

The Emergence of National Health Insurance in South Korea: High Politics and Low Policy

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This paper deals with the formation of Korea's National Health Insurance system within the political, economic, and social context of the era. Contending that Western theories of the development of national health programs should only be selectively and critically applied to an analysis of Korea's National Health Insurance, the article provides an analytical tool for exploring how two dimensions - structural and strategic - have influenced the timing and structure of National Health Insurance. In addition, it shows the extent to which Korea's National Health Insurance was shaped by the Japanese model of health insurance. (Ajou Med J 1997; 2(2): 126~135)

Key Words: *National Health Insurance, Welfare State, Politics, Policy*

The modern Western welfare state had developed four kinds of social insurance: industrial accident insurance, sickness insurance, pension system, and unemployment insurance. These were first established in the Western advanced nations around the turn of the century. Two of these four were introduced in Korea¹ in the early 1960s: one was compulsory industrial accident compensation insurance, and the other was the voluntary health insurance system. Industrial Accident Compensation Insurance (1963) was the first social insurance to be established in Korea. Although the 'Medical Insurance Act' was passed in 1963, this enactment was ineffectual because the insurance was entirely voluntary in character. Not until 1977 was compulsory health insurance partially implemented. The partial enactment of National Health Insurance covered those industries with more than five hundred employees.

There is no doubt that the development of the welfare state has arrived at an impasse in the Western capitalist countries. Contrary to this Western situation, the 'welfare state project'² is still given a top priority in the state policy of newly industrialized countries, including Korea. Although the four types of social insurance that Western

society developed are regarded as prerequisites for achieving the welfare state, the Western 'welfare state project' should not be considered as a model to be adopted by newly industrialized countries. Rather, it should be analyzed as a historical experience.

The purpose of this article is to restore the politics of social policy to its historico-sociological framework, in considering the specific case of National Health Insurance. I analyze its formation through three interrelated approaches. The first involves the ways in which the formation and development of National Health Insurance have been structurally determined by the changing international politics, the ideological characters of the political regime, and the state economic policy. The second examines why and how the state has strategically intervened in the politics of National Health Insurance, and the different responses of various sectors of civil society to this state intervention. Lastly, I focus on how these two dimensions - structural and strategic - have interacted in the shaping of the timing and policy structure of National Health Insurance.

Western Perspectives of the Welfare State and Korea's Historical Experience

The welfare state in the modern sense developed in res-

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ponse to two historical transformations in Western society: The establishment of mass democracy and the growth of capitalism³. Although most arguments on the historical origins of the welfare state view democracy and capitalism as important historical forces, there is a wide spectrum of opinions on how they affected the development of the welfare state.

Many of the contending explanatory modes fit within one of four theoretical perspectives⁴. The first understands the development of the welfare state as a functional requirement of industrialization⁵. According to this view, the welfare state emerges as industrialization and urbanization replace traditional patterns of social life. This functionalist view, however, fails to explain why Germany, a late developer in industrialization, was the first among the European nations to develop systems of state-administered social insurance⁶.

The functionalist interpretation of the welfare state also appears, surprisingly, in the neo-Marxist literature, couched in more ideological terms. In this second theoretical perspective, state-initiated social policies are held to serve the collective needs of capital⁷. Social policies are the response by the state to the social needs of capitalism. Thus, capital accumulation acts as a main force in developing or constraining the welfare state. This approach, however, does not provide an empirical analysis of variations among the Western countries nor identify the political actors that initiate and develop social policies⁸.

A third perspective, based on the social democratic model, sees welfare state development as the product of working class mobilization⁹. This model argues that both the logic of industrialism and the neo-Marxist functionalist view have downplayed the role of political struggles by the working class in generating social policies. The development of the welfare state is viewed, then, not as an inevitable response of the state to development imperatives, but as a consequence of the organization of the working class into social democratic parties. Despite its emphasis on the significance of historical agents versus structure, this perspective does not distinguish between economic and political class struggles, nor recognize intra-class divisions within working class interests¹⁰. Working class interest is not a self-evident category.

