

**THE ORIGINS AND IMPLEMENTATION OF THE
NATIONAL HEALTH INSURANCE PROGRAMS IN
KOREA, 1961-1979**

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THE ORIGINS AND IMPLEMENTATION OF THE NATIONAL HEALTH
INSURANCE POLICY IN KOREA, 1961-1979

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A candidate for the degree of Doctor of Philosophy

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THE ORIGINS AND IMPLEMENTATION OF THE NATIONAL
HEALTH INSURANCE POLICIES IN KOREA, 1961-1979

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ABSTRACT

This study examines the health politics of the Korean National Health Insurance Act in 1963 and in 1977. The 1963 NHI Act was the first voluntary health insurance act in Korea and resulted in only a few pilot programs. The 1977 NHI Act was the first successful compulsory health insurance program for large firms with more than 500 employees and their dependents. The study expands the welfare state theory by reflecting the historical institutional contexts of Korea. Most of the welfare state studies have been conducted using advanced societies that have had social democratic traditions and/or labor movements. Korea's National Health Insurance Act of 1963 and 1977 were initiated by a strong state government with limited participation from interest groups of business and medical professions and labor.

This study has four key findings. 1) The administrative capacity of the state was the major factor that drove the successful implementation of Korea's 1977 National Health Insurance Act. The state established an advanced bureaucratic system with well-disciplined bureaucrats. The source of the state capacity was not from financial resources, but from an effective administration that was based on state autonomy and centralized power of President Park. 2) Interest groups did not have a strong resistance

against NHI policies. The state and business maintained a symbiotic relationship under Park's regime. The state provided special financial resources for large businesses, which were the central players in the development of the Korean economy in the 1960s and the 1970s. Businesses took advantage of the NHI policy to enhance the labor disputes which were increasingly militant in the mid-1970s. Medical professions were involved in the policy making process and vocalized to protect their financial status. The state exercised repressive labor policies to keep wages low and to prevent collective action by labor. 3) Korean culture supported the strong state and gave the responsibility to the individuals and businesses with welfare concerns. In particular, Confucianism emphasized the familism that shifted responsibilities to individual families. 4) The state actively engaged in implementing social policies where it faced legitimacy crisis in the 1960s and the 1970s due to political turmoil. The state showed interest in national health insurance prior to the 1963 election of president and congress, but its financial expenditure had been declined from 1963 (6.0 %) to 1970 (2.8 %) and did not show substantial interests in welfare policies until the 1970s. In the 1970s, the political crisis from changing the Constitution twice to prolong the presidency, the militant labor disputes especially in large industries, and the growing income gap triggered the state to seriously implement social policies.

This research contributes to the study of the welfare state especially for the case studies of underdeveloped countries with authoritarian governmental structures. Korea did not have the rich experience of industrialization, class mobilization, or political movement as other advanced countries did; however, different institutional contexts and

institutionalization processes allowed for the Korean state to successfully implement national health insurance programs in 1977, albeit for a selective population. This study suggests that understanding the dynamics of policy processes between institutional structures and agencies is essential for understanding welfare policies.

Chapter 1: Introduction

This study explores the origins and implementation of the national health insurance system in Korea, particularly under President Park's regime (1961-1979). The health insurance system has been introduced, implemented, expanded, and changed since the 1960s. In 1977, the first compulsory health insurance was successfully implemented for a portion of the population, and it was expanded to the entire nation in 1989. Its principles are based on equity and collective interests, rather than on quality or individual interests. It was initiated by a strong, paternalistic Korean government. To understand the nature and meaning of this policy, the study will scrutinize the social, economic, and political conditions under which this policy emerged and was transformed. It will then provide a systematic understanding of the historical institutionalization process of this policy.

National health insurance symbolizes many characteristics of society, including liberalism versus socialism, free market versus planned economy, degrees of state autonomy, the nature of state bureaucracy. It also is a highly political issue involving many actors, including government, medical professions, business, labor, and the public, and it happens within a political, social, and cultural context. In order to understand this Korean health policy, we need to address the institutional context in which it emerged. The central questions in this dissertation are the following:

1. Why was the Korean government involved in introducing the national health insurance policy in 1963? Why did this early policy fail?
2. Why was the Korean government involved in the 1977 NHI reform?

3. What structural forces influenced the content and form of the insurance policies?
4. What are the key factors for the Korean government to successfully implement this health policy?
5. How did the interest groups engage in the political process of the NHI policies?

These questions will guide us in unfolding the historical institutionalization processes of the Korean national health insurance policy.

In 1977, the Korean government implemented a compulsory national health insurance (NHI) for employees and their dependents in firms with more than 500 employees, fourteen years after the first voluntary health insurance was introduced in 1963. Korean national medical insurance had two types of health insurance plans: a wage-based, contributory health insurance and a government-financed program of medical assistance to the poor. In 1979, NHI coverage was extended to government employees, private school teachers, and industries with more than 300 employees. In 1981, it was extended to again to cover employees in industries with more than 100 employees, and by 1989, rural residents, small businesses, and the self-employed were covered by NHI (see Table 2).

Each stage of insurance program has its own birth, growth, and changes. All of the insurance programs are compulsory except the regional insurance plan for the self-employed and for others such as farmers and family workers. This study focuses on the first voluntary health insurance act in 1963 and the first compulsory health insurance act in 1977.

Origins of National Health Insurance

The first health insurance plan started with a workmen's compensation act in 1963. The 1963 act, established under the Ministry of Health and Social Affairs (MHSA) during the beginning of the Park, Jung-Hee administration¹, was a voluntary health insurance program. In 1963, Korea was one of the poorest countries in the world with a \$100 annual per capita GNP. It was just beginning to become industrialized in the early 1960s. In 1963, 65 percent of Koreans worked in fishing and farming, and only 11.8 percent of the population worked in the industry². There were no major changes in national health insurance policy until 1976.

In 1976, under the Park regime of the Fourth Republic, the first compulsory state health insurance was enacted, and it was implemented a year later for firms with more than five hundred employees. By this time, Korea was near the end of its initial industrialization process, and its annual per capita GNP had grown to \$803. In 1975, 43.4 percent of Koreans worked in fishing and farming and 35.2 % worked in industry. The compulsory insurance plan of 1976 was proposed by Shin Hyun-Hwak, the minister of the MHSA, who was influential over President Park and his cabinet members. The most significant political change in the 1970s was the establishment of the Yushin³

¹ Park Jung-Hee administration (called 5.16 military administration) was established through a coup on May 16, 1961. The coup leaders created the Supreme Council for National Reconstruction (SCNR) and ruled the country with exceptional power over administrative, legislative, and judiciary branches until the Third Republic. The MHSA, which oversaw both the 1963 and 1977 NHI Acts, was under control of the SCNR. It is also interesting to note that there was a presidential election on October 15, 1963, and Park won against Yoon, Bo-Sun from the Democratic Republican Party with a narrow margin of 1.42 percent.

² Seo, Kwan Mo. 1987. *Class Formation in Korean Society*. Ph.D. Dissertation. Department of Sociology. Seoul National University.

³ Yushin was a constitutional reform. The Yushin constitutional reform granted supra-legal power to President Park. Within the Yushin system, Park could appoint the members of *YushinJungWooHoe* (also called *YuJungHoe*), the governmental body that had the power to elect the president. Members of *YuJungHoe* comprised one-third of the Congress. The Yushin regime ended in 1979 with the assassination of President Park.

regime in 1972 under President Park. The reforms brought about by the Yushin regime gave President Park significantly more power in influencing policymaking. Table 1 shows the results of the elections of 1963-1992. The political context dramatically changed between the Third Republic (1963-1971) and the Fourth Republic (1972-1980) under Park's regime as the changes in voting rates indicate. Both the 1963 NHI and 1977 NHI acts were implemented under Park's regime. The changes of political contest along with other institutional changes impacted the health politics of both NHI programs.

It was not until 1977, the year after the amended law was passed, that the Korean government implemented its first compulsory medical insurance. In 1977, the Korean government implemented this compulsory medical insurance to workers who were employed in large businesses with 500 or more employees. Although heightened expectations for better social welfare programs and an increased capacity of the state accompanying dramatic economic development could be important factors, this study argues that socio-political institutional forces should be carefully examined to understand the policy process of medical insurance (i.e., to understand how the voluntary medical insurance plan was transformed into the compulsory national health insurance program of 1977).

This case study deals with one case: a historical policy product, national health insurance in Korea. Yet, this case study can be significant in itself. By explaining the policy processes of national health insurance in detail, it can provide a Weberian ideal type of a policy formation in Korea, and it also can be developed into a comparative study across different countries or across different important policies of Korea in the future.

Welfare State Theories

This study takes an institutional approach to analyze welfare policies and the development of the welfare state. Institutionalism emphasizes the institutional arrangements, especially rules, regulations, norms, and culture within various institutional settings of decision making. It values the legacy of distinct national experiences, unique processes of institutional pattern building, and institutional effects to understand the various actions of actors, institutions, and policy-making processes. It tends to move attention from the utilitarian calculation focusing on the market and rejects linear development models. According to institutional theory, the birth and implementation of national policies are greatly influenced by the characteristics of institutions. Institutional leadership, resources, and power in the executive and legislative branches help to determine the enactment of policy (Lo and Schwartz 1998).

Historically, Korea has been discussed as a strong patriarchic state with a well-developed bureaucratic structure. It is the contention of this thesis that the Korean national health insurance policies were the product of institutions of a specific historical time. President Park's regime in 1970s was a strong military state with strong leaders and power as well as connections with military, academic, and regional networks. I argue that Park's administration wanted and could create the national health insurance due to the nature of this strong bureaucratic structure based on a hybrid of military leaders and elite bureaucrats. In so doing, I also reject the argument that the national health insurance policies are products of Korea's economic development, as utilitarianism would argue.

Among studies on welfare policies, class-centered approaches and modernization approaches provide strong explanations for many advanced societies that have a history of active social democratic or labor movements. In the 1960s and the 1970s, when its first national health insurance policies were being generated, Korea had neither a strong labor movement nor an advanced social democracy. Thus, the explanatory power of these linear approaches to the development of social welfare policies is limited when attempting to understand the NHI policies in Korea. Therefore, the state-centered theory, which takes into account the characteristics of different regimes, is the best model for explaining the development of NHI health policies in Korea.

There have been many influential studies that have contributed to the studies of either health policies and/or the role of the state from this perspective (see Skocpol⁴, Evans⁵, Esping-Anderson⁶, Quadagno⁷, Bob Jessop⁸, and Twaddle⁹). These studies capture the complexity of the institutional configurations and state autonomy to explain welfare policies. Studies focusing on bureaucrats and the role of the state are particularly important for understanding Asian countries that have strong centralized governments.

In addition to the autonomy of the state, the issue of legitimacy politics is important for this study. Habermas (1975; 1989) and Offe (1984) claimed that welfare policies were the product of strategies to manage political crises. This appears to be particularly true in the case of Korea. Korean welfare policies started under President

⁴ Theda Skocpol. 1996. *Boomerang*. New York: W.W. Norton & Company.

⁵ Peter Evans. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press.

⁶ Gosta Esping-Anderson. 1990. *The Three Worlds of Welfare Capitalism*. Princeton, NJ: Princeton University Press.

⁷ Jill Quadagno. 1987. "Theories of the Welfare State." *Annual Review of Sociology*, 13:109-28.

⁸ Bob Jessop. 1990. *State Theory*. Cambridge, UK: Polity Press; Bob Jessop. 2002. *The Future of the Capitalist State*. Cambridge, UK: Polity Press.

⁹ Andrew Twaddle. 1999. *Health Care Reform in Sweden, 1980-1994*. Westport, Connecticut: Auburn House; Andrew Twaddle. 2002. *Health Care Reform around the World*. Westport, Connecticut: Auburn

Park. As this study will show, both the 1963 and 1977 NHI Acts were initiated by Park during times when his administration was facing serious legitimacy crises and before national elections. The state's social welfare policies were intertwined with its political issues.

National health insurance is a highly politicized policy developed within a particular historical and institutional context. Institutionalism is a significant theory for understanding a social issue (a social policy, in this study) within institutional arrangements and social processes. According to this theory, any social political action such as national health insurance should be understood within a historical structural context; at the same time, it should be understood as a product made by human agents. In order to understand a historical structure, we need to consider the nature of the state, the nature of social democracy, and the nature of capitalism. In addition to structure, agencies should be included in the analysis of the welfare policies. In this study, I will demonstrate structural institutional contexts, agents, and historical, contingent factors of the national health insurance policy. In other words, I will explain the process of institutionalization of the national health insurance.

Berger and Luckmann¹⁰ explained institutionalization as a process of creating reality. The process by which actions become repeated over time and are assigned similar meanings by self and others is defined as institutionalization: "Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors" (Berger and Luckmann 1967, p. 54).

¹⁰Peter Berger and Thomas Luckmann. 1967. *The Social Construction of Reality*. New York: Doubleday.

Meyer and Rowan¹¹ elaborate the concept of institutionalization processes by adding that “social processes, obligations, or actualities come to take on a rule-like status in social thought and action.” Selznick argued that this “rule-like status” is infused with value beyond the given technical tasks.¹² For example, the power of the Asian government is highly institutionalized and thus sets into play a very different set of political rules than those of a country that has less institutionalized power such as the United States.

This study contributes to the discourse on theories of welfare states. The development of the welfare state takes different paths based on the nature of the relationship between capitalism, social democracy, and the state. Although different types of regimes are recognized, most studies are based on Western democratic societies (Esping-Anderson 1985, 1990). This study will add to the discourse by applying the theory to a social welfare policy in an Eastern, or Asian, society.

This study recognizes the state as both an actor as well as a structure in the formation and development of NHI health politics (Skocpol, Rueschemeyer, and Evans 1985). State involvement should be understood within an historical institutional context. In most cases, when the government begins to become involved in national health insurance programs, it almost inevitably leads to conflicts between doctors and states. To investigate why and how the Korean government stepped into the national medical insurance program with all the difficulties that the government had to face, first I call attention to the role and the nature of the state in this policy making process. I especially

¹¹ Meyer, John M. and Brian Rowan. 1977. “Institutionalized Organizations: Formal structure as myth and ceremony.” *American Journal of Sociology*, 83: 340-363.

¹² Selznick, Philip. 1949. *TVA and the Grass Roots*. Berkeley, CA: University of California Press. In this very influential book in the field of organization studies, Selznick emphasizes the processes of institutionalization as socialization processes involving the internalization of norms and values.

emphasize the enduring pattern of relationships between the state and society in the process of policy making within the context of its political, social, and economic institutions. In order to accomplish that, I need ideas and concepts about underlying state structures and relations to the other parts of society; institutionalism provides very useful theoretical tools for that purpose.

Peter Evans says that the state should be seen as a historically rooted institution, not simply an aggregate of strategic individuals.¹³ The interaction between the state and other parts of society is conditioned by institutionalized sets of relations. Today, the state is in the middle of social conflicts caused by its new roles (e.g., balancing conflicts over distribution and welfare) as well as its old roles (e.g., the military and maintaining internal order).¹⁴ Often, important policies are the bi-products of political intentions to prolong a particular political regime or to maintain internal order, rather than the sole product of rational choices. Therefore, as a historical product, national health insurance should be understood within the context of social and political institutions and their patterned rules, not as a product of a utilitarian calculation in response to market conditions or as a product of linear development stages.

Since the power of the Korean government is highly institutionalized, government officials are important actors in the formation of Korean policies. However, it differs from other nations that have government-centered health care systems such as Sweden in two important ways: 1) the Korean health care system depends mainly upon the private

¹³ There are a number of institutional approaches for the policy analysis of policy making. These will be discussed later in this paper. Some of the most influential studies are *Embedded Autonomy* by Peter Evans (1995) and *Health Politics* by Ellen M. Immergut (1992).

¹⁴ Dietrich Rueschemeyer and Peter Evans. 1985. "The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Intervention" In *Bring the State Back In*, ed. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol. Cambridge: Cambridge University Press. Rueschemeyer and Evans discuss the state as "an arena of social conflict" in this article.

sector; and 2) the government exerts a strong influence over every sector of Korean society, not by owning resources but by historically produced and institutionalized bureaucratic power. Private clinics and hospitals make up more than 91 percent of all medical facilities, employ 88.8 percent of physicians, and include 91 percent of total beds. This high rate of privatization may account for differences between Korea and other democratic models such as in the case of Sweden, where hospitals are 100 percent owned, financed, and administered by local governments.¹⁵

Methodology

This dissertation is a case study. I explore the political processes of the Korean national health insurance system. A policy is a sequence of major turning events and sets of situational consequences from those events¹⁶. Therefore, this study is historical in nature. A case study can provide the complex properties of the case. A case involves the issue of boundaries. First, I will identify the boundaries of this case study. The boundaries are drawn based on the final political product of national health insurance. The processes of the birth, the growth, and the expansion of the complex political processes found in the case of Korean national health insurance will be included and explained, with consideration given to timing and the way in which the policy unfolded.

Harrison White¹⁷ discussed the three basic uses of case studies by social scientists: (1) to establish identity, (2) to explain or resolve by invoking general

¹⁵ Immergut, Ellen. 1992. *Health Politics*. Cambridge: Cambridge University Press. pp. 67-77; Twaddle, Andrew. 1999. *Health Care Reform in Sweden, 1980-1994*. Westport, Connecticut: Auburn House.

¹⁶ Abbot, Andrew. 1997. What do cases do? Some notes on activity in sociological analysis In C. C. Ragin and H. S. Becker (Eds.), *What Is a Case?* Cambridge: Cambridge University Press. pp. 53-82.

¹⁷ White, Harrison C. 1997. Cases are for identity, for explanation, or for control. In C. C. Ragin and H. S. Becker (Eds.), *What Is a Case?* (pp. 83-104). Cambridge: Cambridge University Press.

principles, and (3) to explain why events unfold in one way and not another, focusing on the timing of interconnections. I focus on explaining the underlying general principles of the politics of the national health insurance. This is a good case study because the NHI has both obvious historical and sociological significance. The consequences of this policy are immense for Korean society as well as theoretically and empirically meaningful to the field of sociology.

The policy process I propose to study in this case is national health insurance, which was a specific historical outcome of Korean society. I recognize the limitation of the study by not expanding this into a comparative study. However, a case study can be of sufficient interest in itself, and the findings can have intrinsic value¹⁸. Policy transformation of Korean national health insurance is significant enough to be of widespread national relevance, but it also can be developed into a comparative study in the future. This study can be expanded into a comparative study across different nations and states, across different historical products within Korean society, and across different historical products and different nations and states.

Most studies of Korean medical politics have focused on the linear development stages of financing and technology and have not devoted enough attention to the state; nor have they paid enough attention to the other elements of the society such as institutions and the interconnections among the parts of the society. As I will argue, the role of the state has been crucial to the political processes within Korea's institutional configurations. Existing institutional arrangements structure future predispositions, which in turn influence later events. Korean national health insurance is a product of a

¹⁸ Stake, R.E. argues for what he calls "an intrinsic case study", which involves the scrutiny of particular cases for their own sake. Stake, R. E. 1995. Case studies. In N. K. Denzin and Y. S. Lincoln (Eds.), *Handbook of Qualitative Research*. Thousand Oaks, CA: Sage.

series of historical institutional arrangements and processes. That is why this study must be historical in nature.

This study has been conducted with multiple units: individuals (including government officials), interest groups, organizations, and political parties. It has used primary source materials and available archival records. It also uses secondary sources from the existing work on Korean national health insurance. Government records, national newspapers, magazines, and reports from business organizations, labor organizations, hospitals, and physicians on this issue have been collected. Some interviews with key government officials also were conducted. It uses these sources to analyze how individuals, interest groups, political organizations, and institutions participated in the policy processes of the national health insurance in Korea.

Contents of the Dissertation

The goal of this study is to understand the institutional context in which Korea's national health insurance policies were formed and implemented. Chapter two discusses the theoretical framework of the study. It critically reviews the important literatures and theories of social welfare policies in lieu of the national health insurance policy. Modernization theory, Marxist theory, historical institutionalism, new institutionalism, and legitimacy crisis theory will be reviewed and discussed. The study then suggests an integrated theoretical model as an analytical tool for understanding NHI policies.

Chapter three discusses the methodology of this study. This study is a case study. The study scrutinizes the political process of the NHI policies by examining the institutional preconditions of the NHI programs. This case study looks at how agencies

played their roles in a given institutional structure. The key agencies of the NHI are the state, business, labor, and medical professions. These agencies will be analyzed in regard to the institutional structure of politics, economy, culture, and media. Data sources also are discussed in this chapter.

Chapter four discusses the institutional context of Korean national health insurance politics during the first Health Insurance Act in 1963. Although the 1963 health insurance act failed, it is historically significant since it introduced the idea of social welfare programs to the public under President Park's regime. This chapter also discusses the development of the political actions of various institutional actors, including the state, business, labor, and medical professions in the 1960s.

Chapter five discusses the Fourth Republic and the development and implementation of the 1977 NHI Act, which was Korea's first compulsory health insurance policy. It examines the institutional environment of the 1970s that allowed the 1977 NHI Act to be successfully implemented. In particular, it will discuss how the economic, social, and political environment shaped the relationships between the actors involved in the 1977 NHI Act. It focuses on the enabling role the state played, especially the political context of the Park's regime. Finally, the various interest groups involved are analyzed in order to examine what institutional and structural conditions influenced the successful implementation of Korea's first compulsory health insurance policy.

Chapter six concludes the study by highlighting the key institutional players involved in the politics of national health insurance plan. I discuss the ways in which the implementation of the national health insurance policy was shaped by the state, business, labor, and medical professionals within a particular historical context. It also briefly

introduces the 1989 universal health insurance, which expanded the health insurance program to the entire nation. It briefly examines the economic, political, and cultural context of national health insurance politics during the Fifth and Sixth Republics. It ends by suggesting that a future study is needed to understand the development of universal health insurance along with the democratization of Korean society in the 1980s.

There have been several important changes and issues since 1989, including the expansion of the health insurance benefits to cover pharmaceuticals, Oriental medicine, and the ongoing conflict over how to finance the plan. There have been some policy suggestions of limited privatization of the national insurance program to enhance the efficiency of the program. Besides what is mentioned in Chapter Six, this research does not cover the expansion time in the 1980s and the changes in the 1990s. Table 3, however, shows the components of the national health insurance system in Korea today.

This study is an attempt to understand the role of the welfare state. The state is viewed as both a structure that provides the conditions for actors, as well as an actor who engages in a relationship with other actors within a society. As state theorists (Rueschemeyer and Evans 1985; Skocpol 1985, 1992; Jessop 1990) recognize the institutional variations of societies provide very different environments for welfare politics. The state plays a transcendent role, shaping the demands or interests of particular groups or classes within a historically given institutional environment. Recognizing state autonomy is particularly important to understanding non-Western countries that have a strong centralized state structure. This study can contribute to the discussion on the role of the welfare state by examining a non-Western country that did

not have a strong social-democratic mobilization or class movements at the time it was developing its social welfare policies.

