

“FAIRNESS” AND JAPANESE GOVERNMENT SUBSIDIES FOR SICKNESS INSURANCES

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Introduction

The main research question addressed in this paper is: What is the relationship between government subsidies and “fairness” in Japanese sickness insurance.¹ This paper deals with the formative first 30 years of Japanese sickness insurance programs from Japan’s first Health Insurance (HI) law enacted in 1922, to the Advisory Council Recommendation in 1950. Japanese HI, Japan’s first form of social insurance is comprised of two programs: a Government-Managed Health Insurance (GMHI) for which the government was the insurer and an Association-Managed Health Insurance (AMHI) for which corporate HI associations were the insurers. The government provided both programs with subsidies.

Conflicting views exist with regards to fairness. It is argued that everyone has certain basic needs including health. These basic needs constitute a universal core and it is fair to enhance them.² However, some advocate that there are no universal or absolute criteria of fairness. There is only a common criterion of fairness in specific settings.³ Fairness in social welfare is dependent on these differing opinions. This paper analyzes how the concept of fairness, with its differing meanings, affected the development of Japanese sickness insurance policies.

¹ In this paper, “sickness insurance” refers to a variety of legally-required sickness insurance programs (social insurance), such as Health Insurance, National Health Insurance and other programs.

² Len Doyal and Ian Gough, *A Theory of Human Need* (New York: The Guilford Press, 1991).

³ Blair H. Sheppard and Roy J. Lewicki, “Toward General Principles of Managerial Fairness,” *Social Justice Research* 1 (1987); E. Barrett-Howard and T.R. Tyler, “Procedural Justice as a Criterion in Allocation Decision,” *Journal of Personality and Social Psychology* 50 (1986); Tom R. Tyler, “What is Procedural Justice?” *Law & Society Review* 22 (1988); Tom R. Tyler, *Why People Obey the Law* (Princeton: Princeton University Press, 2006).

The Japanese government sought to secure fairness of government subsidies through an increase in the number of insured people. This method of achieving fairness had important effects: Japanese sickness insurance programs came to place less emphasis on an insurance principle, and more emphasis on a social principle that the government has to assume responsibility for making financial contributions through government subsidies. Japanese sickness insurance programs are social insurance, a joint self-assistance system organized by the insured people mostly financed for them to secure their own economic stability. In return for their obligation to pay premiums, insured people are entitled to receive benefits when necessary as their due right, without taking any form of means testing. Premiums should cover the expenses needed for benefits, while the government subsidy should cover the administrative expenses. However, there is an incongruity between the demand for medical services and the deficit of premiums which elicited a demand for increased government subsidy.

Diverse interpretations remain regarding government subsidies for sickness insurance programs. Some scholars agree with the idea of increasing government subsidies to reduce the economic burden of insurance premiums and to mitigate the financial burden of physicians,⁴ to make the state responsible for improving people's health and living standards,⁵ and to foster Japan's social security program.⁶ Other scholars express concerns about subsidies leading to excessive government intrusion into private life. The fear that sickness insurance programs may be transformed into quasi-public assistance,⁷ that tax money will be channeled

⁴ Matsumoto Kōtarō, *Shakai hoken to shakai hoshō* (Tokyo: Rōdō bunkasha, 1949), p. 42; Kurokawa Hiroshi, "Kokumin kenkō hoken seido," in Koyama Michio, ed., *Iryō Hoshō* (Tokyo: Chuō hōki shuppan, 1985), pp. 101–102, 110; Kawakami Takeshi and Kosaka Fumiko, *Sengo iryō shi josetsu* (Tokyo: Keisō shobō, 1992), pp. 28–30.

⁵ Nishio Masashichi, "Kenkō to byōki," in Nishio Masashichi and Sakayori Toshio, eds., *Hitobito no kenkō to shakai hoshō* (Kyoto: Hōritsu bunkasha, 1978), p. 7.

⁶ Kudō Tsuneo, "'Shakai hoshō niokeru shakai hoken' towa nanika," *Chingin to shakai hoshō* 1154 (1995), pp. 21–22; Kudō Tsuneo, "Shakai hoshō no zaigen mondai ni kansuru ichi kōsatsu," *Keizaigaku ronsō* 36/4 (1995), pp. 408–409.

⁷ Tomonō Taketo, "Shakai hoken no shakai fujo eno tenraku," *Shakai hoken*

away from public assistance;⁸ and that people may become excessively dependent on the government.⁹ Other researchers state the belief that it is impractical to apply social insurance to a universal sickness insurance program.¹⁰ Others take the narrow view that the government cannot be trusted to spend public revenues wisely.¹¹

In the case of Japanese sickness insurance, the concept of fairness is linked to government subsidies and an increase in the number of insured people, leading to universal coverage. Fairness is the key concept in understanding the development of Japanese sickness insurance programs.

The 1922 Health Insurance Law and Government Subsidies

Inflation fomented labor unrest in Japan during World War I and after. The number of labor disputes increased dramatically. In 1918, there were over 400 labor disputes involving more than 66,000 participants. By 1919 both the number of labor disputes and the number of participants had quintupled.¹² Japan's major political parties responded to the labor unrest in

jihō 25/4 (1951), p. 3; Takahashi Chōtarō, “Iryō hoshō no mondaiten,” *Kenkō hoken* 10/4 (1956), p. 5; Kuroki Toshikatsu, *Nihon shakai hoshō* (Tokyo: Kōbundo, 1959), p. 104; Niwata Noriaki, “Shakai hoshō no rinen to hoken no genri,” *Kikan shakai hoshō kenkyū*, 2/3 (1966), pp. 15–16; Tsutsumi Shūzo, *Shakai hoshō no kōzō tenkan* (Tokyo: Shakai hoken kenkyūjo, 2004), pp. 30–31, 154, 200.

⁸ Fukutake Tadashi, *Shakai hoshō ron danshō* (Tokyo: Tokyo daigaku dhuppankai, 1983), p. 140.

⁹ Saguchi Takashi, “Iryō hoken,” in Ōkōchi Kazuo et al., eds., *Gendai rōdō mondai kōza* 8 (Tokyo: Yūhikaku, 1967), p. 31.

¹⁰ Fujii Ryōji, “Shakai hoshō to hoken genri,” *Mita shogaku kenkyū* 39/3 (1996), p. 75.

¹¹ Nakata Yoshio, “Iryō hoshō to kokka no sekinin,” *Kenkō hoken* 20/10 (1966), pp. 40–41; Fujita Sei, “Iryō hoken no seidokan kakusa to zaisei chōsei,” *Kikan gendai keizai* 35 (1979), p. 85; Watanabe Shigeru, “Iryō hoken to kōteki futan,” *Keizai kenkyū* 26/2 (1981), p. 38; Jinushi Shigeyoshi, “Shakai hoshō no zaigen seisaku no kadai to tenbō,” in Shakai Hoshō Kenkyūjo, ed., *Shakai hoshō no zaigen seisaku* (Tokyo: Tokyo daigaku shuppankai, 1994), p. 6; Sugagya Akira, *Shakai hoshō ron* (Tokyo: Nihon hyōronsha, 1990), p. 205; Kimura Yōko, “Iryō hoken no Zaigen seisaku (2),” *Kenkō hoken* 52/7 (1998), pp. 28–29.

¹² Fumito Tsuchiana, “Daiichiji taisengo no shakai seisaku no tenkai,”

various ways, which eventually coalesced around sickness insurance reforms.

In January 1920, *Kenseikai*, a major opposition party, publicly proposed a sickness insurance bill. *Kenseikai's* objective was to promote the party's social policy and use the bill's submission to attract public attention and support the party's expansion in urban areas.¹³ The *Kenseikai's* bill included a government subsidy of 20% of the premium contribution. Mori Shōzaburō, a Tokyo Imperial University professor, regarded the government sickness insurance subsidy as a demonstration of social solidarity and 20% as an appropriate rate.¹⁴ The 20% figure, however, had no scientific or theoretical basis nor was it based on rational cost calculations.¹⁵ In February 1920, *Kenseikai* submitted its bill, to the Imperial Diet, but it was not brought up for discussion because Prime Minister Hara Takashi dissolved the Lower House to oppose an election-reform bill.

