Late Industrializers and the Development of the Welfare State

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Acronyms

CPF	Central Provident Fund
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	gross domestic product
ICDC	International Child Development Centre
ILO	International Labour Organization
IMF	International Monetary Fund
MITI	Ministry of International Trade and Industry (Japan)
NGO	non-governmental organization
NICs	newly industrialized countries
OECD	Organisation for Economic Co-operation and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development

Summary/Résumé/Resumen

Summary

In this paper, Chris Pierson reviews the social policy experiences of several waves of "late industrializers" in Europe, Latin America and Southeast Asia, and explores some of the relevant issues for the study of welfare state development. Why did some later industrializers favour the early adoption of social welfare measures? Did they have distinctive social coalitions or institutional opportunities that exerted pressure for the early adoption of such measures? Were there state-building initiatives or attempts to exploit or even capture an administrative capacity that was already in place? The paper begins with what is generally considered the "homeland" of the welfare state: Northern Europe. It then reviews the experience in East Asia and Latin America in subsequent sections, and considers the recent experience of social policy development in sub-Saharan Africa.

Pierson looks at the relationship between late industrialization and welfare in these varied contexts and over a period of more than a century. He identifies certain commonalities across all later industrializers, including considerable evidence of "institutional learning". There are certain advantages in being a late-developing welfare state, and a number of states have used an active social policy as a mechanism for promoting their own social and economic development.

Generally, the welfare states of later industrializers have been smaller (at least in terms of proportionate levels of social expenditure) and have done less redistribution work. In general, the larger and more entrenched a welfare state becomes, the more difficult it is to change. There is thus a case for thinking that successful late industrializers may have lessons for more established welfare regimes. East Asia's emphasis on the regulatory (rather than the providing) welfare state and its prioritization of education and labour market participation, for example, have become key elements in the reform agenda of the older welfare states of Western Europe. Late-developing welfare states have always been strongly influenced both by the example of developed welfare states elsewhere and by the promptings of international agencies. The World Bank now gives welfare and social security more or less equal billing with the imperatives of economic growth and the formation of human capital. Its does not, however, simply call for greater state involvement. Given the importance of the stance of international financial institutions for states that aspire to industrialize (and correspondingly to refashion their domestic social policy), such a shift in focus is highly important.

In relation to sub-Saharan Africa, Pierson finds that it is unlikely that most states in the region have the governing capacity or the resources to administer complex social security systems. In the short term, however, the issue is one of finding the most effective means of addressing high levels of absolute insecurity, rather than constructing a welfare state in its traditional form (of social insurance linked to participation in the formal economy).

The size of the state has not been the crucial issue. Although detractors of an extensive welfare regime have pointed to the smallness of welfare states in Southeast Asia, the most successful economies in the region have developed quite substantial welfare regimes—a fact that is sometimes masked by the conventions that determine what is to count as social expenditure. Of course, even the most successful states were not immune to cronyism and capture by special interests, but welfare regimes in the least successful states appear to have been systematically undermined by these tendencies.

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Résumé

En étudiant ici les expériences faites en matière de politique sociale par plusieurs vagues de pays d'Europe, d'Amérique latine et d'Asie du Sud-Est qui se sont industrialisés tardivement, Chris Pierson approfondit plusieurs questions intéressantes sur l'évolution de l'Etat providence. Pourquoi certains de ces pays ont-ils choisi d'adopter assez tôt des mesures de protection sociale? Celles-ci ont-elles été adoptées sur la pression de coalitions sociales ou d'institutions particulières? L'institution de la protection sociale a-t-elle été une initiative fondatrice de l'Etat ou celui-ci a-t-il ainsi tenté d'exploiter ou même de canaliser une capacité administrative déjà en place? Le document s'ouvre sur l'étude de l'Europe du Nord, généralement considérée comme la patrie d'origine de l'Etat providence. Les sections suivantes sont consacrées à l'expérience de l'Asie orientale et de l'Amérique latine, puis à l'évolution récente de la politique sociale en Afrique subsaharienne.

Chris Pierson s'intéresse à la relation entre industrialisation tardive et protection sociale dans ces divers contextes et sur une période de plus d'un siècle. Il relève certains points communs à tous les pays arrivés tardivement à l'industrialisation, y compris une foule d'éléments portant à croire à un "apprentissage des institutions". Il y a certains avantages à être un Etat providence tardif et, pour nombre d'Etats, une politique sociale active a servi à stimuler le développement social et économique.

Dans les pays arrivés tardivement à l'industrialisation, l'Etat providence a été généralement plus modeste (du moins en ce qui concerne la proportion des dépenses sociales) et moins redistributif. En général, plus l'Etat providence s'étend et se consolide, plus il est difficile à changer. On peut donc penser que les pays qui sont arrivés tardivement à l'industrialisation et dont l'expérience est positive peuvent avoir quelque chose à apprendre aux Etats providence établis de longue date. L'accent mis en Asie orientale sur le rôle d'organe de contrôle (plutôt que de prestataire) de l'Etat providence et la priorité donnée à l'éducation et à l'emploi, par exemple, sont devenus des éléments clés du programme de réforme des Etats providence de l'Europe occidentale. Les Etats providence tardifs ont toujours été fortement influencés à la fois par l'exemple des pays développés et par ce que leur soufflent les institutions internationales. Aujourd'hui, la Banque mondiale attache plus ou moins le même prix à la protection sociale et à la sécurité sociale qu'aux impératifs de la croissance économique et à la formation du capital humain. Cependant, elle ne demande pas simplement un plus grand engagement de l'Etat. Vu l'importance de la position adoptée par les institutions financières internationales pour les Etats qui aspirent à s'industrialiser (et à remodeler en conséquence leur politique sociale interne), un tel changement d'attitude est capital.

S'agissant de l'Afrique subsaharienne, Chris Pierson estime que la plupart des Etats de la région n'ont sans doute pas la capacité de gestion ou les ressources nécessaires pour administrer des systèmes de sécurité sociale complexes. L'enjeu à court terme, cependant, est de trouver les moyens les plus efficaces de combattre l'insécurité absolue qui règne, et non pas de mettre en place un Etat providence traditionnel (assurance sociale liée à la participation à l'économie organisée).

La taille de l'Etat n'est pas la question cruciale. Bien que les détracteurs d'un régime de protection sociale étendu aient relevé la modestie des Etats providence de l'Asie du Sud-Est, les économies les plus fortes de cette région ont mis en place des régimes de protection sociale assez développés—fait parfois masqué par les conventions qui déterminent ce qui compte comme dépenses sociales. Bien entendu, même les Etats les plus performants ne sont pas à l'abri du copinage et de détournements au profit d'intérêts particuliers, mais les régimes de protection sociale des Etats les moins performants semblent être rongés par ces maux.

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Resumen

En este documento, Chris Pierson examina las experiencias en materia de política social de algunas oleadas de "países tardíamente industrializados" en Europa, América Latina y Asia sudoriental, y explora algunas de las cuestiones importantes para estudiar el desarrollo del estado de bienestar. ¿Por qué algunos de los países tardíamente industrializados apoyaron la adopción temprana de medidas de bienestar social? ¿Tenían coaliciones sociales distintivas u oportunidades institucionales que ejercieran presión para la temprana adopción de dichas medidas? ¿Se emprendieron iniciativas para crear el Estado o se desplegaron esfuerzos para explotar o incluso conseguir una capacidad administrativa ya establecida? Este documento comienza haciendo alusión a la que normalmente se considera la "patria" del estado de bienestar: Europa del Norte. En las secciones siguientes se examina la experiencia de Asia oriental y América Latina, y se analiza la reciente experiencia del desarrollo de la política social en el África subsahariana.

Pierson analiza la relación que existe entre la industrialización tardía y el bienestar en estos diferentes contextos y durante un período de más de un siglo. Identifica ciertos elementos comunes en todos los países tardíamente industrializados, incluidas numerosas pruebas del "aprendizaje institucional". Alcanzar un estado de bienestar en una fase tardía tiene ciertas ventajas, y algunos Estados han aplicado una política social activa como mecanismo para promover su propio desarrollo económico y social.

Por lo general, los estados de bienestar de los países industrializados en una fase tardía han sido más pequeños (al menos con respecto a los niveles proporcionales de gasto social) y han llevado a cabo una menor redistribución. Normalmente, cuanto mayor sea y más se afiance un estado de bienestar, más difícil será de cambiar. Así pues, hay motivos para pensar que los regímenes de bienestar mejor establecidos pueden aprender algunas lecciones de los países tardíamente industrializados que tuvieron éxito. La insistencia de Asia oriental en el estado de bienestar regulador (en lugar de proveedor), y la prioridad que ha concedido a la educación y a la participación en el mercado del trabajo, por ejemplo, han llegado a ser elementos claves en el programa de reforma de estados de bienestar más antiguos de Europa occidental. Los estados de bienestar que se desarrollaron tardíamente siempre han estado muy influidos por los ejemplos de los estados de bienestar desarrollados en otros lugares, y por las reacciones de las organizaciones internacionales. En la actualidad, el Banco Mundial estima que el bienestar y la seguridad social son tan importantes como los imperativos del crecimiento económico y la formación del capital humano. Sin embargo, no exige simplemente una mayor intervención estatal. Dada la importancia que reviste la posición de las instituciones financieras internacionales para los Estados que aspiran a la industrialización (y, en consecuencia, a la reformulación de su política social nacional), este cambio de enfoque es fundamental.

Con relación al África subsahariana, Pierson considera improbable que la mayoría de los Estados de la región tengan la capacidad gubernamental o los recursos necesarios para administrar sistemas de seguridad social complejos. Sin embargo, a corto plazo, la cuestión radica más bien en hallar los medios más eficaces para abordar los altos niveles de inseguridad absoluta, que en construir un estado de bienestar en su forma tradicional (de seguridad social vinculada con la participación en la economía formal).

