

STATE REFORMATION AND THE FORMATION OF A NEWLY EMERGING WELFARE STATE IN TAIWAN

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In postwar Taiwan, the legitimacy of the Kuomintang (KMT) regime had depended on the cold war structure and the civil war with the Communist Party. As the KMT regime penetrated Taiwanese society, it exercised tight control over the society through the medium of the strong party organization. However, in the process of democratization that started in the 1980s, the KMT's authoritarian political rule began to crumble, forcing the government to respond to people's demands in order to survive. The reform and improvement of the social security system in Taiwan were brought about against this backdrop of state reformation.

INTRODUCTION

BEGINNING in the 1980s, Taiwan experienced a dramatic process of democratization, which compelled the state regime to change itself. This process culminated in the victory of Chen Shui-bian of the Democratic Progressive Party (DPP) in the 2000 presidential election. It was the first peaceful transition of power in the history of Taiwan.

Another remarkable phenomenon that highlights the 1980s and the 1990s was expansive reforms that were launched in various areas of social security policy, and as a consequence the state policy began to exert more influence over the relations of individual, family, and market. The magnitude of this development is well demonstrated by the fact that in the second half of the 1990s, social security expenditures came to account for more than 20 per cent of government budgetary outlays. Politically and economically, this was a puzzling phenomenon. Politically, organized labor, which is often seen as a crucial factor contributing to the formation of the welfare state, remains underdeveloped in Taiwan. Nor is there any political party worth mentioning that represents organized labor.¹ In addition, it was the basically

The views expressed in the article are solely those of the author and should not be taken as representing the views of any of the Board of Editors, the Institute of Developing Economies, or the Japan External Trade Organization.

¹ One of the conclusions reached by Marsh (1996) through his social structure survey was that class structure did not emerge in Taiwan during its development process.

conservative Kuomintang (KMT) regime that eagerly promoted social security reforms. Economically, Taiwan does not suffer from glaring income disparities nor does it harbor a large population living under the poverty line because of the presence of active small and medium-sized businesses and dynamic social mobility. Why, then, did the state expand its intervention in individual, family, and market relations by carrying out social security reforms?

In response to this query, this paper argues that the formation of a new welfare state in Taiwan originated in the reformation of the Taiwanese state. This approach adopts macro-political dynamics as the chief explanatory principle. This paper therefore evolves along the following line of argument. In Section I, existing studies of welfare state formation were reviewed with a view to confirming the validity of the state reformation approach. In Section II, the process of state reformation in Taiwan is traced and its relationships with the expansive social security reforms is examined.

I. PERSPECTIVE OF STATE REFORMATION

A. *Review of Existing Studies*

Inquiry into the Taiwan's welfare state formation is a relatively new research area, as full-scale studies on the subject were launched only in the 1990s. In that short period of time, however, a number of researchers have studied the topic. They were attracted to the topic by the stimulus of a whole spectrum of social security measures taken in that decade, ranging from the introduction of universal health insurance to an attempt to introduce a universal pension program, the expansion of the old-age allowance schemes, and the implementation of employment insurance. These studies can be grouped into two categories. The first comprises macro studies dealing with the origins and characteristics of the Taiwanese welfare state and the other those that discuss specific welfare policies such as the universal health insurance and the pension program on the basis of case studies.

Macro studies on the welfare state generally see postwar Taiwan as a "residual welfare state."² This characterization is drawn after examining structural factors related to welfare systems (demographic composition, role of the family, and stage of economic development), historical backgrounds involving political and economic aspects, and cultural factors (such as the Confucian culture).³ Their conclusion is that social security policies in postwar Taiwan have been haphazard, lacking any consistent philosophy. This is mostly due to the fact that economic development

² For the definition of the "residual welfare state" and other various types of welfare states, see Usami's "Introduction" in this special issue.

³ Studies from different points of view are reviewed by Lin Chen-Wei (2003, chap. 2).

was Taiwan's top priority and Confucian family values did not necessitate a comprehensive welfare scheme.

On the other hand, case studies have mostly focused on policy reforms since the 1990s. By analyzing the political dynamics that brought about specific policy changes, they offer convincing accounts of why specific welfare policies with specific characteristics had to be introduced at given times.⁴

However, neither approach has succeeded in presenting a total picture of the formation of a welfare state in Taiwan since the 1980s. The "residual welfare state" arguments fail to provide general reasons for the expansive reforms since the 1980s. On the other hand, the case studies end up merely describing how particular social security systems changed. They fail to contribute toward a structural understanding of why a series of changes, such as the implementation of universal health insurance, old-age income security, and employment insurance, took place. This paper will examine the present state and changes of social security in Taiwan, by probing into the postwar Taiwan state and its reformation. It is intended to complement existing studies on this topic.

B. *Perspective of State Reformation*

What then is meant by state reformation? According to Skocpol (1992b), "'State formation' includes constitution making, involvements in wars, electoral democratization, and bureaucratization—large-scale historical process, in short, whose forms and timing have varied significantly across capitalist industrializing countries" (p. 235). State structure, social groups, and institutional characteristics are created during the process of state formation, and these factors determine the form of the welfare state. State formation of the United States, for instance, is characterized by constitutionalism and the rule of law, localism, division of powers, and distrust of government activism.⁵ This state regime gave rise to a fragmented and residual social security system in the United States. State formation, in other words, determines the form of social security systems.

To stretch this concept further, we may argue that endogenous and/or exogenous factors may bring about changes in constitution, form of democracy, and role of the bureaucracy; thus, the reformation of state. If state formation determines the form of social security, state reformation, then, leads to social security transformation. Taiwan did in fact experience state reformation as a process of democratization wherein social security reforms took place, transforming Taiwan into a newly emergent welfare state. In the following, I will probe into the formation and refor-

⁴ For studies on individual policies, see Lin Hui-fen (1993), Lee Ming-tsong (1996), and Zhong (1995).