Finally, the institutional approach to welfare state development emphasizes state autonomy and state capacities¹¹. When the state has relative autonomy from the dominant

class, the state as an actor-e.g., planner, banker, and entrepreneur-can effectively pursue specific social welfare policies. The success of the state's capacity to intervene in social policy depends on the efficient operation of the bureaucratic machinery. Although this perspective recognizes the significance of the state structure, it does not show how the bureaucratic machinery mediates the interests of labor unions and political parties.

Western perspectives on the welfare state and social policy offer some analytical tools for investigating the historical forces of the policy determinants of National Health Insurance. Nevertheless, there are some theoretical limits in applying the Western paradigms to the less developed countries in general and Korea in particular. These limits result from Korea's specific historical experience.

First, there is a fundamental difference between Western developed countries and Korea in the timing of the establishment of national sovereignty. The Western nations established state-building before the late nineteenth century but the Korean peninsula has been divided into two nations since achieving independence(1945) from Japan. Second, whereas Western countries had become industrialized in the nineteenth century, full-scale industrialization did not occur in Korea until the 1960s. The gradual breakdown of rural society occurred concomitantly with this industrialization. The third difference is the timing of the arrival of the welfare state. Germany initiated social insurance systems in the late nineteenth century, and the other Western advanced societies completed their social welfare measures by the first half of this century. In Korea, only in the 1960s did social welfare gain political attention. Finally, national security against the Communist threat of North Korea has consistently been given top priority in state policy. The defense budget has taken up more than one third of the total national budget.

This historical specificity of Korea requires care in applying Western paradigms to a historico-sociological analysis of the development of National Health Insurance. In Western societies, the establishment of national sovereignty (the seventeenth century) followed by industrialization (the eighteenth century), followed by welfare state development (the nineteenth century) occurred, as cause-and-effect events, over the course of three centuries. In Korea, these three events occurred concomitantly over

a period of four decades.

Origins of National Health Insurance

The beginnings of the health insurance system¹² in Korea can be traced to 1955, when the Pusan Labor Hospital was built¹³. Working as a manager at this hospital, Chang-Dahl Sohn, a pioneer who strove to introduce a health insurance system in Korea, observed the high utilization rate of medical care by the industrial workers and their families who were registered as members at this hospital, and concluded that a health insurance system could be successful in Korea. After making a survey of its patients, the hospital submitted a memorandum, *Recommendation for the Introduction of a Social Security System in Korea*, to the government in 1959¹⁴. This was the first proposal for establishing a health insurance system, of any form, in Korea.

Modernization in Korea began with the military junta that took over state power on May 16, 1961¹⁵. Immediately after the coup, the Military Revolutionary Committee issued six pledges¹⁶ to the Korean people. These pledges succinctly profess the political, economic, and ideological stances of the military junta. The military junta based the *raison d'être* of the military revolution in a fundamental tripartite cause¹⁷: economic growth, controlled democracy¹⁸, and anti-communism. This determined the form of the state, the type of the polity, and the direction of state economic policy for the duration of the Third Republic.

Although the military junta did not include the issue of social security in its six pledges to the nation in 1961, its basic policy toward social security was clearly manifested in the first issue of the *Proceedings of the Supreme Council for National Reconstruction*: the objective of social and health insurance should be achieved, to the extent compatible with industrialization¹⁹. Thus, in 1961, the junta leadership considered social security policy as an instrument for accomplishing industrialization. However, the attitudes of the junta leadership toward social welfare apparently began to change in early 1962. To present a new image, to distinguish itself from the Second Republic, the junta expressed its support for social welfare and social security in a policy speech on state affairs.

A proposal for convening the Social Security Committee, which had been delayed by the coup, was passed

with little revision on March 20, 1962²⁰. The Social Security Committee was thus instituted according to Cabinet ordinance. Regarded as the first research institute on social security and welfare in Korea, it consisted of four sections: social security in general, industrial accident compensation insurance, health insurance, and public assistance and social welfare²¹.