As a result of the general election held in May 1920, the *Rikken Seiyūkai* triumphed to occupy the majority of seats in the Lower House. In August 1920, partly in response to the *Kenseikai's* initiative, the Hara Takashi Cabinet established a Labor Section within the Engineering Bureau of the Ministry of Agriculture and Commerce (MAC) to begin researching and planning HI. In November 1921, the Labor Section completed an outline of an HI bill that stipulated the amount of the subsidy as “two yen per insured person per year.”¹⁶

In December 1921, the MAC established an Investigation Committee for Labor Insurance (ICLI) to seek advice on labor insurance. The Agriculture and Commerce Minister asked the ICLI to examine the outline of the HI bill. Shijō Takashi, the Engineering Bureau Director, explained the financial resources for this new program. “It is logical to

Takushoku daigaku ronshū 115 (1978), p. 88.

¹³ Kasahara Hidehiko, *Nihon no iryō gyōsei* (Tokyo: Keiō gijuku daigaku shuppankai, 1999), p. 81.

¹⁴ Mori Shōzaburō, “Kenseikai teishutsu no shippe hoken hōan hihan,” (1920) in Shakai Hoshō Kenkyūjo, ed., *Nihon shakai hoshō zenshi shiryō* 3 (Tokyo: Shiseidō, 1981), pp. 54, 59; Mori shōzaburō, *rōdō hoken kenkyū* (Tokyo: Yūhikaku, 1921), p. 285.

¹⁵ Arioka Jirō, “Saishutsu yokusei henchō no iryō hoken kaikaku,” *Kenkō hoken* 52/6 (1998), pp. 37–38.

¹⁶ Shakaikyoku Hokenbu, ed., *Kenkō hoken jigyō enkaku shi* (Tokyo: Shakaikyoku hokenbu, 1937), pp. 2, 3, 14.

make workers and their employers who would benefit from this insurance jointly assume financial responsibility.” As for the government financial role, Shijō noted that the HI would cost about 20 yen per person per year and the government would provide “two yen per person per year, which would largely cover administrative fees.”¹⁷

As long as there was a government subsidy, and tax money was used for HI, MAC officials had to be careful in ensuring fairness in their usage because the HI would cover only a minority of industrial workers, about two million workers or only about 3.3% of the entire population.¹⁸ Improving workers’ welfare was considered to be a public good as long as the ministry made a self-regulation of contributing only 10% of the insurance expenses.

Fixed Amount or Fixed Rate

Ensuring fairness was also a major issue in the ICLI debate concerning whether the government would employ a fixed-amount or fixed-rate subsidy for HI. The Engineering Bureau regarded the fixed-amount subsidy as fair; however, this became a contentious point.

Egi Tasuku, a member of the House of Peers representing liberal *Kenseikai*’s opinion, advocated a fixed-rate subsidy system. Kameda Toyojirō, a mathematician and government official on the committee, endorsed a fixed-rate subsidy. He understood that once the fixed-amount subsidy system was adopted, “only those who can get more benefits will establish corporate HI associations and the rest will depend on the GMHI.” Subsidies needed to be adjusted to price fluctuations, Ono Giichi, representing the Ministry of Finance, said, “It is better to adopt a fixed-rate system commensurate with the ups and downs of prices of commodities rather than a fixed-amount subsidy of two yen per person.”¹⁹

In response, Zen Keinosuke, the Labor Section Chief, said, “We employed the fixed-amount subsidy to make it fair. If we prepare the subsidy in proportion to premiums, we have to provide higher-wage workers with a larger amount of subsidy and lower-wage workers with a

¹⁷ Shakaikyoku Hokenbu, ed., *Kenkō hoken hō shikō keika kiroku* (hereafter KHH) (Tokyo: Shakaikyoku, 1935), pp. 4-18, 27. For the list of committee members, see KHH, pp. 19-20.

¹⁸ Hiroumi Kōichi, “Iryō hoken seido to shakai,” *shōgaku kenkyū* 17 (1974), p. 121.

¹⁹ KHH, pp. 136, 153-154.

smaller amount of subsidy.” Zen believed that the fixed-amount subsidy would be fairer because “medical treatment fees are the same regardless of wage income.”²⁰ Takeuchi Sakuhei, an attorney, business executive, and a Diet member, supported Zen’s idea for another reason: with the fixed-amount subsidy, the government was able to determine a definite budget. Shijō seconded Takeuchi’s idea in the interest of setting a specific budget amount. Mori tried to be objective. “The fixed-amount system and the fixed-rate system both have advantages.” Saying this, Mori personally preferred the fixed-amount subsidy system “because it gives more assistance to low-wage workers.”²¹ In the end, Zen’s idea of the fixed-amount subsidy prevailed in the discussion. As Mori explained, both subsidy methods presented advantages and disadvantages, but reliance on political judgment was needed. In January 1922, the committee reported that “For the convenience of calculation, we maintain the original bill [of the fixed-amount subsidy at two yen per person].”²²

Neither fixed-amount nor fixed-rate subsidy would make much difference as long as there was an upper limit of two yen per person per year. Consequently, it was easier to strike a compromise. After receiving this recommendation, the MAC invited comments from other interested ministries. In the end, the ministry, pressured by Egi’s strong insistence on adopting the fixed-rate subsidy and the Ministry of Finance, made a significant revision concerning the subsidy proposal. New wording was inserted into the bill which read as follows: “The government subsidy is responsible for one-tenth of the cost necessary for insurance benefits of each corporate HI association...when the sum of government subsidies surpasses an average of two yen per person per year the government subsidy for each corporate HI association will be reduced to the designated limit” in accordance with the edict.²³ In March 1922, the government submitted the HI bill to the Imperial Diet, which passed the bill. In April 1922, the HI law was promulgated.

For the GMHI, a special accounting system was established to regulate financing of the insurance program. The government passed the HI special accounting law that became effective in January 1927.

²⁰ KHH, p. 43.

²¹ KHH, pp. 135–37.

²² KHH, p. 151.

²³ KHH, p. 190.

Extreme Lines

Two extreme lines of argument emerged during the enactment process of the HI: Demanding a larger subsidy to cover not only the administrative expenses but also individual insurance benefits on the one hand, and eliminating the subsidy all together on the other hand. At this juncture, neither line of argument was taken seriously.

At the ICLI meeting held in December 1921, Kuwayama Tetsuo from the Ministry of Posts and Telecommunications made a proposal to use the government subsidy not only for administrative fees but also for individual insurance benefits.²⁴ This was a critical point because once the subsidy was used for individual insurance benefits, the subsidy would expand inevitably as the number of insured people increased. Those insured people would demand more and more subsidy to mitigate their healthcare expenses; however, little attention to this proposal and no further arguments were made on this subject at this point.

Understanding the importance of implementing effective labor-related policies, the government implemented an organizational restructuring. In November 1922, a Social Bureau was newly established as an extra-ministerial bureau attached to the Home Ministry. The administration of the HI was transferred from the Engineering Bureau of the MAC to this newly established Social Bureau. The Home Minister became responsible for the ICLI.²⁵ These changes altered government attitudes towards the HI. While the MAC placed emphasis on the industrial development that tended to view the HI from the employers' points of view, the Home Ministry was more concerned with employees' social welfare.

The implementation of the HI was delayed until January 1927 partly because of the Great Kanto Earthquake. In July, six months after the implementation of the HI, Home Minister Suzuki Kisaburō asked the ICLI for its advice on what the government should do to improve HI. In October, the ICLI submitted a series of recommendations and expectations to the minister. One of the expectations read, "Government subsidies should assume responsibility for the administrative expenses of the HI *in addition to the current government subsidy*" (emphasis added).²⁶ This greatly undermined the reasoning that the subsidy was meant for administrative fees, instead recognizing them as the subsidy for insurance benefits. The

²⁴ KHH, pp. 78–79.

²⁵ KHH, p. 307.

²⁶ Hokenbu, ed., *Kenkō hoken jigyō enkaku shi*, p. 63.

Home Ministry was more receptive to demands beneficial to workers; consequently, the ministry could not accept this committee's expectation, as the characteristic of the subsidy would change.²⁷

There was little question about the necessity of government subsidies. The important question was the fact that there existed requests for government subsidies for administrative fees as well as for insurance benefits from the outset of the discussion on HI.

Increase in the Number of Insured People

In the late 1920s, Japan suffered from a severe economic recession that caused unemployment and a reduction of wages. Because the HI premiums were hinged upon workers' wages, this economic downturn had adverse effects on financing the HI. This was especially true of the GMHI that was primarily for employers and employees in small and medium-sized corporations because the economic depression affected them more severely than the big corporations.