⁵ For Skocpol's theories about state formation and analysis of the United States, see Skocpol (1992a, b).

mation of the postwar Taiwanese state to identify its impact on social security institutions.

II. THE PROCESS OF STATE REFORMATION AND THE EXPANSION OF SOCIAL SECURITY INSTITUTIONS

A. *In the Postwar Period up to the 1970s*

Existing analyses of the postwar Taiwanese state can be categorized into two major groups in accordance with the basic points of view adopted. The first type, which focuses on the domestic ruling structure and mechanism, characterizes the postwar Taiwanese state as an authoritarian regime or a quasi-Leninist regime. The other type, which pays attention to the role of the state in economic development, sees Taiwan as a developmental state.⁶ Studies of the first type focused on the KMT's party-led political mechanism, its Leninist nature, and its efforts to co-opt local elites through elections. The studies of the second type concentrate on resource mobilization by the government for the purpose of achieving the dual national goal of "counterattack and return to the mainland" and economic development. In this context, they examine the roles played by pro-American technocrats who rationally and strategically implemented policies to achieve these goals. Nevertheless, these two streams of studies identify similar elements that are fundamental to the postwar Taiwanese state formation. Namely, the application of "the Constitution of the Republic of China"⁷ to Taiwan, the continued civil war with the Chinese Communist Party regime, introduction of a local election system, and the state bureaucracy partially inherited from the Japanese colonial period.

However, as is well known, the formation and sustenance of the postwar Taiwanese state owed largely to the cold war regime. External factors also had a major impact on the formation of the postwar Taiwanese state. State formation on Taiwan, in fact, was made possible only by its integration within the U.S. global strategy of containing China from its becoming a military threat in East Asia. In this relation, Wakabayashi (2000a, b) observes that to elucidate the nature of the postwar Taiwanese state, it is necessary to examine these external factors together with the above-mentioned internal state characteristics (constitution, application of democracy, and bureaucracy). Wakabayashi proposed that consideration be given to the threefold defining characteristics of the postwar Taiwanese state: its position as a forward base in the cold war context (Taiwan's position in the international community), its position as a regime that continues to be involved in a civil war (rela-

⁶ On quasi-Leninism, see Cheng (1989); on developmental state, see Johnson (1987).

⁷ "The Constitution of the Republic of China" was enforced in 1946 by the KMT government in Mainland China. After it moved to Taiwan following the retreat from the mainland in the civil war, the KMT simply applied this constitution to Taiwan.

tionship with the Chinese Communist Party regime), and its position as a “settler state”⁸ (the KMT government’s relationship with Taiwanese society).⁹

The first characteristic points to the uniqueness of the polity generated in Taiwan as a result of the convergence of the Chinese civil war and the cold war. The United States needed a frontline outpost in the containment of communism at that time. This in turn bolstered the KMT government and provided its *raison d’être*. In concrete terms, the United States not only provided KMT with military and economic assistance, but also helped it maintain diplomatic relations with other Western countries and preserved the KMT government’s right to represent China in the United Nations. The legitimacy of the KMT regime was secured under the auspices of the United States. The fictitious external legitimacy thus in turn served to legitimize the KMT regime internally on Taiwan.

The second characteristic pertains to the aspect of the KMT regime as a semipermanent civil war state. Actually, the Chinese civil war was not a product of the cold war. On the contrary, it preceded the cold war and then became integrated into it. Under these circumstances, the KMT government claimed its legitimacy as representing the whole of China irrespective of the result of the civil war. Thus, ideologically the KMT government never acceded that its rule was confined to the island of Taiwan. This characteristic gave rise to a set of legal devices unique to Taiwan, such as the application of “the Republic of China Constitution,” long-term martial law, “Temporary Provisions Effective during the Period of Communist Rebellion,” and the Ten-Thousand Year Parliament. In other words, the establishment of the authoritarian rule on Taiwan was a byproduct of the ideology of the fictitious representation of all of China, coupled with the preservation of the civil war mechanisms.

The third characteristic refers to the nature of the KMT regime as rule over ethnic Taiwanese by mainlanders who had relocated onto the island and established a state “independent” of the mainland. The settler state in Taiwan’s case meant two things. First, by dint of the state powers they held, the mainlanders (who represented one-seventh of the population at the time) nearly monopolized not only the state machinery including the military, police, and other state agencies, but also the cultural, academic, and media activities of Taiwan. They ruled over the majority of the population through this monopoly. Secondly, this rule created an ethnically dual structure in the state mechanism. The mechanism came to consist of two ethnic groups: the mainlander central elite that controlled the state and the ethnic Taiwanese local elites recruited and co-opted.

In discussing this ruling mechanism of the settler state, Lin Chia-Lung (1998)

⁸ The “settler state” is a term used by Weitzer (1990) in his studies on Zimbabwe and Northern Ireland.

⁹ The discussion here of the threefold characters of the Taiwanese state is based on the writings by Wakabayashi (2000a, b) unless otherwise indicated.

calls it a strong and responsive authoritarian regime. It is strong because it not only controlled various state institutions and mass media but also organized farmers, workers, and youth and placed them under its control. Farmers were organized into farmers' associations whose cadres were KMT members. This was how the KMT controlled rural areas. The KMT's penetration into these areas was thorough and complete, even in the 1970s. In 1976, for instance, close to 100 per cent of the cadres of the farmers' associations at the county and provincial level were KMT members (Lin Chia-Lung 1998, p. 118).