However, the Committee failed to realize policies. First of all, the Committee was neither politically nor organizationally institutionalized. The social security reformers working in the Committee shared not so much politically organized interests as a single-minded aspiration to introduce a social security system in Korea. No organizational cooperation was evident between the four sections of the Social Security Committee. Never did the Committee have policy resources at its disposal. Although they had access to the junta's leaders or top bureaucrats in the government, the Committee were structurally marginalized in the policy-making process within the state hierarchy. Moreover, frequent conflicts between the experts of the Committee and regular officials had a constraining effect on the Committee²², curbing the political status of the social security reformers.

On July 28, 1963, Chung-Hee Park, as Chairman of the Supreme Council for National Reconstruction, a temporary organ of government, issued to the Cabinet an order memorandum, "The Establishment of a Social Security System"²³. The contents of this memorandum can be summarized as follows²⁴: (i) the ultimate objective of the military revolution was to protect the people from unemployment and sickness and to establish the welfare state; (ii) the social security system must be compatible with economic development; and (iii) it was essential to institute the social security system that would be most appropriate to the Korean situation. The junta regarded social security legislation as an opportune means of expanding popular support for the regime.

But the victory of the pro-junta Democratic Republican Party in the presidential and National Assembly elections negatively shifted the military regime's policy perspective on health insurance. First, the Health Insurance Act was legislated on December 16, 1963, immediately after two subsequent election. With the smooth transfer of power to the civilian government, the military regime felt no need to implement a new social security system. Second, because the state had to share administrative costs for the

operation of the health insurance system according to the original bill, the junta leadership was afraid of financial burdens on the government. In fact, the Ministry of Health and Social Affairs did not prepare special accounts for administrative costs for the implementation of health insurance. Third, although the Committee Medical Insurance considered the economic hardship at that time and included a five year's delay of enforcement of health insurance in an amendment to the original bill, even this additional clause was deleted in the Health Insurance Act.

Under the slogan of "First Construction, Later Distribution", social welfare policies had essentially been insubstantial rhetoric. The following statement by one of the contemporary social security reformers represents how the military regime viewed the legislation of health insurance in the early 1960s:

...[voluntary] health insurance was not legislated in such a way as to consider socioeconomic situation of the time, or to concede to the demands of societal groups, or to achieve the goal of social policy; rather, it was recklessly concocted to satisfy the ambition of the military junta²⁵.

Establishment of National Health Insurance

In the face of political, economic, and social turmoil at the domestic and international level, President Park staged a second coup on October 17, 1972, placing the country under martial law. The *Yushin* regime was thus established.

Under the new *Yushin* constitution, state power was heavily concentrated in the hands of the president. The result of this concentration of power was a '*Koreanized democracy*' in which the president significantly thwarted the division of state power among the three-judicial, legislative, and administrative-branches of government. The *Yushin* constitution also empowered the president to take emergency measures in the name of national emergency or security.

The presidential New Year's news conference of 1976 was a turning point in Korea's social security policy. President Park, who had not shown support for the implementation of a health insurance system until 1975, declared in 1976 that the government would launch National Health Insurance in 1977 as a means of social development. This declaration was reiterated on February

10, 1976, during the President's annual visit to the Ministry of Health and Social Affairs(MHSA). Stressing that medical care should be equitably available to low-income classes, President Park justified the establishment of health insurance by including medical care among the other necessities of life such as clothing, food, and shelter. Immediately after the President's order, the Bureau of Welfare Annuity in the MHSA embarked on policy formulation for the extension of medical care "benefaction", and prepared a long-term plan for a health insurance system²⁶.

Why did President Park decide to implement a health insurance system at that time? What was the driving force for the innovations in health insurance policy under the *Yushin* regime? In considering these questions, my investigation into the policy determinants involves three analytical steps²⁷. The first step shows how, in the mid-1970s, the President, a supreme policy decision-maker, faced a dilemma: having to reconcile the demands of civil society with the resistance to social security expenditures. In the second step, I will examine why and how the health insurance system was considered a policy strategy that could resolve this dilemma. Finally, the third step uncovers the external effects of the establishment of National Health Insurance, including its politically and economically latent benefits and burdens.