The government gradually moved toward decreasing the subsidy for HI. In March 1929, the HI special accounting law was amended to read as follows: "The amount transferred from the general account *is stipulated by the budget for each fiscal year*. However, the amount may not surpass the average of two yen per person" (emphasis added).²⁸ This revision changed the government subsidy from a mandatory expenditure of 10% of the benefits to a discretionary expenditure determined by budget considerations with the upper limit of two yen per person per year. The government intended to cover only the administrative fees, which were normally less than 10% of the benefits. Nevertheless, as Table 1 indicates, the government subsidy for the HI ended up being more than 10% of the insurance benefits between 1929 and 1933, although the amount of the subsidy actually decreased after this amendment and remained at this low level until 1942, affected by low premium revenue caused by the severe economic depression in Japan.

²⁷ Ehiro Akira, "Iryō hoken to kokko futan," in Hayashi Takehisa et al., ed., *Gurōbaruka to fukushi kokka zaisei no saihei* (Tokyo: Tokyo daigaku shuppankai, 2004), pp. 241–242.

²⁸ Hokenkyoku, ed., *30-nen shi, Gekan*, p. 844.

Table 1

Year	Insurance Benefits (yen)	Admin. Fees (yen)	Government Subsidy (yen)	Subsidy Benefits (%)	Subsidy Admin. Fees (%)	Subsidy Per Insured Person (yen)
1926	7,009,346	694,235	700,935	10.00%	100.97%	0.47314
1927	28,037,385	2,339,480	2,803,738	10.00%	119.84%	1.89258
1928	21,253,564	2,248,664	2,125,357	10.00%	94.52%	1.86380
1929	18,412,116	1,984,111	1,989,111	10.80%	100.25%	1.76714
1930	18,442,092	1,917,286	1,922,286	10.42%	100.26%	1.65764
1931	18,084,893	1,753,915	1,758,915	9.73%	100.29%	1.52188
1932	16,613,579	1,691,670	1,696,670	10.21%	100.30%	1.53943
1933	16,603,768	1,691,670	1,696,670	10.22%	100.30%	N/A
1934	18,697,035	1,754,513	1,696,670	9.07%	96.70%	N/A
1935	24,506,881	2,531,657	1,696,670	6.92%	67.02%	N/A
1936	25,531,994	2,531,657	1,696,670	6.65%	67.02%	N/A
1937	32,378,584	2,608,282	1,696,670	5.24%	65.05%	N/A
1938	32,761,460	2,713,379	1,696,670	5.18%	62.53%	N/A
1939	38,902,833	3,038,907	1,696,669	4.36%	55.83%	0.56498
(AMHI) 1940	48,034,661	3,667,604	1,696,670	3.53%	46.26%	0.53490
(CEHI) 1940	4,857,260	444,231	512,748	10.56%	115.42%	1.00000
(AMHI) 1941	57,292,875	4,491,206	1,696,670	2.96%	37.78%	0.47635
(CEHI) 1941	6,861,480	580,301	593,292	8.65%	102.24%	1.00000
(AMHI) 1942	65,975,366	4,861,094	1,696,670	2.57%	34.90%	0.47781
(CEHI) 1942	6,085,100	550,301	500,000	8.22%	90.86%	1.00000
1943	100,150,104	4,916,792	2,565,313	2.56%	52.17%	0.60999
1944	110,100,567	5,275,504	2,565,313	2.33%	48.63%	0.63916
1945	107,425,325	5,759,640	2,565,313	2.39%	44.54%	0.59170
1946	272,425,325	34,396,482	5,983,258	2.20%	17.39%	1.87403
1947	713,622,000	129,659,365	27,155,365	3.81%	20.94%	11.33362
1948	3,549,418,000	247,169,000	40,759,000	1.15%	16.49%	16.83390
1949	13,816,990,000	299,755,000	89,927,000	0.65%	30.00%	26.84388
1950	13,267,454,000	306,443,000	153,221,000	1.15%	50.00%	45.73761
1951	13,066,640,000	470,530,000	380,711,000	2.91%	80.91%	109.27411
1952	25,738,609,000	610,207,000	610,207,000	2.37%	100.00%	146.12236
1953	30,972,586,000	643,407,000	643,407,000	2.08%	100.00%	126.92976
1954	44,507,767,000	862,160,000	812,160,000	1.82%	94.20%	141.00000
1955	51,963,103,000	702,960,000	702,960,000	1.35%	100.00%	139.20000
1956	51,245,224,000	755,082,000	755,082,000	1.47%	100.00%	142.20000
1957	58,760,490,000	845,399,000	845,379,000	1.44%	100.00%	142.20000

Source: Calculated based on Koseisho hokenkyoku ed., Kenkō hoken 30-nen shi, Gekan (Zenkoku shakai hoken kyokai rengokai, 1958), pp. 1057–59.
 AMHI: Associations Managed Health Insurance
 CEHI: Clerical Employees Health Insurance
 N/A: Not available

The 1931 Manchuria Incident marked the beginning of an upswing in the business cycle, which led to an increase in the number of employees. As Table 2 indicates, the number of insured people increased consistently from 1930 to 1944. Moreover, the average index of monthly earnings was on a downward trend from 1929, but this trend was reversed in 1935 for the GMHI and in 1933 for the AMHI.

Table 2

Year	Total No. of Insured People	No. of Insured People (GMHI)	No. of Insured People (AMHI)
1926	1,941,446	1,140,865	800,581
1927	1,889,244	1,115,221	774,023
1928	1,933,613	1,160,953	772,660
1929	1,899,893	1,146,258	753,635
1930	1,547,780	933,683	614,097
1931	1,633,237	1,047,553	585,644
1932	1,720,199	1,122,141	598,058
1933	2,001,481	1,294,926	706,555
1934	2,326,694	1,503,550	823,144
1935	3,043,934	2,096,657	947,277
1936	3,451,470	2,346,637	1,104,833
1937	3,846,868	2,503,157	1,343,711
1938	4,275,100	2,766,016	1,509,084
1939	4,769,911	3,027,366	1,740,545
1940	5,671,857	3,550,136	2,121,721
(Health Insurance)	4,997,054	3,084,758	1,912,296
(CEHI)	674,803	465,378	209,425
1941	6,094,504	3,629,959	2,464,545
(Health Insurance)	5,370,402	3,160,489	2,209,913
(CEHI)	724,102	469,470	254,632
1942	6,417,238	3,464,358	2,952,880
(Health Insurance)	5,724,704	3,032,193	2,692,511
(CEHI)	692,534	432,165	260,369
1943	8,033,468	4,169,352	3,864,116
1944	9,482,642	4,654,980	4,827,662
1945	4,111,452	2,323,667	1,787,785
1946	4,358,370	2,270,345	2,088,025
1947	4,771,066	2,483,840	2,287,226
1948	5,984,765	3,278,701	2,670,064
1949	6,094,927	3,267,797	2,827,130
1950	6,529,815	3,579,717	2,950,098
1951	7,053,930	4,017,599	3,036,331
1952	7,504,063	4,399,475	3,104,588
1953	8,302,059	4,988,164	3,313,895
1954	8,160,869	4,940,833	3,220,036
1955	8,555,319	5,242,120	3,313,199
1956	9,507,659	5,991,249	3,516,410

Source: Koseisho hokenkyoku ed., Kenkō hoken 30-nen shi, Gekan

(Zenkoku shakai hoken kyokai rengokai, 1958), pp. 49-51.

GMHI: Government Managed Health Insurance

AMHI: Associations Managed Health Insurance

CEHI: Clerical Employees Health Insurance

These developments improved the financial situation of the HI that acquired over 10 million yen reserve funding in 1934. This reserve funding increased continuously reaching about 238 million yen in 1945. Because the government tried to absorb purchasing power to control inflationary pressure during the war after 1937 when the Sino-Japanese War broke out,

it did not lower the rate of HI premiums. Consequently, the HI's accumulated funds escalated.²⁹

With stable insurance finance, in February 1934, the government submitted a revised HI bill to the Imperial Diet to extend its coverage to more people. The bill was passed in March. Some businesses to which the original HI failed to apply at that time, such as those engaged within the commercial sector with five or more employees, were newly designated as business entities qualified for HI coverage. Businesses in those categories with four or fewer employees were able to join the HI system on a voluntary basis. Because this amendment expanded the coverage to small/medium-sized corporations, they joined the GMHI.

Consequently, this amendment increased the number of the insured of the GMHI. Table 2 indicates that membership steadily increased from 930,000 people in the fiscal year 1930 to 1.5 million in the fiscal year of 1934. This figure drastically increased by about 600,000 people or 40%, in the next fiscal year partly because of the new legislation mentioned above. The total number of insured people increased continuously until the fiscal year 1944. The number of insured people in the AMHI also increased continuously from the fiscal year 1932 until the fiscal year 1944. In the end, HI had only 1.9 million insured people in the fiscal year 1926, but the number almost quintupled to 9.5 million in the fiscal year 1944. The Japanese government assumed that spreading HI would increase marginal utility of the newly insured people, which would lead to increasing total social utility. Based on this view of utilitarianism, the Japanese government sought to secure fairness by providing the HI for as many people as possible while trying to spend as little as possible.