The same applied to workers. From the 1950s through the 1960s, the KMT actively organized workers; it sent its members into labor unions as leaders and simultaneously recruited workers as party members. Consequently, the number of unionized workers increased from somewhere over 140,000 in 1950 to over 480,000 in 1970 (Lee Yun-jie 1992, p. 60). About 20 per cent of all rank and file union members and all the leaders at the national union level were KMT members (Gong 1998, p. 107; Lee Yun-jie 1992, p. 120). This was made possible through the Party Affairs Special Task Force, whose units were organized at all local party branches to handle relationships between the party and industries (including employers and employees). These special units monitored and guided labor-management relations and labor union activities.¹⁰

With regard to youth, in the early 1950s the KMT established a Party Youth Section on every university campus. Through this channel it absorbed both teachers and students into the party organization. The Party Youth Section set up a number of front organizations to develop academic, theatrical, musical, and other cultural activities. The party also organized the Chinese Youth Corps under the Ministry of National Defense to conduct political education, extracurricular activities, and social services at college-level schools.¹¹

While the KMT's control of social organizations was thoroughly exercised through party-centered mechanisms, it prepared another mechanism for the endogenous elite, namely, local elections. In postwar Taiwan, elections for local governments were introduced as early as 1950. The members of provincial and county assemblies as well as county magistrates (governors) were elected by voters. The single, nontransferable vote system with multimember (SNTV-MM) system worked in the KMT's favor and through electoral victories, the party attracted and absorbed into it an increasing number of local elites.¹²

State formation in postwar Taiwan integrated three aspects. Externally, the Tai-

¹⁰ For details, see Lee Yun-jie (1992, chap. 5).

¹¹ For details, see Gong (1998, chap. 5).

¹² As many studies in recent years have dealt with the history, modes, and changes of elections at different levels in Taiwan, I will not go into details here. On the relationship between the historical development of elections and democratization, see Rigger (1999); for elections and the strengthening of the KMT regime, see Lin Chia-Lung (1998, part 2).

wanese state obtained U.S. support, taking advantage of the fusion of the civil war and cold war contexts. It asserted its legitimacy as a ruler of Taiwan by claiming that it represented “free China.” Internally, as a settler state it built a strong authoritarian regime. By working through the strong party organization, the KMT was able to penetrate many social organizations and control them. But this method of penetration, which on the one hand helped the state to avoid repression through raw violence and secure social stability, also forced the state to respond to demands put forward by society. Hence, this powerful authoritarian regime was also a “responsive” one (Lin Chia-Lung 1998, pp. 42–44).

The inception and development of Taiwan’s social security institutions, the main topic of this paper, can be largely explained by this dynamic. For instance, labor insurance coverage of workers was introduced in 1950, and followed in rapid succession by the introduction of schemes for other social groups, including fishermen’s insurance (1953), sugarcane growers’ insurance (1956) for an important export industry, and government employees’ insurance (1958) to protect the KMT’s most crucial constituency (see Appendix Table I).

It is important to note that these social insurance schemes, which were all introduced through strong state intervention, had a distributive, or responsive, character. This is shown by the fact that the state shared the insurance premiums in all cases.¹³ For the labor insurance scheme, the government paid 20 per cent of the premiums.¹⁴

This paper argues that this responsive aspect was gradually strengthened as the state underwent reformation, impelling it to incrementally expand and improve its social security systems. Using welfare state terminology, this process can be described as follows: The powerful and responsive state, while losing strength in the state reformation process triggered by democratization, sought to maintain its rule by recourse to a series of policies that purported to compensate for the increasing vulnerability of individuals under the market economy by providing collective state protection for various social groups.

B. *In the 1980s*

This section will now proceed to identify what changed and what did not change in Taiwan as the result of the state reformation and democratization in the 1980s, on the basis of a succinct summarization of facts and events from the threefold characteristic point of view.

The KMT regime confronted a serious and complex crisis in 1979. It was a complex one, because three major events occurred in the same year—the termination of diplomatic ties with the United States, the launching of a peaceful unification drive

¹³ For details, see Takahashi (1999).

¹⁴ The government sharing of premiums varied according to the union workers belonged to. For workers who belonged to the occupational unions, it was as high as 40 per cent.

by China, and the Kaohsiung Incident (the repression of a political rally by the opposition forces in Kaohsiung). With this triple crisis as the watershed, the KMT-built strong state began to transform itself.

With regard to Taiwan state's position in the international community, the termination of diplomatic ties with the United States came as a decisive blow to the KMT's claim to legitimacy as "the Republic of China." The status of "the Republic of China" as a sovereign state began to decline year after year. By the mid-1980s, only twenty or so countries still maintained diplomatic relations with it. Since the internal legitimacy of the authoritarian KMT state depended largely on its external legitimacy, this diplomatic upset dealt it a serious blow.

Under these critical circumstances, the KMT government set out to liberalize its rule as a means to reestablish its internal legitimacy. In February 1980, the government revived the supplementary elections for the National Assembly and the Legislative Yuan as a measure to revive the reform of the Ten-Thousand Year Parliament. In the following years (until 1992 when all of the Legislative Yuan members were reelected), parliament members were partially reelected at a regular interval.¹⁵ The government also began full-scale political liberalization by abolishing a series of legal measures that were bulwarks for the authoritarian regime. Central to the political liberalization was the lifting of the long-term martial law (1987) and the relaxation of the "Law on People's Organizations during the Period of Communist Rebellion" (1989). The political liberalization, which was carried out to secure internal legitimacy of the government out of necessity, led to "de-civil-war-ization," which shook the foundation of the civil war regime, the second important defining characteristic of the postwar Taiwanese state.

The liberalization contributed to the collapse of the settler state structure. First, the mainlanders' absolutely predominant grip on state power loosened, allowing Taiwanese to step into the KMT leadership. The most striking event in this regard was the appointment of Lee Teng-hui as vice-president of the KMT in 1984. Taiwanese had begun to make inroads into the KMT central organizations in the 1960s (the KMT Central Standing Committee [CSC], for instance), but they constituted a small minority in the party center. However, in 1982, eleven of the twenty-one CSC members elected that year were Taiwanese, and they began to have a visible presence (Jo 1987).