This study seeks to answer several questions. How did the national health insurance plan emerge? How did different actors such as the state and the Korean Medical Association contribute to the largest-scale national health policy in Korea? What is the nature of the policy (i.e., its underlying principles)? What were the political and institutional configurations around the policy? What was the socio-economic and political context like when this policy was being developed and implemented? Who were the main political actors involved? To answer these questions, socio-economic and the political institutional contexts will be explored, political actors will be identified, and the transformation of this health policy will be explored. By answering this set of questions, we will see the emerging pattern of a public policy, the Korean national health insurance.

Table 1-1. Presidential Election, 1963-1992.

	The 5 th Election, 1963	The 6 th Election, 1967	The 7 th Election, 1971	The 8 th Election, 1972	The 9 th Election, 1978	The 10 th Election, 1979	The 11 th Election, 1980	The 12 th Election, 1981	The 13 th Election, 1987	The 14 th Election, 1992
Type of Election	Direct	Direct	Direct	Indirect	Indirect	Indirect	Indirect	Indirect	Direct	Direct
Ruling Party	Democratic Republic (MinJu GongHwa Dang)	Democrat ic Republic	Democratic Republic	Democrat ic Republic	Republic* (GongHwa Dang)	Republic	Democratic Justice (MinJung Dang)	Democratic Justice	Democratic Justice	Democratic Freedom (Called MinJa Dang)
Name	Park, Jung-Hee	Park, Jung-Hee	Park, Jung-Hee	Park, Jung-Hee	Park, Jung-Hee	Choi, Kyu-Hah	Jun, Do-Hwan	Jun, Do-Hwan	Roh, Tae-Woo	Kim, Young-Sam***
Years of Term	4	4	4	6	6	6	6	7	5, one time	5, one time
Electoral Support	46.6%	51.4%	53.2%	99.9%	99.9%	96.7%	99.9%	90.2%	36.6%	42.0%

Source: Yunhaptongshin, 1963-1993. *Hapdong Chronicles*.

* Republic Party was the former Democratic Republic Party.

***Kim, Young-Sam regime was the first civilian government. President Kim, Dae-Jung was the second civilian President. The current President Roh, Moo-Hyun is the third civilian President.

****Unlike America, there is no consistency between the names of parties and the nature of the parties in Korea. The names of the political parties in Korea continuously have been changed even with the almost same members; therefore often one can find a ruling party name as a major opposition party in a different time, and these two parties with the same name have the different political nature of the parties. For example, MinJungDang was the major liberal opposition party in the 6th presidential election of 1963 and it supported Yoon, Bo-Sun as the presidential candidate who lost the presidency against President Park. On the other hand, MinJungDang was the ruling party in the 12th election of 1981 and supported President Jun, and it was the conservative party. In Korean political environments, the ruling party tends to be conservative and opposition parties tend to be liberal in terms of the tendency to support status quo except the current ruling party of year 2003 in which the president Roh and the main opposition Grand National Party is the conservative party.

able 1. Presidential Election, 1963-1992 (This table is in a separate file).

Table 1-2. Timeline of Major Health Insurance Policies

Year	Development of Health Insurance Policies
1963	Voluntary Health Insurance Act
1977	Compulsory Health Insurance Act. This Act included two parts: 1) a plan for employees and their dependents in businesses with 500 or more workers and 2) a Medical Aid program (Medicaid) for the poor.
1979	The compulsory program was expanded to businesses with 300 or more workers, public organizations, and teachers and staffs of private schools.
1980	The compulsory program was expanded to include dependents of military personnel.
1981	The compulsory program was expanded to businesses with 100 or more workers. Experimental Regional health insurance programs were introduced in three rural sites: Kang-Wha, Bo-Un, and Mock-Po. Voluntary 15 occupational health insurance programs for the self-employed were accepted.
1983	The compulsory program was expanded to businesses with 16 workers or more.
1988	Compulsory Regional Health Insurance Act for rural residents.
1988	The compulsory program was expanded to businesses with 5 workers or more
1989	Compulsory Regional Health Insurance Act for urban residents. Enactment of National Health Insurance Act

Sources: Choi, Eunyoung et al. 2000. *Health Care System in Korea*. Korea Institute for Health and Social Affairs.

Table 1-3. Health Insurance Coverage

Classification				# of People	Percent (%)
Medical Aid				1,642,125	3.5
Health Insurance	Employees of Businesses			17,101, 287	36.7
	National Health Insurance Corporation	Government and Private school employees		4,938,464	10.6
		Self- employed	Rural Areas	3,476,517	7.4
			Urban Areas	19,408,800	41.7
			Subtotal	22,885,317	49.1
	Subtotal			44,925,068	96.5
Total				46,567,193	100.0

Source: National Health Insurance Corporation, *Health Insurance Statistical Yearbook*, 2003.

Chapter 2: Theoretical Overview

History does nothing; it does not possess immense riches, it does not fight battles. It is men, real, living, who do all this... Karl Marx

In spite of counter claims based on globalization led by multinational corporations and the diffusion of culture, the role of the state has increased. This increase is even more obvious for developing countries such as South Korea. Major economic and social development including welfare programs are planned by the state in those countries. In understanding welfare state politics, one needs to pay attention to key factors underlying welfare politics: structures such as politics, economy, culture, and actors such as the state and interest groups. Understanding the origins and the development of welfare states and policies from various points of view has been one of the central endeavors of sociology and other social sciences.

Numerous published studies have increased our understanding of the role of agencies and structures in welfare politics. These studies can be divided into two orientations: society-centered and state-centered¹⁹. This study elaborates the institutional theory that developed from state theory in order to explain the reasons why the study focuses on institutions. This study uses *institutions* in regard to the sense of historically infused practices and structures that were taken for granted as Peter Evans (1995, p. 33) claimed. The former focuses on the dimension of economy and the latter focuses on the role of state and other institutional contexts including culture.

¹⁹Most scholars use the terms *society-centered* and *state-centered*, but I use the term *institution-centered* because 1) state-centered theory changed into structured polity approach and then to historical institutionalism; 2) I include new institutionalism into this category.

Dahl (1961) asked an important question, “*Who governs?*” This question is important because social welfare is a product of formally organized political acts of governing. It is important to understand the nature of organizations and agencies involved in the creation of welfare policies within institutional contexts. Dahl responded to this question from the pluralistic view. This pluralistic view does not capture the particularity of health politics such as the Korean national health insurance program. Korea has very different institutional contexts compared with western countries culturally, politically, economically, and socially. Understanding those contexts is crucial to examine the welfare politics in Korea.

The strong Korean state has been a key player in creating national health insurance programs as it has been a key player in the development of the Korean economy. The capacity to implement national health insurance was based not on a redistribution of economic resources, but on the institutional capacity that the Korean state and bureaucrats could carry on within given institutional environments at the time. This study, therefore, uses theories that empower one to understand these institutional contexts and national culture critically: institutionalism and theory of legitimation crisis. This chapter discusses the two major theoretical approaches in the study of the welfare state: society-centered and institutions-centered. Second, it will discuss the two theories that I use in this study—institutionalism from the state-centered approach and the theory of the legitimation crisis articulated by Habermas. From these theories, I construct an integrated theoretical model that includes the following concepts: state capacity, state autonomy, strength of interest groups, bureaucracy, culture and political ideology, and

legitimacy crisis. This theoretical model then will be used to analyze the Korean health insurance policies of 1963 (Chapter 4) and 1977 (Chapter 5).

Theories of Welfare Politics

There are two theoretical approaches to the study of welfare states: society-centered and state-centered (or institution-centered). Society-centered theorists view social welfare programs including national health insurance programs as an output of broad economic changes. They tend to focus on economic issues such as the growth of the economy or class conflicts within the economy. They claim that the welfare state is a product of the needs generated from the development of market-based economy and class-based political movements.

Institution-centered theorists such as Skocpol and Evans focus on institutional contexts such as state autonomy, state capacity, and culture in creating social policies. Both theoretical orientations argue for a determinant to explain social policies: modernization, class struggles, or state interests. Modernization theorists focus on the stages of modernization and industrialization as crucial determinants of the development of welfare states. Marxist theorists focus on class conflicts and the development of strong labor unions as crucial determinants of welfare states. Both approaches have been criticized as “reductionist” because they focus only on the economic dimension and don’t pay enough attention to other dimensions. The state-centered perspective views the state as an actor and a structure that has an autonomous capability to create social policies. This perspective captures the variations among states based on their history rather than arguing for a universal explanation based on one dimension (i.e., the economy).

This study develops an integrated theoretical framework by drawing insights from previous theories of the welfare state to explain the Korean national health insurance (NHI) policy in order to make a stronger theoretical framework. I combine insights from state-centered, new institutionalism, and legitimacy crisis approaches. Each approach gives different insights. I draw on the concepts of state autonomy, bureaucracy, and state legitimacy are from state-centered approaches, the concept of normative roots of institutionalism from institutionalism, and the concept of legitimacy crisis from Habermas. Each approach contributes a different but complementary angle to explain the politics of the Korean National Health Insurance program.

Society-Centered Theory

Modernization Theory

Modernization and industrialization theorists (Pryor 1968; Wilensky 1975; Wilensky and Lebeaux 1958; Hicks and Misra 1993; Pierson 1996) argue that as the society experiences more modernization and industrialization, the economic capacity of the state shapes welfare policy. Scholars from this perspective claim that the core determinant of welfare and health expenditures is the level of economy. Nations with a similar level of economy (even though they may have different economic and political systems, capitalism or communism) tend to develop similar social programs such as welfare, health, and education. This perspective does not recognize the institutional variations and consequences of those variations on welfare policies. This perspective also does not capture the different interests of various sectors within a society.

Modernization theorists hold a reductionist perspective. Modernization theorists look for a linear and universal determinant (i.e., economic development) to explain the development of social welfare policies. They measure economic development as per capita income, and this economic capacity becomes the independent variable that predicts welfare policies. It does not recognize the contexts in which policy making occurs nor the feedbacks between the structure and agencies. State, bureaucrats, medical professionals, business groups, labor unions, and consumers participated in the political process of national health insurance. Existing institutional logics and environments shape the political acts of agencies and those acts shape the institutions. Modernization theory cannot capture these complex webs of institutions and agencies; therefore, it can not explain the variations of welfare policies across different countries.

Marxist Theory²⁰

Marxist theorists argue that the welfare state is an add-on to capitalist economies. Marxist theorists view the welfare policies as a product of the nature of capitalism based on class conflicts. Marxist theorists share several assumptions: 1) capitalist states are founded on a specific mode of product, capitalism; 2) the process of accumulation of capital inevitably leads to class struggle; and 3) the capitalist state is an instrument of class rule and a system of political domination. This perspective can be valuable in understanding the development of the welfare state, especially for those societies that have been through class mobilization as evidenced by strong unions and socialistic parties. The Marxist perspective also is very critical in understanding the nature of the

²⁰David A. Gold, Clarence Y. H. Lo, and Erik Olin Wright have done a good survey on this theory in their article (1975) "Recent Developments in Marxist Theories of the Capitalist State," *Monthly Review* 27(5):36-51. Refer to George Steinmetz to find more recent trends on this perspective.

state, the relationship between the dominant groups in state and business, and the role of the working class in a welfare state.

There are variations within this Marxist perspective depending upon how one inquires about the state, production, and exchange.²¹ Skocpol (1980) divides the variations into three sub-types: instrumentalist (Ralf Miliband 1969, James O'Connor 2002(1973), Ian Gough 1979, and William Domhoff 1986/7); political functionalist (Nicos Poulanzas 1973); and class-struggle (Fred Block 1977). Instrumentalists emphasize the state's instrumental ability to stabilize and revitalize an economy dominated by large corporations. Political functional Marxists argue that the state and dominant class have an objective relationship, so they recognize a relatively autonomous state that is not totally controlled by capitalists. The state functions to preserve order and to enhance the capitalist economy and society, not just simply to respond to the demands of capitalists, as instrumentalists would argue. Class-struggle Marxists argue against the simple instrumental Marxist approach. They argue that states act based on pressure from below measured by the occupational conditions of the working class, forms of union organization, and connections between political parties, politicians, and the working class.

Although there are variations within the Marxist perspective depending upon how one looks at the role of capitalists, state, political parties, and working class within a capitalist society, they all emphasize the economy as a "base" of society that determines other parts of society. Using these three sub-types, scholars emphasize the leading role of

²¹ Bob Jessop has done an excellent review on variations within Marxists in his article (1977), "Recent Theories of the Capitalist State." *Cambridge Journal of Economics*. 1:353-373. See also Bob Jessop. 1990. *State Theory: Putting the Capitalist State in Its Place*. Oxford, UK: Polity Press.

business interests in shaping the welfare state, and they also claim that unions and political parties play a leading role in the crafting of welfare programs²². For instance, scholars (Hollingsworth 1986; Baldwin 1990; Esping-Anderson 1985) argue that the high degree of class consciousness and solidarity within the working class of Britain and Scandinavia was the major social factor leading to the creation of the national health insurance system in 1911, whereas other places (i.e., the United States) failed to develop such a policy due to the weak solidarity of the working class. Marxist theorists have contributed many insightful ideas in the field of welfare state. They emphasize the issues of class and power in the analysis of the role of states in capitalism.

Yet, there are some limitations to their arguments. First, Marxism argues that “super structures” are shaped by the “base” of the social system. Therefore, states are determined by class conflicts within the economy and do not have autonomy. Second, Marxism does not recognize variations across different states under the capitalistic mode of production. It does not emphasize the particular historical institutional variations among states, including their different political, social, and cultural rules and regulations. Third, Marxism does not recognize variations among state structures and actions due to different social, political, and cultural contexts, nor variations among class actors, such as capitalists. Society-centered theorists focus on economic changes and ignore other factors that are involved in welfare politics such as national culture and political ideology within

²² In order to find the impact of business interests, see Jill Quadagno. 1984. Welfare capitalism and the Social Security Act of 1935, *American Sociological Review* 49: 632-47; Skocpol and Amenta. 1985. Did capitalism shape social security? *American Sociological Review* 50(4): 572-4; G. William Domhoff. 1986/87. “Corporate Liberal Theory and the Social Security Act.” *Politics and Society* 15: 297-330. On the impacts of unions and socialists parties, refer to Gosta Esping-Anderson and Walter Korpi. 1988. Social policy as class politics in post-war capitalism: Scandinavia, Austria and Germany. In J. H. Goldthorpe (Ed.) *Order and Conflict in Contemporary Capitalism* (pp. 179-208). Oxford: Oxford Press; Gosta Esping-Anderson. 1990. *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press; and Walter Korpi. 1983. *The Democratic Class Struggle*. London: Routledge & Kegan Paul.

institutional contexts. They do not pay attention to different institutions and actors, nor do they recognize the different interests among the same class such as capitalists' interests. Their analysis pays less attention to state variations in welfare policies than state-centered theories. They also do not recognize state autonomy.²³

Using their approach, it is very difficult to answer the question of why could the Korean government, which had far fewer economic resources than the United States in 1977, implement the first compulsory health insurance, while the American government could not. This study argues that the determinants should be looked at from the understanding of institutional logics and environments, rather than only from the economy. With these reasons, I argue that an institution-centered perspective offers valuable insights.

Institutions Centered Theory

States as an Actor and Structures

State-centered theories grew out of emerging concerns regarding the role of the state in social policies in the 1980s. The name of this perspective changed to structured polity approach (Skocpol 1992) and then later to historical institutionalism (Tilly 1981; Skocpol 1984). This study calls this “state-centered perspective” to contrast with “society-centered perspective,” which primarily emphasizes the economic dimension. State-centered theorists recognize the importance of the state and institutions as

²³ There are some neo-Marxist scholars who recognize the state as an autonomous actor. For example, Fred Block in his influential article in 1977 argues against the instrumentalism that sees the state as a mere reflection of economic interests. He recognizes the relative autonomy of state managers based on their interests to maintain the social order that actually emerges from the relationship among capitalists, workers, and state managers. Yet, his argument on state autonomy is bounded autonomy within a capitalistic mode of production.

influential underlying factors of welfare policies. They recognize the historical and cultural variations of societies that provide the very different institutional environments for welfare politics, instead of looking at modern social politics as a by-product of industrialization.

Skocpol (1992) argues that socioeconomic modernization is a poor indicator of the social politics across nations; instead the political causes and the context in which social policies are developed by the institutional configurations of governments and political party systems should be examined. Historical institutionalists, including Skocpol, emphasize that state variations due to different structures and capacities shape the outcome of state policy environments. They recognize not only institutions, but also the actors when attempting to understand welfare policies. For these reasons, this perspective should receive credit for its strength in explaining and understanding the dynamics of various actors and institutions, especially welfare institutions. These theorists focus on the analysis of state capacity, bureaucracy, political legitimacy, and political ideology. Strength of state power and welfare policy are well studied from this perspective (Steven 1990, Quadagno 1988, Dobbin 1992).

In the path breaking study *Bring the State Back-In* (1985 edited by Skocpol, Rueschemeyer, and Evans), an argument was made for the importance of recognizing the state as an actor and structure in the involvement of socioeconomic policies. The authors also argued for variations of interests within classes. For example, the capitalists of large businesses may have different interests than the capitalists of middle or small businesses regarding welfare policies. Capitalists' interests in welfare programs are not fixed, rather their interests vary in response to numerous economic, political, social, and cultural

factors. They vary over time in response to institutional contexts and also among capitalists. Capitalists are more willing to support a greater level of welfare spending when the legitimacy of the state is threatened by working class or poor people. Large industries tend to be willing to offer welfare benefits in order to meet their labor supply needs (Domhoff 1990; Quadagno 1984, 1988; Bob Jessop 1990²⁴). One of the interesting facts to notice in the development of national health insurance is that large conservative corporate capitalists were a central and active part of the development of the program. Another fruitful theory of the welfare state is based on the logic of legitimacy politics (Habermas 1975, 1989; Offe 1984).

Welfare Policies as Legitimacy Politics

The legitimacy of the state has been an ongoing debate between various perspectives. The Marxist perspective provides invaluable insights on welfare state in terms of the role of states in capitalism and the relationships between the state and capitalists. The interests of capitalists and the state do not exist in a vacuum; they exist in a particular social formation constituted by political ideologies and culture as well as economic conditions.

James O'Connor (2002 originally published in 1973) critically explained the relationship between environmental and social conflicts and the roles of the state in capitalism in *The Fiscal Crisis of the State*. In it, O'Connor points to the tension between

²⁴ Jessop emphasized the relative autonomy of the state. The state functions for social cohesion and integration that transcends class interests by articulating multiple determinations of the real world into a specific mode of regulation (Jessop 1990).

the accumulation function and the legitimation function as the main contradictory roles to fulfill. As O'Connor writes,

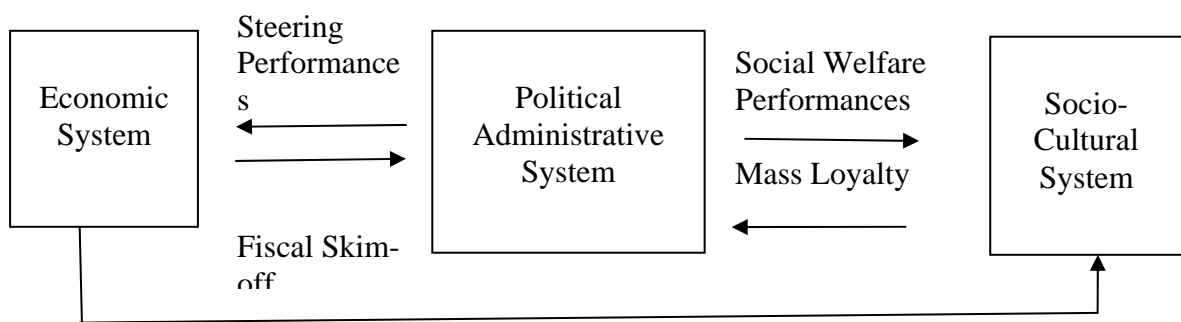
The capitalistic state must try to fulfill two basic and often mutually contradictory functions—accumulation and legitimation. This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony. A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its own power. The state must involve itself in the accumulation process, but it must either mystify its policies by calling them something that they are not, or it must try to conceal them. (O'Connor 2002, p. 6)

This issue of legitimating the state is well developed by Habermas. He argued that advanced capitalist societies are endangered from four possible crisis tendencies (Habermas 1975, p. 45). He lists them as follows:

Point of Origin (Systems)	System Crisis	Identity Crisis
Economic System	Economic Crisis	Legitimation Crisis Motivation Crisis
Political System	Rationality Crisis	
Socio-Cultural System		

The consequences of controlling crises in one subsystem are achieved only at the expense of transforming the contradictions in another. For example, the government facing a political system crisis would seek social welfare performances to achieve mass loyalty. Habermas argues that the principal way in which the state maintains its own legitimacy and gains mass loyalty is by using social services to maintain materially marginal groups in society. The state provides social services in order to pacify the public due and to overcome the system crisis.

Habermas argues that organized or state-regulated advanced capitalism involves crisis due to capital concentration and the spread of oligopolistic structure. Governments actively engage in social policies when they face system and identity crises in order to restore their legitimacy from the public. This reasoning is crystallized in the following diagram:



Pre-Political Determinants of the Normative Systems (Habermas 1975, p. 5)

The institutionalism perspective brought different angles to the issue of legitimacy. Scott et al. (2000) defined legitimacy as the following:

Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system or norms, values, beliefs, and definitions. (Scott et al. 2000, p. 237)

Legitimacy is about regulative, normative, and cognitive acceptance. Earlier, Scott (1995) refined the analytic categories of legitimacy as the following:

The regulative view stresses conformity to rules and, if necessary, the exercise of rewards and penalties: legitimacy as legally sanctioned behavior. The normative view stresses internalization of and compliance with collective values and norms: legitimacy as morally governed behavior. And the cognitive view stresses consistency with cultural-cognitive schemas and models: legitimacy as recognizable, taken-for-granted structures and behavior. (Scott 1995, p. 238)

When organizations face a regulative, normative, or cognitive problem of legitimacy, agents in organizations seek to restore their legitimacy.

The Institutional Rules of the Game—Regulative, Normative, and Cognitive

Institutionalism emphasizes culture and argues against rational choice theory in organizational behaviors. Political decisions are made within institutional contexts. Those institutional contexts have developed differently through the cultural, political, and economic history of each state. States are independent actors and independent variables in creating social policies, but at the same time states must play by the rules given within institutional contexts. The “rules of the game” are institutional logics, which are themselves the historical product of states.

