in 1938 applied to all people of Japanese nationality who had no other kind of statutory health coverage, which meant especially the enormous population of small peasants and fishermen in the countryside (Saguchi 1995). It was originally designed as compulsory insurance in 1934 by the Social Department in the Ministry of the Interior but in 1938 was transformed into voluntary insurance for illness, injury, childbirth, and death. Its amendment in 1942 enabled the government to order the establishment of a National Health Insurance Association in each city, town, and village, so that everyone was covered by the compulsory health insurance system, even in the smallest villages. "The universal health insurance movement" was thereby promoted by many organizations under governmental control.

There was urgent demand for it. The Great Depression, which began in 1929, plunged the small peasants into mass starvation, driving them to infanticide and the selling of their daughters. Then came the Manchurian Incident in September 1931, which launched aggression in China. The beginning of the war convinced the Japanese government that the population's health and strength was the key to national military power, for most of the nation's soldiers came from impoverished districts and proved to be in poor physical condition. The government therefore decided to support these people. The only official to oppose the ideas was the Minister of Finance, who argued that there was no appropriate model in Europe for such a large part of the population. Army pressure in favor of the Ministry of Welfare at last made national health insurance a reality in 1938. By 1941 it covered about 7 million people. Because such insurance for small peasants and fishermen was still relatively uncommon in Europe at that time, the program has been referred to as an original Japanese experiment and as a response partly learned from Denmark's national health insurance (Kazahaya 1939, Saguchi 1977, p. 242).

For the first time in history, the entire group of people relying on traditional Japanese self-responsibility was brought into the social insurance system. The National Health Insurance Act of 1938 emphasized mutual help from the outset, not because it was a Japanese tradition but because the law was an initial attempt to extend the source of mutual help from the self-responsible family to social security at the national level. Although the system and standards of national health insurance differed greatly from those of health insurance known up to that time, Japan's experiment in 1938 represented a step toward a universal health insurance system.

To integrate all Japanese, other health insurance systems were either created or amended. White-collar health insurance and seamen's insurance were approved in 1939 and enacted in 1940. White-collar health insurance also encompassed the families of the employees for the first time, covering about 3 million people in total. The Seamen's Insurance Act introduced compulsory insurance, including pension and retirement benefits. In 1942, blue-collar health insurance and white-collar health insurance were combined into one system—employees' health insurance—to unify the nation for the new war against the United States, which began in December 1941 (Janowitz 1976, Wilensky 1975).

From Workers' Pension in 1941 to Employees' Pension in 1944

Under pressure from the armed forces, the Ministry of Welfare created a workers' pension insurance system in 1941 to preserve the labor force, eliminate working people's worries about the future, and focus attention on industrial efficiency. Another purpose was to raise money for the purchase of government bonds and to contain inflation caused by the enormous expense of the war. The plan provided for insurance for pensions, disability, death, survivors, and retirement benefits, and was compulsory only for men employed at factories with more than 10 workers. It was not a pay-as-you-go arrangement but a reserve system. After 20 years of paying 11 percent of their wages as contributions, people 55 years or older were eligible for a pension totaling 25 percent of their wages, a low ratio that was supposed to discourage early retirement.

With Japan's war situation deteriorating in 1944, workers' pension insurance was heavily amended to include all white-collar personnel, all employed women, and everyone in factories with more than 5 people (Kagoyama 1967). Its name was changed from workers' pension insurance to employees' pension insurance because its range henceforth went beyond workers, and also because many members of the diet voiced displeasure with use of the term "worker." Japan's elimination of the distinction between blue- and white-collar status thus predates that step in many European countries. Simultaneously, the retirement benefits were integrated into this insurance system. Company welfare systems became part of social insurance financed by both the workforce and the employers. Admittedly this reform had many limits. It was applied only to people employed in companies, and even they had to wait another twenty years for their pensions. But the building of reserves for pensions made its start with these measures.

Lingering Distinctions between Strata of the Japanese Social Security System

Until the end of World War II, Japanese social insurance became divided into three strata. The top-most one comprised the governmental mutual-aid associations, which covered soldiers, all people in government employ, seamen, and teachers. They were the earliest members of the government's mutual-aid associations, with its own privileged individual health insurance and mutual-aid pension, and were the ones most directly serving the national interest as defined by the government. The second tier consisted of the health insurance system and the employees' pension insurance, both of which applied to the people in companies: workers, miners, and white-collar employees. This level was subdivided into (a) the former private mutual-aid associations in large firms (company-managed insurance), which covered workers and employees who had traditionally been protected by various companies schemes, and (b) the less beneficial government-managed health and pension insurance that smaller companies granted.

The third stratum was the national health insurance system with no pension benefits. It applied to the least protected group—the nonemployed, especially peasants and fishermen, and people employed in factories with fewer than 5 workers. These people bore the greatest degree of responsibility for themselves. They were finally declared eligible for national health insurance during World War II but were still not in the pension system yet. Various relief measures, mainly targeted for this group, were also taken to help homeless families and the families of soldiers as of 1941. However, benefits were severely restricted by a means test to prevent abuse of the money (Kagoyama 1967).

Although this structure of separate insurance institutions in the Japanese social security system may seem similar to that in Europe, it meant something quite different. Japan had no traditional occupational groups except those of the privileged governmental elites. The three strata of the Japanese system were clearly more hierarchical than egalitarian. The concept of the protection afforded by each of them differed from one to the next, ranging from a very European style of social insurance to Japanese self-responsibility that entailed little social security. The Japanese system did not take up the concept of universal security that the European model seemed to embody. These characteristics formed during the war and basically still continue to regulate Japanese social security.

1945–1955

Introducing the American Model?

After World War II, Japan was occupied by the United States. Many people had lost their homes in air raids and to the two atomic bombs, and 13 million people, including demobilized soldiers, were unemployed. A dispirited population lived and starved in poverty for years. Communism and labor movements emerged to lead a revolution against the feudal-capitalist regime. General Headquarters (GHQ) required Japan to be democratized through agricultural land reform, dissolution of the *zaibatsu*, electoral reform, and the creation of a new constitution. For the first time in history, Japan was greatly influenced mainly by the United States. Did this relationship reorient the Japanese social security system to the American model?

The United States was the first country to introduce Japan to the concept of the right to live. Beginning in 1945, the government acted on GHQ directives to help people in difficulty by providing urgent relief based on the principle of equal protection and a minimum standard of living, a new idea in Japan. Unprecedented public assistance legislation enacted in 1946 was amended in 1950, when it clearly declared the right to live. To execute this law, the Social Welfare Service Act of 1951 launched the creation of a welfare office staffed by professional social workers.

As in the U.S. legal system, other social welfare measures were passed, too: the Child Welfare Act (1947), the Physically Disabled Welfare Act (1949), and the Social Welfare Service Act (1951). They made up the Three Welfare Laws System, which became the Six Welfare Laws when legislation was added to cover the mentally disabled (1960), the aged (1963), and mothers (1964).

This change of concept was pioneering in Japan, but its practice in reality left much to be desired. The laws contained clauses asserting the right to live, but as early as 1949 the state asserted that people should not automatically turn to the government for assistance. In the years from 1954 to 1956, 1964 to 1966, and 1981 to 1983, the government repeatedly tried to curb the costs of public assistance and restrict the number of people receiving it. The concept of not burdening the government has survived in essence. The Minsei Committee, a former district committee reorganized within the new Central Social Welfare Council, has retained its key role in determining who is needy (Yokoyama 1978, Yokoyama & Tada 1991).

Unemployment Insurance and Compensation Insurance: Only Limited Effect

Japan's laws on public assistance and welfare were accompanied by legislation on unemployment insurance and compensation insurance in the decade following World War II. After the Ministry of Welfare had studied Britain's Beveridge Plan, Japan's first Socialist Cabinet, led by Tetsu Katayama, enacted the Unemployment Insurance Act in 1947. No employed women were eligible at first, but opposition by the GHQ brought about the elimination of that barrier. The law applied to factories employing more than 5 people, with the government, the employer, and the employee each paying a sum.

