

Social Security and Moral Principles

Yuichi SHIONOYA*

Abstract This article examines the ethical foundations of the welfare state in order to establish a normative basis for evaluating the social security system, which includes pensions, medical care, and public assistance. Moral principles rather than mere fiscal considerations are needed to restructure the welfare state in the developed countries. Four major principles — utilitarianism, contractarianism, libertarianism, and communitarianism — are discussed with regard to their capability to justify the welfare state. It is argued that John Rawls's contractarian theory of justice, based on a veil of ignorance, supports the safety-net conception of the welfare state. From this perspective, the article analyzes the relationship between insurance and assistance principles in the practical design of the welfare system. It concludes that the commonly accepted view of distinguishing between insurance and taxes, both of which are sources of funds for social security, is untenable from a moral standpoint.

1. Introduction

There is a growing concern about the crisis of the social security system in developed countries. Owing to economic maturity and stagnation, increasing deficits in government budgets, a decline in fertility, an increase in the aging population, and changes in social structures including the family, it is becoming more difficult to meet the increasing demand for social security services. But the causes of the crisis in the welfare state are not purely economic.

In the present-day capitalist countries, the social security system for pensions and medical and long-term care — along with the market system — constitutes an important part of economic and social life. Therefore, the welfare state must depend on certain moral values that articulate and justify the body of policies, rules, and practices of social security. We must be aware of these principles so that we can legitimately control the welfare state. Of course, the moral values are not fixed; the welfare state has encountered criticism from both the right and the left. The justificatory principles of the welfare state are to be forged through various critiques and discourses in the development of institutional arrangements. Unless moral principles are clarified and shared among people, the welfare system is liable to

This is the English version of an article originally published in *Kikan Shakai Hoshō Kenkyū* (Quarterly of Social Security Research), Vol. 32, No. 4, Spring 1997.

* Director-General, National Institute of Population and Social Security Research.

succumb to political pressure. If only economic and fiscal criteria are applied to the management of the welfare state, it is inevitable that welfare expenditures will expand or diminish unreasonably according to the availability of funds.

The Council on the Social Security System of Japan stated in its 1995 recommendations that “the new ideal of the social security programs is to assure all the people a healthy and secure life.” The council used the term “new ideal” probably because it wanted to depict welfare programs for the twenty-first century that would replace the old notion of providing a minimum standard of living and preventing poverty. At first glance, this approach sounds plausible, but it merely indicates a general goal of the welfare state, as is the case with programs called for in the Constitution. The notion of assuring every person a healthy and secure life places no limitations on the level of social security services; nor does it reflect a normative viewpoint of evaluating existing institutions. If the welfare state is to have autonomy, it needs a foundation based on moral principles.

By moral principles I mean standards that are embedded in the public culture of democracy under a certain social structure. In other words, moral principles must be presented not as exemplars that are not necessarily feasible in reality but as principles for organizing institutions, given the conflicts between the ideal and the reality in society. As far as one conceives of moral principles in abstract terms, they appear to conflict as in a struggle between the gods, but this is not true of moral principles inherent in existing institutions. In this case, moral principles are derived through a formulation of factual values embedded in institutions, and the nature of disagreements about them does not essentially differ from those in positive science.

Let us begin with the definition of social security, a public safety net that is designed, as a supplement to the market system, to provide against certain risks. Social security does not offer citizens a positive good. Although it is not necessarily limited to assuring a minimum standard of living, it is limited in the sense that it only meets unforeseen risks to which people are exposed, given the workings of the market system. The Beveridge Report of 1942 noted that the purpose of social security was to protect the public against five giants: want, disease, ignorance, squalor, and idleness. Thus the British welfare scheme has covered pensions, health, education, housing, and employment. Nowadays a sixth giant has loomed large: the frail elderly.

In its recommendations the council also observed that “the social security system depends not only on the individualist conception of society but also on the conception of social solidarity.” Solidarity only means the relationship between individuals and society and a basic fact of social life. The real issue is how to organize individuals into a society, and the content of solidarity will differ depending on what are the organizing principles. Conceptions of solidarity vary widely from *laissez-faire* to communism. Therefore, the statement that the social security system depends on

solidarity does not identify the basic ideal of the system.