The rise of political opposition outside the regime also contributed to the fall of

¹⁵ The theoretically permanent "Ten-Thousand Year Parliament" was not subjected to reelection, except for the supplementary election which was first held in 1969 when the quota for Taiwanese representatives increased; in 1972, a system of regular supplementary election was introduced, and elections were conducted accordingly; a supplementary election was again held in 1975, but the system was suspended in 1978 in the crisis situation caused by the normalization of diplomatic relations between the People's Republic of China and the United States. For details, see Wakabayashi (1992) and Rigger (1999).

TABLE I
LABOR DISPUTES (FROM THE 1970S THROUGH THE 1990S)

	Number of Disputes	Number of Participants
1974–79	452	10,946
1980–86	1,178	9,953
1987–89	1,622	33,748
1995	2,271	27,342
1997	2,600	81,004

Source: Huang (1999, pp. 154, 184).

the settler state regime. The Democratic Progressive Party (DPP) was founded in 1986, and began to participate in elections. This shows that the opposition now opted to challenge the settler regime from within. But what the opposition forces really wanted was not just participation in the existing political regime, but to win a political space in which they could freely discuss the future of Taiwan based on a “Taiwan-sized polity.” As far back as 1947, the February 28 Incident (KMT’s massacre of Taiwanese) had awakened some Taiwanese to Taiwanese nationalism, and they launched a Taiwanese independence movement with their operating bases in Japan and the United States. For many of those involved in the democratization movement (or its discourse), opposing the KMT regime was synonymous with opposing Chinese nationalism and opposing the rule by mainlanders (who espoused Chinese nationalism). Conversely, democratization was synonymous with advocating Taiwanese nationalism (which was vaguely defined) and the realization of a polity that prioritizes Taiwan and is governed by Taiwanese and for Taiwanese. The successful advance of the DPP from the second half of the 1980s through the 1992 “founding elections” (in which all the parliament seats were subjected to reelection) can be largely explained by its advocacy of Taiwan’s national identity.

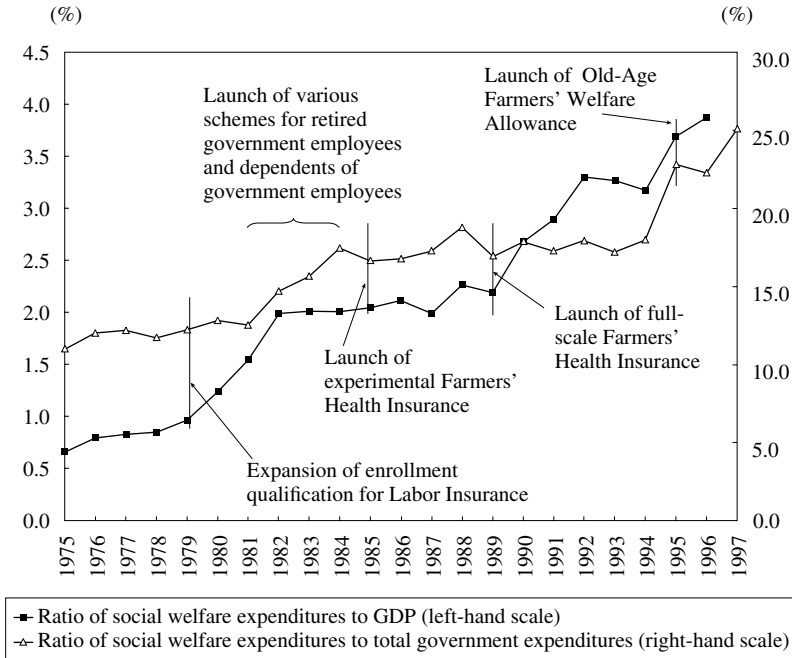
The governing mechanism of which strength and efficacy the KMT once boasted also began to show serious flaws. Having lost its legitimacy to rule together with many of its legal devices of control, the KMT regime in the 1980s also began to see its erstwhile watertight grip on labor unions slip away. As indicated in Table I, the number of labor disputes rapidly increased in the second half of the 1980s. Not only the frequency, but also the number of workers involved in disputes increased rapidly, in fact trebling in the second half of the decade compared to the first half. Also noteworthy was the rise of autonomous activities by KMT-dominated unions such as the public enterprise, big private enterprise, and taxi drivers unions. Independent and autonomous labor unions emerged and launched struggles. Other social groups, including farmers and students, joined the movement to air their discontent with the state. Farmers demanded guaranteed rice prices, and the liberalization of farmland transactions and fertilizer purchases, all of which required

changes in the KMT's policies of rural sector control. Discontent among farmers led to the formation of a farmers' movement. From 1983 through 1987, rallies and demonstrations by farmers were held on 1,500 occasions. In 1988, their actions exploded in the wake of the lifting of martial law. In that year alone, 1,800 farmers' rallies and demonstrations, well outnumbering the aggregate of the five previous years, were organized (Wu 1989; Wang 1989). College students also rose up against KMT control and organized movements to form autonomous students' organizations (Wakabayashi 1992, pp. 239–40). The foundations of the robust authoritarian regime the KMT had built in the postwar period began to shake.

