

"A Neo-liberal Turn? Examining the Attitudes toward Public Spending and Equality in Seven East Asian Societies"

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Introduction: The Rise of Neoliberalism and Easy Asian Welfare Capitalism

Since 1980s neoliberalism that prioritizes market force has become the dominant worldwide political ideology. Although there is still no agreement about the cause and actual impact of neo-liberal reforms, it is widely agreed that economic and social institutions in advanced capitalist countries have significantly deviated from the postwar arrangements (Thelen and Streeck 2005) . One central issue about neoliberalism in welfare state literature is welfare retrenchment across countries. After the continuous expansion of social expenditure in three decades, major advanced countries began to cut back social programs to reduce government expenditure and enhance market flexibility. The cause, variance and effect of this cutback attracts great attention from students of comparative political economy (Stephen et al. 1999; Pierson 2001; Korpi 2003) .

This paper is inspired by the literature of welfare retrenchment but focus on the different historical contexts and characteristics of East Asian welfare state. Welfare capitalism in East Asia differs from that in western countries in two issues. First, the timing of welfare formation was much later. East Asian countries generally lacked social policies during the “golden age” of western welfare capitalism and developed welfare programs when welfare retrenchment already occurred. Second, the political context was also very different. Except for Japan, class politics played a very marginal role in East Asian politics. Even in Japan welfare programs were established by

conservative regime, not the left wing one. Therefore, whether the explanatory model developed in western countries can be applied to East Asian societies remains a question.

The purpose of this paper is to provide an exploratory study to future development of East Asian welfare state by using the data of Asia Barometer. This paper focuses on the public attitudes toward welfare spending, spending in general, and value of equality in six East Asian societies—Japan, South Korea, Taiwan, China, Hong Kong and Singapore. I aim to detect whether citizens in these countries will continuously support welfare expansion, or begin to support welfare retrenchment like their western counterparts. This paper further tries to answer a key question in the East Asian welfare capitalism: is there a common trend across East Asian countries, or the patterns vary across countries? The answer of this question, I believe, can contribute to solve a key debate about whether there is a unique model of East Asian welfare capitalism.

This article is organized as follows. I first introduce the literature on welfare formation and welfare retrenchment in western context. Although the explanatory models cannot be directly applied to this study, they provide important insights into the relationship between welfare institutions and the state and important social divisions. I then discuss the contexts of East welfare state and construct the analytical framework. In the next part I show the statistical results. Finally I discuss the implications of the results.

The Rise and Regress of Welfare States in Western Countries

In the three decades after War World II, as the “Keynes Welfare State” became the dominant model of economic governance, the role of the state in economy rapidly expanded across Western countries. Capitalist states rejected the laissez-faire market established welfare programs and other types of public spending to alleviate the

harmful impact of business cycles and promoted equality. On the one hand, capitalist states established a variety of welfare programs including health insurance, public pension and unemployment insurance to protect labors and other disadvantageous groups from grievance brought by economic fluctuation. On the other hand, when the business cycle goes down, capitalist states also use projects of public spending, mostly those of infrastructure or public services to sustain domestic demand and employment. The development of “welfare capitalism” was widely seen as an effective way to maintain social equality and create economic growth at the same time. Much of the literature of comparative political economy was inspired by this postwar development and fruitful studies have been done about its cause, divergence and effects.

In terms of causes of welfare capitalism, researchers provide deep insights into the role of class struggle, state capacity and employer preference in this development. The first focus is the role of class struggles in welfare formation. The power resource theory, which is arguably the most influential theory in this field, treats welfare state and other types of government intervention as the result of democratic class struggle. Because labors have a disadvantageous position in market economy, organized labors have strong intention to restrain market forces through political struggles. Therefore, the establishment of welfare program can be attributed to the potential strength of labor class and left wing parties (Korpi 1983; Hicks 2001; Huber & Stephen 2001) .

The second focus is employers and middle class’ role in welfare formation. From the viewpoint of political resource theory, middle class and employers have incentive to obstruct welfare state. However, increasing studies show that employers and middle class may not necessarily oppose welfare programs. Because employers have invested resource to raise the human capital of employees, a layoff caused by economic downturn will easily destroy these investments in human capital. Therefore, they have

incentives to support social insurance to protect their investment in human capital (Mares 2003; Iversen 1999). On the other hand, middle class may also benefit from and thus support welfare programs. Therefore, in many countries welfare programs are actually established by the collation between middle and labor class (Balding 1991). Finally some believe that state, especially state bureaucrats, plays an essential role in welfare formation. Evidence shows that many social programs are not driven by social demands but the state's preemptive action to create social orders. Therefore, the studies on the development of social programs should not overlook the impact of the state (Heckle 1977; Skocpol 1985).