Although there are growing interests in regard to institutions, there are many disagreements among institutionalists. There are various approaches within institutionalism based on different academic fields, different foci of interests, and different subjects of studies. There are three main approaches: new institutionalism, old institutionalism, and historical institutionalism. This study contends that although there are various disagreements within this perspective, the notion of institutions is very powerful in understanding and explaining political action. In *Institutions and Organizations*, Scott (1995) defines institutions as consisting of:

...cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers-cultures, structure, and routines-and they operate at multiple levels of jurisdiction. (Scott 1995, p.33).

This study argues that cognitive, normative, and regulative structures and activities greatly shaped the political process of the Korean National Health Insurance programs

developed in 1963 and 1977. My goal is not to explain the differences and similarities of different institutional approaches, but their major claims that can contribute to understanding political actions such as NHI. I focus on the normative, cognitive, and regulative rules of games generated from new institutionalism in this dissertation.

New institutionalism emerged in reaction to behaviorism and structural functionalism. It argues that collective organizational behaviors are not simply aggregates of individual behaviors. It also argues that individuals are not only constrained by the institutions but are able to interpret the meanings of institutions. New institutionalism is interested in how institutional arrangements affect actors in institutions. Powell and Dimaggio (1991) argue that organization theory must pay attention to the action, changes, and inner workings of organizations. This perspective links macro-sociology and micro-sociology. It recognizes active agency and institutional arrangements. Institutional arrangements are the result of the actions, but at the same time, individuals' actions reflect institutional forces. Individuals and institutions are constantly being reshaped by each other.

New institutionalism has been influenced by several ideas and theories going back to Durkheim and Weber. It is profoundly influenced by the idea of institutionalization by Berger and Luckmann (1967), who argue for the social construction of reality. They draw the idea of institutionalization from habitualization; all human activity is subject to habitualization attained by repeated and patterned actions. *Institutions are constituted by the typifications of shared habitualized actions* (Berger & Luckmann 1967, p.54).

Structuration of Giddens is another influential concept that new institutionalism draws on. It is an attempt to articulate a process-oriented theory that takes

structure/institutions as both a product of and a constraint on actions. Structuration is a theory about the dialectical relationship between agency and structure. Agencies produce the conditions that make their activities possible. Structuration is a process of social practices ordered across space and time (Giddens 1984, p.2). The notion of structuration links the deterministic, objective, and static notion of structure with the voluntaristic, subjective, and dynamic view of constructive social order by focusing on points of intersection between the two realms: the institutional realm and the realm of action. Although new institutionalism sees human actors as voluntaristic, active interpreters, human actions do not occur in an empty environment; the active interpreters are constrained by the rules, resources, and contexts of their actions.

Scott (1981) summarizes the characteristics of institutions. *First, the visible structures and effects of rules and structures are built in (institutionalized within) wider environments.* Schools, firms, or hospitals reflect standard forms created in a wider field/environment. *Second, the dependence of organizations on the patterning built up in wider environments.* *Third, the environmental patterns that drive organizing work through linkages and effects that go beyond simple direct control.* Environmental patterning is not only narrowly legal and economic, but also broadly social and cultural in character and effect. *Fourth, the environmental patterns that create and change organizations can be described as rationalized and rationalizing.* This general notion of institutions can be well represented by the argument of Selznick. Selznick uses the term, “to become institutionalized” as infused with value beyond the technical requirements of the task at hand (Scott 1981). Institutional theory emphasizes that organizations are open systems influenced by their environments. Organizational behaviors are not the result

only of rational demands for the maximum performance, but the result of social cultural environments that confirm conventional belief (Powell and DiMaggio 1991; Selznick 1949).

Although the new and the old institutionalism agree that institutionalization constrains the reality of organizations, the sources of this constraint are different. First, old institutionalism emphasizes political tradeoffs and power as the sources of constraint, while new institutionalism stresses legitimacy and taken-for-granted common understandings as the sources of constraint (Powell and DiMaggio 1991). New institutionalism emphasizes the diffusion of certain institutional procedures to interorganizational influences, conformity, and organizational culture. Second, new institutionalism emphasizes organizational sectors or fields to consider organizational environments. Institutionalization occurs at the interorganizational sector or societal level rather than within an organization. There is a difference in the unit of organizational analysis. Third, both perspectives acknowledge the cultural base of institutional behavior differently. Old institutionalism emphasizes the normative dimension, while new institutionalism stresses the cognitive processes.

From *The New Institutionalism in Organizational Analysis*, Meyer and Rowen argue that institutions are not made of norms and values but of taken-for-granted scripts, rules, and classifications. New institutionalism prefers decision making cognitive processes based on schemas and scripts rather than internalization or socialization to analyze institutions (Powell and DiMaggio 1991, p. 15).

New institutionalism has been highly influential in contemporary organizational analysis. By adding “new” in front of institutionalism, the new might lose something that

has been in the old. Hirsh (1997) criticizes new institutionalism as the isomorphic brave world: sociology without social structure. He argues that new institutionalism ignores deviance. Social control naturally occurs. People do not act as empowered free individuals; instead they act to confirm diffused legitimized cultural routines. By taking out the tension, disagreement, competing interests, and structural conflicts, new institutionalism is not persuasive in explaining the changes of organizations.

Hirsh calls this as an expansive neoinstitutionalism. The new has to encompass structural conflicts and competing interests within and outside of organizations to be able to analyze at the macro-sociological level, as new institutionalism claims. Hirsh makes another important comment on the omnibus definition of institutions of Scott; the process of institutionalization of new institutionalism ignores political dynamics. The process of the two pillars—regulative and normative—occurs through the internalization of legal, social, or moral norms and values, but the cognitive process happens by confirming reutilized cultural beliefs. Hirsh points that new institutionalism is weak in the analysis of self-conscious action, competing interests, power, conflict, political dynamics, and organizational changes. These things can not be analyzed without putting organizations back into the structure. New institutionalism de-emphasizes structural issues, such as competition, power, and resources, which are central elements of old institutionalism. New institutionalism might need to listen more carefully to the saga of the old.

Despite their disagreements, both forms of institutionalism emphasize the ways in which action is structured and ordered by shared systems of rules within a cultural context. Individuals and organizations are linked together through a web of values, norms, rules, beliefs, and taken-for-granted assumptions. Institutions provide “blueprints”

for actors in organizations to adopt. The cognition of the dialectic process between structure and agencies is crucial for understanding the health politics of the NHI programs that were developed in 1963 and 1977 in Korea.

An Integrated Theoretical Framework for the Study: Institutionalism and the Theory of Legitimation Crisis

The theoretical perspective of my dissertation contrasts with that of several others in the sociological literature on the welfare state. First, it contrasts with that of industrialization and modernization approaches (e.g., see Wilenski and Lebeaux 1958, Wilenski 1975). Secondly, it contrasts with theories that emphasize “class struggle” or “working class mobilization.” It argues against perspectives that see social policies as a by-product of industrialization or capitalism. Finally, it downplays the importance of institutional contexts on the politics of national health insurance in the 1970s and 1980s.

This dissertation draws insights from two different theories of welfare states. I combine insights from the institutional approaches and “legitimizing crisis” of Habermas in order to understand the political, social, and cultural factors of the Korean national health insurance program. The main concepts taken from the institution-centered theories are state autonomy, state capacity, bureaucracy, and strength of interest groups. These will be combined with Habermas’s concept of a legitimacy crisis, which, I argue, makes the institutional approach stronger by enhancing the understanding of political, social, and cultural logics of institutions and systems.

Institutional Environments and Organizations

I adopt the definition of the institutional environment from Scott (1995). He claims that the institutional environment is composed of regulative, normative, and cultural-cognitive structures that operate to provide coherence, meaning, and stability to a field. Scott et al. (2000) elaborate on institutional environments to include structures and processes. They emphasize three important components of institutional environments: 1) institutional logics, 2) institutional actors, and 3) governance system. Institutional logics are constructed from material practices and symbolic constructions that provide principles for organizations and individuals to act. These logics are “the cognitive maps, the belief systems carried by participants in the field to guide and give meaning to their activities” (p.20). Institutional actors not only create these institutional logics, but also follow them. Governing systems are the arrangements which support the regularized control through legitimate authority or by illegitimate means (p.21).

State Autonomy

Weber defines the state as “compulsory associations claiming control over territories and the people within them.”²⁵ Skocpol (1992) elaborates on this Weberian definition of the state as follows:

A state is a set of relatively differentiated organizations that claim sovereignty and coercive control over a territory and its population, defending and perhaps extending that claim in competition with other states. The core organizations that make up the state include the administrative, judicial, and policing organizations that collect and dispense revenues, enforce and constitute rules of the state and

²⁵ Skocpol, T. 1985. Bring the state back in: Strategies of analysis in current research. In P. B. Evans et al. (Eds.), *Bring the State Back In* (p. 3-43). New York: Cambridge University Press. For Max Weber’s original writing on states, see Weber. 1968 (1922). *Economy and Society*. Vo.2. chapter 9 and Vo.3. chapters 10-13.

society, and maintain some modicum of domestic order, especially to protect the state's own claims and activities. (Skocpol 1992, p. 42)

Skocpol's statement brings attention to the issue of justification and legitimacy of state act, political and cultural rules to play, the structure of government, and also the basis of state autonomy. These issues will be important for understanding the development of the NHI in Korea.

Skocpol, Evans, and Rueschemeyer (1985) brought special attention to state autonomy with other studies in the 1980s. They argue that 1) the state has a considerable degree of autonomy from social classes, and 2) state autonomy has been underplayed by the dominant theoretical paradigms. States should be interpreted as "potentially autonomous actors" and an "organizational structure" that provides administrative capacity (Skocpol 1985). Skocpol nicely explained state autonomy and state capacity as the following:

States conceived as organizations claiming control over territories and people may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society. (Skocpol 1985, p. 9)

State autonomy is closely related with the notion of state capacity. Skocpol (1985; 1992) started with the basic facts—a state's territorial integrity, financial means, and staffing—in order to examine the state. She went further by putting the state in an international context as well as a domestic context. She argued that states stand at the intersection between domestic sociopolitical orders and the transnational relations within which they must act to survive and to get advantage in international relations with other states. These complex roles of states domestically and internationally are the sources of state autonomy

that transcend group and class interests. Different state structures and different historical paths of government systems influence the capacity of state.

Bureaucracy

Weber (1968 (1922)) took the fundamental value of bureaucracy as one of the institutional foundations of the modern state. Weber scrutinized bureaucracy not as a simple collection of state officials, but as a particular kind of organizational structure that includes its own set of decision-making procedures. Karl Polanyi (1967) echoed Weber's assertions, but he viewed bureaucracy as a tool of growth. Weber viewed bureaucracy as a particular kind of organizational structure using its own distinct set of decision-making procedures.

Weber's interest in bureaucracy continues to influence state-centered theorists. Weir and Skocpol (1985) argue that states are authoritative and resourceful organizations and that the administrative, fiscal, coercive, and judicial arrangements of states influence state capacity. Weir and Skocpol further claimed that the centralized bureaucratic structure of Swedish government allowed the Social Democrats to implement remarkable unemployment insurance in 1933; the centralized federal structure of the United States had to face more barriers in social spending in the 1930s.

Weber (1968 (1922)) argued that public administrative organizations characterized by meritocratic recruitment and predictable career rewards increase the efficiency of the system. The "Weberian Scale" offers a simple measure of the degree to which state agencies are characterized by meritocratic recruitment and predictable career rewards (Evans and Rauch 2000). Evans and Rauch developed Weber's study on

bureaucracy. They found “Weberian”²⁶ characteristics significantly enhance the government performance, more specifically for economic growth.

Evans and Rauch emphasize the importance of meritocratic recruitment, which ideally is based on some combination of education and examination and a predictable career ladder that provides long-term tangible and intangible rewards for those recruited into the bureaucracy. Meritocratic recruitment increases the likelihood of at least minimal competence and also helps generate substantive effects on the motivation of individual bureaucrats. Overall, meritocratic recruitment and predictable career ladders should help structure the incentives of individual bureaucrats in a way that enhances the ability of the organizations they manage to effectively pursue long-term goals. Respected bureaucracies could act more effectively than those that do not. Evans and Rauch examine how bureaucrats function and what kind of incentive systems bureaucracies create to scrutinize the nature of bureaucracy. In a cross-national study of thirty-five countries, the Korean government received the second highest score on the Weberian scale, following Singapore. I argue that Weberianess (well-developed bureaucracy) is significant not only for growth of the economy, but also for other state performance such as implementing a state policy (e.g., NHI). The characteristics of Weberianess play more important roles in Korea because bureaucrats were the ones who designed the policies including the NHI programs.

Evans and Rueschemeyer (1985) look at effective state intervention as a foundation of successful government capability. They analyzed the conditions of

²⁶ Evans and Rauch created the Weberian scale that offers a measure of competitive salaries, internal promotion and career stability, and meritocratic recruitment based on a data collected from 35 less developed countries. The full questionnaire and the recording used in the scale are at <weber.ucsd.edu/~jrauch/webstate>.

effectiveness in two parts: the structuring of the state and the relation between the state and the dominant class.²⁷ In the discussion of the internal structuring of the state, they take the Weberian route. They emphasized the construction of a cohesive bureaucracy through the establishment of a more delicate, long-term process of institution building that goes beyond simple instrumental organizations. In the second dimension, they argue for state autonomy from the dominant class (p.49).

Legitimation

This study draws insight from the legitimation crisis theory of Habermas to explain the issue of state legitimacy, which I will argue played a major part in the origins of national health insurance in Korea. Social services are used to keep social peace. Habermas calls this endeavor “immunization of conflicts” or the “depoliticization of the public realm” (1975). This study argues that the Korean NHI was orchestrated by the regulative illegitimacy of the Korean military coup government, endeavoring to restore the normative state institutions and to gain the cognitive support of the public. Therefore in order to explain the political process of national health insurance, examining Habermas’s three analytical categories—regulative, normative, and cognitive—is very persuasive. These will guide me to ask a series of questions. How has the Korean government modified and influenced the rules of games in politics including elections? What were the dominant values and norms of state, bureaucrats, businesses at the time the 1963 and 1977 NHI Acts were passed? And what kinds of cultural-cognitive forces

²⁷Rueschemeyer, D. and Evans, P. 1985. The state and economic transformation: Toward an analysis of the conditions underlying effective intervention. In P. B. Evans (Ed.) *Bring the State Back In* (p. 48). New York: Cambridge University Press.

did the Korean public have? Finding answers to these questions would contribute to a deeper understanding of the political process of Korean national insurance program.

Diagram base on the Integrated Theoretical Framework: Institutionalism and Theory of Legitimation Crisis

This study looks at the development and implementation of a national health insurance policy from 1961-1979 in Korea. The Korean state implemented its first voluntary National Health Insurance Act in 1963 and its first compulsory National Health Insurance Act in 1977. This study develops a theoretical framework for understanding these two policies. It includes several themes that are derived from institutionalism and legitimacy crisis theory. Those themes are as follows:

Degree of Centralization of State Structure: When state has a centralized strong institutional structure, state is more likely to succeed in pursuing a state-led social policy.

Political Ideology and Public Culture: When infused values and conventions support state autonomy, the state is more likely to succeed in pursuing a state-led social policy.

Barriers from outside of the State: When the state has less opposition from outside governments, the state is more likely to succeed in pursuing a state-led social policy.

State Autonomy: When the state has greater autonomy, it is likely to succeed in creating state-led social policies.

Strength of Interest Groups: The lower the degree of development of autonomous interest groups, the greater the possibility that the state will be able to facilitate creating state-led social policies.

Bureaucracy: When the state has a well-developed and centralized bureaucratic structure, it is more likely to succeed in administration.

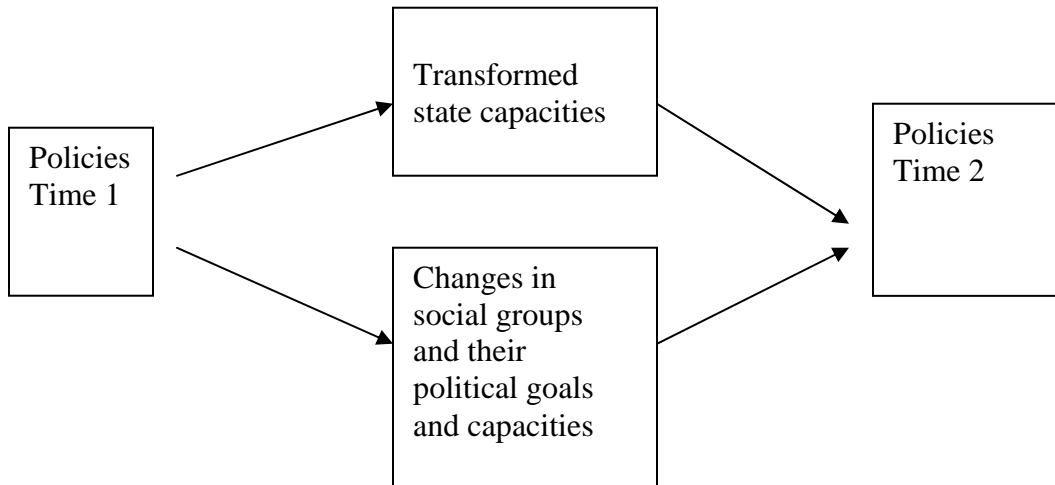
Legitimacy crisis: States are more likely to be involved in social programs when they appear to be functionally weak due to a system crisis in order to restore its legitimacy and gain public support.

These themes will be used in the analysis of the health politics surrounding the development of the national health insurance programs in Korea.

Changes in institutional environments evolving from various subsystems induce the need to respond to various institutional actors, including the state and social groups. These political demands go through institutional interactions between the state and social groups, and these interactions are influenced by institutional logic (i.e., political, social, and cultural rules of game) and eventually become the key driving force of the new social policy. Once the social policy is institutionalized, it can change the existing institutional environment.

Although developed for understanding the Korean NHI Acts, the following integrated theoretical model can be applied to other social policies. The diagram is inspired by Skocpol's diagram of a policy feedback. Skocpol points out the importance of policy feedback as "politics creates policies, policies also remake politics." She also claims that any valid explanation of the development of a nation's social policies must be genuinely historical and sensitive to processes unfolding over time. According to Skocpol (1992), the major two policy feedbacks are the transformation of state capacities and changes in social groups and their capabilities. She explains "because of the official efforts made to implement new policies using new or existing administrative arrangements, policies transforms or expand the capacities of the state" (1992, p. 58). For the later point, she describes that new policies affect social identities, goals, and

capabilities of groups that subsequently struggle or ally in politics. She draws the policy feedback diagram as follows:

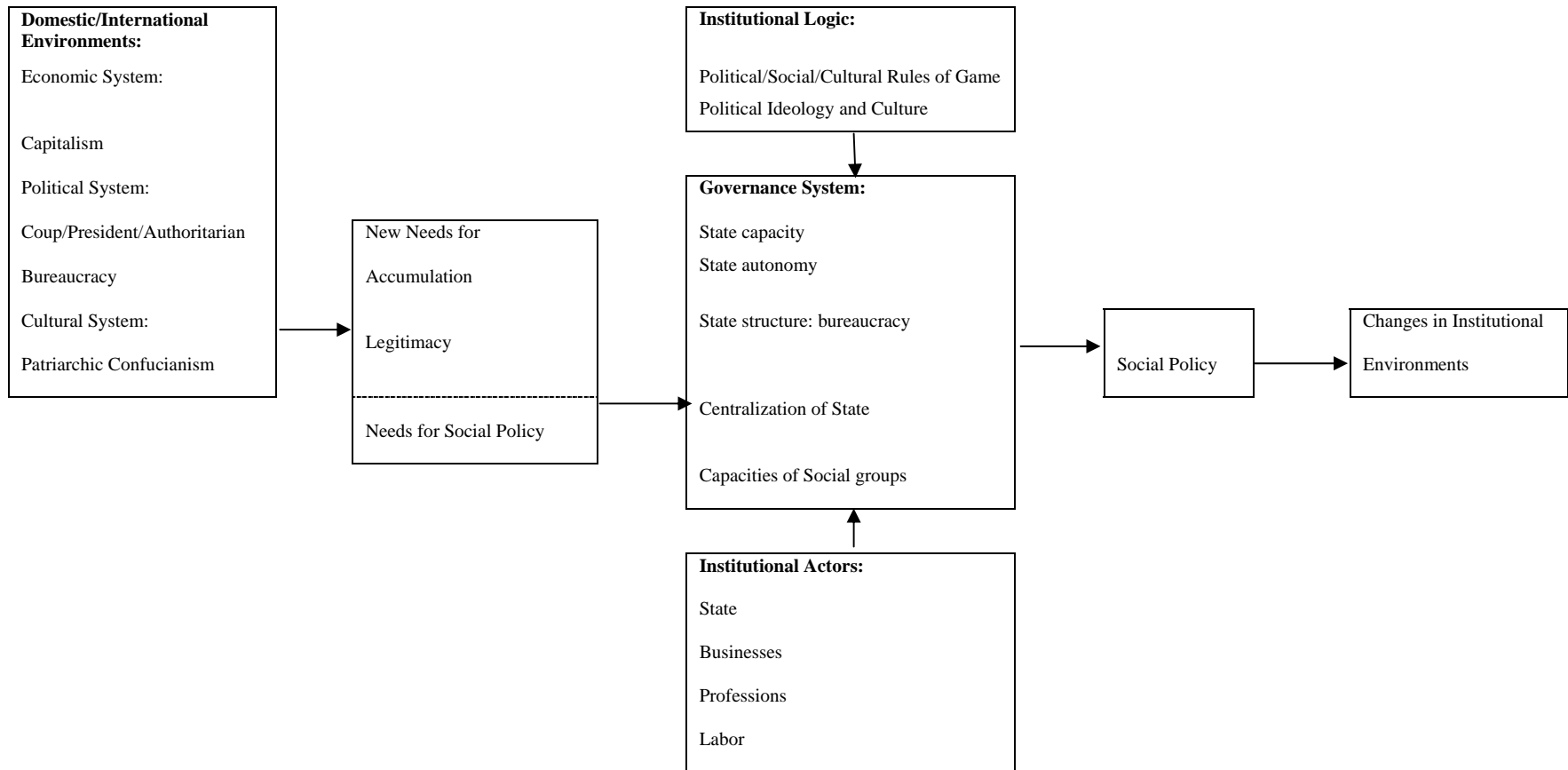


A Policy Feed Back of Skocpol from *Protecting Soldiers and Mothers* (p.58)

As for this dissertation, I draw the analytical diagram of the Korean NHI derived from this conceptual framework. I situate the policies of time in both a domestic and international environment and give the logical complexities using the conceptual frameworks that lead into the policies of time in a policy feedback diagram of Skocpol.