Furthermore, the council argued that although the social security system has so far assured only the right to live, it should in the future promote the right to choose a variety of lifestyles. The right to choose must also presuppose different moral principles depending on the foundational conceptions, and if we are to go beyond the framework of the right to live, we have to show what kind of rights are relevant.

As the council's recommendations are an administrative document not an academic work, one cannot expect them to provide a philosophical analysis. But, generally speaking, reviewers of the social security system do not pay enough attention to the ideology that justifies the system, and assume only implicitly the vague ideas of solidarity and the rights to live. Libertarians regard the welfare state as a threat to a free society, whereas socialists consider it to be a failure of the capitalist state and destined to die. Both groups do not believe that the welfare state has a moral foundation. The proponents of the welfare state, on the other hand, have taken the system's existence for granted and have not endeavored to explore the moral principles that should support it. For such principles we must probe the work of moral philosophers.

Arthur Cecil Pigou, the founder of welfare economics, once said that economics is a "handmaid of ethics" as well as a "servant of practice."¹ Since economists are concerned with the allocation of scarce resources, they are regarded as proficient at designing institutions, but they must be led by moral principles if they are to construct just and efficient institutions. Economists who are absorbed in making both ends of a budget meet when they discuss plans for fiscal and welfare reform can be "servants of practice" but not "handmaids of ethics."

This essay examines moral principles that should support the social security system and the relationship between insurance and assistance principles in the practical design of the system. This problem is characterized by confusions that are likely to occur when the discussions of social security are not based on moral principles.

2. Utilitarianism and Contractarianism

According to a configuration in contemporary moral philosophy, two doctrines serve as the foundation for organizing a society: utilitarianism and contractarianism. This distinction was brought about by John Rawls, who effectively established the contractarian perspective as opposed to utilitarianism.² The concept of utilitarianism, which was developed by British thinkers such as Jeremy Bentham, John

¹ Pigou (1925), pp. 82–84.

² Rawls (1971).

Stuart Mill, and Henry Sidgwick, claims that the morally right act or institution is that which produces the greatest good for the greatest number of people in a society. Because it is both plausible and attractive, this principle continues to have a prominent place in moral and political philosophy. Three major criticisms have been leveled against it: first, utilitarianism takes into account only the maximization of an index such as utility or happiness and does not consider the relevance of values such as liberty or excellence; second, it focuses exclusively on an aggregate of utility and does not take into account distributive equality or inequality among individuals; and third, it presupposes a unified evaluator of the utility aggregate and ignores the possibility of social choice among a number of individuals.

If a foundation of social solidarity is sought in the utilitarian philosophy, the answer will be that a summation of individual utilities is considered in its appraisal of policy and action. Unlike egoism, utilitarianism is an altruistic principle in that it is concerned with utility not only for a single individual but also for all other persons to an equal extent. However, since its criterion is a social aggregate of satisfaction, the design of institutions based on the distribution of income, wealth, and utility is not possible according to the utilitarian principle. If it is assumed that the poor will have an inferior capacity for enjoyment, the utilitarian solution is an unequal distribution of income that produces the greatest social aggregate of utility. Thus a social security system cannot be based on utilitarianism.

On the other hand, contemporary contractarianism is beholden to Rawls for a modern formulation of Kantian deontology into a rational contract between moral persons. Rawls's theory of justice has not only provided dissenters from utilitarianism with a theoretical foundation but also has established an ethical basis for the social security system.

Historically speaking, the implementation of the social security system and social policy preceded their theory, and values that supported the practical rules of the welfare state emerged from the moral judgments of ordinary people. In fact, aid to the poor and the weak was sustained by altruistic feelings and a sense of justice in a community. Utilitarianism could not formulate theoretically the moral sentiments of people. Rawls's theory of justice succeeded in the theoretical formulation of a sense of justice held by people under the political institutions of democracy and established a paradigm of a just society in terms of a rational social contract by moral persons who are endowed with rights to be considered equally. As we shall see, although moral principles have proliferated since Rawls, his position is aptly characterized as "welfare liberalism."³

In terms of economics, the contrast between utilitarianism and contractarianism is interpreted as an identification of philosophical bases of the value premises in

³ Sterba (1995).

economics, i.e., efficiency versus justice, because the philosophical basis of efficiency is utility and that of justice is rights.⁴

Rawls's principles of justice are twofold: (1) people have an equal right to the basic liberties and opportunities, and (2) social and economic inequalities must benefit the least advantaged members of society. Although social and economic inequalities are inevitable, a just society is structured and controlled so that the inequities are morally justified. Rawls's second principle articulates such inequities and thus is called the "difference principle." If moral principles are accepted by all members of society, the members must support the institutions based on these principles whether they are the least or the most advantaged in that society — in other words, whether they receive the benefits from others or give the benefits to others — because moral principles are universalizable to all.