La cobertura del Estado no ha sido el aspecto clave. Aunque los detractores de un régimen de bienestar extenso han puesto de relieve la falta de alcance de los estados de bienestar en Asia sudoriental, las economías de mayor éxito en la región han establecido regímenes de bienestar considerablemente amplios—lo que a veces queda ocultado por los convenios que determinan qué debe considerarse un gasto social. Por supuesto, incluso los Estados de mayor éxito no fueron inmunes al amiguismo y la captación por intereses especiales, pero estas tendencias parecen haber menoscabado sistemáticamente los regímenes de bienestar en los estados de menor éxito.

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Introduction

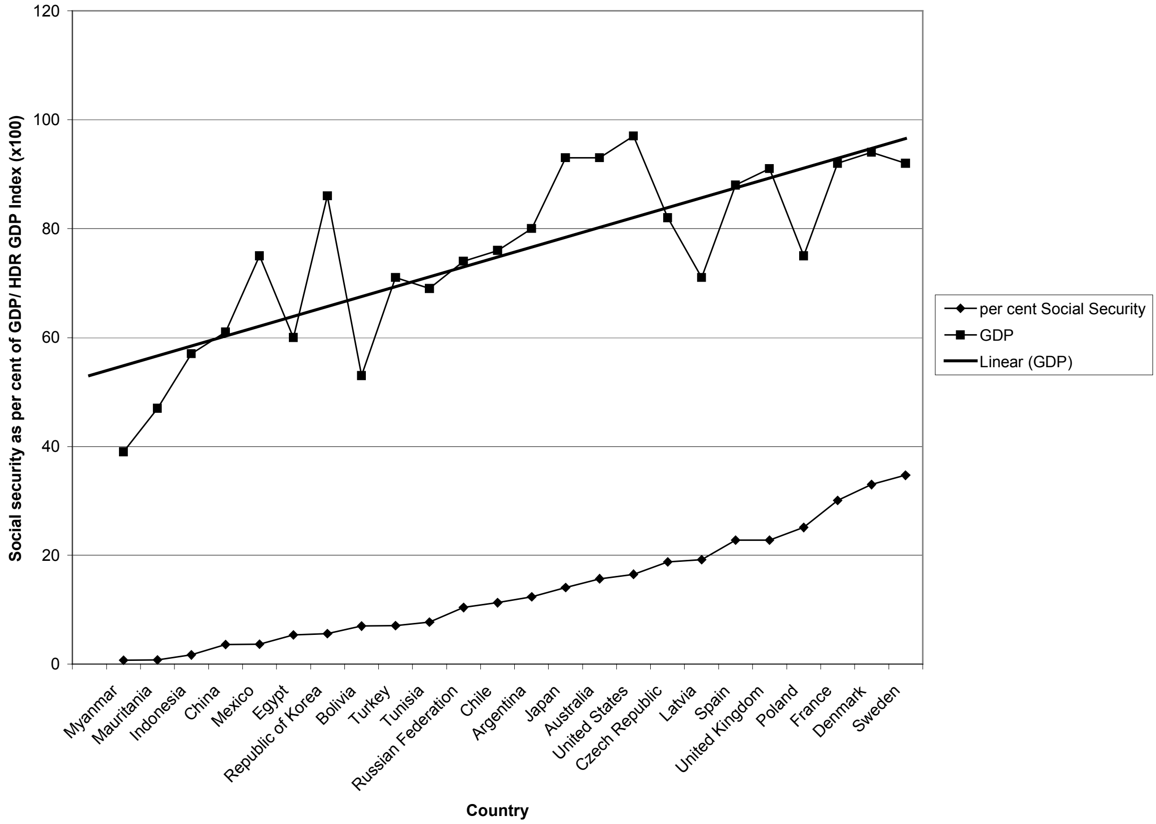
Industrialization has long been recognized as a key component in the emergence and development of state welfare regimes. The classic source in the comparative literature is Wilensky's *The Welfare State and Equality* (1975). Drawing on the earlier work of Cutright (1965), Aaron (1967) and Pryor (1968), Wilensky concluded that "economic growth and its demographic and bureaucratic outcomes are the root cause of the general emergence of the welfare state" (1975:xiii). Upon this account, the origins of the welfare state lay in secular changes associated with the broad process of industrialization and, particularly, the breakdown of traditional forms of social provision and family life. These changes included economic growth (and the greater affluence it generated); growth in population (especially of an aged and urban population); the developed division of labour; the creation of a landless working class (and, subsequently, its political mobilization); the rise of cyclical unemployment; changing patterns of family and community life; and (at a somewhat later stage) industry's increasing need for a reliable, healthy and literate workforce. The empirical work of Cutright, upon which Wilensky drew, suggested that "the degree of social security coverage is most powerfully correlated with its level of economic development" (Cutright 1965:537). Wilensky's own empirical work led him to conclude that more than 85 per cent of the international variance in social security effort was to be explained by economic development, combined with the dependent effects of the proportion of aged in the population and the age of the social security system. He concluded that "there is not much variance left to explain" (Wilensky 1975:22–25, 47).

Industrialization and Welfare State Growth

While this emphasis upon the exclusive importance of industrialization in the development of welfare states has been widely challenged in the subsequent literature,[1] few would contest the centrality of industrialization to the general process through which welfare states emerge. However, what has become clear from later comparative surveys is that there is no straightforward association between the *level* or *duration* of industrialization and the *extent* of welfare state development. Following Uusitalo (1984), we can see that the significance of economic development in explaining *variation* in social policy effort between nations depends very substantially upon the size and diversity of the sample under review. (It may also depend upon the ways in which crucial variables, such as "welfare effort", are measured—see O'Connor and Brym 1988.) Thus, in samples that draw upon a very wide range of very differently developed nations (such as, for example, when contrasting the experience of member countries of the Organisation for Economic Co-operation and Development, or OECD, with that of sub-Saharan Africa), economic development emerges as a very powerful indicator of welfare state growth. However, among similarly developed nations (for example, in studies confined to members of the OECD), much less is explained by variation in the level of economic development. In figure 1, for example, the poorest countries in terms of gross domestic product (GDP) also report the lowest proportionate spending on social security, and the OECD countries—with the exceptions of relative newcomers Mexico, the Republic of Korea and Turkey—are all in the top half of the spending profile. Yet three of the four most affluent states rank ninth, tenth and eleventh in this listing behind substantially less affluent (and less advanced and less industrialized) ones, such as Latvia and Poland.

1 See, for example, Castles and McKinlay (1979); Stephens (1979); O'Connor (1988).

Figure 1: Social security expenditure and GDP (selected countries)



A similar pattern emerges when we consider the relationship between the length of time a nation has been industrialized and the extent of its welfare effort (for the relevant data, see appendix). For Wilensky, the age of social security programmes was one of the key predictors of a state's welfare effort. Again, at a global level this proves to be true. Most of the early industrializers are among the more developed welfare states. Western Europe (alongside the northeastern United States) was the earliest industrializing region, and it contains most of the world's "big" welfare spenders. Those regions that industrialized somewhat later were correspondingly later in developing their social programmes (in Latin America from the 1930s; in East Asia, with the exception of Japan, from the 1950s). They fall correspondingly into a pattern of medium and low spenders. But there are important exceptions. The United States is an obvious outlier, an early industrializer whose welfare breakthrough did not come until the 1930s, was then incomplete (with no provision of comprehensive health care or family allowances) and is still an underspender in terms of its natural comparators. Similarly, the westernmost transition economies of the former Soviet Union reported remarkably high social expenditure levels throughout the 1990s, though, of course, on a global scale their industrialization was long established and their welfare effort was recorded in terms of what was in several instances a rapidly declining GDP (see UNICEF-ICDC 1997). Still, it remains the case that, at a global level, there is a strong association between the period of industrialization and levels of welfare effort mediated through the age of social security programmes.

Upon closer inspection, however, a rather more complex general pattern emerges. Crudely, the very first welfare states did not emerge among the pioneers of industrialization. Although the periodization of industrialization is complex and contested,[2] it is widely accepted that the United Kingdom was "the first industrial nation" and that it was followed at some distance by the United States (though in a regionally quite diverse pattern), Switzerland, Belgium and France. Germany's take-off was a little behind these, though, once embarked upon this path, it grew very rapidly.

[2] See, for example, Rostow (1978); Bairoch (1982); Reynolds (1985).

Still, as late as 1913, per capita levels of industrialization were lower in Germany than in not only the United Kingdom and the United States, but also in Belgium and Switzerland (Bairoch 1982:281). Yet it is Germany under Otto von Bismarck that is widely regarded as "the first welfare state". Among the other welfare innovators were Austria (or rather Austro-Hungary) and Denmark. Yet Austria's (per capita) level of industrialization was consistently lower than that of Germany and well behind the European average (Bairoch 1982:281). As late as 1870, nearly one half of the Danish national product was derived from agriculture though, as mechanization kicked in over the last quarter of the nineteenth century, much of it was to be found in the co-operative agricultural sector (Kuznets 1966:88–89; Johansen 1985:297).

The pattern of subsequent programme adoptions in Europe is complex, and there is some disagreement about whether the spread of welfare state programmes is best explained in terms of *prerequisites* (with state welfare initiatives being a response to endogenous national developments) or *diffusion* (a process of international imitation of welfare state innovators). Most states had an indigenous prehistory of state involvement in welfare (often as an aspect of internal security) and the statutory regulation of labour markets. Yet, as soon as there were extant models to consider, a cottage industry developed in the study of programmes overseas (though this did not necessarily lead to programme adoption as the history of investigative commissions sent from the United States to pre-1914 Europe attests—Skocpol 1992, 1995). There has long been a lively debate about the extent to which second and subsequent adopters were following Germany's example or simply bringing their own internal developments to fruition (on Denmark, for example, see Johansen 1985; Levine 1983). But whatever the proximate source of these programme initiatives, it appears that, in the period up to 1901, there was a move from less industrialized and more authoritarian regimes (Austro-Hungary, Denmark, Germany, Sweden) toward the more developed and democratic (Belgium, France, Netherlands, United Kingdom). In so far as we are concerned with the emergence of the welfare state within the more developed (northern) areas of Europe, welfare innovation moves more or less consistently from *less* toward *more* economically developed states (Flora and Heidenheimer 1981:60–70).