The Japanese government continued to increase the number of insured people. In April 1939, as an offshoot of the HI law, the Clerical Employees Health Insurance Law was enacted. This covered clerical workers in urban areas. As Table 2 shows, the new insurance came into effect in June 1940 and newly covered over 670,000 people. Regarding the government subsidy for this new clerical insurance, Article 73 stipulates, "The government provides subsidies for part of the Clerical Employees Health Insurance (CEHI) operation fees within the budget."³⁰ In other words, the government had no legal obligation to offer the fixed-amount or

²⁹ Hokenkyoku, ed., *30-nen shi, Gekan*, pp. 826–830, 948.

³⁰ Nagase Tsunezō, *Shokuin kenkō hoken hō shakugi* (Tokyo: Kenkō hoken ihō sha, 1941), p. 13.

fixed-rate subsidy for clerical employees, but the Ministry of Health and Welfare, a newly established ministry in January 1938 that was solely responsible for the sickness insurance programs, in consultation with the Ministry of Finance, had the discretionary power to decide the actual amount of subsidy.

The CEHI existed for only about three years. In the end, in February 1942, it was integrated with HI that transferred approximately 700,000 people to the HI. Furthermore, although the CEHI covered only businesses with 10 or more employees, the amendment of the HI law in 1942 after the integration with the CEHI came to cover businesses that consistently employed “five or more employees” within the commercial sector. In addition, the revised HI raised the limit of the annual salary for clerks from 1200 yen to 1800 yen as a qualification to join the HI. These revisions helped more Japanese clerks to qualify for the revised HI. As a result of these developments, the number of insured people in the HI jumped from 5.7 million people in 1942 to 8 million people in 1943 (see Table 2).

National Health Insurance and Government Subsidies

Because the HI financial situation became stable after 1933, the Home Ministry looked into another way of increasing the number of insured people. In July 1934, the Social Bureau announced a draft of a “Provisional Outline of National Health Insurance System.” This National Health Insurance (NHI) would cover some tens of millions of people, about 60% of the whole population.³¹ The government was to provide subsidy for this insurance. Expansion of coverage while looking at universal coverage as a final goal remained the government’s primary objective of achieving fairness in using the government subsidy.

Kawamura Hidebumi, a Social Bureau officer, indicated that what Japanese people feared most in their economic lives was an excessive burden of medical expenses. The average medical fees of people in rural areas were 24–25 yen per household per year, less than 60% of the average medical expenses per household per year in urban areas.³² He came to

³¹ Yoshihara Kenji and Wada Masaru, *Nihon iryō hoken seido shi* (Tokyo: Tōyō keizai shimpōsha, 2001), p. 79.

³² Aoki Ikuo, “1930 nendai ni okeru kenkō • iryō mondai to iryō riyō kumiai mondai,” *Hannan ronshū jinbun • shizen kagaku hen* 47/2 (2012), p.

understand that the issue was not the average fee but the fact that these rural people would spend a large amount of money upfront once they became sick.³³ The government adopted a lenient position: the NHI should pool the fund as insurance premiums that people in rural areas normally pay annually to physicians. Consequently, these premiums were not new financial burdens, but doctors' fees paid in advance.³⁴ Shimizu Gen, Chief of the Insurance Department of the Social Bureau in the Home Ministry, optimistically predicted that people in rural areas were able to carry out the NHI with premiums that would not overburden them.³⁵

A basic assumption of this prediction was that the average medical fees in rural areas, 24–25 yen per household per year, times the number of households in the rural areas would be enough to cover health insurance benefits when NHI came into effect. This assumption was inappropriate. It ignored the fact that the majority of people with low/no income could not afford the set medical fees for services. The government's prediction of the expected expenditure was too optimistic and inadequate. The government's estimate of medical expenses in rural areas underestimated potential demand for medical services. Consequently, rural areas contained larger potential demands for medical services, thus a large amount of subsidies would be necessary to meet these demands.

At first, the Social Bureau considered the government subsidies for the NHI to be roughly 10% of the benefits, but there were many voices to increase the subsidies. Paying attention to these voices, Kawanishi Jitsuzō, Chief of the Insurance Department of the Social Bureau, said that the subsidy would cover “roughly 10%-20% of the benefits.”³⁶ In November, he explained the subsidy in detail. “Our policy is to provide NHI associations with 20% in the first year and 10% in and after the second year.” According to the government prediction, the average annual medical

42.

³³ Kawamura Hidebumi, *Kokumin kenkō hoken no hanashi* (Tokyo: Kenkō hoken ihōsha shuppanbu, 1937), pp. 4–7.

³⁴ Nakadate Kōkichi, *Kokumin Kenkō hoken no kaisetsu to kaigyōi no shōrai* (Tokyo: Kanehara shōten, 1938), p. 10.

³⁵ Shimizu Gen, “Kokumin kenkō hoken seido ni tsuite,” *Nihon no ikai* 26/16 (1936), p. 21.

³⁶ Cited in Ehiro Akira, “Kokumin kenkō hoken to kokko futan: senzen nihon no kokuho seido seiritsu katie ni oite,” *Kōnan keizaigaku ronso* 46 (2005), p. 69.

expenses would be four-to-five yen per person per year.³⁷ The Home Ministry could have provided the same amount (fixed-amount) of subsidy as that of the HI (up to two yen per person per year). If the subsidy were two yen per person per year, it would constitute 40-50% of the predicted medical expenses. Taking the fact that no contribution from the employers existed in the NHI, the government could have provided more subsidies in the name of fairness, yet decided not to do so.

The government submitted the NHI bill to the Imperial Diet in March 1937. The bill stated that the government was to provide “a subsidy within the budget.”³⁸ During a Lower House preliminary session held to examine the bill, Takeda Tokusaburō of *Seiyūkai* requested raising “the subsidy rate to at least one-third of the benefits.”³⁹ Kobayashi Saburō, an independent Diet member, said that the government should provide “up to about 50% [of the benefits].”⁴⁰ After receiving a series of requests from Diet members to increase the government subsidy, Hirose Hisatada, Director of the Social Bureau, made a slightly more generous proposal where the government was ready to provide 10%-25% of the expenditure.

The NHI was destined to suffer from financial problems because, unlike HI, NHI received no contribution from employers, and its main target was rural people. Most of them could not afford to pay premiums or could pay very little. Because the rate of subsidy against the expenditure would be higher than that of the HI, the subsidy for the NHI was implicitly designed from the outset to cover not only administrative fees but also insurance benefits.⁴¹

The Lower House approved the NHI bill in its original form and sent it to the House of Peers. However, the bill ended up failing when Prime Minister Hayashi Senjurō suddenly dissolved the House of Representatives

³⁷ Nakadate, *Kokumin kenkō hoken*, p. 8.

³⁸ Shūgiin Jimukyoku Chōsabu, ed., *Kokumin kenkō hoken hōan gaiyō* (Tokyo: Shūgiin jimukyoku chōsabu, 1937), p. 35.

³⁹ “Dai 70kai teikoku gikai shūgiin giji sokkiroku dai 19go,” National Diet Library (1937).

⁴⁰ “Dai 70kai teikoku gikai shūgiin kokumin kenkō hoken hōan hoka 2ken iinkaigiroku, dai 2kai,” National Diet Library (1937).

⁴¹ Nakao Hisako, “Waga kunino iryō hoken seido keisei no rekishiteki haikai to kongo no shiten chūshutsu no kokoromi,” *Yamaguchi kenritsu daigaku shakai fukushi gakubu kiyō* 4 (1998), p. 72; Ehiro, “Iryō hoken to kokko futan,” p. 246.

in late March 1937. The NHI bill was amended slightly and resubmitted to the Imperial Diet in January 1938. The portion of the bill related to the government subsidy remained the same. The Lower House passed the bill with three recommendations, one of which read, “The government should increase the subsidy and make efforts to spread NHI associations in the future.”⁴² With this recommendation, the Ministry of Health and Welfare adopted a more positive attitude toward a higher subsidy when the bill was considered in the House of Peers. The House of Peers also passed the bill and on 1 April 1938, the NHI law was promulgated.