President Park perceived four events in Indochina in 1975 as extremely serious threats to Korea's national security: the fall of the Khmer regime on April 17, the resignation of President Thieu of Vietnam on April 21, the declaration of the end of the Vietnam War by U.S. President Ford on April 23, and the visit of North Korean President Il-Song Kim to China from April 19 to 28. To make matters worse, the U.S. was said to be considering a change in the defense line in the West Pacific, from which South Korea and Taiwan would be excluded²⁸. The visit of North Korean President Kim to China, in particular, was regarded as preliminary to a military invasion of South Korea.

The Park regime felt that growing domestic opposition movements were accelerating this 'crisis of national security'. The ninth Presidential Emergency Measure (PEM), whose prime objective was to prohibit and punish any act of opposition to the *Yushin* constitution, was proclaimed both to heighten popular consciousness of national security and to repress the political mobilization

of the popular sectors. Although President Park sought its *raison d'être* in the crisis of national security, it was consistent with the exclusionary policy of the Park regime that the ninth PEM ensured the political exclusion of civil society. Thus, the Park regime expected the ninth PEM to take care of not only the crisis of national security but the political demands of the people.

As the President was making decisions on the Fourth Five-Year Economic Development Plan (FYEDP, 1977~1981), an unexpected incident occurred that called for broadening of the existing concept of national security. In a regular report to the President, the Korean Central Intelligence Agency(KCIA) appended a leaflet distributed by North Korea. This leaflet described the grim state of medical care in South Korea:

A medical doctor in a white gown refused to give medical treatment for a crying mother who carried a baby on her back. The doctor told her to bring her money, and she screamed, shouting "Where is my fatherland?"²⁹.

Greatly shocked at this description of South Korean medical 'reality', President Park ordered the administration to include a medical care policy for low-income classes in the Fourth FYEDP. He perceived North Korea's version of the South Korean medical situation as a threat to national security³⁰. Social security was thus accepted as a new strategic measure for consolidating national security³¹. Thereafter, the Park government more actively considered a social security policy, as well as a military modernization program, in its efforts to establish the superiority of the South Korean social system over that of North Korea. Whereas the ninth PEM was the 'stick' to ensure the political exclusion of popular sectors in the name of national security, President Park's strong interest in a health insurance system served as the 'carrot' that could socially integrate marginalized classes vulnerable to social upheaval and communist demagoguery.

Before President Park announced his support of the enactment of National Health Insurance in 1976, the necessity of a health insurance system had already been raised in 1975 in the Health and Social Affairs Committee of the National Assembly³². Made after the President's annual news conference of 1976, the following statement by a member of the majority party of the National Assembly clearly expresses why the improvement of the social security system was included among the priority issues at that time:

It is necessary to make the labor supply smooth, to improve working conditions, to maintain close cooperation between labor and capital, and to develop a social security system in our present situation. ...As the working populations increase, these issues will become weightier, and particularly in being pitted against North Korea, these tasks are necessary for substantiating the falsehood of the North Korean Communist puppet government³³.

Given that national security and national harmony formed the basis for state policy in 1975 and 1976, it is not surprising that the necessity of a health insurance system was actively discussed in those terms.

Medical Security as a Means of Competition between the North and South Korean Social Systems

Was the social security policy in North Korea in the mid-1970s really developed to such an extent that the social security policy of the Park regime had to respond? Unless the North Korean medical security system was much superior to that of South Korea in this period, it cannot be logically argued that the implementation of National Health Insurance in South Korea was attributable to the Park regime's policy response to the North Korean social security system. Despite the importance of this question, it is not possible to substantiate it because the statistical data on North Korea's social security system, including health indicators, have been unreliable. Even though we can prove that the North Korean medical security system was more developed than that of South Korea, that is one thing. Another thing is, to what extent did President Park seriously perceive the issue of medical security to be important for national security and social integration?