Industrialization, Enfranchisement and Bureaucracy

Of course, something much more than a change in the technology of production is involved in the process of industrialization that precipitated welfare state innovation, and some have preferred to characterize these developments in terms of the more multidimensional category of "modernization". Thus, Hage et al. (1989) argue that it is modernization (represented by urbanization and the increasing density of communications) rather than industrialization that best explains patterns of welfare state growth, whilst Flora and Heidenheimer (1981) and de Swaan (1988) draw attention to the independent impact of political organization and state capacity. Although there is some sort of association between the extension of the (male) franchise and the development of social security (both grew apace in Europe between 1880 and 1914), the innovators were not the most extensively enfranchised states but constitutional-dualistic monarchies. Famously, Bismarck's reforms have been seen as a (pre-emptive) response to the threat of working class mobilization. Just as famously, it has been suggested that liberal reticence about state compulsion was much less developed in Germany than, for example, in France, the United Kingdom or the United States (see, for example, Rimlinger 1974). (Indeed, part of the explanation for the strange pattern of welfare development in the United States—a pattern in which early growth through veterans' pensions was allowed to wither away in the early twentieth century—may relate to a mixture of early enfranchisement plus a deliberate strategy to undo state capacity at the federal level—see Skocpol 1992). Attention has also been drawn (most notably, though certainly not exclusively, in the German case) to a pre-existing administrative capacity (and confidence) to deal with the technicalities of mass insurance systems. At the same time, there may be a distinction to be drawn between the (perhaps quite limited) role of an extended franchise in *creating* welfare state programmes (and/or of the attempt to head off working class political mobilization) and the (perhaps quite different) logic that drives established programme *growth* under democratic imperatives. Here it is worth

remembering that, at their origins, the costs of welfare states were quite modest. It was the extension of coverage and levels of entitlement that made them the giants of public expenditure in the second half of the twentieth century (see Pierson 1998:99–134).

The interaction between industrialization, enfranchisement and administrative capacity in the early development of welfare state regimes is neatly captured by Skocpol and Ikenberry:

> The ideas for modern social insurance and welfare policies came from domestic experimentation and transnational communication, and they were put into effect by sets of political executives, civil administrators, and political party leaders who were looking for innovative ways to use existing or readily extendable government administrative capacities to deal with (initially key segments of) the emerging industrial working class. Pioneering social insurance innovations, especially, were not simply responses to the socioeconomic dislocation of industrialism; nor were they straightforward concessions to demands by trade unions or working-class-based parties. Rather they are best understood...as sophisticated efforts at anticipatory political incorporation of the industrial working class, coming earlier (on the average) in paternalist, monarchical-bureaucratic regimes that hoped to head off working-class radicalism, and coming slightly later (on the average) in gradually democratizing liberal parliamentary regimes, whose competing political parties hoped to mobilize new working-class voters into their existing political organizations and coalitions (Skocpol and Ikenberry 1983:89–90).

Perhaps the one qualification we may now want to add to this gloss is that the classes that reforming politicians and administrators sought to address were rather more diverse than this summary suggests. Each in his own way, both Esping-Andersen (1985) and Baldwin (1990) draw attention to the importance of middle-class and agrarian interests and parties in the early development of Europe's welfare states (in these particular instances in the Scandinavian countries).

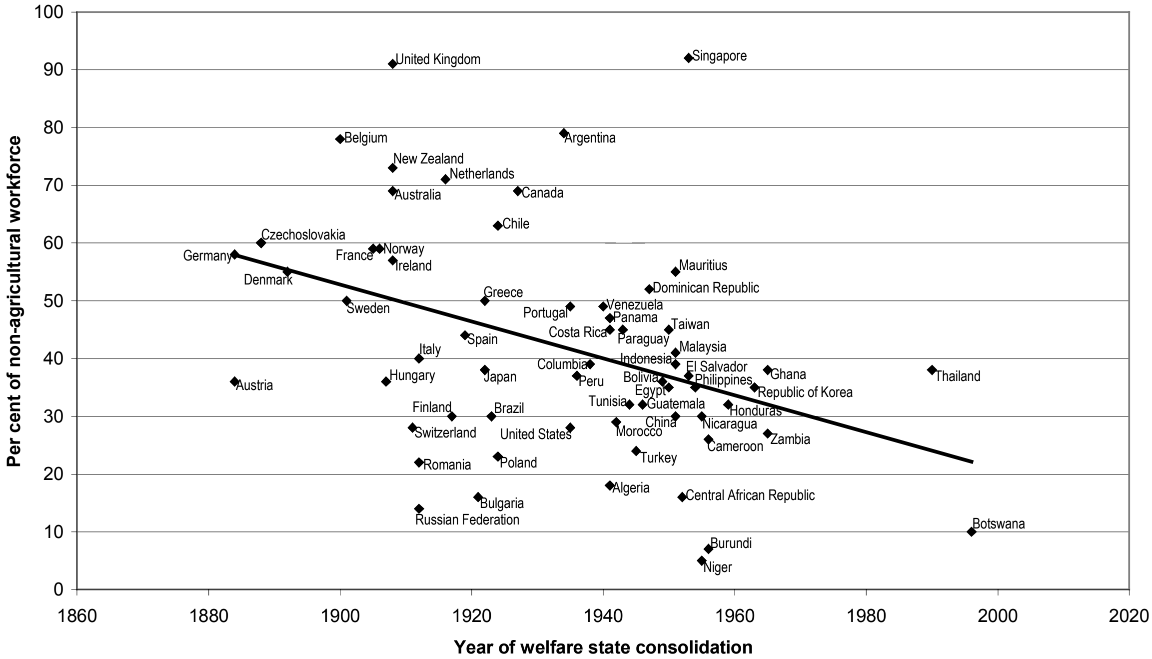
Welfare States and Late Industrializers

The modern welfare state was a Western European innovation (though far-flung Anglo-Saxon outposts in Australia and New Zealand had something more than a walk-on part in its early history), and it was the (slightly) later industrializers within Western Europe that led this process.[3] Of course, we must acknowledge the fact that Europe's "late industrializers" were, in a global context, among the earliest—and, in the case of Germany, the most powerful—industrial nations. (Even in 1860, Bairoch reckoned Germany and Austro-Hungary to lie seventh and eighth respectively in the ranking of the world's leading manufacturing countries, though this placed them behind not only France, the United Kingdom and the United States, but also China, India and Russia—Bairoch 1982:284). If the earliest pattern of welfare state adoptions saw a move from less to more developed, in the period between 1908 and 1923 the principal determinant of innovation appears to have been geographical proximity to an existing welfare state rather than the level of industrial development. After 1923, there was a clear tendency for countries to adopt welfare state measures at a lower level in their own economic development (with the notable exception of the United States) and, paralleling the pattern of the spread of industrialization, late industializers have tended to develop welfare state institutions earlier in their own individual development and under more comprehensive terms of coverage.[4] Within regional economies (say in East Asia or Latin America), there is a tendency for welfare state initiatives to be taken earlier in the developmental period of later industrializing states, following regional pioneers that have themselves tended to adopt social security programmes at lower levels of industrialization than those prevailing in Western Europe when these programmes first emerged. Figure 2 shows how these patterns have persisted at a global level for nearly a century.

[3] On Australia and New Zealand, see Castles (1985); Castles et al. (1996).

[4] Collier and Messick 1975:1301; Schneider 1982; Alber cited in the first volume of Flora 1986:xxiv; Alber 1982; Kuhnle 1981; Kim 2001.

Figure 2: Industrialization and consolidation of welfare (global)



The Advantages of Backwardness

In the literature that deals more narrowly with the economic history of industrialization, it has long been argued that late developers have differed significantly from those who pioneered the industrialization process and that, in some respects, latecomers enjoyed developmental advantages precisely because of their lateness. The classic source for this argument is Gershenkeron's *Economic Backwardness in Historical Perspective* (1962). Broadly speaking, Marx (among others) was right, so Gershenkeron supposed, when he imagined that, in the process of industrialization, late developers would follow the example of those who had already made the transition to a fully industrialized economy. However, he and others were wrong if they imagined that later developers would simply follow the path along which early industrializers had travelled to reach their goals. In many ways, the definitive industrializing experience of the United Kingdom was unique. For perhaps as much as a century, it had derived extraordinary advantages from its position as the first industrial nation. But this precocity also built certain long-standing weaknesses into the British economy: an overdevelopment of manufacturing for domestic markets, suboptimal plant size, a reluctance to innovate and a shortage of capital for industrial investment at home. Though initially "backward", latecomers were able to exploit their late arrival—adopting proven new technologies that had been developed elsewhere, adapting more appropriate plant sizes and exploiting new ways of funding development. They were able to industrialize rapidly where the pioneers (above all, the United Kingdom) had developed slowly. This is part of the story of how the German economy came first to challenge and then to outpace the British. But late developers also generated quite new *institutional* solutions to the "problems of backwardness". Among these, Gershenkeron draws particular attention to the much greater role of investment banks (classically in the German experience) and a much more active role for the state (especially in Germany and Russia). This meant that the experience of late industrializers was not just later, it was also qualitatively different from what had gone before, both economically and in terms of its core institutions.