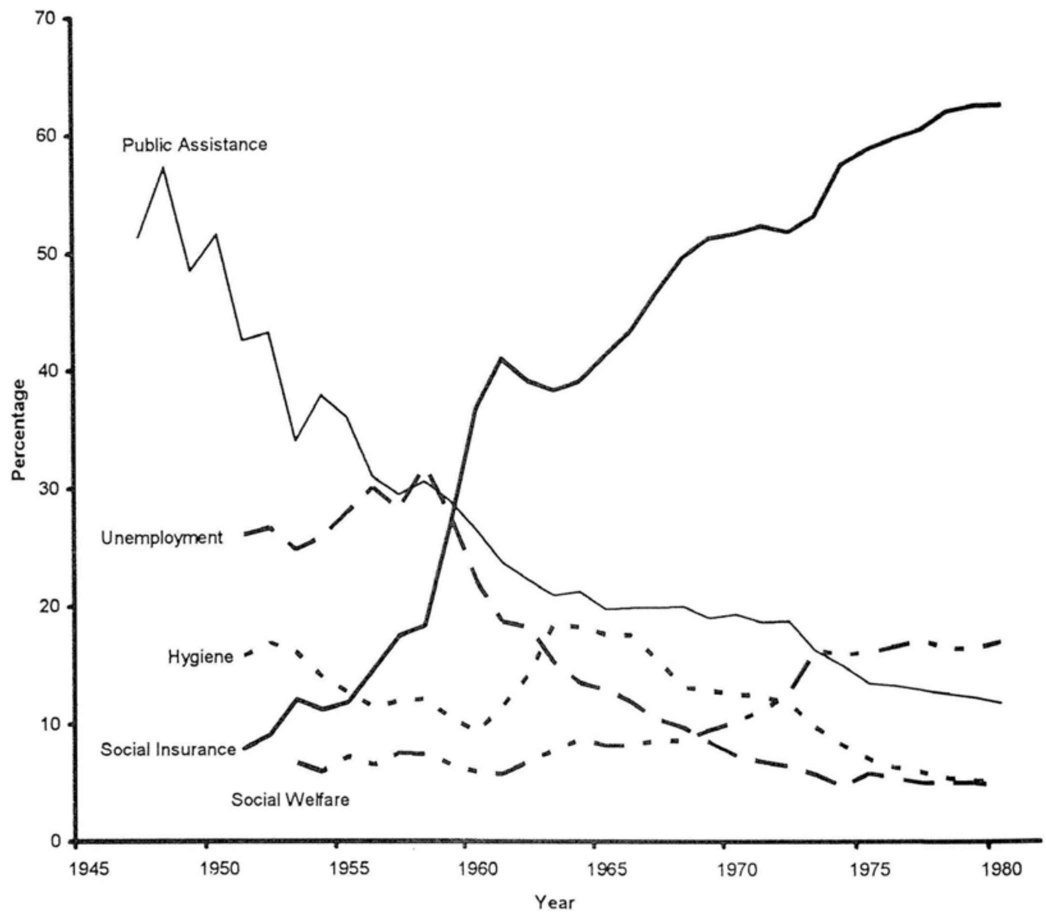
Like public assistance, unemployment insurance played an important role in the Japanese economy until 1960 (see Figure 2). Decades of low unemployment after that point, however, diminished the importance of unemployment insurance. In this sense, economic development and public investment compensated for the belatedness of unemployment insurance just as they did in the prewar period, when no such law existed at all.

In 1947, GHQ advice also led to employer-paid compensation insurance for work-related injury and illness. Originally, direct compensation by employers had been introduced by the Factory Act of 1916 and later became part of health insurance funded by equal contributions by the workers and the employers. The 1947 legislation thus marked the inauguration of accident compensation insurance paid only by the employers, as in European countries. Like unemployment insurance, this compensation insurance has not functioned as intended and has proven rather difficult to apply in practice. Under the implicit understanding in the company that use of this system would harm its reputation, workers customarily draw on private health insurance and use their vacation days for convalescence even if they suffer work-related injury or illness (Tanaka 1993).

Japan's postwar laws and institutions were thus enacted under U.S. occupation. Expressions such as democracy, the right to live, and equal rights to a minimum standard of living came to Japan from the United States and Great Britain and became vogue. Public assistance and unemployment insurance were crucial, especially in the immediate postwar period, but their importance quickly waned as Japan recovered from social and economic chaos. Thereafter, all the new institutions introduced by the

United States to improve public assistance, welfare, unemployment insurance, and compensation insurance had only minor significance. Their roles and concepts did not seem to be generally recognized by or rooted in the Japanese people. Essentially, the American model's influence on Japan produced a host of welfare laws but was very limited within the social security system as a whole.

Figure 2: Social security costs in Japan, 1947-1980.



Source: *Caring for Frail Elderly People: New Directions in Care.* OECD Social Policy Studies No. 14, Paris: OECD, 1994, p. 25.

1955–1973

By contrast, it was the European social model that stood at the center of development in Japanese social security. In Japan, the years from 1955 to 1973 were a period of an economic miracle during which the country engaged mainly in economic recovery and development. By rebuilding and enlarging the prewar insurance system, Japan gained a universal health and pension insurance system by 1961 (*Shakai Hosho Kenkyu-sho* 1968) and gradually moved toward the European welfare system until the "First Year of Welfare" in 1973.

Toward a European-style Universal Insurance System

Health insurance developed smoothly along a different path than the American one. Local communities became responsible for establishing national health insurance societies for the nonemployed and for people working in factories with fewer than six persons. In 1948 all members of these two groups had to enter the national health insurance scheme, if administered by their community. In 1953, the central government assumed 20 percent of the costs of this system, a decision that encouraged many local authorities to finally follow through. In 1956 the cabinet led by Tanzan Ishibashi made social security one of Japan's national priorities, and in 1958 all local authorities were compelled to introduce national health insurance societies by 1961. Japan's universal health insurance was in place on schedule, following Sweden (1955) and Norway (1956) (Yokoyama 1978). The level of health insurance also gradually rose, making it possible in 1973 to eliminate fees for the medical treatment of the aged.

Japanese pension insurance was rapidly rebuilt at the same time. The government first reformed the employees' pension insurance scheme, which had covered about 8.3 million people in 1944 but which had seriously suffered from hyperinflation after the war. Drawing on the German insurance model as it existed in 1950, the Employees' Pension Insurance Act of 1954 divided the old-age pension package into two parts: a fixed benefit and a benefit based on the insured person's wage or salary in the final year of employment (Koyama 1980, p. 28; Saguchi 1977, p. 149). The beginning of benefit payment was moved back from 55 years of age to 60. The insurance premium remained at 3 percent, and the complete reserve system was changed to a revised reserve system, which included a pay-as-you-go arrangement. The state's fiscal burden was increased from 10 percent of the benefits to 15 percent.

But the benefits paid by the employees' pension scheme were miniscule compared to those of the mutual-aid pension and were sometimes lower than the income of a family on public assistance. Nevertheless, workers and employers alike opposed any increase in insurance premiums, and the government itself stressed economic and fiscal policies to help the economy recover. The combined stances of the three actors thus kept pension levels low for years.

From 1965 on, the corporate pension plan was partly integrated into the employees' pension, a change that increased the average level of pensions. Beginning with Jujo-Paper and Mitsubishi Electric in 1952, many large companies introduced corporate pensions. By 1961 there were as many as 600 of them based on the U.S. model. In 1952, the balance-sheet reserve system for retirement benefit was introduced from West Germany, and in 1962 the tax-qualified pension scheme, by which the pension reserve is invested in trust funds, was imported from the United States. In 1965, under the graduated pension scheme that appeared in England in 1961, the corporate pension scheme came to subsume part of the employees' pension contributions for investment purposes in order to augment the employees' pension funds, a function hitherto performed by the government. The corporate pension was then added to the employees' pension (Daiichi 1982, Murakami 1975, Tsubono 1995). Large companies were able to create their own corporate pension funds without government participation, whereas many medium- and small-sized firms jointly set up employees' pension funds and developed their pension and company welfare schemes.

Because lifetime employment and a seniority-based wage system has long been an assumption in Japanese companies, the security level for an employee is calculated to cover all the costs of his family. This approach explains why no child benefit system existed in Japan until 1972 and why it has played only a small role since then.

Unlike the employees' pension system, the mutual-aid pension system diversified into small independent groups that continued receiving superior benefits. For example, the monthly pension of a civil servant in government came to 232,000 yen, whereas an employee's pension amounted to 90,000 yen per month in 1967. These groups formed for government officials (1948); government employees (1949); civil servants in towns and villages (1952); teachers in private schools (1953); soldiers (abolished in 1945 but restored in 1953); civil servants in cities (1954); people employed in public corporations (the railways, the cigarette sector, and the telephone industry) (1956); people working in associations for peasants and fishermen (1957); and members of the diet (1958). Government officials and government employees were integrated into a single group in 1958. Most of these distinctions survive today, perpetuating the privileged associations of the 1900s.

National Pension Insurance for Self-responsible People as of 1959

National pension insurance was finally created in 1959. This path-breaking insurance scheme embraced all remaining self-responsible Japanese. Peasants, fishermen, the self-employed, and workers in small factories henceforth received both health and pension insurance. Having experienced many labor and socialistic movements after World War II, the government found it important to provide a safety net for the poor, too, in order to avoid social strain and pave the way for economic development (MITI 1959, p. 378; Social Insurance Agency 1980).

In the process of creating this system, Shinjiro Koyama, a central figure in the Ministry of Welfare, drew on many materials that he and his colleagues had prepared on the pension systems in Great Britain, France, Scandinavia, the United States, and Germany. They mainly studied the British Labor Party's Retirement Pension Plan of 1957, whose conceptual shift away from the equal minimum standard reflected the influence of West Germany's merit-based pension system. This work steadied the Japanese government's confidence in its policy (Koyama 1980). By contrast, the political parties had little power to formulate their own ideas on the national pension. They depended on the government's initiative and seldom had conflicts among themselves over this issue. In fact, the Socialist Party and the Liberal Democratic Party both claimed credit for the national pension insurance scheme during the 1956 parliamentary elections. Each camp claimed that it had proposed the system first. Until recently, it was common wisdom that all the political parties relied on the ministry's welfare policies, attached small riders of their own, and sparred with each other about the zeal with which they pursue them.