**I have attached the diagram separately.*

Figure 2.1 Analytical diagram of KNHI derived from the conceptual framework



Chapter 3: Data and Methodology

This is a case study of the origins and implementation of the Korean National Health Insurance (NHI) policy. I will explore the political processes of the NHI system. For this study, a policy is defined as a sequence of major turning events and sets of institutional consequences from those events²⁸. Therefore, this study is historical by nature. The goal of this study is to examine the impact of preexisting institutional conditions on social welfare policies by looking at the Korean NHI policy. The time frame of the study covers the years 1961 to 1979. The boundaries of the study are drawn based on the 1963 Health Insurance Act and the 1977 Health Insurance Act. The starting point was chosen as it is two years before the 1963 NHI and the year that General Jung-Hee Park led the May 16 coup and began his eighteen-year rule. The study ends two years after the 1977 NHI policy and at the end of the Yushin regime (1972-1979) and the assassination of President Park. The health politics of the 1963 NHI Act and the 1977 Act are directly tied to Park's regime (1961-1979).

In 1961, Park achieved political power through a military coup on May 16. He legitimized his power through presidential election in 1963. The beginning of his presidency was vital in creating the preexisting institutional conditions (economical, social, cultural, and political) for the 1963 NHI Act, which will be scrutinized in Chapter 4. His presidency ended shortly after implementation of the 1977 NHI Act, which will be discussed in Chapter 5. This study explores under what conditions the state was able to

²⁸ Abbot, Andrew. 1997. What do cases do? Some notes on activity in sociological analysis. In C. C. Ragin and H. S. Becker (Eds.), *What Is a Case?* (pp. 53-82). Cambridge: Cambridge University Press.

implement NHI policies in the 1960s, early in Park's regime (the Third Republic), and again in the 1970s, toward the end of Park's regime (Fourth Republic). The Korean National Health Insurance Acts were historical events arising in agencies (what they do) or in structure (what they endure) (Abbott 1992). The key agencies of the NHI are the state, business, labor, and medical professions. These agencies will be analyzed in regard to the institutional structure of politics, economy, culture, and media. This study will use multiple sources to examine these agencies and the structure of the NHI policy.

Data Sources

A wide range of documents were used to examine the policy formulation process and the driving forces behind the implementation of the national health insurance policies. In order to analyze the historical process of Korean NHI policies, the study uses mainly two methods: interviews and document examination of archival sources from government, newspaper, and interest groups. The data were categorized by agency and into chronological stages. Fieldwork was conducted during three visits to Korea in 1998, 2001, and 2002.

The field sites for the primary sources include the National Library of Korea, the Library of National Assembly, the Government Archives in Korea, the Bureau of Statistics in Korea, internal libraries of the Economic Planning Board, and the Ministry of Health and Welfare (formerly the Ministry of Health and Social Affairs) for governmental publications. The governmental data includes key members of the Korean state who initiated the legislation as well as those who opposed or supported the

legislation. It covers the main arguments and issues and the policymaking processes of the legislation.

For the primary data of social actors, internal publications and documents such as journals, newsletters, and reports were collected from the archives of main interest groups' organizations. The archives of the interest groups provide the roles and impact of interest groups in the health politics of the NHI. The archives include the Federation of Korean Medical Insurance Societies, the Korean Federation of Industries, Korean Federation of Trade Unions, the Korean Employer's Federation, the Korean Medical Association, and Korean Hospital Association, and the library of Seoul National University. The archives of interest groups provide their positions on the NHI at a particular time and also their response to the state policy.

The Korean national daily newspapers *Donga Daily*, *Chosun Daily*, and *Seoul Newspaper* were reviewed between 1960 and 1980, especially focusing around the times of the two legislations. In addition to Korean newspapers, this study used the *New York Times* to capture an international view of Park's regime. Newspaper articles were helpful in examining the media coverage on the issues and the debates made by particular individuals and organizations on the NHI politics.

This study also is based on secondary data, including statistical and demographic data published by governmental agencies such as the Economic Planning Board and the Ministry of Health and Welfare (former the Ministry of Health and Social Affairs), the National Association of Medical Insurance Societies, the Bank of Korea, the Korean Institution of Health and Society, as well as Korean literature on welfare, business, and labor policies.

Lastly, this study uses autobiographies and memoirs of important figures involved in the development and administration of the NHI, including President Park and his ministers and high officials. This literature provides insight into the role of individual agencies and structures that impacted the NHI politics under a strong authoritarian regime where only a few individuals in high positions could significantly exercise their power.

In addition to the document research, four interviews were conducted: two government officials involved in the 1989 National Health Insurance in Ministry of Health and Welfare, a senior researcher from the National Association of Medical Insurance Societies, and an official from the Economic Planning Board. These interviews were conducted to get a detailed understanding of the NHI politics. Although they were not involved in the 1977 NHI politics, they were able to address the 1977 NHI and how they affected the 1989 legislation.

Interview subjects were introduced through personal connections. Two interviews with the officials in MHSAs were conducted over the phone, and the other interviews were face-to-face interviews. For the phone interviews, my personal contact who had worked with the interviewees in the past, contacted them first to introduce my project. Afterward, I sent them e-mails to personally introduce my study questions so they could prepare for the phone interviews. Each interview lasted approximately one to one and a half hours. I was not able to arrange interviews with the people directly involved in health insurance policies of 1963 and 1977, but these interviews should be pursued in future research. I did not use a standardized questionnaire in the interviews, but I used a core list of important questions at each interview to keep me on track.

Analysis

This study uses a case-oriented analysis. The study will scrutinize how the National Health Insurance policies emerged within a complex institutional environment. This study argues that preexisting institutional contexts should be considered when attempting to explain social policies. Important actors and infrastructures influence the implementations of social policies such as Korea's National Health Insurance policy. The data were collected to understand the political dynamics of actors and infrastructures based on the integrated theoretical model outlined in Chapter 2 (Figure 1). A series of questions were asked in this process: Who initiated the National Health Insurance? What were the positions of interest groups? What were the main issues for debate and why? What were the institutional contexts of the National Health Insurance Act?

In Chapter 2, this study suggested a theoretical model derived from institutional theory and legitimacy crisis theory. Main concepts in this model are the capacity of the state, autonomy of the state, bureaucracy, public culture, strength of interest groups, and legitimacy crisis. The next two chapters will discuss 1) what was the content of the reform, 2) how the preexisting institutional conditions changed, 3) how the state and interest groups engaged in the dynamics of the political process of the 1963 NHI and 1977 NHI Acts within a particular institutional context. Institutional analysis will enable us to understand the timing of decision making and the political strategies of major actors.

As discussed in the integrated theory model, in addition to the institutional perspective, this study supports legitimacy politics as a driving force of policy making. In the politics of legitimacy, various political strategies are used to enhance the

perceived legitimacy of the state. This study does not try to measure the degree of the legitimacy crisis, nor does it attempt to evaluate the legitimacy of the state. Rather this study focuses on the critical points in time when democratic principles were violated and the questions of legitimacy arose, such as the military coup on May 16, 1961, and the Constitutional Reform of 1972. This study connects these crises of political legitimacy and the presidential election and the National Assembly election of 1963 and of 1977 with the development of the NHI policies to show how the state used social welfare policies to enhance its legitimacy in the eyes of the public.

Chapter 4: Origins and Implementation of the Health Insurance Act of 1963 under President Park's Regime

1. Introduction

The previous two chapters discussed the theories and methodology for the study. Chapter 2 discussed how the different historical factors of capitalism, social democracy, and the welfare state were reflected in various social theories: modernization theory, Marxist theory, institutionalism, social democratic theory, and legitimacy theory. As discussed in Chapter 2, this study refutes the welfare policy as a product of modernization and industrialization; however, it seeks to analyze the interactions between different actors and types of welfare institutions. Most social theories of welfare states have centered on Western countries, and little research has been done to explain welfare policies in developing countries. The nature of welfare states is embedded in each state's history, which is made up of relationships between agencies and structures. This study claims that when we study a historical case, we need to scrutinize the actions of various key players within a historical and an institutional context. The integrated theoretical model (see an integrated theory diagram in chapter 2) includes the concepts of state capacity, state autonomy, bureaucracy, strength of interest groups, and legitimacy crisis. In this chapter, this model will be used to analyze Korea's 1963 NHI Act.

The Korean state legislated its first health insurance act in 1963. The 1963 NHI Act was a voluntary health insurance programs that resulted in a few experimental programs. Overall, the 1963 NHI Act was doomed to failure from the beginning. It was not attractive for insurance providers with very low participation rates, and employers in companies where the program was experimentally carried out could choose not to

participate without penalty or sanction. Given its imminent failure, there are several important questions one should ask about the 1963 NHI Act. Why did the state enact the 1963 NHI Act at the particular time? Why was the first health insurance act a voluntary program? How was the content of the act developed? What was the nature of the relationship between the state and the other key players (i.e., business, labor, and the medical profession) during the development of the Act? And how did the institutional environment such as the political culture influence the form and content of the Act? This chapter will attempt to answer these questions by discussing the timing and content of the 1963 NHI Act, the institutional environment at the time the Act was enacted, and the role and relationship of the key actors (i.e. the state, business, labor and medical professions). But first, the historical background of the welfare state in Korea will be discussed.

II. Historical Background of Medicine and the Welfare State in Korea

The modern structure of the state was brought to Korea by the Japanese (1910-1945). The last Yi Dynasty²⁹ (1392-1910) ended with the Japanese occupation in 1910. Although all of Korean political, cultural, and economic structures of Korea would change under Japanese occupation, two changes in particular would greatly influence the history of Korea's welfare state. One change was the development of a strong

²⁹The Yi Dynasty (1392-1910) was the last dynasty of Korea. The Yi Dynasty was founded by General Yi, Sung-Gae, who overthrew Koryo dynasty in 1392. The Yi Dynasty is also known as the Chosun Dynasty. There were 26 kings in the Yi Dynasty. King Kojong was the last king of Yi Dynasty. (See *A New History of Korea* by Ki-Baik Lee from Harvard University Press for more information about the Yi Dynasty and Korean history.)

bureaucratic structure based on surveillance and intervention. The second change was the introduction of Western medicine, including modern hospitals and clinics.

During Japanese occupation, the medical profession developed through Western medical schools. Medical professionals were required to pass a licensing examination controlled by the state, which placed the state at the center of medical education and certification. Early in the development of Western medicine in Korea, the majority of medical professionals worked at state-owned public hospitals in the early development stage. Most of medical professions gradually moved into private hospitals. Privatization of health care continues to this day. Since the development of Western medicine is important to understanding the health policy in the 1960s, it is discussed briefly below.

Introduction of Western Medicine and Changes in Medicine

Western medicine was introduced to Korea during the Yi Chosun dynasty by American Christian missionaries in the 1880s. American missionaries built the first Western hospital in Seoul, Korea, in 1885 with financial support from the Yi Chosun Dynasty (Cho 1988). By the end of the dynasty, they had built about thirty hospitals and clinics in major cities, mostly with private funding. American missionaries taught Western medical practices. Severance Union Medical College, the first Western medicinal college, was established in 1899 by missionaries with financial support from the American philanthropist Louis Severance (Cho 1988).

American influence on Korean medicine decreased significantly after the Japanese invasion in 1910. The colonial state established a strong police-bureaucratic system. The colonial state declared that Koreans were uncivilized and that a modern

system and culture needed to be introduced to Korean society. Thus the direction of medicine also was toward modernization by introducing Western medicine (Cho 1988). The Japanese colonial state required that the standards of medical curriculum and practices be adapted by Korea (Cho 1988; Lee, C.R. 1972).

Western medicine quickly gained popularity among Koreans. For example, Dr. Horace Allen treated 265 inpatients and 10,460 outpatients during his year at Severance Hospital (which later became Yonsei University, Korea's top-ranking private university) (Cho 1988). Although Western medicine quickly achieved public trust, most Koreans had limited access to it. In the 1920s, only 5 percent of inpatients and 45 percent of outpatients were Koreans (Park 1994).

The colonial state expanded a modernized form of medical training, a medical profession, and facilities while at the same time it repressed traditional medicine. The diffusion of Western medicine was forcefully and rather quickly institutionalized by the colonial state under Japanese occupation by advocating Western medicine as superior to Hanbang³⁰ medicine. As a result, Western medicine was the dominant form of health care in Korea by the end of the colonial period (Table 4-1). Table 4-1 shows changes in the number of modern and traditional health professions under the colonial state.

The colonial state also introduced a formal credentialing system, although it was not very restrictive. People who passed the qualifying examination without formal medical training were able to practice medicine with some restrictions, such as geographical boundaries (Cho 1988: 82).

³⁰ Hanbang practitioners mainly use herbal medicine. Hanbang is often called Oriental medicine or traditional medicine. Hanbang was the major source of health care before Japanese occupation. Hanbang practitioners were required to pass a state examination to practice.

Table 4-1. The Changes in Medical Professions, 1915- 1940

Year	Physicians	Nurses	Midwives	Pharmacists	Hanbang doctors
1915	954	215	517	63	5,804
1920	1,111	609	606	93	5,376
1930	1,972	1,120	1,120	234	4,594
1940	3,660	2,098	2,098	598	3,604

Sources: Cho 1988: 92 (Government-General in Chosen. *Statistical Yearbook*. 1920; 1930; 1940)

Immediately after the end of the Japanese occupation in 1945 and until 1948, an American military government ruled Korea. During this period, American market principles were introduced to the Korean health care system. The most notable change during this period was a decline in the state's role in health care. During this period, the number of public medical facilities declined and the number of specialists among medical practitioners grew relative to general practitioners. Due to the decline of government funding for medicine, medical professionals began working in private hospitals and clinics and also becoming specialists instead of general practitioners. State involvement in the medical sector was minimized and passive not only in terms of financial support, but also in terms of responsibility. Public hospitals and clinics declined and private clinics became the dominant providers of health care.

The institutionalization of the medical professions was continued throughout the 1960s. The Korean Medical Association (KMA) was established on May 10, 1947. It was a reform of a society of medical doctors that was founded in 1907. Although the KMA was acknowledged as the central medical association among medical professionals, participation rates of doctors was very low even in the 1960s. Several subsequent developments would serve to structurally enhance the KMA: the publication of the

association journal (1948); membership in the world medical association (1949); the establishment of academic awards (1960); the development of a written code of medical ethics (1961); the publication of an association newspaper (1967); and the authority to govern the licensing process including the licensing examination (1973).

The key changes in medicine after the establishment of the Korean government during 1940s to 1960s were the weakening of public health care services, a reduction in general practitioners, the growth of private health services, and the specialization of the medical profession (see Table 4-2 and Table 4-3). In 1971, the number of practitioners per 100 beds was 42.9 for public hospitals and 12.6 for private hospitals (Cho 1988: 129; Korean Hospital Association 1972, Pp. 60-63).

Table 4-2. Number of Hospitals and Beds by Ownership, 1949, 1960, 1971

Ownership	1949		1960		1971	
	Hospitals	Beds	Hospitals	Beds	Hospitals	Beds
Public	42	2,905	53	3,810	65	4,575
Corporate	11	963	56	3,234	92	7,037
Private clinic	N/A	N/A	N/A	N/A	109	3,209

Sources: Cho 1988: 128; Korean Hospital Association (1960; 1972), Ministry of Health and Social Services (1961)

The employment of medical practitioners in the private sector dramatically increased during the 1960s (see Table 4-3). With more and more physicians choosing to become specialists and the concurrent rise in physician fees, more people had difficulty accessing doctors. Consequently, patients sought alternative service providers such as Hanbang doctors and pharmacists (see Table 4-4). As government funding of public hospitals and clinics continued to decline, the state's role in a medical sector dominated

by medical entrepreneurs practicing in private hospitals and clinics became increasingly minimized.

Table 4-3. Medical Practitioners Employment in 1969³¹

Type of Employment	Total Physicians		Specialists	
	N	%	N	%
Private Practice	4,488	69.8	1,395	59.5
Medical School / Hospitals	574	8.9	417	17.8
Public Hospitals	517	8.0	345	14.7
Health Administration	194	3.0		
Corporate Hospitals	318	4.9	188	8.1
Private clinics	346	5.4		

Source: Cho 1988, p.134

Table 4-4. Changes of Physicians, Hanbang Doctors, and Pharmacists, 1955-1980

Year	Physicians	Hanbang Doctors	Pharmacists
1955	6,141	2,078	1,304
1960	7,765	2,922	4,696
1965	10,854	2,849	10,028
1970	14,932	3,252	14,648
1975	16,800	2,788	19,750
1980	22,564	3,015	24,370

Sources: Ministry of Health and Social Affairs (1967; 1971; 1982)

In the 1960s, the role of the state in health care declined, while the role of the market economy in health care increased. It is within this context that the first national health insurance program was enacted.

³¹ I excluded certain types of employments such as Interns and residents, Military services, and unemployment from the original source to distinctive differences between the public sector and the private sector employments.

The 1963 National Health Insurance (NHI) Act

I. Introduction

According to the modernization theory and socio-democratic theory, the welfare state depends on a state's level of economic development and the power of its labor organizations. However, both theories do not adequately explain why the Korean state enacted the 1963 NHI Act. With an \$82 GNP, Korea was one of the poorest countries in the world in the early 1960s, far from the level of economic growth that modernization theorists claim is a precondition of welfare policies. In addition to its underdeveloped economy, Korea did not have any active industrial and political mobilization, particularly among organized labor in the 1960s. Rather, at the time, Korea was an authoritarian military state. Every collective action was under the surveillance of the state. Therefore, it is necessary to look at other institutional contexts. This section will discuss the political, cultural, and economic environments at the time of the 1963 NHI Act as well as the actors involved in the politics of the 1963 NHI Act (i.e., the state, business, labor, and medical professions).

Health Conditions in the 1960s

The general public health status had improved in the 1960s. The two leading indicators of a country's health status—infant mortality and life expectancy—suggest health conditions were poor in the 1960s. Life expectancy was about 54 in 1962 and about 59 in 1969. Infant mortality rate decreased from about 69 infant deaths per 1,000 births to about 54 during the same period (see Table 4-5). Many people died from

communicable diseases, such as typhoid, diphtheria, cholera, and tuberculosis related with an unsanitary environment and poor health conditions (see Table 4-6).

The patient/doctor ratio was high. In 1960, the number of patients per doctor was 3,800. However, 67 percent of doctors worked in urban areas, so the patient/doctor ratio was 2,628 patients per doctor in cities but 13,143 patients per doctor in rural areas (AP, 1961). There were also many areas without doctors. In addition, government expenditure on health care was very limited. Although government expenditure on health care would increase under Park's regime, it never exceeded 2 percent of total government expenditures (see Table 4-7). Most government funding focused on controlling communicable diseases.

Table 4-5. Health Indicators of the 1960s

Year	Infant Mortality Rate (per 1000 live births)	Life Expectancy at Birth (years)
1962	69.0	53.9
1963	66.5	54.4
1964	64.1	55.9
1965	61.8	56.4
1966	60.0	56.9
1967	58.2	57.4
1968	56.4	58.0
1969	54.5	58.8

Source: EPB, Social Indicators in Korea (Korea: 1980 and 1988); MHSA, Yearbook of Public Health and Social Statistics (Korea: 1985)

Table 4-6. Communicable Diseases, 1960–1963

Typhoid			Diphtheria		
Year	Cases	Death	Year	Cases	Death
1961	4,962	186	1961	914	83
1962	2,697	85	1962	464	31
1963	4,186	90	1963	294	25

Source: MHSA, Yearbook of Public Health and Social Statistics (Korea: 1964)

Table 4-7. Government Health Expenditure (in \$10 thousand, exchange rate 1000 won to a dollar)

Year	Total Government Budget (A)	Health Expenditure (B)	Health Expenditure Ratio (B/A), %
1957	407,808	2,977	0.73
1960	353,333	3,816	1.08
1963	74,246 *	1,026	1.82
1966	140,942	1,523	1.08

*The reduction of the budget is from a currency reform.

** Source: Cho, 1988, p. 115

III. The 1963 NHI Act: Form and Content

On December 16, 1963, Korea legislated its first National Health Insurance Act³².

The Taskforce on Health Insurance, comprised of members of the Social Security Committee (SSC) under the Ministry of Health and Social Affairs (MHSA), drafted the

³² Refer to Sohn (1981 pp. 64-65) to see the entire contents of the legislation.

original legislation³³. The form of the health insurance was a co-operative system restricted to workplaces with 500 or more employees. Originally, it was a compulsory plan, but the Supreme Council for National Reconstruction (SCNR)³⁴ changed it to a voluntary program. During the 107th Standing Committee of the SCNR, the NHI Act was passed on December 16, 1963.

The main content of the Act can be summarized by five of its articles. First, according to Article 8, it was a voluntary program. Second, Article 12 dictated that medical insurance societies organized in each workplace would administer the health insurance system. Thus, the state did not directly control the medical insurance program or would not take significant financial responsibility for it. According to Article 43, the state would subsidize the administrative costs of health insurance services and included a partial expenditure of insurance benefits within the annual state budget. Fourth, Article 44 stated that the Minister of Health and Social Affairs should determine premium rates, which would range from 3 percent to 8 percent of monthly income. Fifth, Article 45 stated that the employer and the insured would share equally in the given premiums. The basic content of the 1963 NHI Act would remain a part of subsequent national health care laws, with the exception that it would become compulsory in the 1977 NHI.

In sum, the form of the first national health insurance policy was a co-operative system with coverage restricted to workplaces with 500 or more employees. The two major financing pillars were employees and employers, with the state only responsible for minimal administrative costs. Most importantly, it was not compulsory, but voluntary,

³³ The members of the taskforce were Chung-Song Choi, Nam-Hee kang, and Chang-Sub Hong (Sohn 1981 p.66)

³⁴ SCNR stands for Supreme Council for National Reconstruction and it was the head of the military government. Jung-Hee Park of the head of the SCNR.

which resulted in only a few experimental programs. The 1963 NHI Act raises several important questions. Why was the military junta government interested in an NHI Act? Why was it a voluntary program, not a compulsory one? What interactions took place between the actors (i.e., the state, business, labor, and medical professions) in the formation of this social welfare policy? These questions will be investigated in the following section.

III. Institutional Environment and Actors under the early President Park's Regime, 1961-1971

On December 16, 1963, the 1963 Health Insurance Act was enacted. Based on the existing data, it is clear that there was no pressure for the NHI from any non-state interest groups, including business, labor, and medicine. Park, Jung-Hee, the military leader of the coup, formed the SCNR³⁵ to supervise the government's revolutionary works. After the coup, the SCNR issued its "Revolutionary Pledge," which stated the military junta's political, economical, and ideological stands. At the time, social welfare was not included. The military junta focused on the economy and paid no attention to social welfare until 1962 (Sohn 1981), a year before the fifth presidential election on October 15, 1963. As discussed above, it was the SSC that drafted the bill but the SCNR who passed the Act. Why was the military junta interested in the NHI Act? Was the Act viewed as a real political interest of the state? Did interest groups have any influence on the development and content of the NHI? What were the preexisting institutional

⁷The SCNR membership was formed of generals and colonels from the Army or Marines at the time of the coup.

conditions? These questions will be answered by examining the relationship between the state, business, labor, and medical professions.