Because NHI incorporated low/no-income people as its members who were not appropriate for any insurance program, it was easily expected that the premiums would be insufficient to cover the necessary expenses. The NHI, from the outset, was structured to depend on government subsidy and the public assistance character of this new program quickly stood out.⁴³ As the number of low-income insured people increased, the amount of government subsidy inevitably grew. During 1938–1942, the subsidy was set at one yen per person per year for the first three years and 0.85 yen in the fourth year and after. In 1943, the subsidy increased again to 1.65 yen per person per year for the first four years and 1.5 yen in the fifth year and after.⁴⁴ This insurance program precipitated the process of transformation of social insurance into quasi-public assistance.⁴⁵

Postwar Development: “Isolation” from the International Community and Japan’s Initiatives for Idealistic Plans

The Beveridge Plan (November 1942) greatly affected the concept of the future for social security among the Health Insurance Bureau bureaucrats. Welfare states became popular in advanced countries after

⁴² Suganuma Takashi, ed., *Nihon shakai hoshō kihon bunkenshū* 16, p. 181.

⁴³ Nishimura Mariko, “Kokuho seido seiritsu katei ni okeru chihō no yakuwari to shakai hoshō no hōga,” *Kikan shakai hoshō kenkyū*, 30/4 (1995), p. 433; Ōkuma Ichirō and Jinushi Shigeyoshi, eds., *Fukushi shakai eno sentaku* (Tokyo: Keisō shobō, 1984), p. 18; Fujii Ryōji, *Shakai hoshō no gendaiteki kadai* (Tokyo: Kōseikan, 1994), p. 4; Tamai Kingo and Ōmori Maki, eds., *Shakai seisaku wo manabu hito no tameni* (Kyoto: Sekai shisōsha, 2000), pp. 124–125.

⁴⁴ Suganuma, ed., *Nihon shakai hoshō kihon bunkenshū* 16, p. 305.

⁴⁵ Hasuda Shigeru, *Kokumin kenkō hoken shi* (Tokyo: Nihon ishikai, 1960), p. 255.

World War II. Unlike previous social insurance, the Beveridge Plan was to cover the whole nation and its major purpose was the eradication of poverty by securing a minimum income through the redistribution of national wealth. This plan became the theoretical basis for welfare states around the world.⁴⁶ The fact that the Japanese government would secure a national minimum income advocated by the Beveridge Plan was significant for the development of postwar Japan's social security system.⁴⁷ Affected by the Beveridge Plan, the postwar Japanese government sought to channel its social welfare policy to a more liberal course based on John Rawls' idea of egalitarian distribution of outcomes.⁴⁸

During September 1945, Tomonō Taketo, a Ministry of Health and Welfare officer, published an article, in a private capacity. This article was a draft proposal of measures designed to undergird people's livelihoods in postwar Japan based on the Beveridge Report. Tomonō considered it necessary to devise such measures to ensure a national healthcare service through social insurance.⁴⁹ Influenced by the Beveridge Report, the Health Insurance Bureau was convinced that social insurance should become the primary vehicle for improving life in the postwar era.

Japan's status within the international community at the end of World War II also influenced postwar Japanese HI. Japan was a vanquished and occupied nation, virtually cut off from the international community. However, this isolation proved advantageous by compelling the Supreme Commander for the Allied Powers (SCAP) to take control of Japan's foreign trade. As a result, Japan was released from the heavy burden of its huge trade deficit, much of which was paid off by American aid. The assistance amounted to \$865 million from 1947–1948, accounting for 92% of Japanese imports in 1947 and 75% in 1948.⁵⁰ Japan's trade had

⁴⁶ Satō Junichi and Kuroda Kōichirō, eds., *Iryō shinwa no shakaigaku* (Kyoto: Sekai shisō sha, 1998), p. 105; Tokyo Daigaku Shakai Kagaku Kenkyūjo (ed.), *Fukushi kokka 1 fukushi kokka no keisei* (Tokyo: Tokyo daigaku shuppankai, 1984), pp. 3–4.

⁴⁷ Matsuzaki Yasuko, "Sengo kaikakuki ni okeru shakai hoshō kōsō no keisei katei," *Shukutoku daigaku kenkyū kiyō* 27 (1993), pp. 1–12.

⁴⁸ John Rawls, "Justice as Fairness," in John Rawls, ed., *A Theory of Justice* (Cambridge, Mass: Belknap Press of Harvard University Press, 1971).

⁴⁹ Matsuzaki, "Sengo kaikakuki," pp. 8–10.

⁵⁰ G. C. Allen, *Japan's Economic Recovery* (London: Oxford University Press, 1958), p. 33; Catherine Edwards, "U.S. Policy towards Japan, 1945–

constantly declined since 1937 and the country actually performed much better after SCAP assumed control of Japan's foreign trade. Japan's commodity exports increased significantly from 1946–1950.⁵¹ In addition, the Allied military occupation enabled Japan to enjoy military protection from the world's most powerful country. In the 1930s, over 40% of governmental expenditure went to the military, reaching over 70% after 1938.⁵² After the war, the military expenditure was eliminated.

Japan's concerns for its trade deficit, military budget, and national security lessened, enabling them to concentrate their attention on devising an idealistic program of far-reaching, progressive socio-economic reforms at home. Remaking Japan through SCAP's powerful democratization process provided an opportunity to implement idealistic reforms in Japan. These progressive reforms in the sickness insurance programs led to a strong demand for increased government subsidies. This was partly because people understood that "democracy" meant they were entitled to ask the government to guarantee their rights to receive appropriate medical care.

In March 1946, the government established the Committee for the Investigation of the Social Insurance Systems (CISIS) headed by Kanamori Tokujirō, a member of the House of Peers. On 24th April, Health and Welfare Minister Ashida Hitoshi sent an official inquiry to this committee: "What are the measures for developing and strengthening the social insurance system for addressing the coming situation in Japan?"⁵³

In December, the CISIS replied to the Health and Welfare Minister: "The government subsidy is responsible for the entirety of administrative fees and a certain amount of operational fees."⁵⁴ Reviving one of the extreme lines of its argument in the 1920s, the committee demanded the government subsidize not only for the administrative

1951" (Ph. D. diss., UCLA, 1977), p. 163.

⁵¹ William Guttman, "Miracles of Power" (Ph.D. diss., University of Oxford, 1989), p. 72.

⁵² Teikoku Shoin, "Historical Statistics: Military Expenditures I ~ 1945," Teikoku Shoin Co., Ltd. (accessed July 22, 2015, http://www.teikoku.co.jp/statistics/history_civics/index05.html).

⁵³ Zenkoku Kokumin Kenkō Hoken Dantai Chuōkai, ed., *Kokumin kenkō hoken 20nen* (Tokyo: Zenkoku kokumin kenkō hoken dantai chuōkai, 1958), p. 270.

⁵⁴ Shakai Hoshō Kenkyūjo, ed., *Nihon shakai hoshō shiryō* I (Tokyo: shiseidō, 1981), p. 164.

expenses but also for part of the insurance benefits. The ministry rejected the committee's recommendation outright because of financial constraints.

In the postwar era, NHI faced severe financial difficulties primarily because the program contained numerous low/no-income people. This insurance confronted an enormous deficit of 180 million yen in 1946. NHI was on the brink of collapse.⁵⁵ During the war, this insurance spread throughout Japan, but many executive board members of the NHI associations regarded this insurance as just a temporary wartime measure that would automatically terminate after the war.⁵⁶ In the Diet, some legislators even began to discuss abolishing the NHI. At the same time, there emerged a growing demand for increasing subsidies to save NHI. In the end, at the discretion of Ōno Banboku, the secretary general of the ruling party (*Jiyūtō*), the government added 150 million yen to the fiscal year 1946 budget as a temporary government subsidy for NHI.⁵⁷ No clear, objective, or scientific guidelines existed in determining the amount. This was a political decision. Therefore, Ōno's discretionary action marked the beginning of the sickness insurance subsidy as the potential target for future political power struggles.

In June 1947, the Public Health and Welfare (PHW) section of SCAP proposed a substantial increase in the government subsidy for NHI. Armed with this PHW endorsement, the Ministry of Health and Welfare demanded a larger government subsidy from the Ministry of Finance. Sticking to its traditional frugal and libertarian perspective, it was considered fair to resist this request. Although the Ministry of Finance approved a temporary subsidy because of Ōno's political decision, the ministry insisted that this subsidy should be only a temporary measure and premiums should cover benefits. Consequently, the ministry did not approve any subsidy for the benefits in the fiscal year 1947 budget.⁵⁸

During June-August 1947, PHW officials held seven study meetings on Japanese social security jointly with a group of Japanese intellectuals, and high ranking officials from the Ministry of Health and

⁵⁵ Kitaba Tsutomu, *Sengo shakai hoshō no keisei* (Tokyo: Chūō hōki shuppan, 2000), pp. 45–46.