It is characteristic of Rawls's thought that his principles of justice were derived by a hypothetical social contract in a certain presocial state, which he called the "original position," where people were assumed to live behind a "veil of ignorance." Although in the choice of moral principles one is permitted to behave rationally to pursue his own interest, the assumption of a veil of ignorance prescribes conditions of fairness, in which no one knows his place in society, his social status, his natural talents, his intelligence, his strength, his preferences, his interests, his goals and so on. This ensures that no one is advantaged or disadvantaged in a social contract by his contingent position. Since all are similarly situated and no one is able to introduce principles to favor his particular situation, the principles of justice are the result of a fair agreement.

Behind the veil of ignorance, one must assume that a person might be in a disadvantaged position and exposed to grave risks, because he has general knowledge that despite individual efforts there are differences of social and economic status owing to natural and social chance. Consequently, a rational behavior of each individual in the original position to favor his own position will favor all others potentially and lead to a choice of the difference principle that places the least advantaged in the best position. This position is called "maximin" because the minimum is maximized.

I contend that the social security system of the welfare state should embody Rawls's principles of justice. An explanation of this contention will serve to reject some popular ideas about the welfare state. Under a social security system based on Rawls's moral principles, the status of the least advantaged is raised through social cooperation; in this way such persons can maintain a sense of self-respect and believe that their lives are worth living. On the other hand, those who are protected from risk provide resources for operating the system. As a result, income is trans-

⁴ Shionoya (1984).

ferred from the advantaged to the disadvantaged. This transfer was originally an insurance premium paid by the advantaged to avoid risk, but they are fortunately protected from risk and so are in an advantaged status. Their advantage, as it were, was obtained in exchange for an insurance premium that was transferred to the disadvantaged. Therefore, the size of their premium is determined according to the ability principle. This means a principle of reciprocity, not that of benevolence. Rawls's principles of justice, then, are essentially a theory of insurance.

The social security system is based on solidarity in the sense of reciprocity, not of unilateral benevolence of the rich to the poor. Apparently the system has a function of income redistribution, but this does not mean a unilateral, altruistic transfer of income from the advantaged to the disadvantaged. Through the collective device of insurance to avoid risk, supported by the self-interest of individuals, the status of those at the bottom of society is raised and a social relationship with morally acceptable differences is maintained.

Social security is often claimed to be paternalistic intervention of the state into the short-sighted behavior of individuals. Government regulation is sometimes based on paternalism to promote the public welfare, but the problem is that it imposes restrictions on the preferences and autonomy of individuals. The state is assumed to know more than individuals about what is best for them. Similarly, benefactors in this system might infringe on the autonomy of others. Justification of the social security system by the social contract theory does not depend on paternalism, but on an agreement between autonomous individuals.

The statement of the Council on the Social Security System that "the new ideal of the social security programs is to assure all the people a healthy and secure life" is liable to be interpreted as the state should provide every citizen with a high standard of living. If the state can do so, people will be secure. But the social security system can merely redistribute income; the level of income is raised only by market activities.

Concerning this point, there is a misunderstanding among social security experts. In the past, social security was mostly concerned with public assistance to the very poor. Currently, however, medical care and pensions are directed to a wider range of people. It is claimed that the means test should be abolished and selectivism should be replaced by universalism with regard to the range of beneficiaries of welfare services. Of course, if services are provided on an across-the-board basis, there is no need for selectivism. But this is not an appropriate system of social security; it is also a cause of fiscal crisis. Although the social security system intends to avoid risk for every one who pays insurance premiums, income transfers and benefits in kind are limited to persons actually at risk. Social security is universal in that all are insured against potential risk, but the service must always be selective.