The system for national pension insurance differed greatly from that of the employees' pension and the mutual-aid pension. It was mandatory for all Japanese between 20 and 60 years who were not covered by either of the other pension systems: its clientele were outsiders. The insured person could begin drawing a pension at the age of 65 after paying into the system at a fixed rate for 25 years, the size of the pension depending on the total duration of the beneficiary's contributions. It was not a merit system like the mutual-aid pension and part of the employees' pension scheme. Whereas the two pensions for employees were conceived for a family unit with a housewife, national pension insurance was based completely on the individual. The husband and the wife each paid the fixed rate, and the total of the two contributions constituted the pension for the family. They entered the pension scheme through their region, whereas the employees entered their pension schemes through the corporation for which they worked.

The wives of the employees stood between the two different concepts. In the employees' pension scheme, she was regarded as her husband's dependent. If she divorced, she lost all the social protection enjoyed by employed persons and had to enter the national pension scheme as an individual. Because that status required 25 years of membership before she could claim a pension, it was sometimes too late to qualify. The national pension system therefore also accepted the wives of salaried men, but the practice was only voluntary.

By 1961, temporary systems had been created, too. One was the provisional welfare pension for which people older than 70 years who had paid no contributions could qualify unconditionally. Another plan was the special pension, which required contributions only for 5 or 10 years. For years, however, few people were eligible to claim these pensions, and the size of the benefits was too small to live on. The gap between the standard pension paid by the national pension scheme and that paid by the other two systems persisted. In 1998, after much improvement, the average national pension benefit came to 47,000 yen a month, as compared to a monthly average of 172,000 yen under the employees' pension plan and 223,000 yen from the mutual-aid pension. Although escalator clauses began to raise the level of pension benefits after 1973, the self-responsible family long remained the primary, if not the sole, supporter of its aged household members, just as in prewar times (see Figure 3).

In summary, this analysis confirms that the comparatively privileged people in government and large companies were historically the first and best protected people in Japan and that the people with no institutional protection were the last to be insured and were the most vulnerable members of society.

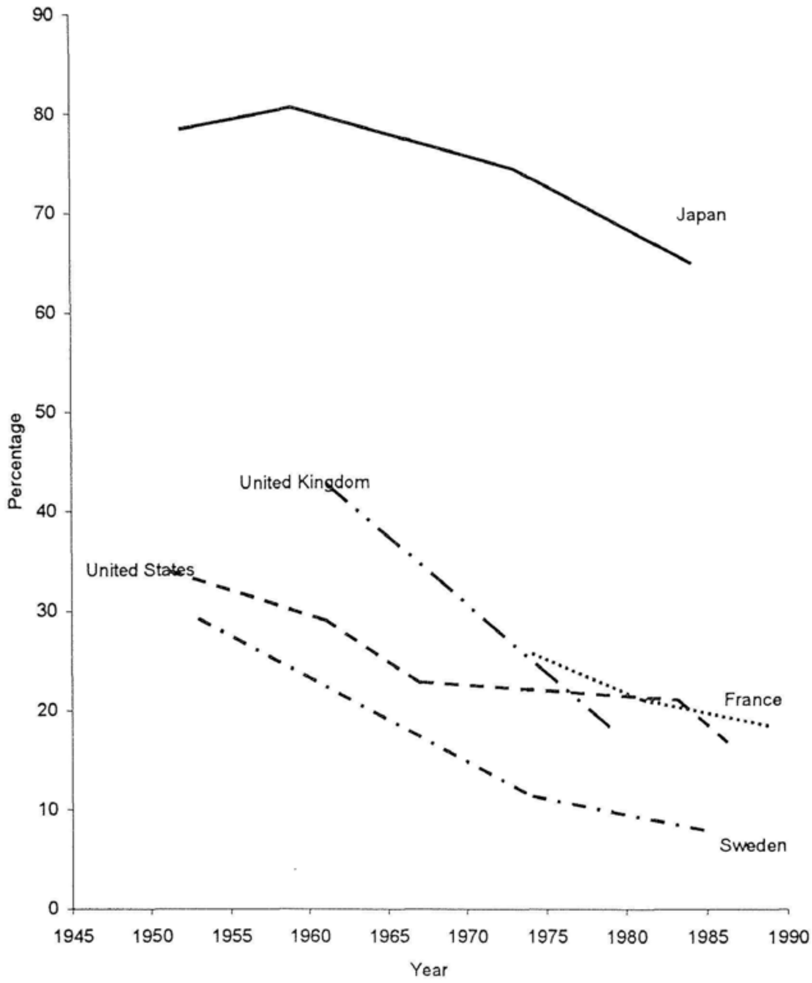
Aiming to Emulate the European Social Model

With Japan's revolutionary labor movements in decline by the early 1960s, independent civil movements surfaced in the 1960s and 1970s in protest against environmental pollution and the Vietnam War and in support for the rights of students and women. These political activities were fueled by social changes such as urbanization, an increase in the number of employees, the emergence of a middle-class of salaried men, a gathering trend toward social equality, and the rise of living standards as results of the economy's dramatic gains from 1955 to 1973.

At the same time, European countries were diligently building their welfare state system as the new best trend in the world. 'Welfare' became a key slogan for the new Japanese civil movements. On the strength of a coalition between socialists and communists, some governors of the Japanese prefects followed suit, beginning in Ryokichi Minobe in Tokyo (1967–1979). They set up independent welfare programs providing free medical treatment for the aged, supporting citizens' and environmental movements, and aiming to adopt the European social model beyond the national social insurance system.

Observing the local experiments and the upsurge of positive public opinion about the European welfare system, the Japanese central government announced its own intention to strive for a European-style welfare system. In 1973, a point in time known in Japan as the First Year of Welfare, the government decided that it would henceforth increase national spending on social security. The Ministry of Welfare argued in its white papers that much was still to be done to catch up with Britain, Germany, and the Scandinavian countries. Japanese society consciously set itself the national goal of creating a welfare state comparable to Europe's.

Figure 3: Percentage of persons over 65 years old who live with their children.



Source: Caring for Frail Elderly People: New Directions in Care. OECD Social Policy Studies No. 14, Paris: OECD, 1994, p. 25.

1973–1990s

In 1973, just as the government was about to launch the Japanese welfare state by declaring the First Year of Welfare, world oil prices suddenly soared. The timing could not have been worse for the country. This "oil shock" heralded the eventual end of Japan's economic miracle, spawning a new contradiction: the intention to increase social security versus the need to decrease it. At the same time, various left-wing movements, including Marxism, rapidly waned as of the 1970s. In these regards, the historical sequences in the development of the welfare state in Japan differ from those in Europe. Europe experienced the enlargement of the welfare state and then faced its limitation, whereas Japan faced the limitation of the welfare state when the government began to enlarge it.

European-like Contradiction in the Japanese Welfare State

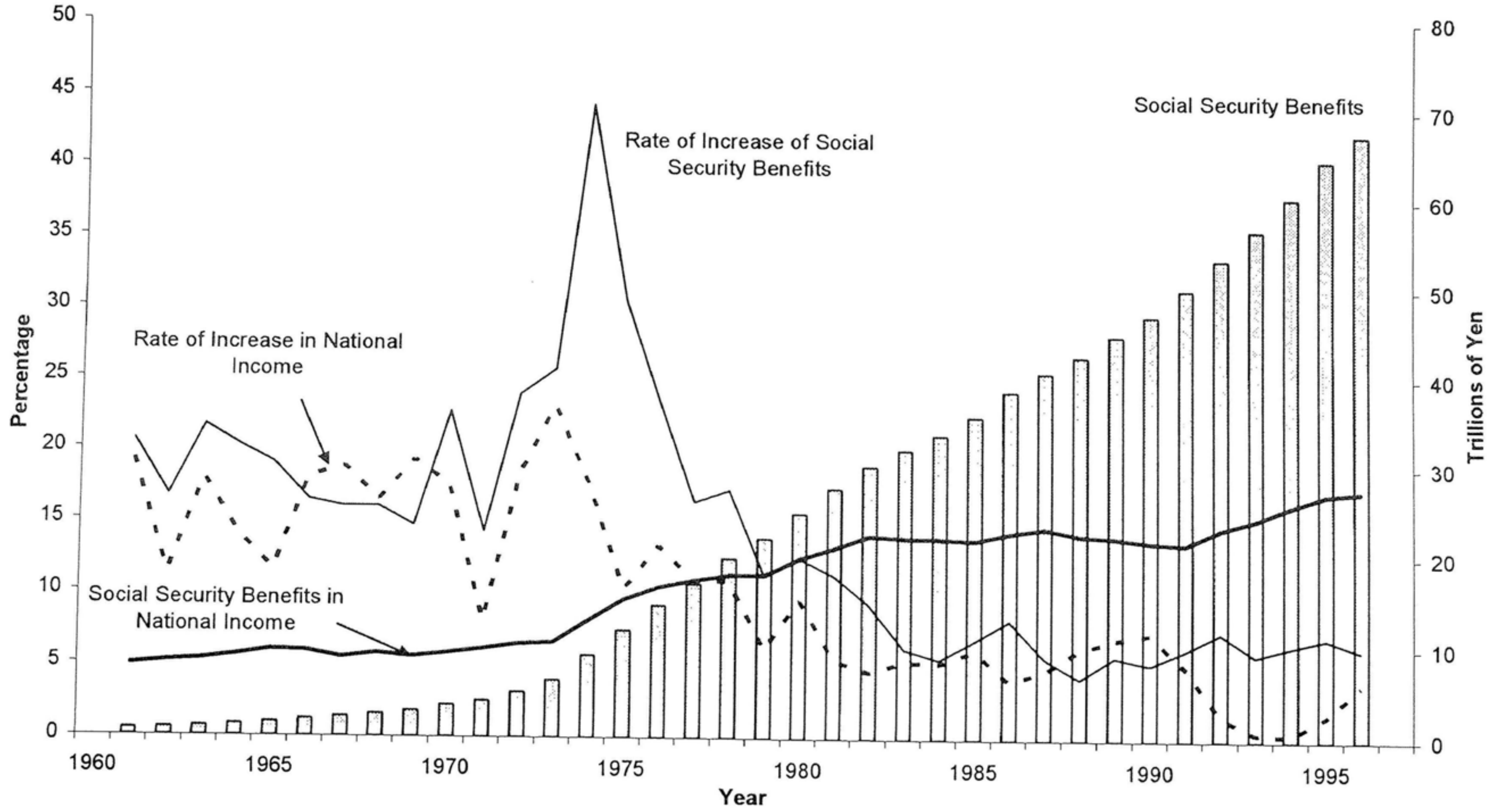
Japan definitely continued down the road to a European welfare state. The level of social insurance benefits increased (see Figure 4). Pension benefits stood at about 40.8 percent of the average wage in 1973, compared to 45.1 percent in Sweden, 34.5 percent in England, and 36.7 percent in West Germany. National medical costs accounted for 4.3 percent of Japan's national income as compared to 4.5 percent in Sweden, 4.56 percent in England, and 3.8 percent in West Germany (Ministry of Welfare, White Paper 1975, pp. 11, 25). Expected lifespan was increasing with advances in nutrition and medication.