1. Political Institution and Political Actors

The Strong Centralized Authoritarian State

I want to emphasize, and re-emphasize, that the key factor of the May 16 Military Revolution was to effect an industrial revolution in Korea....I must again emphasize that without economic reconstruction, there would be no such things as triumph over Communism or attaining independence (Park, Jung-Hee 1963 p.259).

A military junta took over state power on May 16, 1961. The May 16 military coup led the government away from fifteen years of active political actions of various agencies and organizations seeking political democracy after independence in 1945. The objectives of the coup were included in the junta's six pledges: anti-Communism, strengthening international relations, anti-corruption, economic reconstruction, unification and returning power to a civilian government (Chosun Daily May 16, 1961). According to the junta pledge, the primary goal of the coup was to develop the national economy, which it consistently used this as a strategy for legitimizing its military government in the 1960s.

The military coup in 1961 dramatically increased the political power of the executive branch, particularly the president. As the military junta's center of policy-making, the SCNR played a significant role in the development of the 1963 NHI Act. It is, therefore, important to look at the SCNR closely.

Supreme Council for National Reconstruction (SCNR), Ministry of Health and Social Affairs (MHSA), and Social Security Committee (SSC)

After the military coup, the military junta made the SCNR³⁶ the top agency in control of all political and social organizations and organizational acts, including the national assembly, political parties, labor unions, and the media. It took over all power in the legislative and executive branches and part of the judicial system. The SCNR arrested ideological activists and banned political activities including labor unions. It arrested major business owners and charged them with illicit wealth accumulation. At this time, the military junta reset the relationship between the state and other interest groups such as businesses, the media, and labor into a clearly asymmetric one. The Korean state became highly centralized and strong under the leadership of General Park, who became president in 1963. General Park and the SCNR, having illegitimately overthrown the existing government, looked for public approval and legitimacy by showing that the new government would carry out reform measures to deal with corruption, poverty, and welfare, which former governments had failed to do. In this context, this study claims that the military government regarded welfare programs as important strategies for gaining legitimacy, especially as the 1963 presidential election came closer.

The SCNR interim government started to address the issue of social welfare in 1962 (Sohn 1981). As chairman of the SCNR, General Park publicly expressed his deep sympathy with social welfare policies. Park's 1962 public policy speeches show that he was interested particularly in the issue of "equal access to health" (Kwon 1989 p. 499).

³⁶ The SCNR was the interim governing authority which was formed two days after the coup in 1961. It controlled the legislative and executive branches, and most parts of the judicial system. The SCNR officially held governing power until General Park was elected in the 1963.

Park gave a special order to the SCNR on July 28, 1962 regarding the need to establish “a Welfare state.” In response, the SCNR formed a taskforce comprised of members of the social security committee (SSC)³⁷ under the Minister of MHSAs on Health Insurance in March 1962. In 1963, the taskforce drafted the legislation for the first national health insurance program. As noted earlier, the taskforce drafted the program as a compulsory plan, but the military junta changed the program from compulsory to voluntary before enacting the legislation. The SCNR objected to the compulsory plan due to the problem of increasing taxes (Chosun Daily 1963, May 11). The 107th Standing Committee of the SCNR enacted the NHI on December 16, 1963. What is interesting here is the timing of the Act.

Why was the NHI Act enacted by the SCNR in 1963? There were two important elections for the leaders of the coup: the presidential election on October 15, 1963, and the National Assembly election in November 1963. It can be inferred that the NHI Act was part of an attempt to gain public by an illegitimate junta government prior to these two 1963 elections. The military junta first focused on economic development; the issue of social welfare was not stressed until the elections approached in 1963. The military junta faced the problem of legitimacy in order to extend its political power domestically and internationally. For example, U.S. President John F. Kennedy sent a letter opposing the political extension of military rule in Korea (Kim 1988). The United States also imposed economic sanctions by stopping \$25 million in financial support and threatening

³⁷ The SSC was formed under MHSR as an advisory committee. There were eight professional members including a doctor, intellectuals and civil servants and their main tasks were 1) obtaining knowledge of social security policies from advanced countries or international organizations such as the ILO or WHO; 2) conducting research on health status in Korea; 3) developing the plan to increase the support from the junta (SCC 1963). It started as a voluntary study group and it became an advisory committee for the MHSAs.

to cease food support (Kim 1988, p. 107). The NHI Act was viewed domestically and internationally as a positive policy that would help the public image of the state. Jung-Hee Park won the election with a 1.42 percent margin over his opponent Bo-Sun Yoon (see Table 4-8). In the next presidential election in 1967, Park would be reelected with a larger margin of victory (51.4 percent of the votes). We can interpret this as the public giving a lower acceptance in 1963 than 1967 due to the illegitimacy of the coup.

Table 4-8 Presidential Election Results during the Third Republic (1963-1971)

	The fifth election (1963)	The sixth election (1967)	The seventh election (1971)
Election	Direct Voting	Direct Voting	Direct Voting
Candidates: Elected: name and support voting rates	Park Jung-Hee 46.6 %	Park Jung-Hee 51.4 %	Park Jung-Hee 53.2 %
Opponent: name and support voting rates	Yoon, Bo-Sun 45.1 %	Yoon, Bo-Sun 40.9 %	Kim, Dae-Joong 45.3 %

Source: Suh, Dal-Sub (1995, p. 70)

When we examine why the compulsory component was changed into voluntary participation by the SCNR, it is clear that the junta saw the 1963 NHI Act as a strategy for gaining legitimacy, however it was not ready to share the budgets for implementing the policy. Bong-Soo Kang, former Planning Coordinator of the MHSA, recalled the following:

The reason why it was replaced with voluntary participation was due to the dominant members of the SCNR concerned that if compulsory the Act would result in increasing burden to business right from the next year and the state had to pay the administration costs (cited from Sohn 1981 p.69).

According to Lee (1993), the MHSA did not even allocate separate budgets for administration costs of health insurance for the coming year. Most of the military junta were not positive about the implementation of the health insurance program itself, so did not approve of the compulsory nature of the health insurance program. This is not surprising when we consider that most people were still farmers and less than 20 percent of people worked in industries in the 1960s (9.2 percent in 1960, and 14.5 percent in 1966, Sur 1987 p.81).

We have discussed how the SCNR, representing the military government, acted in the politics of the 1963 NHI Act. The highly centralized structure of the junta allowed it to quickly enact the Act particularly when the elections were near. Also the junta saw the 1963 NHI Act as a way to deal with the legitimacy problem it faced both domestically and internationally after the military coup. It is also important to scrutinize the networks used among bureaucrats that resulted in strengthening this bureaucratic structure in terms of social network and concentration.

Bureaucrats in the State: Embedded Autonomy with Concentrated

Manpower

The Korean bureaucratic system can be described as a bureaucratic authoritarian³⁸ system. In the 1960s, bureaucrats were a hybrid of two groups: military personnel and graduates from a certain university. Increasing numbers of bureaucrats were from the

³⁸ O'Donnell (1973) claims that bureaucratic authoritarian systems are excluding and emphatically non-democratic. Public policy is focused on promoting industrialization. Power is concentrated among the dominant technocrats-military and civilian. Collier (1979) critically reviewed the studies of bureaucratic authoritarian regimes focusing on Latin America.

military during Park's regime. Yookgunsagwan (Yooksa)³⁹ personnel made up 55 percent of the coup's transitional government in 1961 (Shin 1994). They occupied 25 percent of department head positions during the early years of Park's regime and 20 percent during the last years of his regime. The numbers of military personnel within the government remained high until the first civilian government was elected in 1990. The high numbers of military personnel indicate that although Park's regime professed to maintain a democratic government system with the elections, it remained a military government.

Many relatively young military personnel achieved high positions within Park's military government. In Park's government, 43 percent of heads of departments were in their thirties, and 79 percent were in their thirties and forties during the early years of Park's regime. The average age of high-position holders increased later in the Park regime. General Park himself was 44 years old when he led the coup in 1961. His core supporters were in their mid-thirties and were members of the Yooksa 8 Gi (the eighth class of the Korean Military Academy).

Another significant factor regarding governing personnel was the growing number of certain university graduates in high positions in government. During the early years of Park's regime, 25 percent of department heads were graduates of Seoul National University; later this increased to 46 percent. This number increased to 68 percent during the first civilian government in 1990. Therefore, in the 1960s, the Korean government was dominated by graduates from Yooksa and Seoul National University. At this time, social capital was implemented through the networks between the government and

³⁹ Yookgunsakwan is the primary military academy in Korea from which President Park graduated. Three presidents, Park, Jung-Hee (1963-1979), Chun, Doo-Hwan (1980-1986), and Roh, Tae-Woo (1987-1991) graduated from this military academy. All three of them were high military officers before they achieved the presidency.

particular universities, including Seoul National University. The constitutional power of the Third Republic primarily went to the centralized bureaucratic government. Under Park's regime, military personnel achieved high rates of the high-status positions among bureaucrats. During the Third Republic, 33 percent of executive positions were held by military personnel, whereas only 5 percent were held by military personnel during the First Republic.

With the centralized and bureaucratic structure of government, the early years of Park's regime actively strengthened the governing system. The centralized and authoritarian infrastructure gave the state a lot of power to effect policy. The 1961 military junta was very active in establishing the legal system. During three years of the 5.16 military junta (1961-1963), 867 acts were passed, which was far more acts passed than in the previous fifteen years. Right after achieving political power, the military junta reorganized the state bureaucracy to effectively control the economy and state surveillance. The concentration of state structure gave the state greater capacity to act in the 1960s.

From the Third Republic (1963-1971) to the Fourth Republic (1972-1979)

After the 1963 election, Park's military government focused on economic development at the expense of other social agendas, including political democracy. In the 1960s, the fifth to the eighth congresses were political tools used to oppress democratic political movements, especially the incumbent party, Kwonghwadang,⁴⁰ which was

⁴⁰ The party name, Kwonghwadang is a short name for Minjookwonghwadang which means Democratic Republican Party.

assembled from the military or supporters of the military government. Although the congress had a democratic political structure based on two parties (the Kwonghwadang and Shinmindang⁴¹), its political leaning was clearly conservative and controlled by the military regime. As the constitutional changes made evident, Korean political institutions were redesigned in this period. The Third Republic (1963-1971) eventually gave up procedural democracy.

Park extended his rule by amending the constitution in 1969 and in 1972. Park's regime amended the constitution on October 21, 1969, which relaxed the restriction of the presidential terms from two terms to three terms. Park ran in the presidential election in 1971 and defeated Kim, Dae Joong by less than one million votes. Park had to strengthen his regime and solidify his political power. Park declared a "state of national emergency" on December 6, 1971, by claiming that Korea was "confronted with a grave situation" threatening its national security (*New York Times* Dec. 6, 1971). The controversial bill that gave the legal ground for Park's state of national emergency was passed on December 27, 1971. It passed the Yushin on the same day and built the foundation of the Yushin dictatorship, giving up procedural democracy. Park's regime amended the constitution again in 1972. The seventh amendment,⁴² written in 1972 eliminated restrictions on the number of presidential terms. This action certainly created a serious legitimacy crisis for Park's regime and provided the preexisting institutional conditions for the 1977 NHI, which will be covered in the Chapter 5.

⁴¹ The party name, Shinmindang was changed from Shinhandang which originated from Minjoongdang.

⁴² The eighth amendment written in 1980 by the Chun, Doo-Hwan military government, which followed President Park's assassination in 1979, provided for a single seven-year term for the president. The ninth amendment written in 1987 restored direct elections.

2. Economic Institution

Business

Korean business did not express political interests about health insurance prior to the 1963 NHI Act. Before 1961, Korea was an agrarian society. In 1960, 68 percent of Koreans worked in agriculture and fishing; only 9.2 percent worked in the industrial sector (Suh 1987, p. 81). The Korean economy also was still in the process of recovering from the Korean War (1950-1953). It was the dawn of its industrialization. In addition to its weak stage of industrialization, existing businesses were not productive. Prior to 1961, big businesses were guided and favored by the walls of extensive personal and political ties under Rhee, Syngman. After the May 16 coup, the relationship between the state and business became asymmetric with the state clearly in control over business. Both the state and business were interested in concentrating economic development and industrialization on exports. Business owners were neither capable of providing for nor interested in the protection for employees by themselves.

In the 1960s and under the military junta government, the state had an asymmetric power relationship with business. Park's regime clearly showed the new rules that governed the relationship between the state and business owners. The basic relationship of a strong state over business was consistent throughout the Park regime. Twelve days after the coup, twelve big business (Chaebol⁴³) owners were arrested and investigated on charges of "illicit wealth accumulation"⁴⁴ (Chosun Daily 1961, May 28). After pledging

⁴³ Chaebuls are family-owned, multi-conglomerate business corporations, which are very similar to Zaibatsu, large family-controlled businesses in Japan. Chaebuls own significant portions of the Korean economy.

⁴⁴ This is a significant political act led by the SCNR. The SCNR arrested twenty-five people who were major figures in politics, business, and military. The arrests included twelve former Rhee government high

cooperation and paying fines, the businessmen were released. In the negotiation process between the state and business owners, Lee, Byung-Chul, chairman of Samsung, suggested to Park that business should be encouraged to find foreign capital in order to push the economy forward. The state encouraged business to facilitate exports and provided it with financial advantages.

Although the state controlled businesses, the relationship between the state and business also was reciprocal under the junta. It was not possible for big business to have power independent of the state under Park's regime. Private business had been a delegate of state power and the principal agent of state-guided economic development (Choi 1989, p. 207). Although the junta was against illicitly profiteering based on the old relationship between the state and businesses, the junta needed to establish a cooperative relationship with business for economic development. Economic development was the preeminent agenda of Park's regime. The junta launched economic reforms by significantly reducing unproductive profit-making activities and by providing incentives to export goods. Through special loans from domestic and foreign capital resources, the state was able to provide the resources to build new factories. The government took an active role in guaranteeing these special loans to businesses throughout the 1960s. With this husbandry role of the state, the nature of business-government relations was reciprocal, rather than antagonistic.

The Korean economy developed significantly during the 1960s. Members of the Federation of Korean Industries presented a plan to the SCNR listing fourteen key

officials including the mayor of Seoul; former cabinet members, including the minister of finance and the minister of the state; and twelve major business owners, including Lee, Byung-Chul of Jaeil Jaedang (Samsung).

industries on which it hoped to focus and requested support from the government (Kim 1997). Those industries included cement, steel, and fertilizers. The business organization called for easier access to investment capital, including foreign capital guaranteed by the government (Kim 1997). This effort to increase exports continued throughout the 1960s. Business had the state's favor for their export-oriented enterprises, and the state achieved dramatic economic development as a result of this policy.

Prior to 1963, business did not discuss the needs of health insurance for its workers. This did not change after the 1963 NHI Act, especially because there were no significant sanctions for nonparticipation. In fact, the media blamed businesses' lack of support as a major cause for the failure of the 1963 NHI program (Chosun Daily 1964, December 26).

3. Culture and Confucianism

The Korean political culture of the 1960s is often described as authoritarianism (Sohn 1989). In his study of Korean political culture from 1961-1981, Lee (1982) characterized Korean culture as authoritarian, communitarian, and bureaucratic. Aur and Han (1996) discussed the strong political culture of passive obedience. According to Aur and Han, most Koreans believe the following:

1. People need to obey the higher power.
2. It is better to be ruled by a few leaders than ruled by the public.
3. People need to embrace the government faults rather than criticize its problems.

In the 1960s, the dominant authoritarian culture supported the given hierarchical system. Korean society is a clearly hierarchical society that originates from Confucianism. Social status is a crucial fact that determines authority. Confucian values have greatly influenced cultural institutions by giving unchallenging power to people with higher social status: giving higher status to males over females, elders over the young, and people with power over followers. These sources of authority dominate every corner of Korean society, and an individual with greater authority can exercise his power over people with lesser authority based on a hierarchy of age, gender, and social position. The Korean political culture of authoritarianism in the 1960s and 1970s supported state autonomy. The strong state autonomy supported by the political culture was a crucial factor that influenced the ability of the state to create the form and content of the NHI Act.

Authoritarianism and Confucianism

Confucianism facilitated hierarchical order in social relationships. It provided the strong hierarchical integrations within social relationships. A high degree of hierarchical integration provided the positive institutional context for the strong governing capacity of the state. Social relationships are determined by Confucian values within hierarchical status, generation, and gender as one can see in the following Confucian Ethics:

1. Between father and son, there should be affection.
2. Between king and subject, righteousness.
3. Between husband and wife, hierarchical distinction.
4. Between elder and younger, seniority.
5. Between friends, trustworthiness. (Kim 2002)

These five ethics grant ultimate power to the ruler, the father, and the husband, as well as to the elderly. Confucianism defines the hierarchy of social relationships and gives authority to the highest position in that hierarchy. Historically, undisputable hierarchical authority has been given to the head of the family and the head of the nation. Koreans greatly value the idea of unity: one family and one nation within each family and outside of different families, including people in the workplace. People prefer to use the pronoun, “we” instead of “I” to indicate personal and public matters. Therefore, Confucianism legitimizes the hierarchical relationships and strengthens the hierarchical integrations within the family, in particular, and society, in general. The authoritarian nature of the state has existed for some time. Respect for seniority and ancestors combined with ideas about the family have been the center of Korean thought. Korean people expanded the relationship between the higher authority and the lower authority within a group to the same as the relationship between parents, especially the father, to the rest of the family members. Confucianism not only supports the higher authority in social relationships, but it also supports the family morality in regards to kinships and society. Another interesting fact that influences social relationships is the power of succession. A principle of Confucianism dictates that the eldest son receives the authority of the family. While Confucianism emphasizes respect to the higher authority, at the same time, it anticipates fatherly domestic love and care from higher authorities towards the rest of the family. This morally laden reciprocal relationship is expected to transfer across different power relationships. As a result of this respect for the hierarchical authority, challenging the decisions of the higher power is viewed as an action against moral obligations. Confucianism emphasizes moral politics because it specifically teaches morality. In

regard to national health insurance, this notion of caring is transferred to the financial responsibility of employers for their employees.

Hanguokjuck Minjujuei (Korean-Style Democracy)

Park linked the morality of Confucianism to the strict military mind of his regime in his political acts. After the May 16 coup, Park's regime produced a hybrid of Confucianism and militarism in politics. The common factor would be discipline. He called for a "disciplined democracy." For example, he created The Charter of National Education (Appendix 1) in December 1968 to educate people in Korea, especially children. This charter, which was included in every textbook, was memorized (and occasionally cited) by every student in Korea who went through the public school system. The Charter of National Education was not omitted from textbooks until 1994 after a civilian government came to power in Korea. The Charter of National Education stressed values and social responsibility over individual interests. It emphasized unity and integration as the core national identity. It valued tradition and emphasized the symbiotic relationship between the individual and the nation. Park applied this value-laden, military-culture Confucianism to every corner of Korean society including the media, business, and academia. He called for *Hanguokjuck Minjujuei* ("Korean-style democracy"), which meant disciplined democracy guided by responsible government (Park 1979). This homogeneous authoritarian political culture gave great power to top positions especially the president under the military government.

4. Medical Professions

Health Care

Although the state had centralized power during the 1960s, the health care delivery system was privatized throughout the 1960s, as Tables 4-2 and 4-3 show. In 1971, the dominant medical facilities were owned by the private sector. It is interesting that the state's infrastructure (including the ownership of medical facilities and manpower) was relatively weak at the time, making it incapable of implementing the state policy called for in the NHI Act of 1963. State-owned hospitals fell from 80 percent in 1949 to 24 percent by 1971. In contrast, the number of large general hospitals owned by private universities or colleges and nonprofit organizations grew. In the mid-1980s, about 20 percent of all hospital beds were provided by about forty medical schools. These hospitals have the most current medical equipment and the best quality health care in Korea. This is still a dominant trend in Korea today, with the exception of Samsung Hospital owned by Samsung Chaebol, one of the biggest companies in Korea. During the economic growth of the 1960s and the 1970s, the overall health status of Koreans greatly improved. The infant-mortality rate dropped from 69 per 1,000 births in 1962 to 37.6 per 1,000 births in 1979. Similarly, life expectancy improved from 53.9 years in 1962 to 66.2 years in 1979.

Table 4.9 Health Status of Korea, 1962-1979.

Year	Infant Mortality Rate (per 1,000 live births)	Life Expectancy at Age One (Years)	Calorie Consumption per Day per Capita (Kcal)
1962	69.0	53.9	1943
1965	61.8	56.4	2189
1970	51.3	59.5	2370
1975	41.4	63.5	2390
1977	39.5	65.1	2427
1979	37.6	66.2	2599

Source: Lee, H.S. 1989

Medical Profession

Before 1963, the medical professions did not see a need for health insurance. Medical doctors did not have an active political voice as a political entity. The relationship between the state and the medical profession was asymmetric at the time the 1963 NHI Act was passed. There were two main reasons for the relative political weakness of medical doctors. First, they did not have a strong professional organization before 1963. The KMA, the central organization of medical doctors, did not have strong financial resources or organization due to low participation rates; less than 5 percent of doctors paid their membership fee to the organization in 1960 (Cho 1988, p. 158). It was a nominal organization, not an interdependent or politically strong organization of medical professionals. Due to its lack of financial and organizational resources, the main political acts of the KMA were accomplished through informal personal contacts with

bureaucrats by influential doctors (Cho 1988, p. 158). Ironically, an active step in establishing KMA as a strong medical professional association was initiated by the military state, not by the medical profession. The military junta required medical doctors to register with the KMA and to pay the association's membership fees. Park's military junta did this because it was interested in controlling medical doctors through the organization.

Second, the state had a very aggressive relationship with medical doctors, just like with other interest groups. The military junta was concerned about the issue of doctor shortages, especially in rural areas. Many rural areas had no doctors at all. The military junta coercively made about 1,000 doctors practice in rural areas for two years starting from September 1961 and following the passage of Medical Act 21. The coercive draft policy lasted for two years; the state eventually made the program voluntary (Chosun Daily 1964, March 4). Although medical doctors' autonomy and practices were challenged by the government, they lacked the power to fight against the state's aggressive policy. It was not until the late 1960s that medical professions would mobilize themselves to express their political interests. However, at the time the 1963 NHI Act was passed, medical professionals did not represent a strong interest group. Indeed, they showed no sign of interest in health insurance prior to 1963. At the same time, they did not actively protest against the Act either. This supports my finding that the state was initiated the 1963 NHI Act. Medical professions did not have any significant impact on the 1963 NHI Act.

5. Labor, Weak Unions

Prior to 1963, labor did not demand health insurance. Labor unions of the 1960s were not politically active for workers, but rather acted as a mouthpiece for management and the state. The first labor law was created in 1953. It opened the basic rights for labor:

1. freedom of association
2. collective bargaining
3. collective action (Kim 1997: 204).