It should be noted here that the state reformation process, which commenced in the 1980s, was oriented toward the construction of a Taiwan-centered political structure. In this process, the ethnic Taiwanese group, who had long been excluded from politics, steadily penetrated into the center of state power while the strong authoritarian regime that had kept the settler rulers in place began to show its weaknesses. The threefold characteristics that defined the postwar Taiwanese state began, unmistakably, to change. The expansion and reform of the social security institutions in that period certainly represented a responsive adaptation of the state to this reformation process. From 1980 through 1990, as many as eleven new health insurance schemes were introduced, beginning with health insurance for dependents of government employees followed by health insurance for retired government employees. For workers, requirements for compulsory health insurance enrollment, including those on enterprise size, were eased in the second half of the 1970s, causing an enormous increase in the number of enrollees to the industrial labor health insurance scheme. The insured workers under the scheme grew from 6.53 per cent of the population in 1970 to 14.21 per cent in 1980 and further to 33.59 per cent in 1990 (Lin Kuo-Ming 1997, pp. 68, 92).

Farmers' health insurance best illustrates how social security expanded in response to social demands. The introduction of a farmer's scheme was being considered by some bureaucrats as early as the beginning of the 1970s, but the KMT elite repeatedly postponed decisions on it. Farmers felt that they were left behind when they saw workers' health insurance expanding. They also complained about the negative consequences of domestic farm product market liberalization. This situation prompted them to take autonomous action and the KMT, which was already deeply immersed in rural communities, felt strong pressure. In response, the KMT introduced a farmers' insurance system in 1985 in selected areas and on an experimental basis. This experimental scheme however chalked up a huge deficit of NT\$800 million in the first two years. The deficit was inevitable because the scheme gave out generous benefits for medical care, childbearing, funerals, and disability while asking for no cost sharing on medical care from the insured farmers. This was reason enough for the KMT government to shelve its general application. Nevertheless, the government in October 1988 decided to apply it fully to all farmers

Fig. 1. Ratio of Taiwan's Social Welfare Expenditures to GDP and to Total Government Expenditures



Source: Prepared by the author.

(Sun 1994, pp. 54–61). The major reasons behind this were the rise of farmers' movement and the impending elections.¹⁶ In other words, the authoritarian government, which was losing its power of social control, had to appease society with the provision of social security benefits even at a high cost to the state's coffers. Figure 1 shows the correspondence between the ratio of social welfare expenditures to GDP and to total government expenditures, on one hand, and the timing of the enactment of major social security policies. The figure suggests that government welfare expenditures burgeoned in the 1980s due to the easing of the labor health insurance subscription requirements and introduction of the health insurance scheme covering retired government employees and dependents of government employees. In the second half of the 1980s, the introduction of farmers' health insurance contributed to an expansion of government welfare outlays.

As mentioned earlier, the threefold characteristics of the postwar Taiwanese state began to change in the 1980s. The social security reforms were facilitated by this change in the nature of the state. The reforms therefore took on the character of a

¹⁶ This is a comment by Professor Yang Chih-liang who participated in the drafting and evaluation of the farmers' health insurance (*Zhongguo shibao*, June 1, 1993).

state-initiated institutional expansion. This correlation between state reformation and social security can be further observed in the 1990s.

C. *In the 1990s*

The normalization of Sino-American relations brought the demise of the cold war–based external legitimacy of the postwar Taiwanese state even before the end of the cold war. With this, the defining factors of the state shifted from exogenous (Taiwan's position in the international community) to endogenous ones. In the 1990s, this shift became even more conspicuous.

With regard to the second character (Taiwan's relations with China), President Lee Teng-hui in effect terminated the “state of civil war” with the communist regime by declaring an end to the “Period of Communist Rebellion” in May 1991. Subsequently, the National Assembly and Legislative Yuan were totally reelected in December 1991 and December 1992, respectively. The entire parliament, then including the National Assembly, was elected solely by the residents of Taiwan.¹⁷ The process of dissolution of the civil war state that had begun with the lifting of martial law in 1987 was nearly completed with the full reelection of the Legislative Yuan. Moreover, in April 1991, the KMT government set out to revise the Constitution, by way of adopting “additional clauses.” In this manner the Constitution had been amended six times by April 2000. Considering that all these constitutional amendments were decided at the National Assembly, it may be possible to argue that “the Republic of China Constitution” has now been “nativized” and has become rooted in Taiwan.¹⁸ In other words, the Taiwan state, which is ushering in a new phase of development, has become one that seeks its legitimacy internally from the “Taiwan-sized polity.” This in turn means that the context of Taiwan's position in the international community (the first character) and that of Taiwan's relations with China (the second) have merged. This contextual merger is best expressed in Taiwan's “rejoining the United Nations campaign.”

Since February 1992, the KMT has made “rejoining the United Nations” a major foreign policy goal. The adoption of this slogan became possible after the government of the “Republic of China” came to officially regard the PRC and Taiwan as “equal political entities” (National Unification Guidelines). On this basis, the “Republic of China” government is seeking to rejoin the United Nations mainly on three principles: that the ROC “will continue to search for the unification of China; will not challenge PRC's position within the UN; and that the legal rights of 21 million residents of Taiwan will be properly protected and represented in the United

¹⁷ To be exact, they are Taiwan, Penghu, Kinmen, and Mazu. These territories are formally called the “free areas of the Republic of China.”

¹⁸ The “localization” of the “state organs and political parties” is essential to understanding Taiwanese politics since the 1990s. In Taiwan, this process is called “nativization.”

Nations.”¹⁹ In other words, Taiwan’s affiliation with the UN is an attempt by the Taiwan-sized “Republic of China” to be recognized once again as an “ordinary state” in the international community.

The advent of the Taiwanese state as an entity not defined by its relationship with China was made possible by the change in its political system. The legal system that made the KMT rule possible was dismantled with the introduction of procedural democracy in the 1990s that ensured the participation of Taiwanese residents in elections at all levels, including those for the president. This has certainly served to diminish (and ultimately end) the absolute prerogatives of the settler minority in the state and its grip on state power. Also, the twofold ethnic structure that had perpetuated the mainlanders’ monopoly on central state power and the local elite’s control of local politics was nearly destroyed as all elections were liberalized. Elections, as the landmark of democracy, contributed immensely to the collapse of the settler state.