The gap inside the Japanese social security system narrowed. This progress was partly due to a change in the country's social structure during economic development, namely, the proportion of peasants and fishermen in the Japanese population plummeted from 50 to 5 percent between 1950 to 1990, and the proportion of employees soared from 43 to 81 percent between 1955 to 1995 (Ministry of Welfare, White Paper 1996). This shift increased the size of the privileged circle in the total system. Government spending on national health insurance and national pension insurance also swelled. Pension reform in 1985 introduced the basic pension as a floor for all pensions, as in England. The basic pension was made compulsory for all employee wives classified as "No. 3 insured," meaning that they paid no individual contributions into the system but were still insured (No. 1 was for the nonemployed; No. 2 was for employees). This regulation and the integration of the other pension systems diminished the disadvantage of the national pension.

In the same period, however, the continuing rise in national and local government welfare spending soon hit the limits of the authorities' budget. Pressure to reduce welfare spending started to build and still prevents the sufficient enlargement of Japanese social insurance. To cope with the mounting fiscal and social burdens, the government announced a new concept in 1979, the "Japanese welfare society model," the credo of which is that people should help themselves and help each other through families, communities, and in companies rather than burden the government budget (LDP 1979). Though not really novel, this model was presented as a new strategy for the new age of low development. In essence the Japanese social security system thus returned to its original stance of advocating self-responsibility, which has been emphasized by neoliberalism since 1979.

In short, Japan faced the same exigency as that confronting many European countries: the necessity of paring down the national budget for social security and continuously reasserting the principle that people should take responsibility for themselves and that beneficiaries should help pay for what they receive. Services hitherto provided at no charge began to require fees; expensive facilities and nursing homes began giving way to in-home care. An increased share of public welfare was taken over by private business.

Figure 4: Relation between Japanese social security benefits and national income.



Source: Japanese National Institute of Population and Social Security Research, Social Security Benefits, 1998, p. 58. http://www.ipss.go.jp

Developing Self-security the Japanese Way

Not only the government but also many Japanese have developed methods for protecting themselves through various additional measures. Even when the scale of social security was growing, the population self-managed life's risks in ways partly promoted by the state.

During economic development from the 1960s through the 1990s most Japanese began to put their money into savings and private life insurance at a greater rate than was the case in other developed countries (see Tables 2 and 3). Despite the expansion of social security, the Japanese felt it necessary to protect themselves, for instance, by putting incremental increases in income into post office and private bank accounts in preparation for some misfortune in life, for old age, or for the purchase of a house. Over 90 percent of all Japanese families joined a life insurance plan through private life insurance companies or the post office, decisions that the government encouraged by granting tax allowances for savings and private life insurance. Because life insurance was designed for the family unit based on the "standard" model of an employee, the male householder was insured for an amount ranging from 10 million to 100 million yen (about 10 thousand to 1 million Euros), a sum calculated to cover all the living costs of the survivors. The life insurance policy often contained various kinds of medical coverage such as hospitalization, operations for special diseases, and personal long-term care so that the beneficiary would not depend on public nursing institutions.

Table 2. Japanese Household Social Insurance Expenditure and Savings as Percentage of Individual Income, 1972

Country	Social Insurance	Savings	Public Payment[a] and Savings
Japan	5.2	18.8	32.1
United States	7.4	5.7	26.6
France	17.2	9.3	32.5
West Germany	14.0	10.9	38.8

[a]Public payment represents the summation of direct tax, social insurance, and miscellaneous costs as given in *White Paper [Kosei Hakusho]*, by The Ministry of Welfare [Kosei-sho], 1975, Tokyo: The Ministry of Welfare, Publishing Division [Okura-sho, Insatsu-kyoku], p. 93; and OECD, *National Accounts of OECD Countries*, 1961–1972, Paris, OECD.

Table 3. Spending on Life Insurance in Five Developed Countries in 1993 and 1996

Country	Contracted Benefits in Millions of U.S. $ (1993)	Population in Tens of Millions (1993)	Benefits per Capita in U.S. $ (1993)	Benefits per Capita as Percentage of per Capita National Income (1993)	Sum of Insurers Income from Paid Premiums in Hundreds of Millions of U.S. $ (1996)	World Total of Paid Premiums, in Percentages (1996)
Japan	17,861,936	12,454	143,423	5.49	40,695	34.0
United States	11,104,741	25,812	43,023	2.02	28,646	23.9
France	1,612,154	5,737	28,100	1.42	9,081	7.6
Great Britain	1,031,807	5,792	17,814	1.23	8,423	7.0
Germany	1,362,920	8,119	16,787	0.82	6,241	5.2

Adapted from *Outline of Life Insurance*, by Life Insurance Institute, 1996, Tokyo, Life Insurance Institute.

If total spending on one's security is compared to the total value of social insurance and savings, the ratio looks rather similar from one developed country to the next, though the forms of security are quite different. If private life insurance and invisible contributions by women are added to these calculations, then the figure for Japan would approach, if not surpass, the level in other developed countries.

Many economic policies as well had the role of substituting for welfare policies, by offering various kinds of institutional backup for self-protection. These measures included tax deductions for housewives to encourage the invisible role of care-givers, a stable financial system of post offices and banks to provide people with 30- to 35-year loans, educational policies for the younger generation, industrial policies to protect and help develop companies so that they could preserve jobs and safeguard the families of the people they employ, public investment policies in rural districts to ensure jobs in small companies and protect the self-employed in a construction industry with about 6 million workers, and agricultural policies to secure the income of peasant families by having the government buy their produce at a fixed price.

If policies for full employment can be called welfare state policy (Esping-Andersen), then the term might subsume all these Japanese policies. But its meaning is completely different from that found in social democratic regimes. Japan has aimed to promote and encourage self-responsibility through economic policies, which is the very opposite of social solidarity.

Loss of Conditions for Self-Security?

Reinforcing self-responsibility was not just a one-way road. A new kind of social insurance entailing additional burdens was required, especially where the new social situation eroded the conditions enabling people to look after themselves.

The Long-term Care Insurance bill that was passed in 1998 and enacted in 2000 is an example. The government officials in the Ministry of Welfare studied Germany's process of shaping long-term care insurance (*Pflegeversicherung*) in 1995 and decided to adapt it to Japanese conditions by using communal organizations and private companies rather than independent voluntary groups. The tradition of learning from Europe has thus continued in Japan.

For building this new system, Japan has much in common with Europe. First, families and women are changing their traditional function. More women are in the workforce and have less time to care for the family than used to be the case. Second, as Table 2 has shown, the proportion of the aged who are living with their families is decreasing. Third, the population is aging rapidly. The Japanese have the longest average lifespan in the world: 84.6 years for women and 77.6 years for men in 2000. It has become very hard for a wife over 65 years old to take care of her parents by herself year after year. An exceedingly low birthrate and an increase in the number of unmarried people are compounding the problem.