Although these three basic rights were stated under the law, these rights were oppressed by the Park regime in the 1960s. The military junta used its strong state power to repress the workers and labor unions that attempted to use the law. The top leaders of Hanguk Nochong (The Federation of Korean Labor Unions, FKLU) were appointed by the Korean Central Intelligence Agency (KCIA), and the actions of the FKLU were screened by the KCIA (Choi 1989). Since the FKLU and its local offices were under the surveillance of the KCIA, it was almost impossible for organized labor unions to be critical of government or business and to represent actual workers' interests when negotiating with management. The government favored big corporations over workers. In addition to the top-down selection of union leaders, several amendments passed in 1963 made it especially difficult for workers to organize for collective actions. The amendments, which also awarded greater authority to the state, are as follows:

1. Labor unions should be certified by the appropriate administrative agency.
2. Labor unions that hinder the existing unions will not be granted legal recognition.
3. Labor unions should not support a particular political figure.

4. Labor unions and management should establish a Labor-Management cooperative council for industrial peace.
5. The state will intervene to scrutinize union activities such as meetings and finances if deemed necessary (Choi 1989, Pp. 84-85).

As these amendments clearly suggest, labor unions were in no position to represent workers' interests if they were in opposition to management and economic development. Labor unions of the 1970s were followers of management and the state. The state had strong control over labor unions' activities.

Despite dramatic economic growth in the 1960s, workers suffered from poor working conditions and low wages without proper labor laws to protect them. Workers were alienated from economic growth and their economic status actually declined relative to business owners. Workers did not receive a fair share in the distribution of economic growth. In the 1960s, real income improved by 3.6 percent in mining and by 3.4 percent in manufacturing, although Korea's average growth rate was 12.6 percent (K. R. Lee 1990, p. 98). Despite this growing disparity, workers were unable to establish strong unions that could reduce long working hours, improve working conditions, or increase unfair wages. Workers did not have unions that would fight for their right to health insurance. Given the weakness of unions, it is not surprising that union participation rates were very low in the 1960s (Table 4-10).

Table 4-10 Workers Unionization Rates, 1961-1971

Year	No. of Branches	Union Membership	Increasing Rate (in percent)	Unionization Rate
1961	172	96831	-	-
1963	313	224420	27.4	9.3
1965	356	294105	8.3	11.2
1967	373	366973	8.9	12.0
1969	416	444372	11.1	12.4
1971	437	493671	4.0	12.6

Reconstructed from Lee 1993, p. 95. Sources: The Federation of Korean Trade Unions. 1962-1972. *Annual Report*; Administration of Labor Affairs. 1961-1972. *Yearbook of Labor Statistics*.

In addition to inactive unions, in 1963 most Koreans were self-employed in farming and fishing; less than 10 percent of the population worked in industry (see Table 4-11). Poverty was a serious problem. Korea was at the beginning of industrialization in 1963. Workers who sought fair distribution of resources were insignificant in numbers. The small number of industrial workers added to the inability of labor unions to formulate political demands, such as a health insurance for workers. Indeed, unions did not even have an understanding of the health insurance program initiated by the state.

Table 4-11 Changes in the Workforce by Different Types of Work, 1963-1971 (in percent)

Work	1963	1965	1967	1969	1971
Agriculture & Fishing	63.1	58.7	55.2	51.3	48.7
Mining and Manufacturing	8.7	10.3	12.8	14.3	14.2
Social Services	28.2	31.0	32.0	34.4	37.3
Total	100	100	100	100	100

Reconstructed from Lee 1993. p.93. Sources: 1965, 1967, 1969, 1971. Korean Statistical Yearbook.

Labor was not an active or effective political interest group in 1963. Unions were crafted by the state and were under state surveillance. Therefore, this study argues that the absence of strong and autonomous labor contributed to the failure of the health insurance program in 1963.

IV. Conclusion

The 1963 NHI Act was the first welfare policy in Korea. It was not a successful policy, but it opened the door for future welfare policies. About half of Koreans lived in poverty prior to 1963. Less than 10 percent of the population worked in the industrial sector, and most people lived in rural areas when the Act was enacted. General public health conditions were poor. There was only one doctor per 6,000 people in rural areas and one doctor per 3,000 people in the urban areas (compared with doctor patient ratio: 1/700 in the United States) in 1963. Life expectancy was only 54.4 in 1963 (69.9 in the United States). The 1963 NHI Act was an immature policy, and it was initiated by the

state without support from business, labor, and the medical profession. Without the support or demands from other interest groups, the policy failed. We can infer that the primary goal of the 1963 NHI Act was legitimize the junta government following the military coup of 1961.

In sum, the findings of this chapter support the claim that a very autonomous state that transcends class interests was crucial for the development of the Korean economy and social policies in the 1960s. The timing of the 1963 NHI Act occurred right before the 1963 presidential election. The junta was going through a transformation of power from a military government to a civilian government prior to the 1963 election. The NHI program was one of many social policies that the junta enacted; however, it ended in a couple of pilot programs due to a lack of financial supports from the state, businesses, and employees. It was a symbolic policy that resulted in very little welfare state development in the 1960s. The Third Republic gained a legal basis for its political power through the 1963 election and received public support through its dramatic economic successes (acclaimed as “The Miracle on the Han River”). This public support is evident by Park’s reelection in 1967. After two terms as president, Park extended his rule in 1969. Consequently, the nature of his regime changed, resulting in a serious political legitimacy crisis that provided the preexisting conditions for the 1977 NHI politics. Although the 1963 Act was a failed policy, it provided a prototype for the following 1977 NHI Act.

Chapter 5: The Origins and Implementation of the First Compulsory Health Insurance Act of 1977 Under President Park's Regime

I. Introduction

The previous chapter discussed the institutional context for the 1963 NHI Act and why it was not successfully implemented. The study discussed how the state initiated the 1963 NHI Act although the infrastructure to implement this policy was insufficiently developed. The NHI bill was enacted right before the presidential election, which the junta intended to use to transfer power from the military government to a civilian government. The military junta paved the road for winning the presidential election scheduled for December 1963 by announcing a series of social security plans such as pension and national health insurance. Therefore, the study claims that the state intended to gain support from the public by implementing the social policies such as the NHI to legitimize the military junta in the eyes of the public before the election. The national health insurance program established by the 1963 NHI Act was not mandatory and resulted in a couple of pilot programs. Park's regime did not budget much money on health expenditure; in fact, its health expenditure budget declined throughout the 1960s (from 4.8 percent in 1963 to 1.3 percent in 1969). However, the 1963 NHI Act opened the door to future debates on social welfare policies. The early 1970s brought a new political and economical context to Korea. The economy was continuously growing; however, it came with other social problems such as inequalities. As I will show, these institutional changes provided the rules, norms, and culture for the main actors participating in the politics of the next NHI Act that would be enacted in 1977.

The 1977 NHI Act was Korea's first major welfare program in Korea. The biggest difference between it and the 1963 NHI Act was that the program became compulsory for some businesses. Companies with more than 500 employees were required by law to provide health insurance to its employees and their families. For companies with fewer than 500 employees, participation was voluntary. In 1978, government employees and private school teachers were added to the health insurance program. Despite this compulsory revision, one thing did not change: the state's financial share in the program was still limited to administrative costs. The majority of the cost burden for the national health insurance program was shouldered by employers and employees. One must ask how the state could successfully implement the 1977 NHI Act without gaining a significant financial responsibility.

In this chapter, I will analyze the institutional context in which the 1977 NHI Act was developed and implemented as a window into Korean health politics in the 1970s. The study will explain the origins and implementation of the 1977 NHI Act using the integrated analytical framework delineated in Chapter 2. First, the reforms that led to the 1977 Act will be discussed, followed by an examination of the domestic and international environment that led to the 1977 NHI Act. Finally, I will look at the various institutional environments—political, economic, cultural, international—that shaped the 1977 NHI Act.

Health Conditions in the 1970s

During the 1970s, Korean society was rapidly transformed into an industrial society through export-centered industrialization. General health conditions improved.

Infant mortality rates dropped from 53 per 1,000 births in 1970 to 37.6 per 100 births in 1979, and life expectancy increased by almost seven years from 1970 to 1979 (see Table 5-1).

Table 5-1. Health Indicators of the 1970s

Year	Infant Mortality Rate (per 1000 live births)	Life Expectancy at Birth (years)
1970	53.0	59.5
1971	51.0	60.3
1972	50.0	61.1
1973	45.0	61.8
1974	41.0	62.7
1975	41.4	63.5
1976	40.4	64.3
1977	39.5	65.1
1978	38.5	67.7
1979	37.6	66.2

Source: Infant Mortality Rates from EPB, Social Indicators in Korea (Korea: 1980 and 1988) and MHSA, Yearbook of Public Health and Social Statistics (Korea: 1985); Life Expectancy at Birth from The World Bank, “The World Tables” (1988)

Increasing Privatization of Health Care

As discussed in Chapter 4, the privatization of health care in Korea began to increase during the 1960s, and, associated with this trend was a decline in the share of public hospitals and public beds. By the 1970s, close to two-thirds of all hospital beds were in private facilities (see Table 5-2). As noted in the last chapter, the American military rule from 1945 to 1948 was opposed to the state monopoly on Western medicine developed during Japanese occupation. The American government (1945-1948)

encouraged the privatization of medical practitioners and medical facilities. The Korean state did not defend public medical facilities; rather, it very actively supported the development of private hospitals.

Table 5-2. Public and Private Medical Facilities in Korea

Medical Facilities	1961	1971
Total number of hospitals	111	266
# of public hospitals	53	65
# of private hospitals	56	201
% of Public hospitals	48%	24%
Total of beds	7044	14821
# of public beds	3810	4575
# of private beds	3234	10246
% of Public beds	54%	31%

Source: reconstructed from Cho 1988, p. 128

The rapid privatization of health care had important consequences on the health care system in Korea. In the 1970s, predominant numbers of physicians were practicing as a solo, fee-for-service. First, privatization brought a rapid increase in health costs and a large share of private health expenditures. Second, the underdevelopment of the public medical sector resulted in serious inequalities of medical resources between urban and rural areas. In 1977, about 99 percent of total health establishments providing health care were run privately and 82 percent of total beds were privately owned (46 percent in 1961

and 69 percent in 1971). More than half the doctors and hospital beds were located in the nation's two largest cities, Seoul and Pusan, which served only 28 percent of the total population (Flynn and Chung 1990). As a consequence of privatization of the health care system and increasing medical costs, growing numbers of low-income people could not access health care. The problem of accessing the healthcare for the low income people became a social issue covered by the media (Sohn 1981).

II. The 1977 Health Insurance Reform: Form and Content

The first compulsory National Health Insurance (NHI) Act⁴⁵ was implemented on July 1, 1977. The 1977 NHI Act shared some of the same basic principles of the 1963 NHI Act: both minimized the financial burden of the state, both intended expansion to the entire population by gradually increasing coverage, and both were based on a co-op system rather than a unified system. However, there was a fundamental difference between the two acts: unlike the 1963 NHI Act, the 1977 NHI Act was compulsory, at least for part of the population.

The 1977 NHI Act established a health insurance co-op for employers with 500 or more workers (Article 4)⁴⁶. Health insurance co-ops were self-governing insurers run by their own management committees⁴⁷; by 1977, there were 486 insurance co-ops. Companies with fewer than 500 workers could join, but it was not required by law.

⁴⁵ The government enacted Law No. 2942 which revised the original 1963 Health Insurance Law in December 1976.

⁴⁶ This study discusses only select articles from the 1977 NHI Act. Refer to Cho (1977:425-436) to see the entire contents of the legislation.

⁴⁷ An employer selected half of the committee members among the employees (the insured), and the insured elected the other half among the insured (Article 18 and 19). An employer selects the head of the

Although limited at first, health insurance coverage was eventually expanded to include additional companies and workers. Government employees and private school teachers and their dependents were added in 1978. Military personnel and their dependents were added in 1979. Table 5-4 shows the numbers of beneficiaries covered by NHI from 1962 to 1980.

Payment of premiums remained the same as in the 1963 Act: employers' and employees' contributions were equal, and the state was responsible for the administrative costs (Article 36 and 58). More specifically, the law provided that patients share up to 40 percent of the cost of outpatient care services and up to 30 percent of hospitalization costs; for their dependents, there was an additional 10 percent cost. The NHI Act was based on a flat contribution rate regardless of income level, so cost sharing was greater for people with low incomes. For example, for a medical treatment that costs 40,000 won, a person making a monthly income of 50,000 won has to pay the same (40% of the medical cost) as a person making a monthly income of 500,000 won. The medical cost is 32 percent of the lower-income person's salary and only 3.2% of the wealthier person's salary. Table 5-3 shows the impact of a flat contribution rate on different income levels. This cost-sharing method placed a heavier burden for people in low-incomes categories and limited their ability to access health care.

committee among the committee members whom the employer selects (Article 26). The committee was clearly controlled by the employer, given the way the committee was structured.

Table 5-3. Cost sharing amounts (in thousand Won) as a percentage of income across different income levels

Income	Medical Cost	40 percent flat cost sharing	Cost sharing by income (in percent)
50	40	16	32.0
100	40	16	16.0
150	40	16	10.7
200	40	16	8.0
250	40	16	6.4
300	40	16	5.3
350	40	16	4.6
400	40	16	4.0
450	40	16	3.6
500	40	16	3.2

Table 5-4. Number of NHI Beneficiaries, 1962-1980

Year	Number of Beneficiaries (Insured and dependents)	Coverage rate (in percent)
1962	-	-
1963	-	-
1964	-	-
1965	1,548	.01
1966	6,588	.02
1967	6,721	.02

1968	6,252	.02
1969	19,922	.06
1970	18,713	.06
1971	16,841	.05
1972	17,634	.05
1973	22,293	.07
1974	50,960	.15
1975	66,966	.19
1976	66,449	.19
1977	3,202,981	8.79
1978	3,883,310	10.49
1979	7,791,190	20.72
1980	9,113,352	23.86

Source: Economic Planning Board. *Korean Statistics Yearbook*. 1962-1980.

From the government's point of view, the fundamental principle behind the 1977 NHI reform was to stabilize financing of the program mainly based on work, so the state could avoid the financial burden of health care costs. That is why the 1977 NHI was limited only to large businesses and why a heavier burden was placed on lower-income workers. We now turn to the question of why national health insurance became compulsory in 1977? How can we explain the timing? What were the institutional conditions in terms of agencies and structure? To answer these questions, it is first

necessary to look at the institutional environments in which the main political actors engaged in their political acts.

III. Institutional Environment and Actors Under President Park's Regime, 1972–1979

In 1977, Korean health insurance was introduced for companies with more than 500 employees. Was this a product of enhanced socio-economic conditions and industrialization? Was the 1977 NHI Act initiated by capitalists? Was the NHI Act a product of labor's growing capacity? Or was it the product of state power, as it was in 1963?

Although Korean society had experienced rapid economic development in the 1970s, social problems like poverty and inequalities persisted and grew. In addition, the Korean government would face a new political legitimacy crisis in the late 1970s. I will argue in this chapter that the 1977 NHI Act was the product of several institutional contexts: political, economic, cultural, and social. This institutional influence will be shown by examining state capacity and state autonomy; bureaucracy structure and legitimacy politics; relationships between the state and interest groups (business, labor, and health professions); and cultural ideologies. These theoretical concepts are part of the theoretical diagram (Figure 1) delineated in Chapter 2.

There were several significant differences between Korea's Third Republic and its Fourth Republic. During the Third Republic, President Park achieved power through a military coup to get rid of "political corruption." His power was legitimated through his 1963 presidential election. After two successful five-year economic development plans in

the 1960s, Park achieved an economic development model with a strong, centralized state. By 1970, GNP per capita reached \$266.72, up from \$82 in 1961. For Korea, the 1970s was a time of economic growth. The growth of the Korean economy and its giant leap into industrialization were brought by effective state interventions. This successful economic growth was positively received by the public and helped to legitimate Park's regime in the eyes of the public. However, Korea's fast export-oriented industrialization came with other social problems, including increasing income inequalities and rising health care costs.

The first compulsory national health insurance program would be initiated at the same time that the Korean state under Park's regime became increasingly more rigid, bureaucratic, and oppressive. It is important to ask why the state initiated such legislation when the social order was under control with intense security? And what was the status of interest groups (i.e., business, labor, and medical professions) at the time of the 1977 NHI Act? If the 1963 NHI Act failed due, in part, to a lack of support from other institutional actors such as business, why did the 1977 NHI Act succeed? In order to answer these questions, the political environment and institutional conditions of the Korean state at the time of the 1977 NHI Act will be discussed.

1. Political Institutions and Political Actors

Strong Concentration of Power, Yushin Regime

During the Fourth Republic (1972–1979), Park consolidated his political power; the Korean state was under his sole influence. His influence was apparent in all arenas of

Korean society: political, economic, cultural, and media. Although Park’s regime started with the military coup in 1961 and immediately faced a legitimacy crisis, Korea’s successful economic growth provided a foundation of public approval of the state. In fact, Park gained higher electoral votes in the 1967 presidential election (51.4%) than in the 1963 presidential election (46.6 %). However, when the state was amended to grant a third term of presidency for Park in 1969 for the upcoming 1971 presidential election, the state faced strong resistance from the political opposition party as well as social groups. There were increasing numbers of labor disputes between 1969 and 1971(see the Table 5-5).

Table 5-5. Labor Disputes, 1969-1971

Year	Wage	Labor condition	Unfair dismissals	Unfair employer practice	Others	Total
1969	-	-	47	29	-	130
1970	-	-	33	48	-	165
1971	1,014	137	182	96	227	1,656

Source: modified from Chung (1992, p.200).

In addition to the increasing numbers of labor disputes, the state had to contend with the political disapproval of the state from the public in the early 1970s. Although Park won the 1971 election, massive support for his opponent, De-Joong Kim, clearly indicated the growing dissatisfaction toward Park’s long presidency.

Park’s election in 1972 ushered in the *Yushin* regime. The *Yushin* regime was qualitatively different than Park’s earlier regimes. Power was strongly concentrated in the

executive branch, which would have dramatic impacts on various institutions of Korean society by abolishing competitive elections and severely restricting the organization of labor. The state's strong power was derived from a constitutional reform that gave unlimited political power to the president. President Park had supra-legal authority and was not limited by term limits, as shown in Table 5-6. He was also not limited by three separate governmental branches. He was given the power to name a third of the members of the National Assembly (i.e., those who elected the president), and he was free to serve as many terms as the National Congress for Reunification might decide. Moreover, he could name judges including the Chief Justice.

Table 5-6. Presidential Elections of the Fourth Republic

	1972 Presidential Election	1978 Presidential Election
Voting Method	Indirect voting by members of National Congress for Reunification	Indirect voting by members of National Congress for Reunification
Term	6 years	6 years
Numbers of Voters	2,459	2,578
Numbers of Presidential Candidates	1	1
Support Voting Rate (%)	99.9	99.9
Winner	Park, Jung-Hee	Park, Jung-Hee

Source: AP, *Haptong Yongam* (1972-1978)

Korea's well-developed bureaucratic system was also important to Park's ability to implement his economic policies and plans. However, at the time, this bureaucratic

system was not rooted in any institutional “checks and balances.” The state became a more oppressive regime after the new Yushin Constitution of 1972, which gave unlimited power to the president. The center of decision-making process remained in the hands of the president and a few bureaucrats.

Political Crisis and Welfare Policy

State capacity often is measured by the government expenditure/GDP ratio.⁴⁸ However, the strength of the Korean state was not based on high government expenditure from 1972 to 1979. In fact, government expenditure decreased from 27.1 percent in 1962 to 18.8 percent in 1972 and 19.5 percent in 1979. Compared with the international average of 22 to 25 percent, Korea had relatively low expenditure; therefore, one could claim Korea was, at the time, a weak state. However, President Park had almost unlimited political power during the time, and the Korean state itself was very strong. The state’s great capacity in terms of economic growth was a result of its effective strategies in economic policy implementation.

The authoritarian Park regime linked economic growth to national security and social order, as exemplified in the following quote from Park:

The keys to national resurrection are the mobilization of resources and national unity. It is only national unity that will ensure the attainment of our immediate goals: a self-sustaining national economy and a self-reliant national defense. It is also out of strength of unity that we will eventually achieve the national aspiration of unification of our divided county. (Park 1971, p. 205)

Legitimization through economic growth was a strategy of Park’s regime. However, did the state gain full public support from its economic performance? In the 1971 presidential

⁴⁸ Jang-Jip Choi. 1989. *Labor and The Authoritarian State: Labor Unions in South Korean Manufacturing Industries, 1961-1980*. Seoul: Korean University Press. p. 206.

election, Park won by less than a 10 percent margin (Park 53.2 % and Kim, Dae Joong 45.3 %). Park was very disappointed by this narrow margin of victory since he was expecting huge support based on Korea's successful industrialization. He said to a colleague:

How much money did we spend? How much administrative power did we mobilize? Is this narrow margin all they produced? I have done my best to fight with poverty. We have achieved this much from ten years of hard work. The yearly exports are now one billion dollars....The people may not like the fact that I wanted to be president. (cited from Kwon 1999, p. 40)

Park knew that he was not getting public approval as much as he was hoping.

In the 1970s, signs of social unrest appeared throughout various social sectors. One of the primary ways Park's regime kept social order was by suppressing social movements. One way it tried to suppress labor movements was by forcing businesses to follow fair-labor practices (President Emergency Measures, PEMs) and to improve labor conditions. Thus, state-led social policies were viewed by the state as a means of obtaining political legitimacy from the public. At the same time, the state repressively controlled labor. The historical contingencies of the legitimacy crisis in the political system and emerging social policies including the 1977 NHI Act were linked (Table 5-8).

The oppressive characteristics of the state reflected in the significant numbers of high positions filled with military personnel. During Park's presidency, the military not only functioned as a tool of state maintenance, but also gained important positions within other sectors in Korean society, as shown in Table 5-7.

Table 5-7. Numbers of Military Elites of the National Assembly

	Total Number of Congressmen	Congressmen with Military Background	Congressmen with Military background (%)
6 th Congress (1963-1967)	175	31	17.7
7 th Congress (1967-1971)	175	37	21.1
8 th Congress (1971-1972)	203	35	17.2
9 th Congress (1973-1978)	219	49	22.4
10 th Congress (1978-1979)	231	37	16.0

Source: Kim, Gwang-Woong. 1988. "Hangook Minguon Gwanryo Elite uyi Ideology wa Jungchi (Translation: The Korean Politics and the Ideology of the Military and Civilian Elites)", *Kyekankyunghyang* Spring, p. 33.