⁵⁶ Nakashizuka Michi, *Iryō hoken no gyōsei to seiji: 1895–1954* (Tokyo: Yoshikawa kōbunkan, 1998), p. 297.

⁵⁷ Nakashizuka, *Iryō Hoken*, p. 298.

⁵⁸ Zenkoku Kokumin Kenkō Hoken Dantai Chuōkai, ed., *Kokumin kenkō hoken 20nen shi*, pp. 286–287; Nakashizuka, *Iryō hoken*, pp. 298–300.

Welfare.⁵⁹ At the meeting on July 11th, the Japanese and Americans held an intriguing discussion about whether NHI should be considered social insurance or public assistance because of its heavy dependence on government subsidy. Uchino Senichirō of the Health Insurance Bureau said the following:

The NHI is not in a strict sense a program of social insurance. I wonder if it is a nationwide program of public assistance.” William H. Wandel, Chief of the Social Security Division of the PHW, pointed out that public assistance was inherently accompanied by a means test. If NHI was indeed public assistance, then the government would be obligated to conduct means testing before providing benefits. Both Uchino and Wandel made logical points, but Suetaka Makoto, professor at Waseda University, who wanted to devise an idealistic comprehensive system of social security as a human right, was irritated. He criticized Uchino, saying, “Mr. Uchino’s opinion is just his personal opinion, not a generally accepted one.”⁶⁰

Based on this discussion, Suetaka said at the CISIS meeting in August, “Social security consists of two parts: public assistance financed by government funds...and social security financed by premiums.” Two months later in October, Hara Taiichi, a committee member, insisted on the importance of universal coverage at the general meeting. “It is essential to establish a powerful and thorough social security system to guarantee all the people the right of subsistence on an equal footing.”⁶¹ Because social insurance constituted a main pillar of social security, Suetaka’s and Hara’s ideas were incompatible. Social insurance financed by premiums could not

⁵⁹ Sōrifu Shakai Hoshō Seido Shingikai Jimukyoku, ed., *Shakai hoshō seido shingikai 30nen no ayumi* (Tokyo: Shakai hoken hōki kenkyūkai, 1980), p. 17.

⁶⁰ “Shakai hoshō seido kenkyūkai kaisai no ken (dai 4kai),” (1947), *Shakai hoken seido chōsakai kankei tsuzuri showa 21nendo*, Shakai hoken bunko, Shakai hoken daigakko, Chiba, Japan.

⁶¹ “Shakai hoken seido chosakai ni tsuiteno kiroku,” *Shakai hoken jihō* 34; gogai (1962), pp. 69, 84.

guarantee all the people the right of subsistence simply because premiums were not sufficient. NHI covered many low-income and no-income people whose income level exempted them from paying premiums. Nevertheless, as long as the government used the term “social insurance” instead of “public welfare,” it could not resort to means testing. Those insured, even if they paid no premiums, believed that they were entitled to receive insurance benefits as their due rights. Moreover, new democratic ideas permeated into the Japanese public during the Allied occupation precipitating a trend that they should demand their rights loudly as an expression of democracy.

In October 1947, the CISIS officially submitted to the Health and Welfare Minister the Outline of the Social Security System. The total cost of this plan was estimated to be 330 billion yen, equal to 36% of Japan's Gross National Income (GNI) at that time. By comparison, even in advanced countries, in terms of social security at this time such as Great Britain and the Soviet Union, the cost of social security systems were around 10–20% of the GNI. Critics in Japan saw the outline as just an armchair plan.⁶² SCAP also considered the outline as rather socialist and impossible to be implemented under the economic conditions that prevailed in Japan. Consequently, the Japanese government ended up shelving the outline.⁶³

American Suggestions

The Ministry of Health and Welfare asked SCAP to send a special mission to assimilate technical advice on social security.⁶⁴ In response to this request, a Social Security Mission headed by William H. Wandel started an investigation in August 1947 and submitted its report to SCAP in December. The report proposed public subsidies from “prefectural, national, or other governmental units.” It also stated that “If the poorer communities

⁶² Morita Yoshio, “Shakai hoshō seido ni kansuru jakkan no mondai,” *Shakai hoken jihō* 22/6 (1948) in Kokuritsu Kokkai Toshokan Chōsa Rippō Kōsakyoku, ed., *Shakai hoshō ni kansuru shuyō ronbun no tekiyo 2* (Tokyo: Kokuritsu kokkai toshokan, 1951), pp. 11–12.

⁶³ “Shakai hoken seido chosakai ni tsuiteno kiroku,” *Shakai hoken jihō* 34; *gogai* (1962), p. 137.

⁶⁴ Memorandum to Chief of Staff (Crawford F. Sams), 1947, GHQ/SCAP Records, Public Health and Welfare Section (hereinafter PHW), Modern Japanese Political History Materials Room, The National Diet Library, Tokyo Japan.

... are to benefit from the program, they will need assistance, and it seems reasonable to provide this to a limited extent from a national level by grants taken from general revenues.”⁶⁵

In July 1948, SCAP handed the mission report, the Wandel Report (WR) to the Japanese government. Understanding the economic difficulties that Japanese people faced, the WR said, “The expedient of increasing contributions or premium rates is not without hazard under present conditions in Japan. It is a serious question whether additional tax or contribution burdens can properly be placed on the public.”⁶⁶

The WR recommended the necessity and importance of the government subsidy for NHI. The report specifically included “a special justification” for the subsidy: “Those communities which adopt an NHI plan will thereby, by promising full medical care to all in the community, assume responsibility for some medical care which would otherwise be provided by the Daily Life Security Law, which is financed wholly from national tax revenue. Therefore, such communities are assuming, through the adoption of an NHI plan, some of the financial responsibilities now borne by the national government.”⁶⁷

The WR claimed another justification for the subsidy based on a comparison with HI in which “only a part of the cost is borne directly by the insured person. At least an equal part is borne by the employer.” Wandel’s logic was that this employer’s contribution was financed in the end by the general public. Explaining this intricate process of justification, the WR tried to demonstrate that it was only fair to provide the government subsidy for NHI.

Pursuing fairness by increasing the number of people insured was to reach the goal of universal coverage. The WR not only tried to increase the number of insured people but also recommended an increase in the government subsidy. The government was no longer expected to be a third-

⁶⁵ “Report of the Social Security Mission,” 1947 (hereafter the Wandel Report), pp. 100–101; “Wandel, Davis, Mountain, Sanders, Staten—Report of the Social Security Mission, 1947,” Barkev Sanders Papers, 1947–1990, Washington State University Libraries, Manuscripts, Archives, and Special Collections Pullman: Washington, U.S.A.

⁶⁶ The Wandel Report, Washington State University Library, p. 86.

⁶⁷ *Ibid.*, p. 101.

party assistant that would provide only subsidy for the administrative fees but one of the three pillars of premium contributors.⁶⁸

In February 1948, the PHW invited the American Medical Association (AMA) to offer suggestions about health insurance programs in Japan.⁶⁹ In response, in August, the AMA sent its own special mission to Japan. In December 1948, the AMA submitted a report that was critical of the WR. Criticizing the WR regarding the government as one of the three pillars to make a premium contribution, the AMA insisted that “the costs of any HI should be primarily the responsibility of the worker and the employer.” In addition, the AMA did not consider community-based health insurance (NHI) to be a form of social insurance.

SCAP gave the AMA's report to the Japanese government in December 1948. The Social Security Mission recommended more government subsidies, while the AMA insisted on the importance of minimum subsidies. Japan was now in possession of two diametrically opposed recommendations with regard to government subsidies. Consequently, it was left to the Japanese government to determine, mostly on its own, the most appropriate policy.

1950 Recommendation and Government Subsidies

Following the WR recommendations, the Japanese government established an Advisory Council on the Social Security System (ACSSS) in May 1949. This particular Council had cabinet-level legal status, not only receiving inquiries from the government but also the power to issue its own recommendations. Moreover, all planning and the general outline of lawmaking and government operations related to social security were required to undergo the examination and approval of this Council.⁷⁰ The ACSSS issued a final recommendation in October 1950 (the 1950 Recommendation) of which one of the core principles was fairness among the entire Japanese people: “This [social security] system [that the ACSSS

⁶⁸ The Wandel Report, Washington State University Library, pp. 122–123.

⁶⁹ Crawford F. Sams to General George Lull, 1948, PHW, Modern Japanese Political History Materials Room, The National Diet Library, Tokyo Japan.