These basic care systems had long been left to the family and to women as part of the system of self-responsibility, but the limits of self-responsibility have now been reached. The family is losing the ability to care for itself in the traditional way, so government must assume some of the burden through social insurance, just as in European countries. Thus, to meet the challenges posed by the new era of low economic development, Japan has developed self-responsible security as the foundation of its society, not only as a tradition but also as a new strategy. But with the loss of society's fundamentals and the concomitant preconditions for self-responsibility and self-protection, a new kind of social insurance is now required.

Japan in Contradiction

Expanding Social Security To European Levels?

What do these historical processes say about Japan in the twenty-first century? Initially, they confirm the basic trend of continued increase in the scale of social security, especially in pensions, health care, and care for the aged. In 2003, social security costs constituted 41.6 percent of Japan's annual spending, 4.2 percent higher than in 2002 ("Far from 'Small Government'" 2003). The Ministry of Welfare estimates that those costs will come to 15.5 trillion yen, or 29.5 percent of the national income, in 2025. The potential national burden for social security, including the national debt, reached 47 percent in 2001 and is predicted by the ministry to rise to 61 percent in 2025 ("Inequality" 2003).

As the pension reform bill drafted by the Ministry of Welfare and approved by the ruling parties made its way through the Diet in June 2004, each burden for social security increased. By 2017 this legislation will escalate the premium of employees' pensions from 13.58 to 18.3 percent of the beneficiary's average income, and benefits will decrease from 59 to 50 percent of the average income for a model family consisting of a married employed man with 40 years of work. The premium for the national pension will also increase from 13,300 yen to 16,900 yen, with beneficiaries receiving a maximal monthly pension of 66,000 yen as of 65 years of age after 40 years of contributions. The government's share of the contributions to the basic pension will increase from 33 to 50 percent. With this new measure, the government announced that the stability of the pension system's financial foundations in Japan was assured for the long term ("Unclear Total Plan" 2004).

This pension reform did not raise particular objections from voters as usual, although it entailed many disadvantages for people. The electorate expressed its dissatisfaction indirectly through increased support for the Democratic Party. It proposed an alternative, unitary plan that was based on the Swedish pension model of 1999 and was applied to Japan by the Ministry of Finance. As ways are sought to continue improving and stabilizing the financial health of the Japanese pension system, the future might entail additional discussion in Japan about the German model and Sweden's unitary model.

Companies Retreating from Collective Security

But the current broadening of social security is facing new challenges at the same time. One of the biggest seems to be the changing roles of the companies.

Continuing along the historical path that government organizations and major companies took as the earliest institutions in Japan to protect their members in closed, privileged communities, Japanese social security steadily augmented the number of these communities of employed people during the country's economic miracle. But now at the beginning of the twenty-first century, a reversal of this trend seems likely. The security role of Japanese companies is beginning to shrink in many ways.

First, they are trying to withdraw from the social security system. The number of companies and individuals in the employees' pension scheme has decreased steadily for five years. The inclination to escape from it is remarkable in newly founded companies. Of the companies created in 1999, 23 percent did not join the employees' pension plan; it was 32 percent in 2001 ("Clearing off the Past" 2004). Instead, they used tactics to escape from obligation for the system. For example, everyone they employed was put on part-time; or these companies setup small firms with fewer than six workers, or switched from hiring people as employees to contracting independent businessmen individually to avoid the otherwise required employees' pension scheme in the company. With outsourcing and temporary work rapidly gaining ground in Japanese firms, many potential employees, especially young people, cannot enter the protection of the company. They work independently outside the firms and find themselves without the traditional security that their fathers had.

Many companies are also cutting back or abolishing their corporate pension schemes. To end the substitutional role that the employees' pension scheme has had since 1965, large companies like Toyota, Hitachi, Toshiba, Matsushita, and Mitsubishi Electronics are returning the money paid into the employees' pension fund as of 2002. Many employees' pension funds or corporate pension systems are dissolving entirely in order to avoid the burden of pensions. There are 1,656 funds, 95% of which are suffering from an 11.14 trillion-yen shortfall in their reserves ("Day" 2004). Many employees' pension funds comprising small firms have filed for bankruptcy and have abolished the corporate pension schemes, with which some had started 401k-type pensions in 2001. These changes seem to have stemmed in the short-term from the adoption of a different accounting system in 2001 and, in the long-term, from the shift of community consciousness from the company to the individual.

Shrinking company welfare is another trend. Many companies are selling or lending their welfare amenities, such as company housing, company resorts, and recreational facilities. Sony, NEC, Takeda, Isetan, and others are also abolishing retirement benefits, housing allowances, and family allowances, especially for wives. Toyota and Matsushita inaugurated a new system whereby people can choose to receive either retirement benefits or a higher monthly salary. Thus, the life-long security that companies have traditionally provided to households is certainly weakening.

As Japanese companies seek to escape the burden of providing their members with collective security, individual self-responsibility in managing risks is gaining both popularity and urgency. The change in the traditional "normal" employment and work system, including increased outsourcing and temporary work, seems to be returning many Japanese to their original status of self-responsibility—all of which means a historical conceptual shift in large companies.

Collective Security and Diversified Modes of Work

The second challenge is the increased diversity of the way of working. As the modes of work change, contradictions between individual life courses and the ready-made social security system are intensifying.

The division of Japanese social security into systems with different concepts and without portability has often greatly complicated the task of changing jobs. Systematic confusion was symbolized in 2004 by the social scandal in which it turned out that many Japanese politicians—among them, Prime Minister Koizumi, seven cabinet ministers, and top leaders of the Democratic Party and the Komei Party—had not paid the necessary premiums for their national pension, an error due to the complicated regulations on the diet member pension and the national pension. The same problem also exists in the 401k scheme, which was introduced in October 2001. It, too, is divided into one category for companies and one for individuals such as the self-employed. The tax-free allowance is much greater with the company's 401k system than with the 401k for individuals, and moving the allowance between the companies and the two systems is problematic.

Japanese women still fall between the systems. An employee's wife used to be thought of as a lifelong housewife automatically protected through her husband's employee pension and health insurance. But it now happens, for instance, that she works for years for her own employee pension, marries and becomes an unpaid housewife under her husband's insurance, raises children, afterwards begins a small paid job at home and enters the national pension scheme with its individual nonautomatic contributions, and finally starts her own small business, paying employees' pension contributions as an employer. She must change systems many times at great cost in time and confusion or lose her claim to a pension.

In Japan, housewives of employees, who do not have to pay for insurance, have been criticized by Japanese working women and the wives of the self-employed, who do have to pay for insurance by themselves. The 2004 Pension Reform did not resolve this difference in treatment, for the Social Security Committee and popular opinion never came to an agreement. This lack of resolution clearly illustrates the split between two types of women's positions: housewives belong to the protected community as its supplement, and other women remain individually self-responsible. The privileged position of the housewife becomes a disadvantage if she gets divorced and leaves the protected community. The 2004 Pension Reform tried to mitigate this drawback by stipulating that the employee pension may, if agreed by the couple, be divided between them as of 2007, the wife receiving no more than half of it. As of 2008, the divorced wife of an employee can compulsorily receive half of her husband's pension, but only for the period stipulated for a person insured as a beneficiary No. 3 after April 2004. These new conditions for bettering the housewife's security are very limited, but they are changes to weaken the male-breadwinner model in the protected circle of pension holders.

Arising from the structural change in the modes of work and way of living, these cases show that the blurring of the borders within the Japanese social security system is causing new confusion.

Withdrawing from the Social Security System?

Lastly, the challenge to the increase of social security is the vicious spiral created by the financial crisis in the Japanese social security system and the popular distrust of that system.

Along with Japan's economic stagnation in the 1990s, the country's demographics are making the situation worse than it is in Europe. With 10 million people over 75 years old in 2003, Japan's population is aging at an accelerated rate ("More than 70 Million" 2003). Insurance for long-term care is growing rapidly. The 3.74 million people currently in such care represent a 70 percent increase in five years—and a budding financial problem in many communities ("One Hundred Seventy" 2004). The birthrate has continued its decline, reaching 1.29 in 2003, the lowest level in Japanese history.

The resulting financial problems in the total social security system is undermining confidence in it, especially among members of the younger generation (see Table 4). Almost all the people born before 1944 feel satisfied with their pension, but more than 60 percent of the younger generation born between 1956 and 1981 do not think that they will be able to receive a sufficient pension ("Generation Gap" 2004). With both economic stagnation and this skepticism against the social security system, people, especially those making nonautomatic contributions, are beginning to withdraw from the system. In 2002, the number of people insured in the national pension scheme but not paying into it rose to 8.3 million, or 37.2 percent of the scheme's members ("Distrust" 2003, "Financial Scenario" 2004). If exempted people are counted as well, then more than half of the members do not pay into it. Despite the introduction of the Fundamental Pension Scheme in 1985, the financial and psychological problems with the overall pension system are mounting.