This means that the nature of risk should be examined so that an emergence of risk remains probabilistic.

It is an ingenious analogy to call social security a “safety net,” which indicates literally a net for a tightrope walker or trapezist in a circus show. Everyone does not live permanently and comfortably over a safety net from the cradle to the grave for ethical and economic reasons. In fact, the crisis in the welfare state is rooted in the lack of basic ideals of social security.

3. Libertarianism and Communitarianism

While utilitarians naturally took defensive measures against Rawls’s attack, criticism of Rawls also came from libertarianism and communitarianism. Table 1 classifies the contemporary trends of thought in moral philosophy. The value and the method of each school of thought is located in the rows and columns of the table respectively; value is the criterion by which moral worth is judged, and method is the procedure by which individuals are related to society. The value criterion of utilitarianism is efficiency in producing outcomes, whereas that of contractarianism is justice in distributing outcomes. Both principles are contrasted with each other in terms of “utility versus rights,” on the one hand, and “holism versus individualism,” on the other.

Now, two new principles are introduced: libertarianism and communitarianism. Liberty is to libertarianism what virtue is to communitarianism. The former is the liberty-based moral principle, and the latter is the utility-based one. It seems not strictly correct to include communitarianism in the group of the utility-based principles, but it can be properly considered as a kind of ideal-utilitarianism. A more appropriate comparison will be achieved by locating communitarianism in a more basic dichotomy between the goodness-based and the rightness-based principles instead of the dichotomy between utility and rights. Communitarianism claims the pursuit of common good as the moral goal, whereas libertarianism regards the realization of rights to individual liberty as morally right. On the other hand, in terms of method, communitarianism is characterized by holism and libertarianism by individualism.

Table 1 Contemporary trend of thought in moral philosophy

Method \ Value	Utility (Goodness)		Rights (Rightness)	
	Holism	Utilitarianism (Efficiency)	Communitarianism (Virtue)	
Individualism			Contractarianism (Justice)	Libertarianism (Liberty)

Libertarians such as Friedrich von Hayek and Milton Friedman, admiring free markets, asserted the size of the welfare state to be a minimum, although they admitted its functions. Robert Nozick maintained the minimization of a state itself⁵; the functions of a minimal state must be restricted to those of a nightwatchman, i.e., the protection of rights to the life and property of individuals and the enforcement of free contracts. His entitlement theory of justice consists of principles of just initial acquisition, of transfer, and of rectification of injustice. This view does not include any moral critique of the market mechanism and the underlying distribution of property. As a result, there is no way from this philosophy to the welfare state.

In communitarianism, the highest moral value is a common good, the ideal of goodness formed historically by the custom and practice of a community. A community takes the form of family, firms, and the state. Communitarianism is rooted in the Aristotelian ethics of virtues and holds that the improvement of virtues in human nature will realize a common good.

Communitarianism is critical of utilitarianism, contractarianism, and libertarianism. According to the communitarian view, although utilitarianism claims the superiority of goodness over rightness, its uniform utility calculation is defective; both contractarianism and libertarianism assume that abstract and atomistic individuals are separated from a historical and social context and have defects of a single and universal principle. They are criticized because they do not conceive of individuals as linked by society, culture, history, and language.

Communitarianism, unlike Rawls's argument, denies the idea of rightness that regulates various ideas of goodness. For Rawls, because men have different ideas of good, the precedence of just rules and the assumption of individuals detached from a social context are required in order to permit the coexistence of multiple values. After the framework of these rules is provided, individuals are allowed to pursue freely their own values in social circumstances. In contrast, according to the communitarian view, it is impossible to assume that individuals are detached from history and tradition, from the aims and values of a community. Therefore, it argues, as men are endowed with the values of a common good that a community should realize, any principle of justice cannot be superior to the common good.

Given the superiority and multiplicity of goodness, how is a variety of goodness to be coordinated in communitarianism? Curiously enough, communitarians do not see any conflict here; they assume a prevalence of the common good and assert multiple principles of justice for different areas of goodness. Goods as a means for achieving different concepts of goodness should be subject to different principles of allocation. In opposition to this perspective, however, it is claimed that, first, when

⁵ Nozick (1974).

common goods are in conflict, a principle of justice is required for coordination, and that, second, a principle of justice is also needed to determine the allocation of different goods for different areas of goodness.