In this section, I will describe the competition between North and South Korea throughout the 1970s with respect to health policy. Just as the *Yushin* constitution of 1972 was enacted by decree in South Korea, so the Supreme Council of People of North Korea legislated a socialist constitution of December 27, 1972. The socialist constitution was a product of President Kim Il-Song's victorious emergence from the power conflicts within the party leadership in the late 1960s³⁴.

North Korea's Six-Year Economic Development Plan(1971~1976) was implemented to strengthen the material and technological foundations of socialism³⁵. On

November 2, 1970, at the Fifth *Chosun*(Korea) Labor Party Congress, North Korean President Kim stated that the basic goal of this development plan was to accomplish three technological revolutions: To abolish the difference between heavy labor and light labor; to lessen the difference between industrial labor and agricultural labor; and to liberate women from housework³⁶. Whereas the Park regime transformed its industrial strategy from light to heavy chemical industrialization in the early 1970s, North Korea emphasized a balance between light and heavy industries, and pursued equitable development of rural and urban areas.

North Korean health policy in the 1970s addressed inequities in medical care services between urban and rural areas³⁷. At the Fifth *Chosun*(Korea) Labor Party Congress, President Kim underscored three concrete measures for improving medical care services for rural residents: "...to strengthen obstetric facilities for rural women, to promote the rural clinic to the status of hospital, and to institute hospitals for rural children"³⁸. The emphasis of health policy on rural health services was consistent with the overall shift of North Korean social policy from growth to equity.

A prominent medical historian of North Korea, Sun-Won Hong, describes the main features of health policy in the 1970s as follows:

To improve medical care services for rural residents by converting rural clinics to hospitals is significant for attaining the Six-Year Plan that aims at diminishing the difference between rural and urban areas and enhancing the equitable development of people's living standards. This improvement also meets an important call for ensuring the equitable access to free medical care re-emphasized in the *Socialist Constitution of the People's Republic of Korea*³⁹.

After giving a detailed explanation of the nationwide program of upgrading rural clinics to hospitals, Hong compares North and South Korean health care services in rural areas. Despite national medical care "benefaction" in South Korea, he contends, South Korean People suffered from insufficient medical personnel and high medical care costs⁴⁰. His judgement of South Korean medical reality rests on two points: first, there were 800 villages, without physicians in South Korea in the late 1970s; second, health expenditures in South Korea gradually decreased from 0.9 percent of the national

budget in 1970, to 0.8 percent in 1973, to 0.7 percent in 1979⁴¹. Finally, Hong emphasizes the international significance of the North's conversion of rural clinics to hospitals. He mentions that 200 hospitals in the U.S. went bankrupt during 1975 and 1976; citing the 'crisis in health care' faced by the advanced capitalist countries in the mid-1970s, he asserts the superiority of the North Korean socialist system over the profitmaking capitalist system⁴².

It is beyond the scope of this article to consider whether North Korea actually succeeded in abolishing the inequities in health care services between urban and rural residents. Rather, based on Hong's study of health care system in North Korea, it is clear that North Korean President Kim endeavored to develop rural health services as a means of strengthening the socialist system, just as the South Korean President decided to launch National Health Insurance as a means of demonstrating the superiority of the capitalist system.

The Politics of Interest Groups: Modes of Interest Representation

There were more than 1,000 interest groups in Korea in the mid-1970s. I am concerned here with three groups that were closely interested in the policy-making process of the National Medical Insurance Act: the Federation of Korean Industries, the Federation of Korean Trade Unions, and the Korean Medical Association. My analysis addresses three questions: (i) how did interest groups promote their goals? (ii) how did interest groups affect the structure of National Health Insurance? and (iii) how did the bureaucratic machinery respond to the representations of interest groups?

The Federation of Korean Industries(FKI)

Several months after the Park government announced the establishment of National Health Insurance at the 1976 New Year's news conference, the FKI held a number of conferences on health insurance to discuss its effect on the industry⁴³. These discussions resulted in the submission of the "Comprehensive Report on the Improvement of Health Insurance System" to the Ministry of Health and Social Affairs on September 22, 1976⁴⁴. While agreeing with the basic plan of National Health Insurance, the FKI suggested several amendments: raising the threshold to industries that employed more than

1,000 employees; a preparatory period of one year; and deduction of premiums, scaled according to income, from the workers' paychecks.