Taiwanese politics in the 1990s was indeed characterized by a high frequency of elections. From 1991 through 2000, island-wide elections were held every year except 1999. Not only were the elections frequent, but also the legitimacy of these elections was unanimously acknowledged, and even the opposition party DPP accepted this. The frequent elections also served as a process through which the idea and reality of a “Taiwan-sized polity” were accepted by Taiwanese residents. The election-centered political practice, which brought political parties into the democratic process, forced them to move away from the practice they had been immersed in under the authoritarian regime. In the KMT, the intra-party reformers led by Lee Teng-hui successfully worked to enlarge its intra-party support base (against the conservative faction in the party) on the one hand, and on the other hand co-opted local factions into the party center to safeguard the predominant position of the KMT as a whole. The local factions had by then become quite influential through local elections. This process, termed “nativization” by Lee, worked to split the party into the mainstream faction (Lee faction) and the non-mainstream faction (consisting mainly of the second generation mainlanders). By then, the shift in the political balance in favor of ethnic Taiwanese has perpetuated and in the 1992 Legislative Yuan election, Taiwanese captured 80 per cent of the Yuan seats. Immediately after this election, Premier Hau Pei-tsu, a mainlander military man from the non-mainstream faction, was forced to resign. This in turn triggered a walkout by the non-mainstreamers, mostly second generation mainlanders, who subsequently established the New Party.²⁰ This development helped Lee not only to consolidate his intra-party base but also to wipe out the image of the KMT as a mainlanders’ party.

¹⁹ The original text is from the Republic of China’s Foreign Ministry, “ROC to Rejoin the UN.” Quotations here are from Wakabayashi (1998).

²⁰ On the New Party phenomenon, see Wakabayashi (1998).

The opposition forces as a “non-KMT” (*tangwai*) political force had been participating in elections, criticizing the KMT regime. After they became formalized as the Democratic Progressive Party, they continued to participate actively in elections as an important means of struggle. Following the DPP’s sensational victory in the 1992 Legislative Yuan election (from twenty-one seats to fifty seats, garnering 31 per cent of the votes cast), it adopted the so-called “party-wide election-oriented line,” which meant that the party abandoned its anti-establishment radical social movement policy and oriented itself to the seizure of state power as a “catchall” party (Kuo 1998). Sensing that its radical “Taiwanese independence” slogan did not work favorably for it in elections, the DPP softened its independence line. In the 1994 Taipei mayoral election, DPP candidate Chen Shui-bian offered a new interpretation of its policy guidelines and proposed a referendum to determine the future of Taiwan. In the Legislative Yuan election in 1995, the DPP used the “Love Taiwan” slogan, and in the presidential election in 1996 further softened its independence policy by claiming, “Taiwan being a sovereign state is a *fait accompli*, there is no need to declare independence.” This policy revision was certainly repulsive to the party’s radical pro-independence faction. After the 1996 presidential election, it walked away from the DPP and established the Taiwan Independence Party under the leadership of former DPP presidential candidate Peng Ming-min.

The close relationship between elections and political party realignment was the most salient feature of Taiwanese politics in the 1990s. However, the realignment of political forces did not necessarily follow different policy approaches. For instance, it involved the DPP’s shift from an anti-establishment opposition to a “catchall party.” Obviously, the splits of the New Party and Taiwan Independence Party from their original parties reflected clashes over the “unification versus independence” schema, or issues of national identity. Nevertheless, despite the lingering of the “unification versus independence” polemic, Taiwan-centered discourse has already prevailed as the shared mainstream discourse of Taiwanese politics. This means that, unless China drastically changes its Taiwan policy, no further progress will be made concerning the issue of Taiwan’s sovereignty. As a result, the “unification versus independence” or the Taiwanese identity problematic has ceased to be as relevant an election issue as it was previously.²¹

Needless to say, the emergence of a Taiwan-centered state and the accompanying election-centered political rivalry means that the authoritarian regime built by the KMT has collapsed. In other words, the state reformation in Taiwan brought about the breakdown of the governing mechanisms that once underpinned the authoritarian regime. This development was most dramatically demonstrated by the changing nature of labor organizations. The unions at state-run enterprises, which have

²¹ The New Party held eight seats in the Legislative Yuan as of 2000, and the Taiwan Independence Party only one; both parties are marginalized.

the highest rate of organization, began to confront their parent body, the KMT, as the privatization of the state sector proceeded in the new economic environment. Politically they approached the DPP and some supported DPP candidates in some elections (Huang 1999, pp. 201–2). In the meantime, autonomous labor unions that emerged from the democratization process came together on May 1, 2000 to establish the Taiwan Confederation of Trade Unions. This step effectively ended the KMT's control over national labor unions. The reorganization of political parties over national identity issues and intra-KMT strife over the distribution of power also created possibilities for new political alliances between labor unions and political parties. For instance, Lin Hui-kuan of the state-owned railway workers' union, who served as Chairman of the Chinese Federation of Labor, was nominated as a candidate from the People First Party, a KMT splinter, and was elected to parliament under the proportional representative system. Democratization and other factors pluralized the labor union movement. The KMT's control on social groups, which was a proud product of the postwar Taiwan state, fell apart, throwing the KMT regime into a serious crisis.

As discussed earlier, the KMT regime tided over this crisis in the 1980s by flexibly responding to the demands voiced by society. In the 1990s, further incentives emerged to respond to social needs that grew along with the intensification of political rivalry in elections. In the meantime, inter-party competition on the issue of national identity ceased to play an important role in the second half of the 1990s. With these two factors simultaneously at work, political competition in the electoral arena quickly lost clearly defined issues of contention. In this situation, social security policy emerged as a fresh issue for public mobilization. National health insurance (NHI), the largest social policy project in postwar Taiwan, the old-age allowance, and the national pension program, which have attracted public attention since 1992, were all brought to the public attention as a result of the dynamics constituted in this setting.