A claim of the superiority of goodness and that of the superiority of rightness are contradictory as far as they are considered together. But the image of a society described by communitarians is a historical reality, and individuals are perceived as pursuers of goodness in the context of the society. In contrast, the society depicted by contractarians is a logical fiction in which individuals are present only as a party to an agreement on principles. Once agreed principles are introduced into the social framework, congruence of goodness and rightness on the basis of a community will be expected, as Rawls expounded in Part 3 of his *A Theory of Justice*. In this sense, there is a possibility for the coordination of communitarianism and contractarianism within a larger frame of moral theory. The controversy between the two seems to be similar to the *Methodenstreit* between theoretical and historical approaches in economics toward the end of the nineteenth century.

What is the communitarian view of social security? All authors do not discuss the subject, but Michael Walzer offers a typical argument.⁶ He regards the present welfare state as a national system of distribution in which central management, bureaucracy, and uniform regulations are dominant. Instead, he calls for the socialization — not nationalization — of social security, because voluntary mutual aid in a local community would lead to the delivery of a variety of welfare services. The socialization of social security would produce a return to the traditional practice of mutual aid carried out in small communities by families, churches, business organizations, and charities.

In communitarianism, social solidarity is interpreted as one of the common goods of a community and is formed by the civil virtues cultivated within that community. In contractarianism, social solidarity is an embodiment of the principles of justice derived theoretically under hypothetical conditions of rationality and fairness. The contrast can be treated as a difference between theoretical and historical approaches to the design of a social system rather than as a difference between right-based and virtue-based approaches to an abstract moral theory. So viewed, the two approaches can be integrated so that a vision of the decentralized social security system claimed by communitarians is possible on the practical level of institutional design, admitting at the same time the principle of justice that contractarians derive on the theoretical level of institutional design.

⁶ Walzer (1988).

4. Insurance and Assistance

To the basic question of what is social security, the prevailing view holds that there are two different models: social insurance and social assistance. In regard to source of funding, the former depends on insurance contributions (or premiums) and the latter on taxes. The prevailing view also asserts that social security has no unified principles.

In fact, the financial source of social security is either contributions or taxes. They are collected from people through different rules and procedures and distributed to people either in cash or in kind. Although contributions and taxes are different in terms of institutional rules and procedures, each model has a wide range of operations. Hence it is not appropriate to conclude from past and present experiences that two models of social security depending on contributions and taxes are based on different principles.

Most observers, however, hold that there are differences between social insurance and social assistance, between contributions and taxes. Thus, when the implementation of a specific program of social security (e.g., long-term care) is placed on the national agenda, a debate arises about which principle should be adopted. But since both contributions and taxes are methods of raising funds, they cannot determine the nature of social security services. So-called principles of insurance and assistance are not so much theoretical determinants of institutions as descriptions of contingent institutional characteristics as they actually stand. The prevailing view might be called a sociology of fund-raising for social security. In my opinion, the above moral principle of social security attests to the basic identity of social insurance and social assistance.

The balance of this essay is devoted to my critique of the view that distinguishes between insurance and assistance as different principles. Since this view has been generally accepted, it is not fair to refer as the object of my criticism to any authors who happen to hold it.⁷ Table 2 illustrates the prevailing view of the differences between social insurance and social assistance.

In the table, comparison (1) indicates that social insurance depends on compulsory insurance contributions, whereas social assistance is financed through taxes. Comparison (2) relates to the historical origin of the two approaches. But a difference in origin does not represent a difference in logic; for example, even if the origin of money was a shell or a metal, does such a difference represent a lasting dichotomy in the functions of money?

Comparisons (3)–(8) have no basis in principle. Among others, (3) is a basic misconception of the conventional view. It is misleading to contrast “spread of

⁷ Nevertheless, it is appropriate to refer to an early discussion of the distinction between social insurance and social assistance. Cf. International Labour Office (1942).