Looking at the global emergence of welfare regimes, we see once again that those that came later also developed somewhat differently. They tended, as we have seen, to legislate the char-

acteristic suite of welfare state measures when their own industrialization was less developed, with a more extensive role for the state and under more inclusive rules. This was, at least in part, a response to the different institutional and societal framework that late industrialization itself generated (more organized interests especially among both domestic capital-holders and labour, as well as an earlier concern with the quality of human capital). It was also a response to the "demonstration effect" of already developed welfare states elsewhere and (at least from the mid-twentieth century onward) the prompting of international agencies with a social policy expertise. Reflecting on this experience, it has been suggested (Mkandawire 2001) that the advantages of late industrializers may extend into a series of particular experiences and opportunities among late-developing welfare states. A much more active social policy, Mkandawire suggests, may have been part of that overall institutional nexus through which later industrializers were able successfully to catch up with more industrially advanced states. It follows that those regimes still pursuing developmental goals should recognize and value the central importance of state-sponsored social welfare as a part of a comprehensive strategy for economic development. In the course of this paper, some of the issues this poses for the study of comparative welfare state development are explored. Why did later industrializers favour the early adoption of social welfare measures? Were there distinctive social coalitions or institutional opportunities in later developers that increased the effective pressure for early adoptions? Were these state building initiatives or attempts to exploit or even capture an administrative capacity that was already in place? The exploration of these issues begins in what is generally considered the "homeland" of the welfare state: Northern Europe. The experience in East Asia and Latin America is also reviewed in subsequent sections—albeit somewhat more briefly.

Late Industrialization and Welfare: Europe

There is something distinctive about the experience of late industrialization and welfare state development in Europe. Here, uniquely, the late industrializers were social policy pioneers. If we look at other regional economies (East Asia and Latin America, for example) we see that, although the regional pioneers of welfare policy were late developers in a global context (and in comparison to Western Europe), they were generally the most developed economies within their region. Within these later-adopting regions, it was the most (economically) developed states that were first to create state welfare institutions. This was not the case in Europe, however. Although Germany was already a significant industrial force at the time of Bismarck's innovative legislation, it was certainly not the *most* developed industrial power and, as we have seen, in the period up to the end of the nineteenth century, welfare state initiatives tended to spread from less industrialized to more industrialized states and from less liberal to more liberal states (Bairoch 1982). The data in figure 1 and the appendix clearly show that, in the period up to 1901, welfare state consolidation in Europe moved from less industrialized to more industrialized states before evolving in the pattern—seen much more frequently elsewhere—of a trajectory from more industrialized to less industrialized countries. Also emerging in Europe at the time was an ordering of the adoption of social security programmes that persisted more or less unchanged throughout the twentieth century: from workplace insurance though provision for health and/or maternity insurance, old age and disability provision and unemployment insurance to family allowances.

The great period of welfare state innovation in northern and western Europe came in the 30 years preceding the outbreak of the First World War. During this period, 20 European countries introduced some state-sponsored system of workmen's compensation. Of these, two-thirds had, in the same period, introduced some form of health insurance, and a similar number had legislated for the introduction of old-age pensions. Although compensation for loss of work was generally the last of the four initial measures to be introduced, by 1920 half of these European states had acknowledged some form of state responsibility for protection against the consequences of unemployment. Generally, family allowances came a generation later. Initially, levels of social expenditure were quite modest. With the possible exception of Germany and Switzerland, no European country had reached social expenditure levels of 3 per cent by 1900.

By 1920, about half of the European states reported in the appendix had reached this threshold and about a third had passed the 5 per cent level during that decade (Pierson 1998). This was partly a product of the incremental growth that is characteristically built into all those social expenditure programmes, especially pensions, in which a growing population and maturing entitlements lead to an increase in costs. It also reflected a tendency for populations covered and levels of entitlement to grow—a feature that became an almost universal characteristic of subsequent welfare state development. Typically, in those Southern European states in which rapid industrialization took place after the Second World War (Greece, Italy and Spain), welfare state development came significantly later and was sufficiently distinctive to merit classification as a "Southern European" or "Latin Rim" model of welfare (see Leibfried 1993; Ferrera 1996).

What explains this pattern of welfare state development in the European case? At its very simplest, the emergence of the welfare state in Europe is a product of the broad process of industrialization. Europe was the first home of the welfare state because it was the crucible of industrialization. Industrialization created many new problems and new contingencies. There had been workless people in the past but not a problem of unemployment. There had been intermittent and sometimes quite violent episodes of labour unrest in the past, but never the problem of a massified, urban industrial working class, nor the posing of the social question. At the same time, industrialization produced unprecedented wealth and with it the means of re-sourcing programmes and policies that would previously have been almost literally unthinkable. But industrialization does not provide a *satisfactory* explanation for the particular pattern of welfare state development that emerged in Northern and Western Europe in the decades prior to the First World War (or, by extension, the pattern that emerged elsewhere at a later date). For this we need a little more historical detail.

In fact, the route to the welfare state in Europe was quite complex. First we should see that, while states were radically transformed by their welfare functions throughout the twentieth century (up to this time, the most important area of expenditure and employment in the modern state had been the military), the new welfare regimes of the late nineteenth century were generally built upon previously existing administrative and bureaucratic capacities. The new German Reich inherited the formidable administrative prowess of Prussia, which already had extensive experience in managing domestic populations. Other states, such as Norway and Sweden, also had a well-developed and highly capable civil service, with experience of compulsory education and developed plans for old age pensions dating back into the first half of the nineteenth century (see Kuhnle 1981). In most other states, too, welfare state innovation was built upon a foundation of existing social policy. The United Kingdom, for example, had a substantial body of social reform from the Victorian era (including legislation on housing and elementary education), though much of this was administered by a robust (and reformed) system of local government.

Social policy certainly played a part in state building and, in the case of Germany most explicitly, nation building. But it also owed a great deal to more mundane political processes. For Bismarck, notably, social reform was in part an attempt to woo workers away from the radical promises of the new social democratic movement and to tie them to the new German state and the rapidly expanding economy. But it was also an attempt to circumvent parliament by creating a series of corporatist institutions through which the interests of workers, owners and the state could be managed outside of the party political arena. The social question took many different forms, but across Northern and Western Europe, legitimate (that is, non-revolutionary) parties of various persuasions responded to the challenge and opportunity of an emergent urban working class electorate by proposing a raft of progressive social legislation. But if the politics of class was important to these welfare state initiatives, it was far from exclusively concerned with the urban working class. Welfare state innovation in Scandinavia was crucially related to the mobilization of peasants and rural workers in an alliance with urban workers (see Esping-Andersen 1985). At the same time, the capacity to deliver welfare reforms was crucially influenced by the strength of small owners (usually the group most hostile to social insurance) and of continuing larger agrarian interests. The social democratization of Sweden's welfare state was a somewhat later development. In Germany, it was argued that the

representatives of large landed interests in the east were happy enough to see the state's welfare role increased if this was to be funded by large-scale capital and the workers themselves.

At the same time, the politics of social policy in this formative period was crucially shaped by the disposition of interest groups and their differential capacity to influence the political process. As has been well documented, trade unions and, even more so, friendly societies[5] were often hostile to the earliest welfare measures—seeing them as a means of incorporating workers, disempowering unions and, in the case of the friendly societies, removing their function altogether (Pierson 1998:35). The late legislation of unemployment insurance in Germany (1927) and Sweden (1934), for example, was not a reflection of welfare "backwardness" but of the unions' capacity to keep a hold of this process for themselves. A part of the explanation for the lateness and incompleteness of welfare development in early industrializers with well-developed bureaucracies, such as France and the United Kingdom, lies in the existence of already embedded alternatives to the states' administration of welfare. The capacity of friendly societies and insurance funds to negotiate compromises with the reforming state had a crucial impact upon health insurance in Britain and has shaped the French welfare state all the way up to the present. As we have seen in the German case, large-scale employers were generally much more supportive of social insurance than smaller ones were, and the differing shape of the German economy (which developed later and was therefore more concentrated in its capital holdings) tended to favour an earlier and more thorough welfarist trajectory. At the same time, while the precise impact of confessional affiliation is sometimes difficult to determine, the church also had an impact upon early welfare state development in Europe. It has been suggested that state responsibility for welfare was more acceptable in broadly Protestant societies (in Northern Europe), and that societies in which Catholicism prevailed (in Southern Europe) were more likely to insist that social welfare was the responsibility of the churches and of private charity. This does not necessarily mean, however, that spending in Catholic-inspired welfare states would necessarily be lower. There is an element of the Protestant emphasis upon individual responsibility that points away from state support, and social Catholicism—as it developed in the twentieth century and as embedded in the practice of Christian Democrat parties—often favoured "big" spending, albeit along rather conservative lines (see Esping-Andersen 1990).

Finally, there is the fact that, both domestically and internationally, the economies of the later industrializers in Europe were different. Protectionism was a stock response of later developers to industrializing in a world of already well-established industrial states. (In many ways, this was even more true of later developers outside of Europe.) In this context, welfare provision for workers could be a way of compensating them for the higher domestic prices that a protectionist strategy would bring. Again, this is an element of the Bismarckian reforms. By contrast, the United Kingdom could hope to contain living costs for its industrial workers by exploiting its dominant position in the international trading economy and, in particular, the special terms of trade it enjoyed with its overseas dominions. Many of the smaller Northern European welfare regimes (such as Denmark) were seen to develop a strategy in which greater exposure to international competition would be compensated by the cushioning effect of a more generous social welfare regime at home.[6] Here it was not so much "lateness" as size that determined a particular social policy strategy for managing economic development.