⁷⁰ Inoue Hideo and Kumon Teruo, “Sengo nihon no shakai hoshō riron to seisaku no suii,” *Shakai hoshō* 393 (2004), p. 63; “Shakai hoshō seido shingikai secchihō (Showa 23nen horitsu dai 266go)” (accessed on July 22, 2015, <http://www.geocities.jp/nakanolib/hou/hs23-266.htm>).

devised], of course, deals with all the people with the principles of fairness and equality of opportunity.”⁷¹

The 1950 Recommendation begins with the interpretation of Article 25 of the Japanese constitution. Article 25 stipulates, “All people shall have the right to maintain the minimum standards of wholesome and cultured living. In all spheres of life, the State shall use its endeavors for the promotion and extension of social welfare and security, and of public health.”⁷² The cost of benefits under the GMHI amounted to 4.1 billion yen in 1948, increasing to 12.1 billion yen in 1949. This was partly due to the implementation of the Dodge Line, a fierce austere fiscal measure,⁷³ which compelled even the middle/upper-class people who had normally taken medical treatment at their own expense to begin to use sickness insurances. Consequently, the Insurance suffered from a deficit of 1.42 billion yen by the end of 1948, which was expected to reach 3.1 billion yen in 1949, engendering the severest financial crisis since its establishment.⁷⁴

The ACSSS publicly requested “an emergency law and budget of implementing a 10% government subsidy for insurance benefits of various sickness insurances as an emergency measure to address the current insurance crisis.”⁷⁵ Then, the next question was whether this government subsidy was temporary or permanent. Nakayama Toshihiko of *Minshu Jiyūtō*, who viewed the government subsidy as a temporary measure, requested the reform of social insurance itself as a long-term solution. Ōishi Buichi of *Minshu Jiyūtō* also emphasized that the government subsidy was an exceptional, temporary measure. Then, Yamashita Yoshinobu of *Shakaitō*

⁷¹ Shakai Hoshō Kenkyūjo, ed., *Nihon shakai hoshō shiryō* I, p. 189.

⁷² “The Constitution of Japan,” Prime Minister of Japan and His Cabinet, (accessed on July 22, 2015, http://japan.kantei.go.jp/constitution_and_government/frame_01.html).

⁷³ As for the importance of the Dodge Line, see Yoneyuki Sugita and Marie Thorsten, *Beyond the line* (Okayama, Japan: University Education Press, 1999) and Yoneyuki Sugita, *Pitfall or Panacea* (New York: Routledge, 2003), Chapter 3.

⁷⁴ Kōseiho Imukyoku, ed., *Isei hyakunen shi kijutsuhen* (Tokyo: Gyōsei, 1976), p. 460; Yoshida Hideo, “Shakai hoshō no genjō to kōtai no shodōkō,” *Shakai rōdō kenkyū* 4 (1955), p. 86.

⁷⁵ Sōrifu Shakai Hoshō Seido Shingikai Jimukyoku, ed., *Shakai hoshō seido shingikai 10nen no ayumi* (Tokyo: Shakai hoken hōki kenkyūkai, 1961), pp. 78–79.

posed a question whether the government subsidy to cover deficits of sickness insurances should become a permanent principle or just a temporary measure. Yamashita had “touched upon a crucial issue.” Ōuchi Hyōe said, “This is a global issue of principle...concerning the extent to which the government subsidy contributes to insurance of this kind. Whether the government subsidy may make a contribution to sickness insurances other than for administrative fees or not is an issue discussed throughout the world.” Contrary to Nakayama and Ōishi, Suetaka did not consider the 10% subsidy to be a temporary measure, but as a people’s right.⁷⁶ With the ACSSS divided on the character of the government subsidy, this debate continued.

The character of the subsidy was again on the table for discussion. Ōishi did not support permanent subsidies for insurance benefits because the recommendation was “just an emergency resolution to overcome this year’s deficit.” Agreeing with Ōishi, Nakayama intended to finance “the deficit by providing a 10% subsidy for only this year.” In contrast, Aoyagi Ichirō, a former Home Ministry official and a newly elected Lower House member of *Minshu Jiyūtō*, argued that once the subsidy for the benefits began, it would become permanent.⁷⁷

The issue remained between how the government subsidy was portrayed in its permanent or temporary status. On behalf of SCAP, Crawford F. Sams, the PHW Director, in a meeting held with Nakayama, considered it unfair and inappropriate to finance a deficit in sickness insurances continuously through the government subsidy.⁷⁸ The Ministry of Finance acquiesced in providing administrative fees, but it avoided using language that appeared to accept the fixed-rate contribution to the insurance benefits. To overcome the current deficit, the ministry suggested increasing the standard remuneration of insured people by 10%. If these steps were taken, the ministry believed that GMHI would return to a surplus by the end of the fiscal year. In the end, as an immediate measure to finance the payment to insure physicians, the ministry agreed to extend a one-billion-

⁷⁶ “Shakai hoshō seido shingikai, sōkai (dai 4kai), sokkiroku,” National Archives of Japan (1949).

⁷⁷ “Shakai hoshō seido shingikai, sōkai (dai 6kai), sokkiroku (2),” National Archives of Japan (1949).

⁷⁸ “Shakai hoshō seido shingikai, sōkai (dai 5kai), sokkiroku,” National Archives (1949).

yen loan to the Health Insurance Bureau.⁷⁹ The government sought to operate social insurance in accordance with insurance principles, trying to avoid any subsidy for benefits.

This became another controversial issue: “Which was fairer, placing priority on government subsidy or on individual premiums.” On September 16th, Nagao Haruo, a member of the Workers’ Accident Compensation Insurance Committee, and Kondō Bunji, professor at Osaka University of Commerce, devised a “memorandum of Ten Principles of a Social Security System.”⁸⁰ They wrote, “Today’s Japan faces a large economic limitation of not becoming financially independent. Consequently, in principle, people must make equal contribution to cover expenses for themselves in the form of premiums. For those who are incapable of paying premiums, the state will help them in the form of public assistance.”⁸¹

Nakayama complains: “It seems that the government subsidy is only for public assistance and the insured people’s contribution is the only component of the premiums.” Saitō Itsuki, a representative of the Japan Federation of Employers’ Associations, said, “The memorandum should pay more attention to the government subsidy.” Under the strong influence of SCAP’s democratization, these critics felt it only fair to demand that the government guarantee people’s “right to maintain the minimum standards of wholesome and cultured living”⁸² by increasing the government subsidy for sickness insurances.

Taking these strong oppositions into consideration, the memorandum was forced to be revised. The original memorandum’s critical phrase “in principle, people must make equal contributions to cover expenses for themselves in the form of premiums” was totally eliminated.

⁷⁹ Nakashizuka, *Iryō hoken*, pp. 310–311; Suetaka Makoto and Yasui Nobuo, *Gendai no shakai hoshō* (Tokyo: Seibundō, 1970), pp. 148–149; Kondō Bunji and Yoshida Hideo, *Shakai hoshō kankoku no seiritsu to kaisetsu* (Tokyo: Shakai hoshō chōsakai, 1950), pp. 58–59.

⁸⁰ Takashima Yūko, “Sengo nihon ni okeru shakai hoshō seido kōsō,” *Iryō - fukushi kenkyū* 14 (2004), p. 107.

⁸¹ Kondō Bunji, “Shakai hoshō seido kakuritsu no tameno oboegaki,” *Shakai hoken jumnpō* 236 (1947), p. 4.

⁸² “Social Security System Council Establishment Law (1948 Law No. 266),” Nakano Bunko (accessed on July 22, 2015, <http://www.geocities.jp/nakanolib/hou/hs23-266.htm>).

Instead, regarding financing, a revised draft stated, “National and public subsidies are used. Furthermore, people...must contribute a part of this system's cost.” In terms of self-financing, this was a serious diminishing of the original memorandum. Moreover, because the phrase “national and public subsidies” was placed at the beginning, these subsidies seemed to be more important than the insured people's contribution (premium).⁸³ This revised draft became the “memorandum for Establishment of Social Security System” in November.