Table 2 Social insurance versus social assistance: The prevailing view

	Social insurance	Social assistance
(1) Means	Contributions	Taxes
(2) Origin	Bismarck's social policy	Elizabethan poor law
(3) Function	Spread of risks	Redistribution of income
(4) Object	Universal	Selective
(5) Suitability to the economy	Conformable	Nonconformable
(6) Degree of rights	Strong	Weak
(7) Level of benefits	High	Low
(8) Availability of funds	Easy	Difficult

risks” with “redistribution of income”; they are the same. From the contractarian standpoint, risks such as poverty, sickness, disability, and unemployment are likely to occur to anyone. Behind the veil of ignorance, no one is destined to be branded as the lower paid, an invalid, disabled, or unemployed. No one can be sure in advance whether he may ultimately fall into one or more of these groups. The social security scheme, which is interpreted as based on Rawls's maximin principle, provides for such unforeseen risks. In society, people actually bear burdens according to their ability, whether by contributions or taxes, and receive benefits out of the pooled fund according to incurred risks. The relationship between burdens and benefits is expressed as the spread of risks as well as the redistribution of income from the people who have escaped these contingencies to the people who have suffered from them.

Two methods of fund-raising — taxes and compulsory contributions — should be examined. Taxes are devoted to the provision of public goods and merit goods; social security services are defined as merit goods. Taxes as a whole, whether proportional or progressive, must be imposed according to ability. In the contractarian view of justice, persons in advantageous positions have the ability and the duty to bear larger insurance burdens. For private insurance, premiums are determined basically according to the probability of the risks in question irrespective of differences in the earnings of the insured. For social insurance, in contrast, the rate of contribution depends on ability to pay. In practice, social insurance has two kinds of premiums: a flat premium rate and a flat premium amount. The flat premium rate exactly represents the ability-to-pay principle, because as income rises the amount of the premium increases with a flat premium rate. The flat premium amount is defective in principle because it does not account for income differences in assigning the cost of social security to individuals.

Social insurance is characterized by the ability-to-pay principle, compulsory subscription, and two kinds of risk. If it is assumed that private insurance depends on risk rating for each individual, in other words, if it is based on strict actuarial equity, risks are spread between those with incurred risks and those without incurred risks.

It may be called the first kind of risk spread. In compulsory social insurance, the probability of specific risks to individuals is neglected and averaged among them, so that there is, in addition to the first kind, the second kind of spread of risks between those with high needs for services and those with low. The reason for social insurance lies in the necessity for the second kind of risk spread from the standpoint of social justice. To this are added the ability principle and compulsory subscription to define the social insurance scheme.

The conventional view that distinguishes between the principle of assistance and that of insurance seems to presuppose the following oddity, that in social assistance those who are given relief are determined in advance and they are to be supported by taxation. This transfer is called redistribution of income. In the case of social insurance, in contrast, the conventional view implicitly assumes that who will be relieved is not predetermined so that all persons, as the insured, bear contributions. When risks become a reality, the affected persons receive benefits from the pooled fund and this transfer is called the spread of risks. Strangely, in the explanation of social assistance the term "spread of risks" is not used, and in the explanation of social insurance the term "redistribution of income" is not used. Further basic assumptions seem to be involved here.

First, in the conventional view, whereas social assistance is concerned with an *ex post* state where risks have already occurred, social insurance involves an *ex ante* state where risks have not yet occurred. Accordingly, it asserts, as those who should be recipients of poor relief and invalidity benefits are known, they should be the beneficiaries of tax dollars, and as patients who should need medical services are not identified, social insurance is appropriate to prepare for such an emergency. However, since social security is the security against certain risks as well as the measures against them, it is absurd to attribute the distinction between *ex post* and *ex ante* risks to social assistance and social insurance.

Second, even apart from *ex post* and *ex ante*, in the conventional view, redistribution of income relating to social assistance implies a transfer of income from the rich to the poor and is based on the notion of poor relief and benevolence. In contrast, the spread of risks relating to social insurance implies equal burdens and benefits among the insured irrespective of their earnings. This confuses private with social insurance. The basic idea of the prevailing view is that whereas social insurance is a scheme of mutual exchange based on the notion of self-help, social assistance does not depend on self-help but on benevolence and charity. But risks are prevalent, and as income differences are one of the social risks, the recipients of poor relief are not fixed; they happen to suffer from the risk of low income as the result of a social process.