The European experience shows us a wide range of sources for welfare state development. States everywhere built upon an existing apparatus of state responsibility for welfare (although this was often focused upon the coercion of displaced workers and the indigent poor). Class was important—but generally the anticipatory management of the needs of an emergent industrial working class was more important than the mobilization of the labour movement, and the interests of others (large and small capital, peasants, agrarian workers) were equally as important in the initial period of welfare state innovation. For the (slightly) later industrializers, social policy was an important compo-

5 Friendly societies were mutual aid organizations. Each month members contributed a small sum toward providing an income in old age, insurance against sickness or inability to work. The societies provided payouts to those who needed them, and saved or invested the rest.

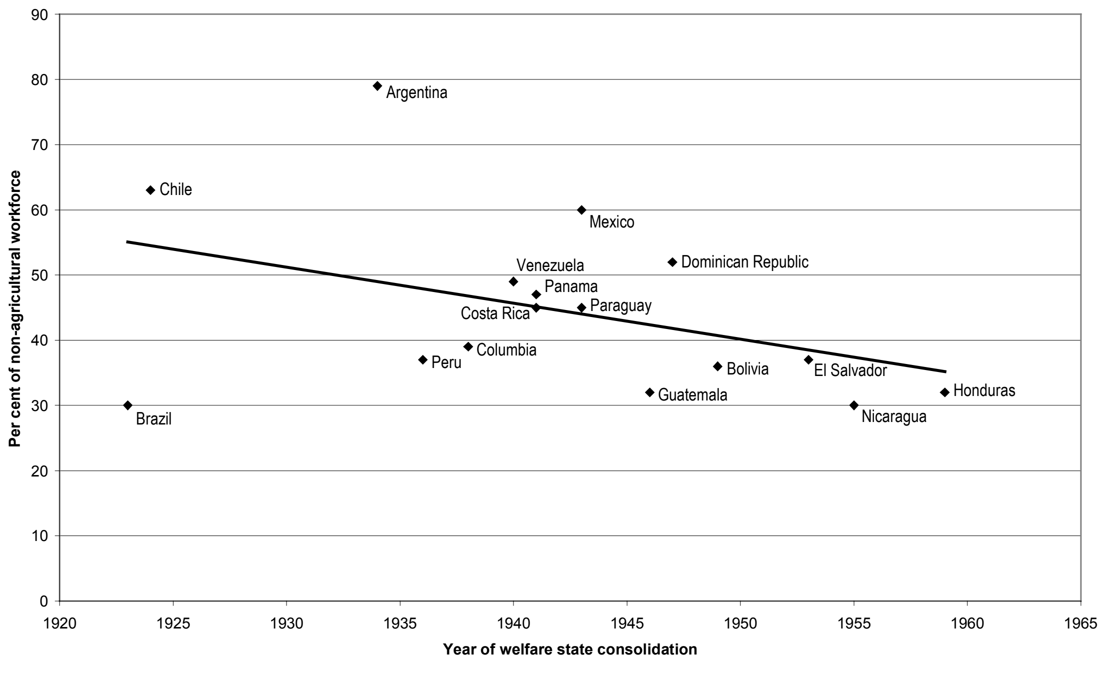
6 See Cutright (1965) and, subsequently, Katzenstein (1984); Castles (1985); Garrett (1998).

nent in the strategy for catching up with the more industrialized states. It allowed them to rapidly improve the quality of what would now be called their economy's human resources. It also enabled them to develop new forms of state-industry intermediation that earlier (and more liberal) industrializers struggled to accommodate. In turn, both of these developments enabled them to focus upon the most innovative (and profitable) industrial processes. A more comprehensive and systematic social policy may be counted among the advantages that allowed the earliest late industrializers to catch up and eventually overtake the pioneers of industrial development. But, at least in part, this was because the economic situation faced by latecomers was different—as was the configuration of domestic interests—and the range of institutional opportunities was also something new.

Late Industrialization and Welfare: Latin America

Latin America was one of the first areas outside Europe to develop welfare state institutions and it represents, in some sense, a first regional experience of the social policy consequences of late development. Figure 3 and the appendix give a clear record of this pattern of welfare state development in Latin America. Carmelo Mesa-Lago (1991) identifies three groups of states within the region. A group of regional "pioneers" (Argentina, Brazil, Chile, Costa Rica and Uruguay) began to develop social insurance schemes as early as the late 1910s and the 1920s. Although most of them had legislated for work injury insurance and some form of pension and sickness-maternity insurance by 1950, coverage was very uneven. Certain privileged groups (especially among the armed forces and the civil service) received preferential treatment in a system that was highly stratified and fragmented. With the exception of Costa Rica, these pioneers are among the only states in Latin America (together with Ecuador and Venezuela) to have introduced unemployment insurance and also among the half of our sample that introduced some form of family allowance. As the data on suffrage suggest, many of these initiatives predate a fully democratic period—and the consolidation of democracy in Latin America has in many cases been deeply problematic. The latest Freedom House (2002) ratings show most of Latin America falling into a middling range of "partly free" states—many of which have had more or less extended experience of authoritarian government within the past 20 years.

Figure 3: Industrialization and consolidation of welfare (Latin America)



In a second "intermediate" group of states (Bolivia, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru and Venezuela), widespread social insurance only really emerged from the 1940s onward (Mesa-Lago 1991:360). These countries tended to introduce social insurance at a lower level of industrialization than the pioneers (in most of them, more than half of the economically active population was still involved in agriculture at the point of the consolidation of their social security regimes). An effort was made to avoid the patchwork of different schemes and occupational groupings that had characterized the pioneer states' experience, but levels of coverage were generally much lower; this pattern has persisted, albeit in an attenuated form. At the end of the 1990s, social expenditure in the intermediate countries was around half of what it was in the pioneers (ECLAC 2001).

Latecomers within the region (Dominican Republic, El Salvador, Guatemala, Haiti, Honduras and Nicaragua) only really developed their programmes in the 1950s and 1960s. Coverage is still very limited and—with the exception of Nicaragua, which introduced family allowances in 1982—does not extend to either unemployment insurance or family allowances. Programme coverage of the economically active population is low, and this in societies where large numbers of the poorest work only (if at all and often intermittently) in the informal economy. Average social expenditure as a percentage of GDP in these states is 5.3 per cent.

What should we make of the Latin American experience? Clearly it fits the pattern of early adoption in later developers, both in global terms (in which pioneers such as Argentina are late developers compared to Europe) and within the region (where the intermediate and latecomer states adopt programmes earlier in their own developmental period than the region's pioneers did). Both these trends are illustrated in figures 1 and 2. As might be expected, we can also see that, for the most part, the longest established welfare regimes are the biggest spenders, though patterns of expenditure throughout the region actually vary widely (see appendix). There is also significant variation in the region in the areas of social expenditure that have received the greatest effort. In the larger welfare states, social security (which does the least redistributive work) took up a larger part of the growth in expenditure through the 1990s. Later developing welfare states, with a smaller overall budget, tended to put more spending effort into health care and primary education—areas that are more progressive in their distributional outcomes. In terms of the European model, Latin American welfare states are radically "incomplete", with family allowances in place in little more than half the cases and unemployment insurance provided in fewer than a third (see appendix).

The sense that Latin American states have derived peculiar advantages from their lateness requires considerable qualification. We might argue that, *within the region*, later developers have learned some lessons from the region's pioneers, particularly in terms of consistent coverage of the population and in prioritizing those areas in which social expenditure can be expected to have a distributional impact upon both income inequality and "life chances" more generally. But, overall, social spending is lower than might be predicted on the basis of the level of economic development and, furthermore, coverage is often patchy and inconsistent. The limited resources that are available are not always directed at maximizing either economic efficiency or social equity.[7]

None of this should be very surprising, given that one of the leading themes in the discussion of Latin America's economic development has always been its dependency. Upon this account, the Latin American story is one of underdevelopment or of development distorted by its subordinate relationship with more developed economies elsewhere, especially with the United States.[8] Without siding unambiguously with the *dependistas*, it may be said that latecoming has been associated with a distinctive repertoire of developmental policies—at some times with a focus on import substitution, at others dominated by export-led growth. The existence of an already industrialized world and abundant foreign capital (at a price) makes the matrix of choices facing latecomer states different, creating new and distinctive opportunities for that rent-seeking behaviour to which

[7] For a critical survey of current forms and levels of social protection, see ECLAC (2002); see also Huber (1996).

[8] Frank 1967. See also Harrison (1990); Haggard (1990).

states are always vulnerable. This has led Latin American countries to take a range of distinctive approaches to domestic and international capital, to domestic political organization and to domestic labour movements (and/or their repression). It has contributed to states and economies that are not fully modernized (in terms of land reform or access to formal labour markets, for example). The social policy regimes that have developed (particularly in the longer established Latin American welfare states) have often appeared to owe more to satisfying special interests than to the logic of a developmental state. Overall, there has been plenty of state involvement in Latin American welfare, but this has not always generated outcomes that are more equitable or generous or efficient than those that have prevailed in an earlier generation of European welfare states.