Esping-Andersen (1990) established the famous typology of "three worlds of welfare capitalism." He suggests that welfare states can be divided into three groups based on the different degree of de-commodification. The first type, liberal welfare state, treats welfare program as a type of grievance relief and only provide benefits to those left out by labor markets. The second type, social democratic welfare states, sees welfare as a type of social citizenship. Therefore, welfare benefits were provided in the form of universal entitlements. Finally, the conservative welfare treats welfare as a privilege to certain occupational groups. Therefore, welfare is highly associated with occupational status and redistribution mainly occur within class. These welfare institutions complement other elements of economic system and constitute production regimes. Therefore, welfare programs not only buffer the negative effects brought by market forces, but also shape economic governance (Soskice and Hall 2001).

However, the golden age of welfare capitalism ended in early 1980s. The seemingly unstoppable expansion of government expenditure faced serious backlash since 1980s. As unemployment remain high, the very foundation of welfare state—full employment—was seriously eroded. Especially for Anglo Saxon countries, welfare state entitlements were significantly cut and privatized. Other countries also

made substantial adjustments, although not as radical as what U.S. and U.K did. Welfare retrenchment or regress becomes the central issue of comparative political economy. Several factors are identified as the causes of regress. The first factor is economic globalization. As capital can easily move across national borders, labor lost the bargaining power. Pierson (2001) rejects the argument that welfare retrenchment results from globalization and proposes a model of “new politics of welfare state”. He suggests that the real cause driving welfare regress is the rise of postindustrial society. As the ratio of blue collar workers in population declines and that of white collar employees kept rising, the political base of welfare states began to shrink. On the other hand, the degrees and ways of welfare retrenchment vary across countries. Anglo-Saxon countries radically cutback welfare provision, while European Continental countries only have limited and gradual adjustment. Therefore, there is also variety of welfare retrenchment (Korpi 2003).

Welfare States in East Asia

Recently the welfare state literature was increasingly criticized for its ignorance of the experience of the non-western world except for Japan (Haggard and Kaufman 2008; Kim 2010). Whether the explanatory model developed by western experience can be applied to other regions remain a question. One major question for the East Asian welfare states is the relatively low level of social spending compared with Western countries. Thus Holliday(2000)claims that East Asian welfare capitalism can be labeled as the “productivist welfare capitalism” distinctive from the three worlds of welfare capitalism identified by Esping-Andersen. In this model, the major purpose of social policy is reinforcing productive elements and thus social policy is subordinate to economic policy. Therefore, welfare provision mainly offered to those can further contribute to economic development. Hollidat further specifies three types of productivist welfare capitalism; developmental-universalist (Japan, South Korea,

Taiwan) , facilitative (Hong Kong) and developmental-particularist (Singapore) .

On the other hand, some argue quite the opposite; many seemingly non-social policies are actually “functional equivalent” (Estevez-Abe 2008) or “surrogate” social policies (Kim 2007) . They criticize traditional literature of welfare state tends to narrowly define welfare policy as health insurance, unemployment benefits and pension system. However, many other types of policy, including agricultural protection, public housing, educational expenditure and regional-targeted programs also play important role in social protection. Therefore, literature based on the experience of western countries may seriously underestimate the degree of social protection in East Asian countries. A full account for East Asian welfare capitalism must include these “functional equivalent” or “surrogate” social policies.

In addition to the content of welfare programs, East Asian welfare capitalism also differs from western countries in the timing of welfare formation. As I mention earlier, unlike western countries that had experienced the “golden age” of welfare capitalism, most welfare programs in East Asian were established when welfare retrenchment already occurred. Even Japan developed welfare policies earlier than other part of East Asia, they still overlap with pioneers of welfare retrenchment—Thatcher in U.K. and Ragan in U.S. In other words, when East Asian countries entered the stage of welfare capitalism, they already faced disadvantageous global environment. The late coming welfare capitalism complicates the development of East Asian welfare states (Kamimura 2002) .

Peng and Wong (2008) further provide a historical account for this debate. They divide the development of welfare programs in Taiwan and South Korea into three periods and suggest that different patterns appeared in each period. Before democratization in 1980s, social policy was designed for the developmental purpose. However, democratization brought new dynamics to welfare politics. Both countries

developed universalist and redistributive social programs to meet the demand from citizens. Finally after the Asian financial crisis these two countries re-oriented social programs to cope with demographic shifts and economic globalization. In other words, after 1997 East Asian countries entered postindustrial era and faced the pressure of welfare retrenchment as western countries do, although in different fashion.