Why did the FKI change from its initial ambiguous stance to active support for the implementation of National Health Insurance? The answer lies in the 'fragmented structure' of the Korean capitalist class, whose interests are satisfied in the economic sectors, but are politically and ideologically frustrated by the state. This 'fragmented structure' was clearly manifested in the policy-making process of National Health Insurance in 1976. Because the FKI approved of President Park's political reasons for deciding to enact National Health Insurance, it could not oppose his decision. Instead, the FKI's activities were aimed at furthering its own economic interests in the legislation process of the National Medical Insurance Act. Its demands included government subsidization of the insurance society, stratification of monthly standard remunerations, and autonomy for the society's decision-making on medical cost payments. Although these demands were not entirely accepted, they were partially met when one high-ranking veteran of the FKI became president of the National Association of Medical Insurance Societies in 1977⁴⁵.

The Federation of Korean Trade Unions(FKTU)

The degree of political mobilization of Korea's organized labor was determined by the labor policies of the Park government. First, to repress the organization of the working class, the authoritarian regime limited labor politics to the level of individual enterprise or worker. Unable to organize into collective actions, the working class was excluded from political participation. Not surprisingly, the FKTU's concerns about National Health Insurance were not mobilized into class interests. Accordingly, the stage did not have to make political and economic concessions to the working class in the 1970s. Second, the shift in labor control strategy from industrial to enterprise unionism nullified the possibility of collective bargaining and collective action. In this situation, the working class could not be mobilized for collective political action, nor was labor productivity translated into real wages increases for workers.

The leadership of organized labor expressed solid support for the *Yushin* regime throughout the 1970s. Even in 1974~75 when social security was enveloped in

the broader issue of national security by the administration, the FKTU did not attempt to capitalise on this by pushing its worker benefits agenda, including medical insurance. Although, requiring that the premium burden on workers should be reduced to 20~30 percent from the existing one, the FKTU presented its own proposal to the MHSA on June 8, 1976⁴⁶, this demand was part of a customary and perfunctory paper war.

The Korean Medical Association(KMA)

Because the KMA saw that the implementation of National Health Insurance would greatly transform the Korean health care system, it was inevitably sensitive to the policy structure of National Health Insurance. The KMA developed an independent proposal and presented it to the ruling party and Minister of Health and Social Affairs.

While the FKI's representation focused on the autonomy of insurance societies and the financial burden on the industrial sectors, the KMA put primary emphasis on the maintenance of professional dominance. Organized medicine was afraid that National Health Insurance would undermine its professional control over medical care costs. Thus, the issue of medical insurance costs was the major concern of the KMA. The Coordination Committee for the Enactment of Health Insurance Fees, consisting of the MHSA, the KMA, and the Korean Hospital Association, brought together to address this concern, made an observatory visit to investigate the Japanese health insurance program. However, the KMA's efforts on behalf of professional monopoly over medical care costs did not translate into actual results. The final decision on medical care costs was not in the hands of the MHSA, but under the jurisdiction of the Economic Planning Board that held enormous power over social policy-making within the bureaucratic machinery.

In effect, the Korean bureaucratic machinery paid scant attention to the organized activities of interest groups. The result of the MHSA's response to the demands of interest groups and to criticism by other government agencies can be summarized as (i) the reduction of the financial burden on the government, (ii) the financial stabilization of the insurance society, and (iii) the administrative efficiency and effectiveness of insurance management. These objectives served as the guidelines for the MHSA in its running of the National Health Insurance

program throughout the 1970s and 1980s.

Policy Structure of National Health Insurance

The adoption of the Japanese health insurance system as a model for the Korean health insurance system is understandable on two counts. First, given the overall impact of the Japanese model of industrialization on socioeconomic development in Korea⁴⁷, it is not surprising that the Japanese health insurance system became a prototype for Korean National Health Insurance. Second, although American medicine had a dominant influence on the development of Korean medicine after 1945, it was not an ideal model for the Korean health insurance system because the U.S. had failed to achieve compulsory health insurance. Social security reformers of the 1960s and government bureaucrats of the 1970s found an alternative in the Japanese health insurance system.