Late Industrialization and Welfare: East and Southeast Asia

East Asia is definitively a region of late industrialization—indeed, it can be said to have had three distinctive waves of late industrialization. Although the developmental successes of the Asian tiger economies have been the object of considerable attention among Western social scientists for some 30 years (Dore 1973; Johnson 1982), interest in the region's welfare states is comparatively recent—not least because such regimes were long thought to be rudimentary and residual. Indeed, the residual nature of East Asian welfare states has sometimes featured as one of the strengths that help to explain economic success. This neglect of welfare development has now been rectified, and there is a wealth of material on the relationship between the developmental state and social policy.[9]

Japan has a unique place in this story. Compared with Western Europe and North America, Japan is a late industrializer. Within the region, however, it was a precocious industrializer and, as an imperial power, an onward exporter of social welfare policies (notably to the Republic of Korea and Taiwan Province of China). The current Japanese welfare state is largely a product of the period following the Second World War, in which the social security regime was rebuilt under American tutelage. In a pattern seen to be characteristic of the region, Japan subordinated social policy to the logic of nation (re-)building through economic development. By pursuing a (successful) strategy for economic growth built around full (male) unemployment, Japan was able to avoid the social costs that unemployment placed upon less successful economies elsewhere. By encouraging a widely admired system of corporate welfare (and weak unions), it was possible to deflect onto private market actors social costs that were elsewhere met by the public exchequer. This proved easier to achieve in a context of highly fragmented and occupationally segregated social insurance where there was little or no commitment to use the state as an agent of vertical redistribution. Building upon an already existing network of communal and especially family social support, Japanese governments were able to keep to a minimum the state's responsibility for personal social services. Overall, social expenditure levels in Japan are low in comparison with other OECD states, even including the United States, standing at 14.1 per cent in 1996 (see appendix). Public education and health care spending in Japan is lower (though only marginally) than in most of its OECD peers. It is in the area of social security (especially non-pension expenditure) that Japan has spent so much less than comparably developed states elsewhere (Jacobs 1998, 2000).

Although Japan is a low spender in OECD terms, it is by far the largest social welfare spender within the region. It is followed (at a declining distance) by two of the original four tiger economies—the Republic of Korea and Taiwan Province of China—whose total social spending, including health care and state education, runs at around 10 per cent of GDP (see appendix; Jacobs 2000:4). These are both interesting exemplars of the complex relationship between late industrialization and welfare. In both examples, we have an authoritarian state, acting closely with business interests and in a context in which unions were deliberately kept weak, where necessary through the use of repressive legislation and force, to fashion a strategy for national economic develop-

[9] See, among others, Rose and Shiratori (1986); Gould (1993); Jones (1993); Goodman and Peng (1996); Esping-Andersen (1997); Goodman et al. (1998); Holliday (2000); Gough (2001).

ment. Social welfare was not a priority, but maximization of employment and improvement of the skills base of the economy were. Improving welfare would come from sustained economic growth as, indeed, it did to a significant degree, with both the Republic of Korea and Taiwan Province of China growing rapidly in the 1960s and 1970s (Lee 1999). In both (as was the case throughout Southeast Asia), state education was prioritized, with a later and slightly lesser emphasis on health care. In both states, democratization seems to have brought real changes in welfare policy, including improvements in the public health care systems and moves toward unemployment insurance in the Republic of Korea and the introduction of national health insurance and moves toward a national pension scheme in Taiwan Province of China.[10]

Experience in the two other first-wave tigers was rather different. Before its return to mainland China in 1997, Hong Kong had a pattern of social welfare that could properly be described as residual. There was a small public assistance programme and a rather larger but ungenerous system of allowances for the elderly and disabled. Public health care was virtually free, but its quality was poor. The state was, however, a major provider of primary and secondary education. Overall social expenditure amounted to little more than 5 per cent of GDP (Jacobs 2000:92–94). Singapore had a different system. A small entrepôt city-state economy (with its industry very heavily focused on services), public provision of welfare services in Singapore remains extremely limited. The key welfare institution is the Central Provident Fund (CPF, established under British rule in 1955), which is a compulsory savings scheme for employees and employers. Originally envisaged as a means of providing retirement incomes, the fund has been expanded to include provision for house purchase, education and highly regulated investment. Although heavily state regulated, the assets of the CPF are not owned by government, and the mandatory contributions go into private accounts. Accordingly, CPF does virtually no redistribution work.

Industrialization is a well-established fact in all of the first-wave tiger economies. Some way behind them lie a range of other states at a rather earlier stage in the process of industrialization—including the regional giant, Indonesia, as well as Malaysia, the Philippines and Thailand. These four states have certain features in common: they are less industrialized and less affluent than their neighbours to the north (UNDP 2002); business interests are generally strong and labour organizations weak; democracy is less securely consolidated and corporate welfare is much more limited than in either Japan or the Republic of Korea. Furthermore, as was the case in more northerly parts of Asia, social policy and welfare have been seen as part—though very much the subordinate part—of a broader state strategy for national economic development. This helps to explain the continuing emphasis in the region on the investment elements of public welfare—health care and, above all, education—rather than on income maintenance, especially where this might entail an element of redistribution.

Amid these broad similarities, there are some important differences. The core social security institution in Malaysia is its provident fund (originally established under British rule in 1951), whose original purpose of providing retirement income has been expanded to cover home ownership and some medical costs. Coverage in the system of state occupational injury insurance is limited, and there is no system of unemployment insurance or family benefits. There is a national health service but coverage is uneven. Overall social expenditure is around 8 per cent of GDP (although two-thirds of this is made up of spending on education). In the Philippines, the welfare regime is of long standing (dating back to the period of US administration in the 1920s), but much of this was a dead letter or systematically undermined by corruption. A raft of reforms in the early 1990s (on pensions, health care and occupational injury) improved the situation but left large numbers of the population—especially those in the vast informal sector—without coverage. There is no provision for unemployment compensation or family benefits. Social expenditure is around 6 per cent (nearly one half of which is on education).

Significant developments in public welfare in Indonesia and Thailand are even more recent. In Thailand, the legislative framework for social security was largely established in 1990 with a long-

[10] Jacobs 2000; Lee 1999; Hort and Kuhnle 2000.

term timetable for the development of pensions, unemployment benefits and child benefit. Health-care coverage is limited, with the best cover provided for those in the public services. Overall social expenditure is around 6 per cent, but fully two-thirds of this spending goes on education, with less than 1 per cent devoted to social security. Although Indonesia's foundational welfare legislation can be retraced to the 1950s, its social security is extremely limited outside the public sector and its provident fund has failed to develop into a major financial institution as in Malaysia and Singapore. Agricultural and seasonal workers (still a very significant part of the Indonesian workforce) are wholly excluded from such limited welfare provision as there is. There is no unemployment insurance and no additional financial support for families with children. With the possible exception of the Philippines, Indonesia is the poorest of the states considered in this paper. Little more than 3 per cent of its GDP is devoted to social spending with even its educational spending falling well below the regional average.

What general lessons can be drawn from the East Asian experience and how do these differ from what we found in Latin America? Clearly, East Asia has its own late/pioneer industrializer in Japan. The rebuilding of the Japanese economy after the devastation of the Second World War and, in particular, its sensational growth in the miraculous decade between 1963 and 1973 made it the object of admiration and not a little envy elsewhere (Bairoch 1982:302–305). Older industrial powers in Europe were acutely aware of the advantages that Japan derived from its particular form of late industrialization. The role of the state in this industrial development, and in particular the record of the Ministry of International Trade and Industry (MITI), was the object of particular awe—as was the enviable record of seemingly harmonious industrial relations and the capacity to run an economy at full employment without unleashing uncontrollable inflationary pressures.[11] At the same time, it is clear that lateness did not make Japan an especially generous welfare state. Given its overall level of affluence and the extent of its industrial development, Japan has always stood out within the OECD as an unusually low spender, consistently underspending even the United States (see appendix).

Many of the same arguments apply to the broader experience of welfare state evolution in the newly industrialized countries (NICs) of East and Southeast Asia. In all of these cases of late industrialization, the state has been very active in promoting national economic development, through a strategy that exploits the opportunities—above all, of trading—that are peculiar to a small industrializing economy in a world of already industrialized giants (see Wade 1995; Vartiainen 1995). The economic status of these first tiger states has been transformed but, thus far, changes in their welfare expenditures have been much more modest. Undoubtedly this may be explained at least partly in terms of what is distinctive about these states and the period and circumstances of their industrialization (to industrialize in the global economy of the early twenty-first century is just not the same as industrializing in the global economy at the start of the twentieth century). But we need to exercise some caution before seeing the East Asian welfare state as wholly different from what has gone before or reaching too readily for an explanation in terms of "culture" (of distinctive "Asian values" or "societal Confucianism" or whatever). The Republic of Korea and Taiwan Province of China are now reaching social security expenditure levels of 10 per cent and we know that age of programmes tends to push up expenditure in all longer established welfare states. As a changing demographic profile "kicks in", these newer industrialized societies will face rapidly increasing pressure on what has always been the most expensive part of the welfare state—provision for the elderly (for details, see World Bank 1994).

The experience of the Republic of Korea is particularly interesting in this context. It is a late industrializer that has grown rapidly over the past 20 years to become the world's eleventh largest economy with a per capita income similar to that of Greece and Portugal. It is one of the OECD's lowest welfare spenders but its social expenditure has grown from as little as 1 per cent in 1965 to command approximately a tenth of a vastly expanded GDP. It now has a more or less comprehensive system of health care insurance, a national pension system (due to mature in

11 See Dore (1973); Johnson (1982); World Bank (1993).

2007) and a system of unemployment insurance (albeit, in keeping with the times, with an emphasis that is much more on active labour market measures than compensation for those without jobs). All of this is enough to persuade Hort and Kuhnle (2000:179) that the East Asian welfare states are following "the 'route to modernity' followed by their developed predecessors in Europe". We may want to be just a little more cautious; history seldom quite repeats itself, either as tragedy or farce. It is likely that, for reasons discussed below, welfare states in East Asia are unlikely quite to follow the trajectory of their European predecessors (after all, these forerunners are themselves changing). Nonetheless many of the pressures—political, economic and societal—that drove the social policy process in an earlier generation of industrializers are likely to re-emerge in transformed ways for those embarking upon this path a century later.

Late Industrialization: The Lessons

We have now had an opportunity to consider, however schematically and briefly, the relationship between late industrialization and welfare in a number of different national and regional contexts and over a time span of more than a century. What general conclusions, if any, can be drawn?