Because both memorandums differed in wording with respect to financing, Nagao had to make an explanation. He said, “We cannot establish a genuine social security system under the assumption that in social security, the state will do everything and the state is financially responsible. Individuals should assume responsibility for their own livelihood. This is a prerequisite for implementing social security.” However, strong criticism forced him to change his opinion: “Although we emphasized this point in our first proposal [the memorandum of Ten Principles], we received many opinions that under the current Japanese conditions, the state should assume responsibility for a social security system. Consequently, we should first consider the contribution of the government subsidies.”⁸⁴

Disagreeing with Nagao, Suetaka said, “Public subsidies are available, but, it would be better to use an expression that at first, people would pay a part of the expenses of the program in which they participate. The expression in the proposal seems to push forward public assistance. We would like to build an opposite system.”⁸⁵ Objecting to Suetaka's argument, Yoshida Hideo, the Health Insurance Director of the All-Japan Congress of Industrial Organizations, a left-wing national center of labor unions in postwar Japan, replied, “In social security, we have the strong impression that the state assumes responsibility.” Kawasaki Hideji of *Minshutō* added, “The Draft Subcommittee discussed this issue and the majority supported the idea of placing public subsidies first.” It was only fair for them to demand that the government provide more and more subsidies.” Finally, the

⁸³ Kenkō Hoken Kumiai Rengōkai, “Shakai hoshō seido shingikai no keika,” *Kenkō hoken* 3/11 (1949), p. 56.

⁸⁴ “Shakai hoshō seido shingikai, sōkai (dai 8kai), sōkikōroku (2),” National Archives of Japan (1949).

⁸⁵ *Ibid.*

issue was decided by a show of hands, and Suetaka's idea was rejected.⁸⁶ Then, the ACSSS adopted the memorandum for Establishment of Social Security System, stipulating that “Public subsidies are used. Besides, people must contribute a part of this system's expense on an equal basis.”⁸⁷

In February 1950, the ACSSS held hearings at which many interest groups made various requests, but they all agreed that the state had to make a large financial contribution.⁸⁸ In March, an All-Japan Federation of National Health Insurance Organizations, a central organization of local NHI associations, requested that the government should cover the entire administrative expenses and the central, prefectural and municipal governments should cover 50% of the NHI benefit expenses. In May, a National Federation of Health Insurance Societies, a central organization of HI associations, announced that as for HI, the government should cover not only the entire administrative expenses but also one third of the insurance benefit expenses.⁸⁹ Taking these various opinions and requests into consideration, the ACSSS published its preliminary report in June 1950. Regarding the financing, the government subsidy was to cover all administrative fees and 20% of benefits for HI and 40% of benefits for NHI (40% divided equally between central/local governments).⁹⁰

SCAP criticized the preliminary report as too ambitious, especially the plan of subsidizing insurance benefits.⁹¹ Despite SCAP's warning, the ACSSS made no changes in the subsidy clause partly because it was an essential core of the plan.⁹² On October 16th, 1950, the ACSSS adopted a

⁸⁶ Ibid.

⁸⁷ Kondō and Yoshida, *Shakai hoshō kankoku*, pp. 66–67.

⁸⁸ Ibid, pp. 79–80.

⁸⁹ Sono Kanji, “‘Shakai hoshō seido ni kansuru kankoku’ no seiritsu,” *Mita Gakkai zasshi* 44/1 (1951), pp. 40–41.

⁹⁰ Kondō and Yoshida, *Shakai hoshō kankoku*, pp. 98–99; “Shakai hoshō seido kenkyū shian yōkō,” *Kokumin kenkō hoken jōhō* 11 (1950), pp. 2–14; Shakai Hoshō Kenkyūjo, ed., *Nihon shakai hoshō shiryō* i, pp. 171–187.

⁹¹ “Samusu kyokuchō no kankoku to sono hankyō,” *Gekkan shakai hoshō* 4/9 (1950), p. 12; Miyao Takeo, “Kankoku wo megurite (jō),” *Kenkō hoken*, 4/10 (1950), p. 17.

⁹² “Shakai hoshō seido shingikai yobi hōkoku ni taisuru hihan,” *Kokumin kenkō hoken jōhō*, 14/15 (1950), pp. 3–4, 6; Takashima, “Sengo nihon ni okeru shakai hoshō seido kōsō,” p. 109; Miyao Takeo, “Kankoku o megurite (ge),” *Kenkō hoken* 4/11 (1950), p. 11.

“Recommendation on Social Security System” (the 1950 Recommendation) and submitted it to Prime Minister Yoshida Shigeru.⁹³

The basic concept of the 1950 Recommendation was that it was just and fair to increase the government subsidy and decrease the people’s insurance premiums. According to “References” attached to the 1950 Recommendation, “this system substantially decreases the individual contribution.” The amount of required government subsidy in the first year was estimated to be 88.6 billion yen of the fiscal year 1950. The ratio of social security in Japanese government expenditure would increase by 8.0%. The government subsidies for all social insurance programs would therefore be more than quadruple.⁹⁴ This was inevitable because more no/low-income people became eligible to join social insurance. Once the upper limit for the government subsidies was dropped after World War II, it was easier for all the parties concerned with sickness insurance programs to demand more and more government subsidies. The Yoshida Cabinet understood that once it accepted provision for HI and NHI with the 20% government subsidy, there would be future demands to increase the subsidy ratio to 30% or 40%.⁹⁵

Under the assumption that “the state is responsible for the social security system,” a financial feature of the 1950 Recommendation was a drastic increase in government subsidy in proportion to the general budget, going from 5.4% to 13.4%. Considering the size of the fiscal budget and Japan’s financial conditions at that time, this jump was regarded as impossible.⁹⁶

The government rejected the fixed-rate subsidy for insurance benefits; however, without this subsidy, the government could not maintain or increase the number of insured people in the NHI. In November 1951, the Diet approved resolutions of providing the government subsidy for the NHI (Lower House) and for both the NHI and HI (Upper House). In

⁹³ “Shakai hoshō seido shingikai, sōkai (dai 18kai), sokkiroku (2),” National Archives of Japan (1950).

⁹⁴ Sōrifu shakai hoshō seido shingikai jimukyoku, ed., *Shakai hoshō seido ni kansuru kankoku no sankō shiryō* (Tokyo: sōrifu shakai hoshō seido shingikai jimukyoku, 1950).

⁹⁵ Ōuchi Hyōe, “Kokumin kenkō hoken kiki toppa taikai messeiji,” *Shakai hoken jumpō* 271 (1951), p. 18.

⁹⁶ Endō Shōkichi, “Shakai hoshō seido no zaisei mondai,” *Sekai shūhō* 32/1 (1950), p. 91.

December 1952, the Lower House approved a “resolution of breakthrough of crisis for the NHI” by providing a government subsidy of at least 20% of the insurance benefit expenses. Finally, to achieve fairness by increasing members in the NHI, the government ruled to provide a three billion yen grant-in-aid for the NHI benefit, approximately 15% of the estimated insurance benefit in the fiscal year 1953.⁹⁷ This increased the members from 26.6 million to 30.5 million from 1954 to 1956.⁹⁸

Financially unstable, the GMHI also demanded a government subsidy for its members’ benefits. In March 1957, the HI law was amended to provide a fixed-amount of subsidy (three billion yen) for the GMHI. As for the AMHI programs, the government provided the subsidy only to cover the administrative fees partly because they were not managed by public authorities.

Concluding Observations

Keeping a concept of “fairness” in mind, the Japanese government made policies of government subsidies for the sickness insurances. When HI was implemented in 1927, the government provided 10% of its cost as the government subsidy primarily for the purpose of covering the administrative expenses. However, HI covered about two million workers or only about 3.3% of the entire population. In order to achieve fairness, the government had two choices: It could provide no subsidy or it could increase the number of insured people that would ultimately lead to universal coverage. The government chose the latter; however, this method of achieving fairness had an important effect of altering the characteristic of HI in the future.

Because Japanese HI programs (social insurance) has an aspect of social principle, it is fair for the government to provide subsidies for public goods like administrative and supervisory work for HI; however, it is highly questionable whether the government should use tax money to pay for part of the cost of insurance benefits. When the NHI was established in 1938, it was implicitly structured to depend on government subsidy even for its insurance benefit. The NHI from the outset adopted a public assistance character.

⁹⁷ Hirose Jirō, “Kokumin kenkō hoken josei kōfu yōkō ni tsuite,” *Kokumin Kenkō hoken* 4/4 (1953), pp. 24–25.

⁹⁸ Ōuchi Hyōe, *Shakai hoshō no tenkai* (Tokyo: Shiseidō, 1961), pp. 30, 102–104.

Under the veil of “social insurance,” insured people demanded more and more medical services as their due right. Consequently, premiums alone could not cover the necessary expenses. In addition to assuming financial responsibility for the entire administrative expense, the government made legal commitments to pay for part of the insurance benefits for the NHI and the GMHI in the 1950s.

To achieve fairness in providing a government subsidy for the sickness insurances, the Japanese government continuously expanded the scope of coverage. By doing so, the Japanese sickness insurances gradually changed their characteristics; fairness within government subsidy is the key concept to understanding Japanese sickness insurances.