Table 5-8. Political Crisis and Social Policies in South Korea During Park's Presidency

Year	Political Crisis	Welfare Policies
1960s	<ul style="list-style-type: none"> • 1961 Military Coup • 1963 National Assembly and Presidential elections 	<ul style="list-style-type: none"> • 1963 Voluntary Health Insurance act • 1963 Industrial Accidents Insurance program
1970s	<ul style="list-style-type: none"> • 1970 Chun Tae-II Suicide, a labor leader • 1971 National Assembly and Presidential Elections • Martial Law • 1972 Yushin Constitution • 1970s rise of labor protests and social movements 	<ul style="list-style-type: none"> • 1973 Pension law • 1977 Health Insurance Act

Although the state was actively involved in developing the 1977 NHI Act and other social policies, its involvement in implementing the national health care program

was limited. The Korean state took minimal financial responsibility for the health insurance policy. In comparison to its expenditures on education and defense, the state's expenditures on health care were limited (Table 5-9). This is not new; the state's share in health care began to decline in the 1960s and did not change in the 1970s. As in 1963, the state organized national health insurance to be the financial responsibility of employers and employees, not the state. In the 1977 NHI Act, the state only paid operating costs of insurance organizations and the premium for state employees (Cho 1988).

Table 5-9. Government Expenditure on Selected Items, 1972-1990 (in percent)

	1972	1975	1980	1985	1990
Education	17.6	16.0	14.8	16.3	26.2
Health	2.2	1.9	2.0	2.3	2.7
Social Security	3.7	5.4	5.5	4.6	4.0
Housing	1.1	2.6	2.3	4.0	8.4
<i>Defense</i>	<i>25.9 (in 1970)</i>	28.8	35.6	30.6	25.0

Source: Korea Development Institute (1991)

Bureaucrats

President Park defined democracy as “administrative democracy,” which emphasized the administrative function as a condition of democracy. Administrative democracy also resulted in the expansion of the role of the state in the economy.

Therefore, it is necessary to understand the role of key bureaucratic agencies that administered the economy. The state created prominent bureaucratic agencies such as the Ministry of Health and Social Affairs (MHSA), the Economic Planning Board (EPB), and

the Korean Intelligence Agency (KCIA). In 1977, the EPB had 700 bureaucrats and was bigger than the central economic bureaus such as the Ministry of Commerce and Industry (MCI) and the Ministry of Finance.

Actual policymaking process of the NHI was again initiated by President Park and designed by mainly a small number of bureaucrats in the MHSA including Shin, Hyun-Hwak, the Minister of MHSA. According to Kwang, Chan-Lee, a former Social Security Committee (SSC) drafted the 1963 NHI bill, the CSS lost the role as the center policy maker to the MHSA officials (from an interview in Kwon 1989). President Park personally ordered the minister of the MHSA to prepare health insurance programs to meet increasing health problems (*Chosun Daily News*, Feb. 11. 1976). Kim Chung-Ryum, Chief of Presidential Secretaries from 1969-1979, recalled

President Park made up his mind to change the cabinet... President Park ordered me to make a list of candidates for the cabinet, asking me to pay special attention to the Minister of MHSA, which would face many difficult tasks such as the implementation of a health insurance program and labor problems....After the nomination, President Park asked the new Minister Shin Hyun Hwak to develop a health insurance program that would fit the country's circumstances (C. R. Kim, 1990, p.309)

With President Park's personal support, the MHSA drafted the bill and sent it to the legislature. Minister Shin, Hyun-Hwak recalled the process of implementation in this way:

At the time, I thought that it would be impossible for the MHSA to pass the proposal of the compulsory health insurance plan through a cabinet meeting, since the EPB was against it. However, at the meeting, President Park finally decided to approve it. The health insurance would not have been approved without President Park's firm determination and commitment for it (interview with Shim, cited from Joo, 1999).

A group of bureaucrats⁴⁹ in the MHSAs designed the 1977 NHI program. Without strong resistance from interest groups, the MHSAs were able to implement the 1977 NHI beginning July 1, 1977. The successful implementation was the result of the strong personal commitment of President Park and the skillful bureaucrats of the MHSAs. Next, the study will examine what kind of strategies the state had used to control the various types of crises linking with state capacity and state autonomy and the NHI programs in the 1970s.

Oppressive Rule and Welfare Policy

Unlike in the 1960s, the 1970s were marked by growing challenges to Park's regime from many segments of Korean society. The reaction from the state to such challenges was to build a strong authoritarian and oppressive government. One of the major challenges was from workers. On November 13, 1970, a young male worker, Chun, Tae-Il, lit himself on fire to protest the poor working conditions of Peace Market in Seoul. This was a benchmark event for the social movement in 1970s. Chun's death triggered two important groups to speak out for human rights and democracy: the intellectuals in academies and religious groups. Eventually, a force opposing the government—*Chaeya*—was formed. *Chaeya* was led by civic leaders: clergy, academics, lawyers, journalists, and writers. It was a significant movement in two ways. First, it directly opposed Park's unlimited political power. Second, it helped mobilize support from various sectors of Korean society to support the opposition candidate Kim,

⁴⁹ Bureaucrats in Korean governments have to pass a vigorous merit examination. Most bureaucrats graduate from very selective universities. Most maintain strong networks through their alumni universities while working as civil servants.

Dae-Jung in the 1971 presidential election. Although Park won the 1971 election, the protests did not end. *Chaeya* led protests against Park throughout the 1970s. The presidential election in 1972 intensified the legitimacy crisis further and the state began to actively seek strategies to address it.

Facing political, economic, and social turmoil, Park's regime proclaimed a state of national emergency on December 6, 1971, and invoked martial law. The Constitution was suspended, and the National Assembly was dissolved. The State Council temporarily acted as an Assembly and passed the *Yushin cheje* ("Restoration Order"), a resolution that concentrated state power in the hands of the president. The *Yushin* constitution (which lasted from 1972-1979 and is considered to be the Fourth Republic) gave the president the right to declare martial law in an emergency.⁵⁰ It also changed the way presidential candidates would be elected.

On December 28, 1972, Park became Korea's eighth president.⁵¹ He was not elected by democratic vote, but rather by 2,459 members of the National Congress for Reunification. Park received 99.9 percent of members' votes in this election (see Table 5-5). In his inaugural speech on January 12, 1977, Park emphasized national security and

⁵⁰ Constitution. Articles 76 and 77. The Korean constitutions have provided this power to the presidency or the head of the state since the first Constitution of 1948.

⁵¹ Park was president for eighteen years until he was assassinated in 1979. He amended the constitution two times to extend his presidency.

Presidency of Park Jung-Hee:

1961 ~ leading the 5. 16 Coupe

1961~ 1963 Head of the Supreme Council for National Reconstruction (SCNR)

1962 ~1963 Interim President

1963 ~ 1967 the 5th President

1967 ~ 1971 the 6th President

1971 ~ 1972 the 7th President

1972 ~ 1978 the 8th President

1978 ~ 1979 the 9th President till assassinated by Kim, Jae-Kyu, the head of Korean CIA.

stability, continued economic development, and social welfare for everyone in Korea (Chosun Daily 1977, January 13). He promised improvement for workers' welfare as a condition for continuous economic development. He recognized the lagging working conditions of workers compared with the economic development and the existence of workers' demand for better working conditions and environment. He saw that welfare policies would help to reduce labor disputes caused by the growing socioeconomic inequalities. As he stated,

....Social welfare must go with economic development, but it needs to be realistic....The state will increase investment for social welfare policies, which had been relatively ignored due to the concentration of economic development. The state will improve the working conditions, working environment, and welfare; however, these cannot be achieved without the efforts of businesses. Businesses should not lose money by investing in the welfare of its workers. By improving working conditions and welfare, workers could increase productivity and also improve the relationship between employees and employers. (Park's Inauguration Speech, Chosun Daily 1977, Jan. 13).

According to Park's inauguration speech, Park clearly saw that social welfare policies would enhance the tension from workers and investment for higher productivity. It also meant that social unrest was a push factor that caused the state to develop a social policy to reduce this tension. President Park's view of social welfare policies was related to economic growth.

The 1970s were a politically oppressive time for all sectors of Korean society. It was not rare to see the police and the army on the street, in public places, and at universities. The Korean population was under strict and severe security. The police routinely stopped people on the street and checked their bags. Given this oppressive reality, it is not surprising to find weak challenges to state-led policies from various interest groups.

Park's political power had changed through a series of political acts. As the constitutional changes make evident, Korean political institutions were redesigned during this period. The dynamics of Korean health insurance policymaking during these years should be understood in this context of changing institutional environments with changing beliefs, rules, and ideas. The logic is that social actors and the rules of social action they support are shaped by the institutions of their time. With consideration of institutional configurations, let us discuss the main actors involved in the politics of the 1977 NHI Act.

2. Economic Institutions

During the 1970s, rapid development of the Korean economy created many problems in other parts of Korean society. Korean society went through rapid industrialization and urbanization in the 1970s. The basic economic indicators are summarized in Table 5-9. Economic planning and an export-led growth strategy during the 1970s produced the crucial momentum required to overcome the vicious cycles of poverty and underdevelopment in Korea. The state promised to continue rapid economic growth after the 1972 Yushin. Alongside fast economic growth, there was a growing problem of economic inequalities that resulted in problems of legitimacy and challenges from the public.

Table 5-10. Selected Economic Indicators, 1972-1980

Year	GNP per Capita (\$)	GNP Growth Rate	Exports (million \$)	Rate of Unemployment
1972	306	5.3	1,676	4.5
1973	396	14.0	3,271	4.0
1974	535	8.5	4,515	4.1
1975	591	6.8	5,003	4.1
1976	800	13.4	7,715	3.9
1977	1,028	10.7	10,047	3.8
1978	1,406	11.0	12,710	3.2
1979	1,662	7.0	14,705	3.8
1980	1,597	-4.8	17,214	5.2

Sources: The Bank of Korea, Korea Statistical Yearbook

The Korean economy successfully entered its take-off stage from 1961-1971 through Park's first and second Five-Year plans. Economic growth in the 1960s was based on exports. The major exports were labor-intensive goods such as wigs and sweaters that required relatively simple technologies. In the 1970s, major exports shifted to textiles, ships, and steel plate, which depended on capital and more advanced technology as well as intensive labor. The basis of industrialization was strengthened by facility investments, export expansion, and infrastructure remodeling. In 1972, Korea entered its second phase of economic development, focusing on heavy and chemical industries. In spite of the oil crisis in 1973, Park's regime chose an ambitious path of heavy-chemical industrialization. Park's military government promoted and made tremendous contributions to these industries (Table 5-11). In addition, the state provided

considerable assistance to *Chaebols* to facilitate this process. By 1977, Korea had moved from labor-intensive light industries to capital- and technology-intensive industries.

Table 5-11. Strategic Industries, 1972-1979

Industrial sectors	Large Factories and Industries
Steel	Pohang Iron and Steel Company established (1973)
Machinery	Changwon Machinery Industrial Complex groundbreaking (1974)
Shipbuilding	Hyundai Shipbuilding Company established (1973)
Petrochemicals	Ulsan Petrochemical Industrial Complex completed (1972)
Electronics	Kumi Electronic Industrial estates (1971)
Automobiles	Hyundai Automobile Company established (1972-1976)

Source: Lee, Hyung-Koo. 1996. *The Korean Economy*. p. 20

As a result of this change, the annual average growth rate during the period of 1974-1979 was over 10 percent. In 1977, Korea reached its first balance of payments surplus amounting to \$12.3 billion by outnumbering its export goal of \$10 billion. Between 1972 and 1979, the economic growth rate was more than 10 percent, and Korea's per capita GNP exceeded \$1,000. During three of Park's five-year economic development plans, Korea's economic growth rate reached its goal (Table 5-12). Since the Five-Year Plan was an important guide to Korean economic development, I have included a summary of the third and the fourth five-year plans in Table 5-13. These two plans included the need for social welfare. They also mention the issue of the environment.

Table 5-12. Five Year Economic Plans and Actual Performance

	First Five-Year Plan (1962-1966)		Second Five-Year Plan (1967-1971)		Third Five-Year Plan (1972-1976)	
	Plan	Actual	Plan	Actual	Plan	Actual
<i>GNP Growth Rate (annual average)</i>	7.1	8.3	7.0	11.4	8.6	11.2
Agriculture, forestry and fisheries	5.5	5.5	5.5	2.0	4.5	5.8
Mining and manufacturing	15.1	14.8	10.7	20.9	13.0	20.1
Social overhead capital and other services	5.4	8.9	6.6	13.2	8.5	8.5
<i>Industrial structure (terminal year)</i>						
Agriculture, forestry and fisheries	34.8	37.9	34.0	24.2	22.4	20.3
Mining and manufacturing	20.6	19.8	26.8	29.9	27.9	36.0
Social overhead capital and other services	44.5	42.3	39.2	45.9	49.7	33.7

Source: Jones and Sakong. 1980. *Government, Business and Entrepreneurship*. Pp. 54-55.

Table 5-13. An Overview of the Third Five-Year Plan (TFYP) and the Fourth Five-Year Plan (FFYP)

Plan	Period	Objectives	Major Policy Directions
TFYP	1972-1976	<ol style="list-style-type: none"> 1. Harmonizing growth, stability, and equity. 2. Realizing a self-reliant economy. 3. Comprehensive national land development and balanced regional development. 	<ol style="list-style-type: none"> 1. Self-sufficient in food staples. 2. Improving the living environment in rural areas. 3. Promotion of heavy and chemical industries. 4. Improving science, technology, and human resources. 5. Development of national land resources and efficient spatial distribution of industries. 6. Improving the living environment and national welfare.

FFYP	1977-1981	<ol style="list-style-type: none"> 1. Achievement of self-sustaining economy. 2. Promoting equity through social development. 3. Promoting technology and improving efficiency. 	<ol style="list-style-type: none"> 1. Self-sufficiency in investment capital. 2. Achieving balance of payments equilibrium. 3. Industrial restructuring and promoting international competitiveness. 4. Industrial restructuring and enhancing international competitiveness. 5. Employment expansion and manpower development. 6. Improving living environment. 7. Expanding investment for science and technology. 8. Improving economic management and institution.
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Source: Modified from Song, Byung-Nak. 1997. *The Rise of Korean Economy*. Oxford: Oxford University Press. pp. 130-131.

Chaebols led Korean economic growth in the 1970s. Table 5-14 summarizes the growth rates of the ten largest *Chaebols*. The success of *Chaebols* during this time was due, in large part, to their relationship with the state. The state protected the finances of large businesses such as *Chaebols* when they faced financial crisis. For instance, in the late 1960s and early 1970s, many Korean businesses faced bankruptcy because of the slowdown in the international economy and from the heavy interest burden from loans, especially from the informal money market⁵² that they had borrowed in the 1960s. The Federation of Korean Industrialists (FKI) representing big businesses strongly asked the President Park for an emergency financial bailout to avoid mass bankruptcy. On August 3, 1972, the state declared “President’s Emergency Decree” for Economic Stability and Growth to freeze the informal money market. The main point of the decree was that all debts between businesses and private moneylenders were immediately nullified and

⁵² Informal money market funds carried interest rates as high as 50 percent.

replaced with new contracts. Under the new contracts, borrowers had a three-year grace period and could repay the loans in installments over a five-year period at a 1.35 percent monthly interest rate (Kim 1990). This emergency decree was an exemplary case of the symbiotic relationship between the state and business that went beyond a pure capitalist economy.

The state also helped big business by advancing repressive labor policies and keeping wages low to secure Korea's competitiveness in the world market. For instance, as part of the Emergency Decree announced on December 27, 1971, labor affairs became a target of national security; violations were punished under criminal law.

Table 5-14. Growth Rates and Total Assets of Ten Largest Chaebol, 1971-1980

Rank*	Chaebol	Foundation Year	Total Assets 1971 (in million won)	Total Assets 1980 (in million won)	Average Annual Growth Rate of Total Assets (%) 1971-1980
1	Hyundai	1947	158,261	2,874,114	38.0
2	Samsung	1951	415,978	1,901,127	18.4
3	Lucky-Gold Star	1947	437,060	1,825,429	17.2
4	Daewoo	1967	34,679	1,663,400	53.7
5	Sangyong	1954	310,424	1,255,876	16.8
6	Han Jin	1945	83,734	1,085,337	32.9
7	Kukje	1949	153,489	772,993	19.3
8	Dae Lim	1939	64,522	748,795	31.8
9	Korea Explosives	1952	256,424	695,363	11.7
10	Sunkyong	1953	40,049	666,359	36.7

* Rank order is based on total assets in 1980.

Source: Kim, Eun Mee (1997 p. 153)

In the 1970s, in spite of the two oil shocks in 1973 and 1979, South Korea's average annual growth rate of real GNP was 7.9 percent. GDP per capita increased from

\$285 in 1971 to \$1,589 in 1980. As noted, the state led a vigorous economic movement to promote heavy chemical industries as part of its third and the fourth five-year economic plans. Economic policies were planned and exercised by President Park, the Blue House staff, and major bureaucrats from the EPB, the Ministry of Trade and Industry, and the Ministry of Finance. The heavy chemical industries were clearly led by the state, and businesses in those areas received advantages from a close relationship with the state.

However, in exchange for this state support, businesses were expected to cooperate with the state. This “cooperation” was forced, given that the state controlled all domestic and foreign capital. Indeed, the state established several specialty banks, including the Middle and Small Enterprises and the Korean Development Bank. These banks were used as a carrot for businesses that conformed to the state and a stick for the ones that operated against it (Kim 1997, p. 107).

Thus, it is not surprising that businesses were supportive when MHSA asked for their cooperation and support of the 1977 NHI Act. The state even proposed to make business contributions to the NHI tax deductible. Several business associations even formed task groups to help with research, advertisement, education, and training for the future health insurance plan (Chun 1992, p.13). Thus, as was the case in 1963, business was not against the state when it reformed and expanded the NHI Act in 1977. In fact, as some of state theorists (Domhoff 1990; Quadagno 1984, 1988; Bob Jessop 1990) claim large corporations wanted to play an important role in the development of national health insurance program and welfare policies. For example, Jung, Joo-Young, the Founder and the president of Hyun Dae Corporation had an intention to build a non-profit foundation

for the improvement of health in the name of return of wealth to the society. President Park asked Mr. Jung to build a first-rate hospital in a rural area that did not have adequate medical facilities. Jung founded A San Foundation for Welfare and built four first-rate hospitals (Kim, C. R. 1990). Business actions were not against the state plan; rather their actions were a supportive way to the state welfare plan to have a better productivity.

3. Culture and Confucianism

As I argued in the last chapter, Confucianism was also used as a means to legitimate the state's authoritarian power under Park's regime. Confucianism added legitimacy to the existing power of authority and discouraged, on moral grounds, any attempts to criticize that authority. These cultural values were used by the state to maintain its autonomy and to suppress challenges to its authority. As a result, the moralization of the family depoliticized family issues such as welfare and reduced political demand for state support and intervention (Chang 1997, pp. 37-8).

In the 1970s, Korean citizens were under strong moral and political pressure to sacrifice their individual interests for their families, to keep family problems within the family, and to limit public assistance in meeting their family needs (Shin and Shaw 2003 p. 337). The Park regime created several solgans such as *Kenmun Chulyak* ("working diligently and spend frugally"), *Chonhwa Dangyul* ("united and solidarity"), and *Hangookjuck MinJuJuei* ("Korean-style democracy"). These moral values of the family and the state were guided by Confucian ethics; Park's regime was able to legitimate its strong central authority and its prioritization of economic development over civil liberties.

4. Medical Professions

Although the medical profession was not an active political interest group challenging the state, the Korean Medical Association (KMA) was the only non-state actor that could participate in the policy-making process. The KMA did not directly oppose the 1977 NHI Act; however, it did express its concerns about the low costs that the state set for fees for various health care services.

The high cost of medical care had become a social issue in the mid-1970s. Newspapers regularly reported the difficulties low-income households had accessing health care (Son, 1981, p.90; Kang, 1993, p. 155). Some patients from poor households had been denied admission to hospitals, and these incidents were covered in newspapers. The health professions recognized that they could not just ignore these problems.

However, the medical professions were dependent on the state in the 1970s. The state was deeply involved in the process of medical professionalization. The number of students entering medical school was controlled by the state. While physicians favored limiting admissions, the state pushed to increase admissions (Cho 1988). In the early 1970s, there were 12 medical schools in Korea. The state supported building 14 more medical schools from 1977-1985 (Cho 1988, p.251). New medical graduates were required by the state to serve in doctor-shortage areas for three years.

State control over the medical profession is reflected in the 1977 NHI Act. When the state decided the first fee schedule in 1977, it set fees lower than customary charges (Choi 1977). Sim, General Director of the KMA, claimed that the fees were 45 percent of the cost of normal charges (Sim 1978, p.735). Many physicians expressed their concern about the low reimbursement rates and asked for more financial support from the state.

Physicians including the then president and vice-president of the KMA Shon, Dong-Su and Kim, Jae-Joun joined in the protest. However, their concerns did not turn into enough political power to change the state's decision. Ultimately, the lower compensation rate for treating patients covered by the NHI Act resulted in higher medical costs for patients without NHI coverage.

Although the KMA did not strongly support the 1977 NHI Act, it did not strongly oppose it either. From the KMA's point of view, the 1977 NHI was going to happen, whether they liked it or not. Since they didn't have enough political power to successfully confront the state, they took a more passive stance and recommended alternatives and changes to the plan.

When the state came out with its initial plans, the KMA developed five principles that they felt should be followed. They presented these principles to members of the Health and Social Affairs Committee of the National Assembly on October 7, 1976 (Lee 1993, p. 152-3). The five principles that KMA recommended are as follows:

1. Although the insurance society could be a carrier in the industrial sectors, the state would be the insurer in regional health insurance.
2. Insurance should include workplaces with 16 or more workers, which was the size of workplaces subject to compulsory industrial accidents.
3. The state should subsidize 20-30 percent of the insurance premiums, and the employee and the employers should share the rest of the amount. The state also should share the administrative costs of insurance organizations.
4. The regional branches of the KMA should be included on the inspection committee of the health insurance programs.
5. All clinics and hospitals should be able to participate in the NHI programs, and employees and employers should be able to select which clinics and hospitals they used.

The state rejected the first three principles and accepted the last two (Lee 1993, p.153).

The medical profession was included in the evaluation of the program, and patients were allowed to choose their medical providers. The state, however, did not intend to increase its share of the financial burden of the 1977 NHI Act.

In sum, the KMA was not against the 1977 NHI itself; rather, it had a concern about how it should be implemented. It demanded more active financial support from the state and financial security for the medical profession. Without any strong opposition from the medical profession, the state successfully implemented the 1977 NHI.

5. Labor, Weak Unions

Labor did not actively participate in the NHI planning in the 1970s. There is no evidence that the Federation of Korean Trade Union (FKTU) had discussed it in its own publication before 1976. On June 8, 1976, the first proposal for NHI appeared in the FKTU's annual report (FKTU 1976, Pp. 56-57). The Federation made four main requests: 1) the NHI should be compulsory; 2) co-payment rates for the insured should be reduced to 20 percent of medical expenses and 40 percent for their dependents; 3) the state should continue to subsidize all administrative costs; and 4) state share in the cost should be increased in order to reduce the financial burden on employees. With the exception of these four points, labor basically accepted the state's plan for NHI.