This has something to do with comparison (4). It is not appropriate to say that whereas the object of social insurance is universal, that of social assistance financed

through taxation is selective. This contrast is valid only if the schemes are run this way; but this is not always the case. If this contrast holds true, why are the medical services financed by taxes in the United Kingdom, but financed by social insurance in Germany?

Comparison (5) is also unfounded. Social insurance and as taxation are equally based on the government coercion, and there is no reason that either of them is more conformable to a capitalist system. It is not accurate to argue that whereas taxation depends on coercion, social insurance contributions are paid by free will. Such an argument compares taxation with private insurance.

Similarly, comparison (6) is untrue. The conventional view asserts that whereas one can obtain benefits in exchange for contributions, the benefits financed by taxation are unilateral measures of a government and are incongruous to a free society. Furthermore, it is asserted that social assistance requires a means test, which attaches a moral stigma. If this is true, there are two reasons why the assistance scheme is so detested: mismanagement of the scheme and the exploitation view of government taxation. The conception of the social security system based on the contractarian view of government is that even if the low paid get benefits from taxation, they have a natural right as citizens because they fulfill their duty to pay taxes, however small or even zero, and a right to receive benefits according to law. No one gets benefits without discharging his obligations.

Moreover, insofar as social security relieves those for whom risks have actually materialized, benefits, whether financed through taxation or contributions, are always given selectively. Therefore, the social security system and the tax system require a device such as a means test or an income test to implement the contributions according to ability and the distribution according to need. These tests are not a stigma in themselves. In fact, a stigma is a contingent result of the mismanagement of social assistance that deprives the recipients of their general rights as citizens.

Neither comparison (7) nor comparison (8) is a problem of principle. If these contrasts are true, they are merely an outcome of the conventional view that regards social security through taxation as undemocratic and inferior and thus makes it difficult to achieve a national consensus on the improvement of such an approach. It is often argued that social assistance is financed by "public money." This argument erroneously presupposes that public money is not shared by people. The perception of an identity of insurance and taxation that is provided by moral theory is a prerequisite for the reconstruction of the welfare state from a budgetary perspective.

5. Conclusion

To sum up: first, the social security system provides the basic structure of a just society based on the principle of justice. Second, the principle of justice derived from contractarianism is similar to the principle of insurance in that both articulate a social scheme of solidarity to avert risks. Third, the principle of insurance, private or social, is an organizing principle based on self-help and voluntarism. Fourth, social assistance and social insurance requires the same organizing principle. In accordance with an approach in public economics that interprets the provision of public goods on the basis of a benefit principle, the contractarian principle of justice, I contend, can integrate social assistance and social insurance. Ideas should drive institutions, not vice versa. The conventional views examined here erroneously take contingent institutional facts as a matter of principles.

This argument does not deny differences of taxation and insurance as they take shape in reality. Adoption of measures is a matter of convenience that depends largely on historical conditions. It is a mistake to view a matter of convenience as a matter of principle. It is helpful to see that social assistance and social insurance are moving closer together.⁸ As there is no difference in the two methods in terms of the level of principle that should govern the reality, it is possible to obtain a unified theoretical position by abandoning the conventional view that is nothing but a partial description of contingent facts.

References

- Hiroi, Yoshinori. 1997. "The Convergence of Social Insurance and Social Welfare (Public Assistance): A Study of Uncertainties, Insurance Theories, and Aging," *Review of Social Policy*, No. 6.
- International Labour Office. 1942. *Approaches to Social Security*. Geneva.
- Nozick, Robert. 1974. *Anarchy, State, and Utopia*. Oxford: Blackwell.
- Pigou, A. C. (ed.). 1925. *Memorials of Alfred Marshall*. London: Macmillan.
- Rawls, John. 1971. *A Theory of Justice*. Cambridge, Mass.: Harvard University Press.
- Shionoya, Yuichi. 1984. *The Structure of Values in Economic Philosophy: Utility versus Rights* (in Japanese). Tokyo: Toyo Keizai Inc.
- Sterba, James P. 1995. *Contemporary Social and Political Philosophy*. Belmont: Wadsworth Publishing Co.
- Walzer, Michael. 1988. "Socializing the Welfare State," in *Democracy and the Welfare State*, ed. A. Gutmann. Oxford: Blackwell.

⁸ Hiroi (1997).