The paper examines the main contents of the National Medical Insurance Act in such a way as to analyze "not only what the law says but, above all, why it says what it does say"⁴⁸. First of all, the Japanese model's influence in shaping Korean health insurance was most notable in three interrelated areas⁴⁹: (i) which administration system would be relevant; (ii) who would be covered by health insurance; and (iii) how financial resources would be mobilized. While Japanese health insurance was a dual system in the 1970s, consisting of Employees' Health Insurance and National Health Insurance⁵⁰, the Korean National Medical Insurance Act adopted only the former scheme that covered industries with more than 500 employees. According to the Act, as under the Japanese scheme, the employer and the insured each would pay half of the contribution (Article 51). There would be some government subsidy not for insurance benefits but for operating budgets of insurance societies (Article 48). The premiums would be determined by multiplying the standard monthly remuneration by the contribution rate, ranging from 3 to 8 percent of the contribution wage (Article 50).

The insurers, as the agents in charge of managing the program, consisted of two types of 'medical insurance societies' (Article 13). The Class I society was made up of the employers and Class I employees, and the Class II society consisted of any resident within its jurisdiction who wanted to join (Article 14). To provide health

insurance, the Minister of Health and Social Affairs could order an insurance society to join the Central Federation of Medical Insurance Societies (CFMIS) (Article 27). The major role of the CFMIS was to ensure stable insurance financing and to manage medical or welfare institutions (Article 27). Medical insurance societies and the CFMIS were regulated by the rules concerning the incorporated body of the civil law (Article 28).

Why did the Park government choose the medical insurance society as the administrative organ responsible for implementing the National Health Insurance program? What are the policy implications for the society-based health insurance system? Detailed answers to these questions are of significance because, the issue of the society-based administrative system has been a hotly debated policy issue and generated political conflicts until now; and more importantly, through its analysis, the political nature and ideological character of Korea's social policy can be demonstrated.

Several factors affected the decision in favor of decentralized administration⁵¹. First, the Japanese decentralized health insurance system greatly influenced the structure of Korean health insurance in the revised Act of 1976. Second, the Park government considered the decentralized health insurance system as intermediate between a state-administered insurance system (e.g., a National Health Service) that might augment the financial burdens on the state, and a private insurance system (e.g., a Health Maintenance Organization) that could reduce the real effects of a health insurance system. Hyon-Hwak Shin, the Minister of Health and Social Affairs in 1976, expressed this idea in his address on the basic directions of government health policy⁵². Third, in view of President Park's sudden decision to establish health insurance without advance preparations for its enactment, the bureaucratic machinery favored the society-based administrative system as the least fiscally burdensome for government. That would be a better vehicle for gradually extending health insurance to the whole nation⁵³.

Conclusion

Korea's experience of National Health Insurance in the 1960s and 1970s shows a *sui generis* development pattern. National security was given the top priority of state policy in the era of national division between North and South

Korea as a product of the Cold War. It should not come as surprise that Korea's National Health Insurance, as a social policy, was developed in the mid-1970s in the name of national security. Recognizing national security as the 'social question' to be most urgently solved in the mid-1970s, the Park regime strategically exploited National Health Insurance policy to enhance its legitimacy and popular consciousness of national security.

Because the Park government's labor politics relied heavily on a repressive labor control strategy, the ruling bloc approved of social stratification strategy in the mid-1970s. This strategy was realized in an exclusionary type of health insurance policy. The administrative structure of National Health Insurance was based on an insurance society, which was antithetical to the notion of the universal and comprehensive health insurance. The insurance concept of coverage was biased toward employed workers who could pay the insurance premiums. Under the National Health Insurance scheme in the mid-1970s, labor did not exist as a class, but rather was subject to the state, as "a series of discrete functional and/or occupational categories".⁵⁴ In addition, the urban poor was marginalized from the benefits of National Health Insurance.

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