Table 4. Partial Results of a Survey on Japanese Distrust of the Pension System (in Percentages)[a]

Birth Cohort	Do you think you can receive enough pension?		Do you trust in the pension system?		
	Yes	No	Yes	Partially	No
1969–1981	33.5	66.5	13.6	28.7	56.7
1956–1968	36.9	63.1	17.6	35.9	46.5
1945–1955	67.4	32.6	34.9	41.3	23.8
1927–1944	93.9	6.1	55.1	34.4	10.5
1911–1926	99.4	0.6	67.8	24.8	7.4
Average	68.8	31.2	40.4	34.9	24.7

Adapted from "Nenkin Jakunen-sedai no Fushin Shinkoku" [Serious distrust of pension in younger generation], by Aiji Tanaka, in *Nihon Keizai Shimbun* [Nikkei Shimbun, Japanese Economic Newspaper] (Tokyo), 16 July 2003, p. 29.

With national health insurance, 4.1 million people, or about 20 percent of all members, did not pay into the scheme in 2002 ("Last Corner" 2003). It is especially the self-employed and unemployed who tend not to pay into it for long periods. The government is urging them to pay, but it is also beginning to use harsher measures, such as canceling their insurance if they do not begin to pay contributions. Consequently, people with no health insurance are beginning to emerge in Japan.

If this spiral continues, some nonemployed people with nonautomatic contributions and a strong sense of self-responsibility may be particularly inclined to withdraw from the social security system and opt for self-security instead. Because spending on public assistance in 2003 grew to 1.3 million yen—10 percent increase over the 2002 figure as a result of economic depression—the government decided to reduce public assistance again. It aimed the measure especially at people over 70 years old and at families made up of a single mother with one child, insisting that public assistance would disturb their independence ("Cut-off" 2003). Thus, the development of the social security system is not necessarily a promise in Japan.

Reversing a Historical Trend

Japan is now facing a dilemma of self-responsibility and social security. In its history from the nineteenth century on, Japan has tried to make its way toward social security, eagerly following the European social model on the basis of a traditional concept of self-responsibility permitting few social claims on the government. Throughout industrialization, Japan enlarged the small circle of privileged, protected people in the government, the army, and large firms to finally include all the people through the development of social insurance system. The number of protected people and the spending for it constantly increased. More and more people who used to have only themselves to rely on for security were integrated into this social security system.

But now this historical trend since the very beginning of Japanese industrialization seems to be reversing. Because the concept of self-responsibility was officially adopted as a new strategy for the era of liberalization and globalization, the traditionally protected companies are beginning to reduce their collective security mechanisms and to introduce the market economy internally. Not a few companies and the privatized government corporations are encouraging their people to turn to self-management and market-oriented attitudes. Along with nonemployed people with a strong sense of self-responsibility, even the protected Japanese are now reviving the traditional concept of self-effort and self-responsibility as a new strategy of personal risk-management. The trend toward enlargement of the privileged, protected area in closed communities seems now to be shifting in the opposite direction. Market emphasis on the individual has returned.

Unfortunately, the social preconditions for self-responsibility are now different from what they once were, for the family is rapidly losing its functions as a basis for self-responsibility in Japanese society. The creation of long-term care insurance suggests the weakening of potential family support. Moreover, economic stagnation and the market emphasis on leanness are bringing about a historical reduction in the number and size of private life insurance contracts and personal savings.

Losing these ties, each individual—who is supposed to be more responsible in the new era—seems to be getting weaker instead of stronger. It is becoming harder to find the self to be responsible. Every Japanese today has a greater chance than ever of becoming an isolated, vulnerable individual, having to cope with the real meaning of self-responsibility and possible helplessness.

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16. THE INSTITUTION OF ZAKAT AND ITS FUNCTIONS IN CONTEMPORARY MUSLIM SOCIETIES: PRELIMINARY FINDINGS

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Foreword: The paper here published comprises a modified but substantially unchanged version of the text of the lecture that I delivered in contribution to the Seminar Series of the Special Research Project on Civil Society, the State and Culture in Comparative Perspective in the University of Tsukuba on 17 September 2004. The study of the Zakat institution that I am engaged in is an on-going study, and in reproducing the text of the lecture without annotations I have restricted myself, as in line with its title, to the presentation of findings as to its subject-matter which are preliminary findings. This is so principally in order not to pre-empt the discussion of the empirical research material, and the critical exposition of the sources for Islamic law and legislation, which as it is intended are to be incorporated within the study in its subsequent stages. Shahzadi Covell: 26 January 2005.

In the present lecture I focus on the institution of Zakat, or the institution of the compulsory religious alms tax, in Muslim societies, which subject falls within the academic domain of what is now commonly referred to as Muslim or Islamic politics. The position that I adopt in the discussion of Zakat, and indeed of Islamic politics as such, is one where Zakat, as an institution pertaining to Muslim societies, is explained through reference to its place as within the totality of Islam as understood as a religious faith. The faith-directed approach towards Zakat, and towards related phenomena belonging to Muslim societies, is an approach that is for me inescapable, and it is one that is opposed to, and that transcends, the approaches towards the subject-matters of Islamic politics which are now so characteristic of the secular social sciences. In line with this, I commence the discussion of Zakat in this lecture by setting out, albeit at the risk of enormous oversimplication, the fundamentals of the Islamic faith, and as including the fundamentals of the Islamic system of law and legislation. I next set out the basic principles of the Islamic law as this relates to the matter of economic organization. From this, I proceed to describe and explain the basic principles of the Islamic law that govern the institution of Zakat. Finally, I touch briefly on the question of the Zakat institution in relation to the condition of contemporary Muslim nations and societies. I here consider the Zakat institution in terms of its implications for Islamic politics, and for the concerns of the Special Research Project on Civil Society, the State and Culture in Comparative Perspective.

i. The Fundamentals of the Islamic Faith

To begin then, there is the matter of the fundamentals of the Islamic faith. Here it is to be emphasized at once that Islam is not simply a religion, but is in its essence a monotheistic religion, that Islam is as such continuous with the two great monotheistic religions that preceded it in time, and that, for its followers, Islam provides a resolution of what are perceived to be the contradictions present within the predecessor monotheistic religions. The two predecessor monotheistic religions in question are Judaism and Christianity. The starting-point for the line of monotheistic religions from Judaism through Christianity to Islam is the religion of Abraham (pbuh), which religion consisted in the unconditional faith in God and in the conditional submission to the will of God. Abraham (pbuh) is recognized to have standing as a Prophet, that is, a chosen Messenger of God and through whom God has spoken to human beings. Each of the monotheistic religions that stand in the line of the religion of Abraham is distinguished by its own leading Prophet. First, there is Judaism, with its leading Prophet being Moses (pbuh) through whom God revealed His laws. Second, there is Christianity, with its Prophet being Jesus Christ (pbuh) through whom the Word of God was revealed as recorded in the Holy Gospel. Last, there is Islam, which came to be established in the Arabian peninsula during the first decades of the 7th century after Christ through the agency of the Prophet Mohammad (pbuh), who was born around 570 AD and who died in 632 AD.

For Muslims, it is acknowledged that God spoke to human beings through the Prophet Mohammad (pbuh), and the source for what God spoke through the Prophet (pbuh) as His Infallible Word is the book that is authoritative for all Muslims: the Holy Quran. The form of monotheism that is set out in the Holy Quran, and that defines the Islamic faith, is not one that involves a denial of the status of Prophet to Moses (pbuh) and Jesus Christ (pbuh) or a denial of the standing of their pronouncements as an authentic revelation of the Word of God. However, there is much criticism contained in the Holy Quran for Judaism and Christianity, as well as for what are presented as their errors. Judaism is criticized for its distortion of Scripture, for its sectarian exclusivities, and for its denial of Jesus Christ (pbuh) as a true Prophet. Christianity, on the other hand, is criticized for its own sectarianism, but also and principally so for an error that, for Muslims, is a most grievous blasphemy: this is the error of assigning divinity to the person of Jesus Christ (pbuh), as through the designation of him as the Son of God.

This last error is fatal, and it goes against what is the fundamental principle of Islam as a monotheistic religion. This is the principle of the Unity of God; the principle where God is understood to be a Unitary Being who is Indivisible and Infinite through that Indivisibility, and who by virtue of this is understood to be the bearer of all the various attributes, such as Perfection, Absolutism, Omnipotence and Omniscience, which are the essential aspects of that essential Unity. The Unity of God, as the fundamental principle of Islam, is for Muslims intrinsic to monotheistic religious faith, and so in consequence of this the revelation contained in the Holy Quran as to the fact and meaning of the Unity of God marks, for Muslims, the final phase in the development of the line of monotheistic religion that begins with the religion of Abraham. The finality that is assigned to Islam in the line of monotheistic religious development is underlined through what are the core defining principles of Islam: faith in God and belief in the Unity of God as fundamental, the recognition of Mohammad (pbuh) as the last true Prophet of God, and the acceptance of the Holy Quran, as following the books of the Old Testament and the New Testament that comprise the Holy Bible, as the last and final prophetic revelation of the Infallible Word of God.