First, it is clear that there are some well-defined trends that persist throughout almost all of the period under review. The (slightly) later industrializers within Europe developed the first welfare states. Thereafter, the trend has been for later industrializing states to introduce welfare measures earlier in their own economic development and with rather more extensive coverage (the pattern clearly mapped out in figure 2). The sequencing in which accidental injury insurance tends to be the first social security measure—followed by health and maternity insurance and then pensions for the old aged and disabled, with unemployment insurance and family allowances coming some way behind—is astonishingly robust. So, too, is the pattern through which initial measures and covered populations are both extended (typically from key industrial workers to other workers, dependants, agricultural workers and the self-employed). Often state actors have a privileged place within these social insurance schemes, with pension arrangements for army officers, civil servants and teachers frequently marking them out from the rest of the population. Almost everywhere we have seen welfare states grow. The ageing of populations that is a part of the demographic transition brought on by industrialization, is a built-in accelerator of welfare budgets and, whatever the declarations and expectations of politicians, it is the pace of growth rather than growth itself that has been checked over the past 30 years (see Pierson 1998). We have seen that later developers have tended to devote more resources to health and education—but this may be in part a reflection of their societal youthfulness. The big historical picture also shows us that, in the area of social insurance at least, policy transfer is nothing new. Policy emulation goes all the way back to Bismarck, and some policy tools have reached practitioners second or even third hand. Again, while we tend to think of the reforming influence of international financial institutions as quite recent, it is clear that the impact of the International Labour Organization (ILO), for example, stretches over at least 50 years. Similarly, in some regions (principally East Asia) we can clearly trace the impact of colonial institutions and practices upon subsequent social policy development.

At the same time, there are some ways in which the context of social policy has been qualitatively different for latecomers. Perhaps most importantly, this is because the trajectories of industrialization upon which latecomers have embarked have been different precisely because of the extent of the already industrialized world (as is clearly the case, for example, with both import-substituting and export-led growth strategies). This gives late developers special opportunities but also particular problems—the opportunities perhaps being best seen in Southeast Asia, with the problems especially clear in Latin America. Crucially, many of the newer industrialized societies face a process of accelerated societal ageing in the near or medium-term future—in part precisely because they have been able to shorten the period of transition to industrialism. This is likely to place a severe strain upon their less well-established social policy regimes (see World Bank 1994).

Generally, the welfare states of later industrializing countries have been smaller (at least in terms of proportionate levels of social expenditure) and have done less redistribution work. This is sometimes linked to arguments about globalization and the suggestion that in the future, and under the pressure of global economic imperatives, welfare states everywhere will become smaller and less redistributive (see Evans and Cerny 2003). While this argument captures something real in the processes of global economic change, as it stands it is unsustainable. It has often been small states with open trading economies (Denmark provides a good example) that have been able to sustain the largest public sectors (see Cutright 1965). Indeed, the earliest welfare states themselves emerged before 1914, in a period of highly open international trading. Still more telling is the fact that the low-cost states to which capital (and employment) migrated in the 1960s, 1970s and 1980s have themselves sponsored growing welfare regimes. The Republic of Korea and Taiwan Province of China are excellent examples (for a contrasting view, see Rudra 2002). This does not mean that processes of change in the global economy have no impact upon the range of policy options available to states but that these economic changes do not systematically undermine the viability of welfare regimes, old or new.

At the same time, there are some very real changes in the circumstances within which social policy regimes have to operate. And here, the newer welfare states may enjoy some advantages. In general, the larger and more entrenched a welfare state becomes, the more difficult it is to change (see Pierson 2000). The move toward an active social policy is easier where there are fewer with an immediate interest in the maintenance of passivity. Among the most important of ongoing changes is a growing role for non-state actors, both domestically and internationally. Here, there is a case for thinking that successful late developers may have lessons for more established welfare regimes. East Asia's emphasis on the regulatory (rather than the providing) welfare state and its prioritization of education and labour market participation, for example, have become key elements in the reform agenda of the older welfare states of Western Europe. Historically, high levels of private spending on tertiary education and high co-payments for health care have been seen as signs of the *under*development of welfare regimes in East Asia, but they may, in fact, anticipate the reform agenda elsewhere.

Late developing welfare states have always been strongly influenced both by the example of developed welfare states elsewhere (with an evident debt to both Bismarck and Beveridge) and by the promptings of international agencies. The impact of ILO models and expertise goes all the way back to the 1930s and the United Nations has a similar long-standing influence. More recently influential—and authoritatively so when social policy reform has been made a condition of wider financial support—is the impact of the International Monetary Fund (IMF) and the World Bank. The history of these interventions is complex and multivalent. Some agencies have always placed greater emphasis upon social development (the United Nations in its various manifestations, for example) and on the maintenance of international standards (ILO). Though to varying effect, IMF and the World Bank have tended to put more emphasis on the imperatives of economic growth, variously defined and qualified. Recent changes of approach have led to a very public spat between these two agencies, with the World Bank interestingly repositioning itself on the issue of social policy and development, most conspicuously in the 2000/2001 *World Development Report: Attacking Poverty* (World Bank 2000). Some have doubted whether the World Bank actually has the policies to match its rhetoric about engaging the poor and promoting democracy as essential elements of any strategy for development but, at the very least, it represents an important attitudinal change. The World Bank now gives welfare and social security more or less equal billing with the imperatives to economic growth and the formation of human capital. Its does not, however, simply call for greater state involvement. In contexts in which states are mistrusted or lack efficacy, it places considerable weight upon non-state and community responses or indeed upon the competence (and trustworthiness) of NGOs, whether domestic or international. The World Bank may not be able fully to specify the mechanisms through which its renewed commitment to democracy may be met, but it is important that it should be signed up to an account of the development process in which the voice of those on the ground is seen to be consequential (not least because there has always been a strong "development now, democracy later" school in the international financial institutions). Given

the importance of the stance of international financial institutions for states that aspire to industrialize (and correspondingly to refashion their domestic social policy), such a shift in focus is highly important.

The salience of these changes is clear if we consider sub-Saharan Africa, the region of the world in which industrialization and policies for the attainment of real social security seem to have the furthest to travel. Sub-Saharan Africa is the poorest region of the world and, in comparative and absolute terms, it may well have become still poorer in the 1990s (World Bank 2002). Average social expenditure in Africa in the mid-1990s was around 4.3 per cent—a figure that is greatly inflated by the inclusion of higher spending states in Northern Africa (see appendix). According to Barbone and Sanchez B. (1999:1), "with very few exceptions…formal social security institutions have not been successful in fulfilling their main mission, broad-based coverage of the population. What is more important, it is unlikely that pensions and disability coverage will be extended to the informal sector, which represents the vast majority of the employed population, *within the next generation*" (emphasis added). Barbone and Sanchez B. are extremely uncertain that most sub-Saharan states have the governing capacity (let alone the resources) to administer complex social security systems. In this context, the issue of social security in the region remains much as it was when outlined by von Braun at the start of the 1990s. In the long term, effective social security in sub-Saharan Africa can probably only be achieved "as a consequence of, and after, economic growth" (von Braun 1991:395). But it is not possible to wait until this economic growth has been achieved before the issue of social insecurity is addressed. Sub-Saharan Africa is poor and still predominantly agricultural. The priority is reducing absolute levels of insecurity, reducing infant mortality, increasing the security of food supplies, improving sanitation and access to clean water, providing basic education and securing basic health care. In the short term—and given existing levels of public mistrust and limited governing infrastructure—the state may play a limited role in these initiatives with a correspondingly larger role for community- and family-based schemes. These are likely to be based upon an economic growth strategy that is as much agricultural as it is industrial. In the longer term, there is an issue of reconciling such community-led measures with a more traditional social security apparatus under the jurisdiction of a competent centralized authority. In the short term, however, the issue is one of finding the most effective means of addressing high levels of absolute insecurity, rather than setting about the construction of a welfare state in its traditional form (of social insurance linked to participation in the formal economy).

All this brings us some considerable distance from our first thoughts about Germany as a late industrializer. This is hardly surprising. Almost every country (with the exception of the United Kingdom, the United States and a handful of West European nations) has been a late industrializer at some time (this includes the current industrial giants, Germany and Japan). As we have seen, this does not preclude us from making some fairly robust claims about the similarities that have characterized the process of welfare state growth as societies have moved toward industrialization. Late industrializers have tended to be economically interventionist and to have built up public welfare regimes at an (increasingly) early stage in their own development. These states' social policy is widely seen as an essential component of a developmental strategy, whether in the rapid formation of human capital, as a bargaining device in the establishment of corporatist institutions, as an anticipatory concession to an emergent urban-industrial working class (or the means of its co-optation), as a "side payment" to key state actors (in the civil service or the military), as a condition for the support of international agencies or, more usually, as some combination of all of these. The success of these developmental strategies has varied considerably. Size of the state has not been the crucial issue. Although detractors of an extensive welfare regime have pointed to the smallness of welfare states in Southeast Asia, the most successful economies in the region have developed quite substantial welfare regimes—a fact that is sometimes masked by the conventions that determine what is to count as social expenditure. By contrast, we might argue that in Latin America and, to some extent, under the admittedly rather peculiar circumstances of the westernmost transition economies of the former Soviet empire, we have comparatively high spending states

in which welfare outcomes (in terms of coverage, transparency, participation in the formal economy and the reduction of poverty) are singularly unimpressive.

No single feature marks out the more from the less successful late industrializers. Both import-substitution and export-led growth strategies worked in Southeast Asia in ways they did not in what were often more resource-rich states in Latin America. Some states were the beneficiaries of unique though largely adventitious opportunities—for example, US geopolitical interest in their economic success. Yet amid all this diversity, it is clear that the quality of the governing process is crucial. Of course, even the most successful states were not immune to cronyism and capture by special interests, but welfare regimes in the least successful states appear to have been systematically undermined by these tendencies. As we think about the ways in which presently industrializing and yet-to-industrialize states address their developmental needs, it seems right to emphasize the positive role that an active social policy has played in the past. In particular, it is important to see that investment in public services, such as education and primary health care, may do more for equity than premature attempts to build social insurance institutions. But it is also crucial to emphasize the importance in this process of transparency, accountability and good governance.