The national health insurance scheme (NHI) was first drafted in the second half of the 1980s. The plan at that time was due to be enforced in 2000.²² However, as the opposition party made spectacular advances in a series of elections held from the late 1980s through 1990, the KMT regime was forced to promise to introduce the scheme earlier than scheduled, in 1995. According to Chiang Tung-liang, one of the chief drafters of the NHI bill, the KMT decided to introduce the scheme at an early time in consideration of the criticism it had invited when it had repeatedly postponed the implementation of farmers' health insurance. The timing for the enforcement was also carefully chosen considering election dates as well as the time span needed to organize administrative apparatuses to implement the new scheme

²² For the development of medical and health insurance in postwar Taiwan, including the planning, drafting, and institutionalization of the national health insurance, see Lin Kuo-Ming (1997).

(Chiang 1991, p. 21). As promised, it was introduced in 1995. As there were only four months of preparation, the scheme suffered from troubles and malfunctions at the beginning.²³ The KMT government rushed to launch the scheme because it wanted to implement it in time for the Legislative Yuan election scheduled at the end of 1995. It wanted to attract voters using this scheme as its most important achievement in “social construction” in postwar Taiwan.

As with preceding social security schemes, the NHI’s revenue was heavily slanted toward state contributions. The subscribers are categorized into six groups by occupation, and for all of them except for a certain segments of the self-employed, the state shares in premiums contribution. The state’s share is 40 per cent for workers, 70 per cent for farmers, and 100 per cent for low-income persons. The benefit coverage is also very broad, providing even for traditional Chinese medicine, rehabilitation, and some kinds of nursing care. This generous scheme was devised as the KMT government’s response to social needs, in compensation for its loss of direct control over society.

The launch of the NHI was brought about by a qualitative transformation of social security institutions on Taiwan which, in turn, was a product of the reformation of the Taiwan state. The usage of the “whole nation” in the original Chinese title of the national health insurance can attest to this presumption. It was epoch-making that this scheme, which covered “only” residents of Taiwan and obviously did not include people of Chinese mainland, used the expression “whole nation” when up until the NHI, all policies, or even statistical data compilations, of the KMT government used phrases such as the “Taiwan area” or “Taiwan province.” Why this occurred cannot be explained adequately by the “residual welfare state” theory, nor by a mere empirical analysis of political processes. The reasons for this great change that occurred in the social security institution can be understood only in the context of the state reformation, that is, the transformation of the cold war– and civil war–defined nature of the Taiwan state into a Taiwan-sized state.

Changes in social security accompanying the state reformation also took place in the old-age allowance and old-age income security programs. Until the 1990s, the benefits of the income security program for aged persons were limited to government employees, some teachers, and military servicemen. Workers were paid a retirement allowance amounting to forty-five months equivalent of the monthly pay they were receiving at the time of retirement. However, that was far from sufficient for their income security. No income security schemes existed for aged farmers and

²³ For details, see the memoirs of Yeh Chin-chuan, the first president of the Bureau of National Health Insurance (Yeh 2002). According to Yeh (2002), revisions were required in many laws on social security and consultations and contract renewals also had to be made with medical service suppliers before the national health insurance was launched; these steps were completed only three days before the NHI was put into effect; Yeh describes this rush with the following expression: “seven years to plan, one year for deliberation, and three days to implement” (p. 50).

the self-employed persons.²⁴ This became an issue of contention in the electoral political competition. This issue was injected into election campaigns in the Legislative Yuan election of 1992. Su Huan-chih, the DPP candidate from Tainan County, took up the issue of old-age income security in his campaign, addressing his appeal to the aging Taiwanese farmers who constituted the bulk of his constituency (Lee Ming-tsong 1996). Thanks to this tactic, Su garnered more than 100,000 votes and captured a seat in the Legislative Yuan. In the previous year's National Assembly election, however, Su had experienced a shattering defeat, obtaining only 10,000 votes. Learning from this positive experience, the DPP began to focus on the old-age pension issue and won in a supplementary election for county magistrate (governor) in Penghu County held in February 1993.

With this development, the debate on old-age income security gathered momentum. The DPP, as the opposition party, organized the Coalition of Action for Respect-for-the-Aged Pension, jointly with the Coalition to Promote Old People's Welfare, a group of scholars and welfare activists. It began to organize a social movement to champion the policy of old-age income security. This large-scale social movement attracted public attention to the issue, and all candidates found themselves having to propose one or another old-age allowance in the December 1993 elections for city mayors and county magistrates (*Zhongyang ribao*, January 5, 1994; *Zhongguo shibao*, December 28, 1993). The KMT, in the face of this, argued that comprehensive reform was needed and proposed the introduction of a national pension program covering everyone in Taiwan. The KMT government immediately began deliberations and drafting work on a new scheme. The task turned out to be difficult, as the new scheme involved the knotty task of reintegrating existing schemes and making a large one-time government budget outlay to pay old-age benefits to those who are already over the age of sixty-five. Meanwhile, Taiwan was hit by a major earthquake in 1999, and the government had to shift its budget priority to post-disaster reconstruction. Consequently, the government failed to live up to the promise of an early introduction of the NPP.