The affirmation of the Unity of God, as this is essential to Islam, is something that serves to establish the universality of Islam as a faith that it is open to all human beings to profess and to share in. The universalism of the Islamic faith is everywhere apparent in its social, political and economic applications, where there is particular emphasis placed on solidarity and equality among Muslims. The universalistic dimension of Islam is central in relation to the subject of this lecture. This is the institution of Zakat, which I translate as the obligatory religions alms tax. It is to be noted that Zakat involves a strong element of charity, in that it is directed towards the relief of the poor and disadvantaged, as well as a strong element of wealth redistribution, in that it is directed towards the maintenance of a just distributional order within society. Despite this, Zakat is more than a form of charitable giving, while its distributional aspects go beyond the limits of charity. For Zakat is in its essentials a tax that is owed by Muslims as a matter of obligation. This obligation is not only strict, but it is also universal in the respect that it ranks with faith in God, prayer, fasting and pilgrimage as forming the fundamental obligations which are laid on all Muslims.

The obligation on Muslims that relates to Zakat follows from this being an obligation that is imposed through the laws to which Muslims are subject. It is here vital to understand that Islam is a religion where faith is based in a system of law and legislation, of which system the institution of Zakat and the obligations pertaining to it are to be explained as forming a core component part.

The sources of Islamic law include both primary sources and secondary sources. Among the primary sources of Islamic law, the one that is is fundamental is, of course, the Holy Quran itself. Thus the Holy Quran contains a large a number of rules and principles with legal effect and standing that are strictly binding on Muslims, and with these referring to such matters as individual conduct, the family, and the social and economic order. In the event, the legal rules and principles set down in the Holy Quran are often marked by indeterminacy as to their precise terms and provisions, and as to the precise conditions for their actual fulfilment.

In consideration of this, there is accepted as a primary source of Islamic law, supplementary to the Holy Quran itself, what is known as the Sunna. The Sunna consists in the various traditions, practices and instructions that are assignable to the Prophet Mohammad (pbuh) as through the record of his words and deeds, and that are in consequence of this to be taken as comprising rules and principles of conduct that possess the force of law and that, as such, are rules and principles which are to be followed by Muslims. The essential record for the Sunna comes in the form of the sayings of the Prophet (pbuh) that were written down by those of his associates who are known as the Eminent Companions and that are referred to as the Hadiths of the Prophet (pbuh). The

Hadiths of the Prophet (pbuh) were to be collected by the generations of Muslim scholars who followed the Eminent Companions, and of the various books of Hadiths, the one that is perhaps best known is that compiled by the 9th-Century scholar Mohammad bin Isma'il bin Ibrahim al-Bukhari (809-869 AD).

The Holy Quran and the Sunna, as the primary sources of Islamic law, go together to form the basis for the derivation of the rules and principles of law and legislation that have come to be established within particular Muslim societies as in response to their changing and contingent circumstances. These rules and principles comprise the secondary level of Islamic law and legislation, and with the form of their derivation consisting in the disciplined procedure for law determination which is known as Ijtihad.

As to the subject-matter of Islamic law and legislation, this is organized under the following heads. First and foremost, there the legal stipulations relating to the fundamental articles of faith, as with the Unity of God and belief in Him, the finality of Mohammad (pbuh) within the line of Prophets (pbuh) and the finality of the Holy Quran in respect of the prophetic books. There are also the legal stipulations relating to the practice of faith by Muslims, as with prayers, the obligatory religious alms tax, fasting and pilgrimage. In addition, there are the legal stipulations that possess a direct social, economic and political application. These include the legal stipulations that relate to the family, the legal stipulations that relate to the enforcement of laws and the administration of justice within society. Finally, there are the legal stipulations that relate to matters of government, as with the rights of the public authorities, and to matters of international order, as with the rights of war belonging to Muslims and to Muslim nations and societies.

ii. Islamic Law and the Principles of Economic Organization

A review of the different heads of Islamic law will establish at once how pivotal is the part of the law that applies to the family. Essential to this part of Islamic law is the principle that marriage is the only legitimate institutional framework for sexual relations among men and women and so for the founding of families. In line with this principle, there are detailed rules of law laid down in respect of such matters as the form of marriage contract, the position of women and children, and the conditions and procedures for divorce, and with the general effect of these various provisions being to confirm the marriage institution as the moral and legal foundation of the family within the social and political order. Despite the central importance of the family and the legislation applying to, the part of Islamic law that I focus on in some detail here is that to do with the principles of economic order and organization, and with these principles relating to such matters as property as the basis for wealth, debts, work, trade and commerce and taxation. I focus on this part of Islamic law for the reason that it sets the Islamic jurisprudential context for the institution of Zakat as one of the instrumentalities for the maintenance of justice within Muslim societies in the sphere of their economic organization.

With the part of Islamic law relating to economic organization, the essential principle is that the wealth that is the subject-matter of economic enterprises and engagements is the gift of God, and that it is to be held and disposed of by human beings only in trust. From this it follows, as within Islamic law, that there is legal recognition extended to the rights and interests of individuals in respect of wealth and its ownership. However, it follows also that the rights and interests in respect of wealth are to be in accordance with the rights and interests of the whole community of the faithful, and so, in accordance with the ends of the just social, economic and political order as these are described in the laws that God has caused to be revealed through the Prophet (pbuh). In particular, it is provided that individuals are to exercise their rights in wealth, and to pursue their interests in relation to it, subject to the constraints imposed through the obligation of charity, and hence in consideration that economic enterprises and engagements are to be so organized that they will serve the material needs and interests of the poorest and least advantaged members of society. Thus it is that the Islamic system of law and legislation provides for the economic order to give effect to an ideal of egalitarian solidarity, and for the economic order to be directed not only towards the satisfying of private interests but also towards the effecting of public goods and purposes.

The fundamentals of the Islamic form of economic organization may be grasped through attention to the institution of property and the principles applying to it. Property involves wealth subject to ownership, and it is expressly provided in Islamic law that the institution of private property is legitimate and that the rights of private property are to stand as sacred rights. Thus it is that there are severe punishments prescribed - most notably the amputation of hands - for those found guilty of property violations. Nevertheless, rights in private property are neither absolute nor unconditional within Islamic law, for these rights are treated of as being subject to a wide range of restrictions of a moral, religious, legal and political character. Accordingly, there are specific prohibitions as stated in the Holy Quran in regard to avarice and miserliness, as well as to prodigality and extravagance. There are also prohibitions on property acquisitions by private individuals that are detrimental to the general rights and interests of the community, and to the just distribution of wealth within it, as with the practices of monopoly and hoarding.

From the standpoint of Islamic law, the transactions that relate to wealth and property within society are the transactions to do with the generation of wealth and with the expenditure of wealth. The legitimate forms of wealth generation recognized in Islamic law include work and trade and commerce within the market. As to the latter, there is a clear warrant in Islamic law for the participation of individuals in trade and commercial business activities with a view to the acquisition of wealth and the enjoyment of prosperity. There is also set out in Islamic law a clear legal framework for the regulation of trade and commerce. Thus it is provided that parties to trade and commerce are to keep their agreements regarding transactions in good faith. This implies the necessity of contract as the legal form for economic transactions, and so it is that in the Holy Quran there are stated elaborate rules for the making, recording and witnessing of contracts. In addition to this, the conducting of lawful trade and commerce presupposes the maintenance of regular standards in relation to the materials traded in, and so it is that it is affirmed in the Holy Quran that justice is to be observed in weights and measures in commercial transactions.

The conduct of trade and commerce remains subject to one very fundamental restriction within the Islamic system of law that applies in the sphere of economic organization. This is that Muslims remain subject to a strict prohibition on the practice of usury in the extending of financial credits: that is, the practice of the charging by creditors to those in their debt of an amount of money additional to the principal capital sum loaned, and with this additional money standing as the interest payable on the original loan. The prohibition on usury lies at the heart of the Islamic law relating to economic matters, and it is one of the most distinctive principles of Islamic jurisprudence. That this is so is because usury, as the practice to be prohibited, stands in opposition to the Islamic ideal of establishing a proper condition of solidarity among human beings based in justice and morality, and based in terms of social co-operation which will give effect to the Islamic principles of mercy and charity. For from the Islamic standpoint, usury is both sinful and unlawful; and it is a practice that is inherently unjust and immoral in the respect that it involves creditors in gaining income that is unearned and, worse still, an income acquired through the labour of debtors in circumstances that, as contrary to mercy and charity, constitute the deliberate exploitation of the debtors and their misfortune.

iii. Zakat: the Institution and its Principles

The wealth that is generated through work and through trade and commerce is wealth that is to be expended, and the Islamic system of law provides for the proper regulation of the transactions involving wealth expenditures. It is permissible for individuals to spend wealth to their own personal advantage within moderation. In general, however, individuals are to spend their wealth in accordance with the terms of the obligations that serve to bind them to the community as a whole. This means, in the first place, that individuals are required to discharge their various obligations relating to the maintenance of their family members. So, for example, husbands are obliged to maintain their wives and parents and obliged to maintain their children, whereas and as depending on particular circumstances individuals may have duties to support the members of their extended family. Quite separate from the obligations falling on family members, there are the obligations that are owed by Muslims to the community as a whole as a matter of charity. Of these obligations the one that is fundamental is the obligation to pay Zakat, that is, the obligatory religious alms tax, which obligation is binding on all Muslims as a matter of strict Islamic law and as expressly stipulated in the Holy Quran.