Peng and Wong's work highlights the unique historical context of welfare state formation in East Asia. An important influence of the time-compression development is the emergence of multiple factors and trends in a very short time. Pierson (2001) rightly indicate that welfare expansion and welfare retrenchment have different causes; in the East Asian context these different causes almost emerged simultaneously. Redistribution politics that drove welfare expansion, and economic globalization that drove welfare retrenchment, almost emerged concurrently in East Asia except for Japan. Combining the unique "functionally equivalent" or "surrogate" social policies, the future of welfare state in East Asia is more uncertain than that in western countries.

Based on the above discussion, this paper aims to predict the future of East Asian welfare state by examining citizen's attitudes toward welfare, equality and other spending. Although not all East Asian societies are democratic, and even in democratic countries citizens' preference may not necessarily be translated to policy, studies on attitudes can still bring important information about the momentum of institutional development.

Data, Variables and Models

In this paper I use the 2006 AsiaBarometer Survey that conducted in seven Confucian societies: Taiwan, Japan, China, South Korea, Hong Kong, Singapore and Vietnam. I drop Vietnamese data because Vietnamese respondents haven't shown a consistent response toward the major issues in this paper. This problem may result

from the relatively short period of post socialist transition. I also drop data of rural China because telephone interview may seriously bias due to the uneven distribution of telephones in rural China. The following variables are used in this paper.

1. Dependent Variables

This paper examines three dependent variables: scores on attitude toward welfare spending, score on general spending, and preference between equality and growth. In Q32 respondents are asked to report their attitudes toward a variety of government spending. Interviewers also remind respondents that more spending entails higher tax. By this question I use factor analysis to construct two scores. The first score, which is called welfare score, contains attitude toward three major types of welfare spending: health (b), old age pension (f) and unemployment benefit (g). The second score, which is called spending score, include all types of spending except for military spending. Because in the East Asian context, government expenditure often play the role of social welfare, a score include all types of spending may reflect the true welfare expenditure.

The second set of dependent variables is about the preference between equality and growth. In Q36, respondents are asked to what degree they agree with the two following statements. The first one requires respondents to report their choice between equality and prosperity, the second one asks

it is desirable that people are equal, even the economic is stagnant, rather than inequality but developing. This question reflects respondents' preference between equality and developing.

2. Independent Variables

Independent variables include the following sets of variables

- a. Demographic variables: including age, marital status, gender, and educational attainment. Education is divided into three groups.

- b. Social economic status: much of the welfare literature is concentrated on class politics in welfare expansion and retrenchment. However, researchers haven't reach agreement about which type of social stratification have greatest influence. I use both Wright's neo-Marxist scheme and Goldthrope's neo-Weberian scheme to examine the impact of class or strata on attitudes toward welfare and equality. Due to the drastically different income level, I divided respondents into three income groups.
- c. Political Trust and participation: democratization is an important factor contributing to South Korea and Taiwan's welfare institution is democratization. In other words, how people view their political system and their role in it is essential for their support of government spending. Q29 contains the questions of respondents' trust toward different sectors of the government, while Q34 contains questions about respondents' attitude toward political participation.
- d. Globalization and nationalism: economic globalization is widely believed as a key factor leading to welfare retrenchment. On the other hand, it is quite likely nationalism will bring sense of solidarity and thus strengthen positive attitudes toward welfare. I use English proficiency as indicator of globalization, while use q18 as the measurement of nationalism.

Model

In this paper regression analysis will be done in the aggregate sample and country sample in each country. Through this process, I want to examine whether there exist a common East Asian model of welfare capitalism.

Results

Table1 mean of the score on welfare spending in each country

Country	Welfare	Spending in General
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Total average	0	0
China	.3729	.2999
Hong Kong	-.2534	-2445
Japan	-.2780	-3127
Singapore	-.367	.4121
South Korea	.0237	.0449
Taiwan	-.2786	-2065

Neoliberal Attitude?

	Japan	SK	Taiwan	Singapore	HK	China	Vietnam
Income equality	34.9	55.03	77.4	57.9	69.8	79.2	48
Spend Score	.0.96	0.61	0.87	0.38	0.80	0	0.19
Worry Inequality	23.12	30.1	31.21	27.8	19.9	38.45	25.4
Ocupational Inequality	42.57	55.7	52.09	57.8	48.7	56.7	67.9
Equal SA	3.83	6.6	2,3	15.12	9.64	5.49	24,4
A	22.65	32.16	12.1	49	31.40	17.07	50.1
Neither	51.7	26.03	31.1	23.9	43.2	41.4	18.85
D	19.86	29.35	42.97	11.3	12.54	31.17	6.25