In 2000, the DPP took power. As the new ruling party, the DPP negotiated with the opposition over how to fulfill President Chen's promise of introducing an old-age allowance. Both sides agreed that a national pension program would be put on the parliament table in exchange for a retraction of the DPP-proposed old-age allowance scheme. However, despite winning the presidential election, DPP was a minority in the Legislative Yuan, and there was little chance that its tax-financed NPP plan would pass through it. Meanwhile, factors such as the U.S. economy entering into a downswing, or Taiwan's labor-intensive industries beginning to move to Mainland China, had compounded into the fear of a full-fledged depression among Taiwanese. The lack of legislative muscle and the worsening economic conditions

²⁴ On disparities between social groups, see Lin Chen-Wei (2003, chap. 5).

eventually forced the DPP government to defer the presentation of its national pension program to the Legislative Yuan²⁵ (Lin Chen-Wei 2002, pp. 345–47).

As indicated by this development involving old-age income security, it was electoral competition resulting from state reformation that made this issue a focus of public attention. It should be recalled that the discriminatory structure of the social security institutions implanted by the settler state was a hotbed of social contradictions. It is therefore natural that as the authoritarian regime that underpinned the settler state began to crumble, voices rose for the rectification of the disparities caused by the settler state. Having accepted democracy, the KMT government found itself compelled to do something to rectify the disparities. More interestingly, in Taiwan's case, the financial role of the state is always at the center of the debate. Aside from the DPP-proposed tax-financed formula, in Taiwan, there is always a presupposition that the government should share the cost of premiums regardless of whether the program is a social insurance type or "pay-as-you-go" type. Politically, an individual funded type of program, such as the Singaporean one, does not exist as an option in Taiwan.

In the meantime, the formation of Taiwan as a Taiwan-sized democratic state has given rise to tensions between the administration and legislature, tensions that exist in most other democratic states. The DPP's failure to pass its national pension program resulted from such tensions. In other words, the rubber-stamp Legislative Yuan, a product of the civil war and authoritarian regime, has become a thing of the past. Thus, the course of events over the old-age allowance, old-age pension, and national pension program was strongly influenced by the state reformation process.

CONCLUSION

Taiwan's democratization, which was the result of both internal and external factors, not only brought about political liberalization, but also a responsiveness of the state to demands presented by society. In other ordinary democratic states, this style of politics is nothing new, but for Taiwan, it was a novel phenomenon. It was materialized in Taiwan only in the 1990s, following the demise of the cold war structure and the anticommunist–civil war regime and through the resultant state reformation that ended the settler nature of the state. In this paper I have argued that the Taiwan state managed to survive this reformation process by responding to social needs and this process led to the formation of a new welfare state. Among advanced countries, this type of cycle of "crisis and compensation" is also observable in Japan (Calder 1988). What was specific to Taiwan was that the process of the welfare state formation became integral to the process of formation of a

²⁵ Takahashi (2001) provides a detailed view of the development from March through September 2000 that led to the DPP's retraction of its national pension program.

Taiwan-sized state following the end of the former settler state regime. For this reason, the rectification of the disparities among social groups that had been created by the settler state surfaced as a very important task. In other words, the task was to universalize social security institutions that had hitherto been applied to specific population groups, and to make them benefit all groups across society. The emergence of a universal health insurance and universal pension program in a “residual welfare state” such as Taiwan can be explained only by the convergence of these two logics of state reformation. In Taiwan the pace of universalization of social security came later than Korea, which shares a similar pattern of economic development, because these reforms were of “responsive” nature and hence required Taiwan’s government to shoulder a heavier financial burden than the Korean government. With health insurance, for instance, in Korea the system is centered on largely self-financed insurance societies, and the government only subsidizes their administrative costs. In Taiwan, the government has to meet not only the administrative costs, but also contribute part of the premiums on behalf of the insured and subsidize the deficits of various schemes. Both organizationally and financially, the Taiwanese government is much more involved. In other words, in expanding social security institutions, it needs to constantly struggle with its administrative and financial capacities while still remaining responsive to social needs.²⁶

The future contours of the Taiwanese state, the results of state reformation from the authoritarian regime, are not yet clear aside from the fact that it will remain committed to democracy. Its problems with China have yet to be resolved. Besides, Taiwan fell into the most serious recessionary phase since the 1950s albeit signs of recovery are beginning to appear. Its labor-intensive and export-oriented industrial structure faces the need to change. The impact of the tensions with China and economic structural transformation of the Taiwanese state will require further observation and scrutiny. Unlike the development in the 1990s, economic factors will perhaps become more crucial than political factors in the reforms of Taiwan’s social security institutions in the near future.

²⁶ In fact, three of the four social insurance schemes of Taiwan registered deficits in the 1980s. The farmers’ health insurance suffered from deficits in the first year of its operation. These deficits proved heavy burdens on the government and obstacles to the implementation of universal insurance. See Lin Kuo-Ming (1997) for detailed description and analysis.

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APPENDIX TABLE I
 CHRONOLOGY OF SOCIAL SECURITY SYSTEMS

Category of Insurance	Date of Introduction
Labor insurance	1950
Military insurance	1950
Fishermen's insurance	1953
Sugarcane growers' insurance	1956
Government employees' insurance	1958
Retired government employees' insurance	1965
Health insurance for students	Aug. 1975
Insurance for private school staff	Oct. 1980
Health insurance for dependents of government employees	July 1982
Health insurance for retired government employees	July 1985
Health insurance for spouses of retired government employees	July 1985
Health insurance for retired private school staff	July 1985
Health insurance for spouses of retired private school staff	July 1985
Farmers' health insurance	Oct. 1985
Health insurance for local representatives, Li, Lin leaders	Sept. 1989
Health insurance for dependents of government employees	Jan. 1990
Health insurance for dependents of private school staff	Jan. 1990
Health insurance for low income families	July 1990
Revision of farmers' health insurance	May 1992
Temporary act of old-age farmers' welfare allowance	May 1995
Labor insurance began provision of unemployment benefits	Jan. 1999
Temporary act of old-age citizens' welfare allowance	June 2002
Employment insurance law	Jan. 2003

Source: Prepared by the author; for more details, refer to Takahashi (1999, p. 29).