What, then, is Zakat? To begin with, Zakat is an obligation that is supplementary to the obligations owed to family members. However, it is distinct from family obligations in the respect that Zakat is not to be paid to family members, but is rather to be paid to the poor and destitute, and with a view to the amelioration of poverty and so, through this, the maintenance of a just social and economic distributional order within the community. Indeed, the only exception where family members may lawfully receive Zakat is where family members are themselves poor and destitute, and so qualifying through the fact of their poverty and destitution as distinct from the fact of their kinship.

Further it is to be observed that Zakat is a form of charity, and that it is based in the underlying principles of charity that are affirmed in the Holy Quran. Thus Zakat is to be practised by those of faith for the love of God and for His honour: it is to be engaged in without regard for benefits in terms of personal reputation, and without regard for the possible advantages as in regard to recipients; it is to be undertaken without thought of future material rewards, but rather in the spirit of merciful consideration for the dispossessed and in faith in the essential goodness and reasonableness of the providential order that God maintains. In these respects, there is the strongest contrast - and a contrast emphasized very strongly throughout the Holy Quran - as between Zakat and the practice of usury. For usury is contrary to mercy and charity and is bound up with cost-benefit calculations as to material profits, whereas Zakat, as based in charity, is something that proceeds from trust in the benevolent providence of God whereby recompenses are never withheld from, and evils never befall, those who follow His laws in faith. Beyond this, it is to be noted that Zakat presupposes, and gives effect to, the all the defining principles of Islam as such, as with, for example, the principles of Islamic law relating to wealth and property: principles where, as we have seen, wealth and property are understood to be the gift of God and held by human beings only in trust from God, and where wealth and property, while subject to rights of private ownership, are nevertheless understood to serve the general welfare of the whole community.

The obligation to pay Zakat pertains to the primary sources of Islamic law, in the respect that it is an obligation laid down as binding on Muslims in the Holy Quran. However, the more applied rules governing the institution of Zakat are to be found set out not only in the Holy Quran, but in the Hadiths that pertain to the Sunna. The rules on Zakat are highly detailed, and they concern such subjects as the form of the alms tax, the assets on which it is payable, the persons liable for payment and the persons eligible to receive it.

As to its form, Zakat is not an income tax, but is rather a tax on savings and a tax on savings that are held for the duration of a full lunar year. The assets that are taxable for the purposes of Zakat include gold and silver and paper money. Also included are certain of the assets of commercial business enterprises, such as assets that are purchased with a view to their resale for profit as with merchandise, land and shares. With these assets, the Zakat due is calculated as 2.5% of their actual value. There are different percentage rates for Zakat payable in respect of other assets. This is so with livestock, such as cows, sheep and camels. It is so also with agricultural produce, where 10% of the harvest is due where the land is watered by rainfall and 5% is due where the land is irrigated by wells or canals or by mechanized systems of irrigation. In addition, there is a 20% Zakat rate payable in respect of treasure, such as the mineral wealth to be extracted from the land. It is to be noted that there are assets that are exempt from Zakat, and with these including personal residences and household assets, metals other than gold and silver and diamonds, pearls and other precious and semi-precious stones which are held for personal use. Also, there is no Zakat due on commercial premises, industrial plants and factories, land held for rental purposes, and fixtures, machinery and other such assets that are essential for the functioning and operation of commercial business enterprises.

The category of persons who are liable to pay Zakat comprise Muslims who are adult, free and of sound mind, and possessing adequate means. As for the persons who belong to the category of persons eligible to receive Zakat, these are as follows: 1. The working poor - those with funds but where these are insufficient to meet basic needs. 2. The destitute - those who have no financial means whatsoever with which to meet basic needs, and who are therefore forced to beg for the means of life. 3. Slaves - those who are not free, and whose freedom is to be secured through purchase. 4. Debtors - those who have just debts that are not incurred for unIslamic purposes, but who lack the funds sufficient to discharge their debts. 5. Stranded travelers - those who are stranded away from their homes, and who are without the funds required to return. 6. Prisoners of war - those held captive through participation in a just war (Jihad), and whose freedom is to be secured through the payment of ransom. 7. Soldiers engaged in the waging of Jihad. 8. Zakat collectors - those officials appointed by the public authorities for the purposes of the collection and distribution of Zakat funds. 9. New Muslims, as who are in need of the basic means and necessities for life. As for the persons who are ineligible to rank as recipients of Zakat, these are, principally, non-Muslims, the rich and well-off, and family members (and particularly parents, children and grandchildren, and spouses).

iv. The Zakat Institution: Contemporary Contexts and Implications

There remains the question of the institution of Zakat in the context of contemporary Muslim nations and societies, and their defining situation and predicament, together with the implications of the Zakat institution and its principles for the understanding of Islamic politics. This is of course a huge question; but so as to focus it, and pertinently so in regard to the declared agenda of this current Special Research Project, I shall here address myself only to the issue of Zakat in relation to the matter of civil society and the state.

The civil society concept is notoriously an indeterminate concept, and a key point of divergence in its determination is to do with whether civil society is to be taken to comprehend the sphere of the market, where actors pursue profits, or whether civil society is to be identified as the social sphere where the principles of action, for individuals and for associations alike, are non-profit in their form and orientation. It is clear that on both of these rival determinations, the civil society concept remains consistent with the terms of Islam, and with the rules and principles of Islamic law that apply to matters of social, economic and political organization. To begin with, the Islamic system of law and legislation is supportive of the market, in the respect that it endorses and confirms private property and the primacy of voluntary contract as the basis for transactions concerning property rights. As to civil society in its non-profit-directed, and hence non-market, aspects, there is of course everything to be said about the Zakat institution as an institution for charity that is inherently supportive of civil society and supportive of it particularly as a social sphere which is distinct from the state.

In this connection, it is to be emphasized that Zakat is a religious tax and not a state tax, and a tax whose obligatory character derives not from the command of states and state governments as such, but derives from the system of Islamic law and legislation which has application to those who consent to it as Muslims united in faith. In other words, Zakat is in its essence voluntary as from the standpoint of the state, albeit that it is compulsory from the standpoint of faith, and as voluntary it presents itself as an institution emerging and maintained from within the social order, albeit one based in the engagements of individual Muslims and as directed the preservation of the just distribution of wealth and property within the social order. To the extent that Zakat is state-independent and social as to its origin and directional focus, then the Zakat institution is to be taken as evidence of the strength and vitality of civil society processes and structures as within the Muslim nations and societies. As to the civil society question, it is to be emphasized further that the institution of Zakat involves, and points to, its own determinants for the setting of the relationship between the private sphere and the public sphere as contained within civil society. Thus Zakat is public in character, given that Zakat is a form of charity and charity is directed towards public purposes rather than towards the satisfaction of private interests. At the same time, the public purposes bound up with Zakat, as charity, are purposes that are served not through the command of the state, as an agency possessing public authority, but rather through the voluntary decision of Muslims acting in their private capacities as relative to the state, while acting also in accordance with the body of Islamic law and legislation that defines what is the sphere of the public space inhabited by Muslims as individuals bound together in the profession of faith.

It is evident from this that the Zakat institution is to be viewed as generally positive in relation to civil society, but as involving a high degree of unclarity about the position of the state in relation to the ends that are to be furthered by the institution. Even so, it is to be concluded that the true significance of Zakat, at least for the development of the Muslim nations and societies, lies less in what it indicates about civil society processes and structures, and more in what it implies about the possibilities for state action in regard to the realization of the public welfare. In this connection, the principles of Islamic law associated with the Zakat institution are crucial. Thus, for example, the Islamic system of law and legislation confirms the legitimacy of private property and the rights of individuals in private property. However, it is also provided that private property rights stand qualified by a sphere of legitimate public interests, and with these public interests relating to the securing of justice through the maintenance of conditions for appropriate distributional equality among the members of society.

These principles pertaining to private property bear directly on Zakat, and in consideration of this it is to be underlined that the Islamic jurisprudential principles bound up with the Zakat institutions and informing its ends are consistent with, and point to the desirability of, a large functional role for states and governments in the maintenance of public goods, as in such areas as those of social security, health care provision, housing, education and employment. The present commitment of states and governments in the Muslim nations and societies to the discharging of a functional role of this order is weak, and this is so for the reason that state and governmental institutions in the Muslim nations and societies remain limited as to the condition of their development. As against this and to recognize something of the scale of state action that is now on-going in the Muslim world, I should emphasize that Muslim states and their governments have increasingly sought to extend their organizational control over the practice of Zakat, and with state management of Zakat being more or less fully established in Pakistan, Indonesia, Malaysia, Sudan and Yemen. This process of state management is by no means universal, and with the organization of the Zakat institution being semi-independent and independent of state control in the cases of Bangladesh, India, Egypt, Morocco, Lebanon, Algeria. However, the advent of state management of Zakat is, for my purposes, a crucial concern. For this may well prove to be a first stage in the formulation of authentic public policies on the part of Muslim states and their governments which are aimed at the concerted realization of the ends of social welfare implicit in Zakat. If indeed such public policy formulations do emerge, then the Zakat institution and its study will indeed be of the first importance in understanding the linkages specific to the Muslim world as between civil society and the state, and as in line with the objectives of the present Special Research Project on Civil Society, the State and Culture in Comparative Perspective.