Why was labor not a vital agent in Korea, as social democratic welfare theorists claimed for other countries? To be able to answer this question, the condition of labor should be addressed.

During the 1970s, the Korean economy continued to grow rapidly through export-centered industrialization. However, social problems also accumulated in the 1970s. The export-centered industrialization was based on low wages for workers. Income inequality among classes increased, and living conditions of the working class deteriorated. Wage increases for workers lagged behind productivity increases for big businesses (see Table 5-15). Workers also were working long hours, especially when compared to other nations (see Table 5-16). For instance, in 1970, Korean workers worked about seven hours more than workers in Mexico and twelve hours more than workers in the United States.

Table 5-15. Increase in Real wages and Productivity in Manufacturing, 1962-1979 (%)

Year	Real Wages	Productivity
1962-66	-0.8	8.5
1967-71	11.2	17.3
1972-1976	8.7	9.6
1977-1979	15.9	12.7

* The base year for the calculation of the changes of real wages is 1970.

* Source: Reconstructed from a table in Choi (1989, p.299)

Table 5-16. Working Hours in Manufacturing in Selected Nations, 1960-1980 (in hours per week).

Nation	1960	1970	1980
<i>Developing Nations</i>			
South Korea	50.3 (1963)	52.3	53.1
Mexico	46.3	44.9	47.7
Singapore	46.4	48.7	48.6
<i>Advanced Industrial Nations</i>			
United States	39.7	39.8	39.7
Japan	47.8	43.3	41.2

Source: Kim 1997 p. 206.

Despite these poor working conditions, labor disputes did not significantly increase in the 1970s (Table 5-17). This is due, in large part, to Korean working classes' exclusion from political interest representation. The authoritarian state was repressive when it came to labor. It kept wages low and suppressed labor union activities. The state and businesses suppressed wages in order to make Korean products price-competitive in the international market (Kim 1977). Workers also had lost the right of collective bargaining and collective action since labor unionism was abolished in 1973 (Choi 1989). Workers' collective movements such as strikes and political opposition were suppressed and considered "social disturbances." Thus, under the *Yushin* regime, there were no active unions who could fight for workers' interests.

Table 5-17. Trends of sociopolitical unrest and state responses, 1970-1978

	1970	1971	1972	1973	1974	1975	1976	1977	1978
A	5	12	2	54	21	20	7	9	473
B	165	1,656	346	367	666	133	110	96	102
C	-	-	39	234	331	160	71	120	347

A: Number of incidents of civil disobedience

B: Number of labor disputes

C: Number of political prisoners held by state?

Source: Adopted from Joo (1999, p.396)

However, social control methods did not eliminate the accumulated social problems, including the widening income gap. The state had to prepare “carrots” for the people. C. Y. Kim, President Park’s chief of staff, recalled the following in his memoir:

Although the government successfully achieved unprecedented economic growth through its economic development plans, some economic and social inequality resulted from this rapid growth. President Park considered how to address this inequality, which he thought would stymie continuous economic development. Thus, he took the marked line that the government would pursue social development as part of its Fourth Economic Development Plan starting in 1977, and he particularly wanted a health insurance plan implemented under any circumstances (C. Y. Kim, 1990 p. 309).

As this quote suggests, President Park recognized the problem of economic inequalities and was seriously looking for a strategy to improve the problem. That strategy came in the form of the 1977 NHI Act.

IV. Conclusion

The 1977 NHI Act is a historical institutional product of Korean society. It occurred during the authoritarian Park regime during the Fourth Republic, which was established after Park amended the constitution to extend his presidency after his two terms. In 1970s, Korea experienced dramatic changes in its economy and politics. As the state put the economy at the front of the state's agenda, Korea experienced the fast development of its economy; however, it came with serious social costs such as growing inequality and the loss of democracy. To keep the social order, the state had to rely on heavy security in the 1970s. Fast growth in the Korean economy was concomitant with a widening income gap and poor working conditions. Although labor disputes were not increasing, the labor movement was getting more intense. The Korean state, moreover, lacked political legitimacy after President Park dismantled the constitution in 1972 and essentially appointed himself president. Although Park regime could achieve more autonomy and capacity from the 1972 Yushin reform, it was inevitable to avoid the challenges on its legitimacy, especially later the 1970s. The state needed strategies to reduce the growing tensions and to maintain its legitimacy. Park's regime prepared both "sticks-and-carrots" to maintain its political control. One of these "carrots" was the 1977 NHI Act.

Although Park addressed the welfare programs for the entire nation (Park's Inauguration Speech, *Chosun Daily* Jan. 13, 1977), the state chose a conservative plan in regard to the financial responsibility of the state and coverage for only ones who worked in large industries. The state still intended to focus on defense and education and less to

welfare programs. Under a strong authoritarian rule, there were no interest groups opposing this state-led social policy. The authoritarian state developed a symbiotic relationship with businesses by controlling their financial resources. Consequently, businesses were cooperative with the 1977 NHI Act. Labor was under the control of the state and did not have the power to represent workers' interests. The medical profession also was dependent on the state for its professionalization. At the same time, medical professions did not lose financial security from the 1977 NHI because they could increase the fees for patients without health insurance. Without any strong barriers, the Korean state successfully implemented the 1977 NHI Act.

Chapter Six: Conclusion: National Health Insurance, Then and Now

The politics of the National Health Insurance Acts under the Park regime (1961-1979) can be understood if viewed through theoretical lenses with well-developed concepts. The changes in health care policy reflected general shifts in the political climates of Park's regime, from a young military junta to the end of the Fourth Republic (eighteen years of ruling). Park's five year economic plans from 1962 to 1980 were the central engine pushing the Korean economy forward. The economic growth spurred by Park served to legitimize Park's authoritarian rule and his suppression of social and political democracy. Although Park created and headed the most oppressive government in Korean history, he will be remembered for the economic growth and rapid modernization he brought to Korea and that continues⁵³ to shape Korea to this day. Under Park's regime, the Korean state was centralized and authoritarian and was the central policy-making body for not only economic development plans but also other social policies such the NHI programs.

This study expands the theories of the state centered welfare states by reflecting on the particularity of the historical institutional context of Korea at the time the 1963 and 1977 NHI policies were initiated and legislated. I examined key theoretical issues in Chapter 2. Modernization theory was reviewed and rejected as an explanatory model for

⁵³ There will be a presidential election in December 2007. One of the strongest candidates from the opposition party is Kunhae Park, the eldest daughter of Park Jung-Hee. She is the symbol of Park's regime: fast economic growth and a strong social order at the expense of civil and political liberties. According to a Korean research survey (2005), 55.3 percent of respondents selected Park for the question of who is the best national leader from the past. In 1998, as part of a special survey conducted by the Korean Galup and Chosun Daily, 66.9 percent of respondents selected Park for the question of who is the most influential person in Korea's modern history.

the development of social welfare policies in Korea since economic development was not a persuasive factor for Korea in the 1960s and the 1970s. The society-centered and state-centered theories also were discussed and compared. Most studies from these two perspectives focus on advanced countries with rich experience of industrialization, class mobilization (Marxist Theory), and political mobilization (Social Democratic Theory) or the role of the state (Historical Institutionalism). No single perspective adequately could explain the formation and generation of Korea's 1963 and 1977 NHI Acts, so I an integrated analytical model was presented (see Figure 1 in Chapter 2). This integrated model included seven concepts: centralization of state structure, political ideology and public culture, barriers from outside of the state, state autonomy, strength of interest groups, bureaucratic structure, and legitimacy crisis. The politics of the legitimacy crisis is particularly important for understanding social policies during Park's regime.

The study attempted to answer a series of questions regarding the politics of Korea's first two national health insurance policies. How did the political process influence the development of the 1963 and 1977 NHI Acts? Why did the Korean state enact the 1963 NHI Act at that particular time? Why was the 1963 NHI Act a voluntary program? How was the content of each act developed? What was the nature of the relationship between the state and the other key players (i.e., business, labor, and the medical profession) during the development of these acts? And, how did the institutional environment, including the political culture, influence the form and content of these acts?

The findings of this study suggest that relationships among major agencies and structure within a given historical institutional environments are crucial for understanding the politics surrounding the development and implementation of the 1963 and 1977 NHI

Acts. Furthermore, this study argues that the development of social welfare policies should be understood within the contexts of various institutions, rather than solely from an economic standpoint. The 1963 and 1977 NHI Acts were products of political dynamics between agencies, individuals, and organizations, specifically the state, business, labor, and health professions within given structures.

This study also shows that the state was crucial in implementing the national health insurance policies. The state did not expend much revenue on health care due to a combination of increased spending on defense, economic development, and education. For example, in 1979 the state spent only 2 percent of its budget on health care, 30 percent on defense, 30 percent on economic development, and 16 percent on education (see Table 5-7 in Chapter 5). However, the state did enact the 1963 NHI Act, which did result in a couple of pilot programs. Then in 1977, the state implemented a compulsory national health insurance policy that about 9 percent of the total population. However, the state's financial role remained limited to administrative costs, thus placing the bulk cost of supporting both programs on the shoulders of employees and employers.

Under Park's regime, the Korean state centralized its power by increasing authoritarian rule and strengthening its bureaucratic capacity. The 1961 military coup dramatically increased the political power of the president. As the military junta's center, the Supreme Council for National Reconstruction (SCNR) played a major role in the centralization of state power by replacing the function of the National Assembly. Immediately after the coup, the military junta's primary focus was the economy; it did not pay attention to social welfare until one year before the presidential election in 1963. Consistent with the legitimate crisis theory articulated by Habermas, this study argues

that the junta used social welfare policies as a means to gain political legitimacy in the eyes of the public prior to the presidential elections in 1963. This is particularly evident when one considers that only about 10 percent of the Korean population worked in industry in 1963. Clearly, introducing an employer-based national health insurance (especially one that was not compulsory) was not practical. As the study discussed, the Social Security Committee (SSC) under the Ministry of Health and Social Affairs (MHSA) drafted the content of the 1963 NHI Act, but it was the SCNR that enacted it and changed from the compulsory to the voluntary program. The state's involvement in health care development was very different from its involvement in economic development. This difference was reflected in the content and form of the NHI Acts. Despite its inadequacies, the 1963 Act did result in a couple of pilot programs and did provide the content for future national health insurance legislation. In fact, most of the contents from the original NHI Act remained in the 1977 NHI Act with the exception that the latter was compulsory. Business, labor, and the medical profession did not show any interest in the 1963 NHI Act; only the junta showed any interest in it. Given the asymmetric power relationship that existed between the state and interest groups at the time, it was not difficult for the state to pass the act completely void of interest group participation.

The success of the 1977 NHI Act was partly due to the unusual political environment in which it emerged. While the state was concentrating on the goal of heavy and chemical industrialization (HCI), the Park regime became increasingly oppressive. In 1969, the Korean constitution was amended to allow Park to run for a third term, and in 1972 a new constitution (Yushin) as implemented that gave more power to the president.

Once again, the state faced a legitimacy crisis and, once again, looked to social welfare policies such as the 1977 NHI Act.

The state did not face any strong opposition from interest groups. Due to the institutional pre-existing conditions given by the authoritarian regime, there were only limited opportunities for interest groups to challenge the political process of the NHI policy making. First, under the Yushin regime, the National Assembly was controlled by the state because a majority of the National Assembly was composed of pro-Park members. Second, the strong state suppressed the right to organize labor; therefore, labor unions were weak and followed the rules given by the strong state. Contrary to labor, the state favored business especially big businesses.

The study found that the state created Chaebol-friendly policies because the Chaebols were actualized the goal of the state. The state provided the financial resources and also regulated labor unions so that labor could be organized to fit into rapid growth of economy and pro-Chaebol policy. The symbiotic relationship between business and the state signified the interdependency in the 1970s.

Labor was not organized enough to represent workers' interests in the development of the 1977 NHI Act. Although on the surface there was no significant contention from workers or interest groups in the 1970s, an intense force of social unrest was brewing. The number of people involved in the labor movement was not increasing; however, when labor did become organized, it was vigorous and militant. It was like pressurized steam in a cooker, and the state knew it needed a strategy to reduce the pressure. In the 1970s, workers were working long hours in very difficult conditions. From the state's and employer's point of view, it was time to think about the need for

social welfare policies for workers. However, labor unions were excluded from participating in the development of these policies, including the 1977 NHI Act. Once again the state initiated the 1977 NHI Act and big business and privatized medical professions assisted in implementing it. The state's capacity and autonomy were significant factors influencing the development of the 1977 NHI Act, while the legitimacy crisis faced by the state was the most important factor underlying the politics of the Act.

Culture also matters. Institutions are transported by various carriers—cultures, structure, and routines—and they operate at multiple levels of jurisdiction (Scott 1995). In political practice, culture provides the moral foundation for the distinctive practices of the family and the state. For example, Korean culture is influenced by Confucian doctrines that place primary responsibility on the family, and by extension corporations are expected to take care of the well-being of its workers as if they are members of a family. This cultural belief system may explain why businesses accepted significant sharing of the medical costs of NHI. Confucian culture grants hierarchical authority and emphasizes morality. Park's regime played on this cultural influence, as reflected in its creation of morality-based slogans. Those slogans were widely accepted even among critics of Park's authoritarian government.

Compulsory Expansion and Universal Health Insurance

In spite of retrenchment of welfare programs in other advanced countries in the 1980s, Korea achieved universal health insurance in 1989. As the program's coverage increased after 1977, those outside the program became increasingly isolated from the

rest of the population who had access to the NHI. People outside the program shared one common characteristic: they were not salaried employees working in large-scale work places. Although some may have been well off, most were low income. People not covered paid more for the same health care than those covered by the program.

Eventually, the NHI became a symbol of the middle class and stigmatized those without it. In the 1980s, the NHI became a social justice and equality issue, fundamental values in Korean society. This increasing tension provided the institutional context for the 1989 universal health insurance act.

In 1979, the same year Park was assassinated, Korea was ruled by another military government. The military coup that brought Major General Chun, Do Hwan to power was accompanied by a mass killing that took place in Gwangju, the capital of Jeolla Province. That event triggered ongoing and vigorous social movements in the 1980s. The *Minjung* (the people) movement became radicalized in the 1980s and began to gain acceptance from many sectors of the Korean population, including students, industrial workers, small farmers, and the urban poor (Koo 1993).

These social movements fueled changes in social policy, including the NHI. The Korean national health insurance program sought to provide access to health care to the entire population. The fundamental ideology was based on “equity, redistribution, and social justice.” The state accomplished its goal of universal health care coverage in 1989. Although slow in coming and hard fought, twelve years is considerably shorter period of time to obtain this social welfare policy when compared with other countries. For example Germany took about 100 years from the first national health insurance in 1883

to universal health insurance in 1982. For the same transition, Japan took about 40 years from 1922 to 1960.

Korean health insurance went through many changes since the 1977 NHI Act. When the program was initially implemented in 1977, there were 486 insurance societies. Two years later, the number of societies reached 603. Later, the state required small insurance associations to merge into a single, large regional medical insurance society. As a consequences, the number of insurance societies decreased to 424 societies by 1989 (Moon 1990, Pp. 57-76).

Politically, the compulsory health insurance program was very popular, especially among those living in rural areas and the self-employed. It is, therefore, not surprising that universal health insurance was implemented one year after the 1987 presidential election. It was, after all, the main political slogan of the presidential candidate Roe, Tae Woo who continued the line of military government after Park and Chun. Government expenditure on health care rose from 6.1 percent in 1977 to 19.3 percent in 1989 (Ministry of Health and Social Affairs. Annual Reports on national Health Insurance, 1989). By and large, the universal health insurance program had considerable political legitimacy. Several factors contributed to political support for these rules.

The compulsory program, which started in 1977 with just employers with more than 500 employees, expanded to include more employees in the 1980s. The 1980s were marked by democratization of the Korean society. As the oppressiveness of the state declined, the voices and power of interest groups increased. It was these interest groups that facilitated the emergence of universal health insurance for everyone, including the self-employed. The criterion for compulsory health insurance was expanded to firms with

more than 300 employees in 1979, 100 in 1981, 16 in 1983, and 5 in 1988, and to the self-employed in 1989. During this period of expansion (1977-1987), the state's role and financial support remained limited (Kwon 1996). However, in 1988, the state's financial contribution increased with coverage for the self-employed and farmers.

Anti-government Movements and Health Insurance

The introduction of universal health insurance in 1989 re-configured societal expectations for the role of the state. There was public consensus that social welfare was the responsibility of the state. The 1989 NHI Act was implemented along with the democratization of Korea. This transition to democracy was itself a product of a bottom-up confrontation between the state and the society in the 1980s. Democratization transition needs to be explained in order to understand the political context of the 1989 NHI Act.

A short period of political liberalization, which occurred after Park's assassination in 1979, ended with the military coup lead by Major General Chun, Doo-Hwan in the same year. Under Chun, military rule of Korea continued. In the 1980s, a broad-based coalition of students, industrial workers, and farmers emerged. The growing movement put pressure on Chun's regime and state oppression became increasingly harsh. Massive democratic movements finally put an end to a long-lived authoritarianism and resulted in the agreement of Roh, Tae Wee, presidential nominee of the ruling party to a direct presidential election in his June 29 Declaration of Democratization in 1987 (Cheng and Kim 1994). Anti-government protests led by students, religious leaders, political activists, and even ordinary citizens brought tremendous pressure on Chun's regime and ultimately

ended it. Although Roh won the 1987 election⁵⁴ (mainly due to the competition of two candidates for the opposition party), the ruling party no longer held the majority of assembly seats (Cheng and Kim 1994).

Interest groups especially labor became more active in the 1980s. Massive labor strikes increased dramatically in the 1980s. In 1987, 2,241 labor disputes out of a total of 3,749 disputes occurred during a three-month period (July to September), right after the 6.29 Declaration of Democratization. In comparison, the average numbers of labor disputes during Chun's regime was 276 (Kim and Seong 1993). Through these protests, workers demanded basic labor rights and better working conditions.

As a result, class-based interest groups actively participated in the formation and development of the 1989 NHI Act. Therefore, the 1989 NHI should be understood as a dynamic interaction between economic development, democratic transition, changes in the relationship between the state and civil society relationship (particularly labor), and legitimacy politics. Roh's inaugural speech reflected the consciousness of equity and social justice, which was missing in the prior health insurance policies.

The day when freedoms and human rights can be slighted in the name of economic growth and national security has ended....The time has come to achieve justice and fair distribution of income so that every citizen can share in the fruits of growth (Chosun Daily 1988, June 22).

What are the consequences of this democratic transition to universal national health insurance? All candidates pledged to reform the health care. Universal health insurance was one of the most popular policies among the public. Indeed, the timing of

⁵⁴ In the thirteenth presidential election on December 16, 1977, Roh, Tae-Woo received 36.6 percent of the votes, Kim, Young-Sam 28.0 percent, Kim, Dae-Joong 27.0 percent. The latter candidate became president after Roh.

its implementation was related to the 1987 election. As a candidate, Roe pledged to provide health insurance to the entire population. After the election, he had no choice but to implement the policy, especially since he won the election with only 36 percent of the votes. In March 1989, the universal health insurance bill was passed. Since everyone was covered, health insurance was no longer perceived to be an exclusive benefit of certain parts of society. Prior to the 1980s, the state's role in health care insurance was limited, as was its financial contributions. By 1989, the state's involvement expanded as did its financial responsibility. In 2003, about 36 percent of the population was covered by the corporate-based societies, about 60 percent of the population was covered by private insurance societies, and about 4 percent of the population was covered by the government (see Table 3 in Chapter 1). Did democratization reduce the state's capacity or autonomy? Although interest groups today are actively involved in politics regarding health care, the state still controls health care significantly. For example, physicians and hospital fees are set by the government in coordination with providers, patients and corporations. Medical fees are limited to economic growth.

Implications of the Study

The findings of this study support the integrated theoretical model presented in Chapter 2 (Figure 1). It focused specifically on the following concepts: 1) state capacities: concentration of state structure, state autonomy, capacity of the state, and nature of bureaucracy; 2) cultural ideology; 3) interest groups; and 4) relationships between agencies. Seven concepts drove this theoretical model. This model can be applied to other social policies in Korea and other countries. This study argues that the

strength of a state's capacity in policy making changed with the historical development of the state; therefore, institutional contexts need to be considered. Political, economical, and social dynamics provided the preexisting institutional conditions for Korea's National Health Insurance policies and agencies, the state, business, labor, and health professions and the changing relationship between the state and other key players (i.e., labor, business, and the medical profession) shaped the content and form of the policies. The state's political authority was the key factor that shaped the 1963 and 1977 NHI Acts. The state had significant capacity to orchestrate different agencies, using power, resources, and control. Moreover, in 1963 and 1977, the state had a very strong reason to implement the health insurance policies: to gain political legitimacy and public support prior to presidential elections.

The study also supports that culture played an important role in the health politics in Korea. Korean culture, influenced strongly by Confucianism, supported the state autonomy and accepted its authority. Confucian ideology helped to justify the state's acts. Park's regime appealed to Korean values by creating a series of slogans filled with moral language: *Kenmun Chulyak* ("working diligently and spend frugally"), *Chonhwa Dangyul* ("united solidarity"), and *Hanguokjuck MinJuJuei* ("Korean-style democracy"). These cultural values helped legitimize the state's autonomy and discouraged challenges to it. Cultural factors can influence the prioritizing of rights. In the 1970s, Koreans were more willing to exchange their civil and political liberties for economic progress. For instance, Koreans were more tolerance of restrictions on the right to form independent labor associations when it was viewed as necessary for economic development. This tolerance on restrictions and willingness to sacrifice some liberties for the economy justified the

state's actions in the 1960s and the 1970s. However, this tolerance reached its limit in the 1980s. The citizenry challenged the authoritarian state, forcing it to democratize power.

This study suggests that studies of welfare policy should consider the commitment of political leaders, the state and interest groups; the responsiveness of bureaucracy; and the involvement of political interest groups. Social policies are the product of a political game of interest groups competing for scarce resources and all groups interact within a pre-existing institutional context. Within these institutional contexts, some groups have more power to represent their interests.

This study is a single case study of Korean health insurance. Comparative studies would be fruitful to examine other countries to compare how historically embedded institutional contexts influence social policies. A comparative study may move forward to generalization of the finding. It also would be fruitful to conduct a comparative study with different welfare policies such as pension insurance programs.

This study did not discuss changes in the larger political environment such as the relationship between North and South Korea and other international relationships. We need to include globalization as a factor shaping health care policy research especially when we are interested in today's policies. Today, Korea's health care system is undergoing privatization, and already many of its social justice principles are threatened. A future study needs to consider the larger changes in a global market system to understand these recent changes.

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