APPENDIX

First Introduction of Social Insurance Programmes, Universal Suffrage and Current Social Expenditure (as per cent of GDP, 1996)

OECD Countries

Country	Work injury	Sickness and maternity	Old age, disability and death	Unemployment insurance	Family allowances	Universal suffrage	Social security expenditure (per cent of GDP)
Australia	(1902)	1944	1908	1944	1941	1902	**15.7**
Austria	1887	1888	1909	1920	1948	1918	**26.2**
Belgium	1903	1894	1900	1920	1930	1948	**27.1**
Canada	(1908)	1984	1927	1940	1944	1950	**15.7**
Czech Republic	1887	1888	1906	1991	1945	1920	**18.8**
Denmark	1898	1892	1891	1907	1952	1915	**33.0**
Finland	1895	1963	1937	1917	1948	1906	**32.3**
France	1898	1928	1910	1905	1932	1944	**30.1**
Germany	1884	1883	1889	1927	1954	1918	**29.7**
Greece	1914	1922	1934	1945	1958	1952	**22.7**
Iceland	1925	1936	1909	1956	1946	1915	**18.6**
Ireland	1897	1911	1908	1911	1945	1928	**17.8**
Italy	1898	1912	1919	1919	1937	1945	**23.7**
Japan	1911	1922	1941	1947	1971	1947	**14.1**
Luxembourg	1902	1901	1911	1921	1947	1919	**25.2**
Mexico	1943	1943	1943	–	–	1947	**3.7**
Netherlands	1901	1931	1919	1916	1939	1919	**26.7**
New Zealand	1908	1938	1898	1930	1926	1893	**19.2**
Norway	1894	1909	1936	1906	1946	1913	**28.5**
Poland	1984	1920	1927	1924	1947	1918	**25.1**
Portugal	1913	1935	1935	1975	1942	1976	**19.0**
Republic of Korea	1953	1963	1973	–	–	1948	**5.6**
Slovak Republic	1887	1888	1906	1991	1945	1920	**20.9**
Spain	1900	1929/1942	1919	1919	1938	1931	**22.8**
Sweden	1901	1891	1913	1934	1947	1921	**34.7**
Switzerland	1911	1911	1946	1924	1952	1971	**25.9**
Turkey	1945	1945/1950	1949	–	–	1930	**7.1**
United Kingdom	1897	1911	1908	1911	1945	1928	**22.8**
United States	(1908)	–	1935	1935	–	1920	**16.5**

Latin America

Country	Work injury	Sickness and maternity	Old age, disability and death	Unemployment insurance	Family allowances	Universal suffrage	Social security expenditure (per cent of GDP)
Argentina	1915	1934/1974	1944	1967	1957	1947	**12.4**
Bolivia	1924	1949	1956	–	1953	1952	**7.0**
Brazil	1919	1923	1923	1965	1941	1934	**12.2**
Chile	1916	1924	1924	1937	1937	1949	**11.3**
Colombia	1915	1938	1946	–	1957	1954	**6.1**
Costa Rica	1925	1941	1941	–	1974	1942	**13.0**
Dominican Republic	1932	1947	1947	–	–	1942	**2.5**
Ecuador	1921	1935	1928	1951	–	1967	**2.0**
El Salvador	1949	1949	1953	–	–	1950	**3.6**
Guatemala	1947	1946	1969	–	–	1965	**(4.2)**
Haiti	1951	1951	1965	–	–	1967	**–**
Honduras	1959	1959	1959	–	–	1955	**(7.4)**
Mexico	1943	1943	1943	–	–	1955	**3.7**
Nicaragua	1945	1955	1955	–	1982	1955	**9.1**
Panama	1916	1941	1941	–	–	1946	**11.3**
Paraguay	1927	1943	1943	–	(1993)	1961	**(7.4)**
Peru	1911	1936	1936	–	–	1955	**(6.8)**
Uruguay	1914	1958	(1829)–1934	1934	1943	1932	**22.4**
Venezuela	1923	1940	1940	1940	(1940)	1946	**(8.6)**

East Asia

Country	Work injury	Sickness and maternity	Old age, disability and death	Unemployment insurance	Family allowances	Universal suffrage	Social security expenditure (per cent of GDP)
China	1951	1951	1951	1986	–	1949	**3.6**
Hong Kong	1971	1971	1971	1977	1971	–	**(5.5)**
Indonesia	1939	1957	1951	–	–	1945	**1.7**
Japan	1911	1922	1941	1947	1971	1947	**14.1**
Malaysia	1929	1951	1951	–	–	1957	**2.9**
Philippines	1974	1954	1954	–	–	1937	**–**
Republic of Korea	1953	1963	1973	–	–	1948	**5.6**
Singapore	1933	1983	1953	–	–	1947	**3.3**
Taiwan Province of China	1929	1950	1950	1968	–	1947	**(11.1)**
Thailand	1972	1990	1990	1990	1990	1932	**1.9**

Transition Economies

Country	Work injury	Sickness and maternity	Old age, disability and death	Unemployment insurance	Family allowances	Universal suffrage	Social security expenditure (per cent of GDP)
Albania	1947	1947	1947	1993	1993	1920	**10.9**
Armenia	1955	1912	1956	1921	1944	1921	**–**
Belarus	1939	1955	1956	1921	1944	1919	**17.4**
Bulgaria	1924	1918	1924	1925	1942	1944	**13.2**
Czech Republic	1887	1888	1906	1991	1945	1920	**18.8**
Estonia	1924	1924	1924	1991	1922	1918	**17.1**
Georgia	1955	1955	1956	1991	n.d.	1921	**–**
Hungary	1907	1891	1928	1957	1938	1918	**22.3**
Kazakhstan	1955	(1995)	1956	n.d.	n.d.	1993	**13.6**
Kyrgyz Republic	1922	1922	1922	1921	1944	1918	**–**
Latvia	1927	1924	1922	1991	1990	1918	**19.2**
Lithuania	1991	1925	1925	1919	1991	1921	**14.7**
Moldova	1955	n.d.	1956	1992	1944	1993	**15.5**
Poland	1984	1920	1927	1924	1947	1918	**25.1**
Romania	1912	1912	1912	1991	1944	1946	**12.4**
Russia	1903	1912	1922	1921	1944	1918	**10.4**
Serbia/Montenegro	1922	1922	1922	1927	1949	–	**–**
Slovak Republic	1887	1888	1906	1991	1945	1920	**20.9**
Slovenia	1922	1922	1922	1927	1949	1945	**(29.5)**
Turkmenistan	1955	1955	1956	1991	n.d.	1927	**29.0**
Ukraine	1912	1912	1922	1921	1944	1919	**19.8**
Uzbekistan	1955	1955	1956	1991	n.d.	1938	**–**

Africa

Country	Work injury	Sickness and maternity	Old age, disability and death	Unemployment insurance	Family allowances	Universal suffrage	Social security expenditure (per cent of GDP)
Algeria	1919	1949	1949	1994	1941	1962	**7.6**
Benin	1952	1952	1970	–	1955	1956	**2.2**
Botswana	1936	–	1996	–	–	1965	**2.7**
Burundi	1949	1984	1956	–	1971	1961	**2.2**
Cameroon	1944	1956	1969	–	1956	1956	**2.2**
Cape Verde	1960	1976	1957	–	1957	1975	**5.0**
Central African Republic	1935	1952	1963	–	1956	1986	**1.9**
Congo	1935	1952	1962	–	1949	1963	**4.2**
Egypt	1936	1964	1950	1959–	–	1956	**5.4**
Ethiopia	1963	–	1963	–	–	1955	**3.7**
Ghana	1940	–	1965	–	–	1955	**3.1**
Guinea	1932	1960	1958	–	1956	1958	**–**
Kenya	1946	1966	1965	–	–	1963	**2.0**
Madagascar	1925	1952	1969	–	1956	1959	**1.3**
Mali	1932	1952	1961	–	1955	1956	**3.1**
Mauritania	1932	1952	1965	–	1955	1961	**0.8**
Mauritius	1931	–	1951	–	1961	1956	**6.0**
Morocco	1927	1959	1959	–	1942	1963	**3.4**
Mozambique	–	–	–	–	–	1975	**4.7**
Namibia	–	–	–	–	–	1989	**3.9**
Niger	1960	1952	1967	–	1955	1948	**1.9**
Nigeria	1942	1961	1961	–	–	1958	**1.0**
Senegal	1932	1952	1975	–	1955	1945	**4.3**
Seychelles	1970	1979	1971	–	–	1948	**11.6**
Togo	1964	1956	1968	–	1956	1945	**2.8**
Tunisia	1921	1960	1960	1982	1944	1959	**7.7**
Zambia	1929	1973	1965	–	–	1962	**2.5**
Africa							**4.3**

Methodological Note and Sources

Figure 1 displays social security as a percentage of GDP as well as UNDP's GDP index (on a scale of 0–1 multiplied by 100). Material in figures 2 and 3 and in the appendix is drawn from the following sources: UNDP 2002; World Bank 2002. Additional data (always in parentheses) have been drawn from the following sources: ECLAC 2001; Mishra with Asher 2000; Jacobs 2000; Gough 2000; Hort and Kuhnle 2000. Methodologies vary (sometimes significantly) in the collection and notification of these data. These methodologies should not, however, mislead us in identifying the main variations in public expenditure trends across our wide range of examples. In establishing the date for "consolidation" of welfare states, the author follows Hort and Kuhnle (2000), using the year in which the second key social insurance measure was legislated.

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