CHAPTER 2

Rise of Global Models: German Capitalist vs. Russian Socialist Social Insurance

The global social insurance movement began with German social insurance legislation of the 1880s. The movement established the historical core of the welfare state as we know it today through the German model of social insurance, associated with Bismarck, and also planted the seeds for the Soviet model of social insurance to be associated with Stalin. This movement proceeded throughout the twentieth century, involving almost all the countries in the world; it was not until the 1980s with the rise of neoliberalism that it reached its peak. From the 1990s, however, the Soviet model collapsed with the socialist systems while the German model remained the dominant form despite the rise of the new global model of privatization.

The world-wide character of the social insurance movement has been known since its inception, but no previous historical studies have traced it at the global level. Historical studies have tended to address social insurance one nation at a time, though Daniel Rodgers has explored the issue in the U.S. in connection to North Atlantic context. A few comparative studies on the diffusion of social insurance across nations, sociological and quantitative in nature, take the German model of social insurance as the global norm; they explicitly exclude socialist states.¹

The global social insurance movement has been a process of diffusion—incorporating more and more countries around the world. For the German model, the movement started in Germany, first diffused to Northwestern Europe and European overseas settlements, then to Southern and Eastern Europe, South America, North America, and then to the rest of the world; for the Soviet model, its fundamental ideas were diffused and experimented with through the global socialist movement but the model was implemented beyond the Soviet Union only in the post-war era and within the socialist world.

In addition, the global social insurance movement has been a process of evolution—gradually extending coverage to more and more social risks. For the German model, researchers have shown a consistent pattern: a country first adopts insurance against industrial injury, then sickness and/or old-age insurance, and finally unemployment insurance. By the end of 2007, accident and old-age systems had been virtually universally adopted. Systems of health and unemployment insurance were by then almost universally adopted in the developed countries, although many developing countries still lacked the latter two types of social insurance. For the Soviet model, countries adopted a comprehensive system covering at once all the major social risks of injury, sickness, and old age, but with the explicit absence of unemployment insurance because socialist leaders claimed unemployment was eliminated in their economies.

In the remainder of this chapter, I will first construct an analytical framework labeled as “interactive diffusion of global models.” For the purposes of this study, diffusion is defined as being both hierarchical and non-hierarchical, including diffusion from transnational actors (the International Labor Organization [ILO] and the World Bank) to national actors and diffusion from national actors in one country to those in another. The mechanisms of diffusion are either policy learning or policy emulation. Thus, of the many social and historical factors affecting the worldwide spread of social insurance—changing structures of industry and labor; domestic social and political struggles; wars and regime changes; the rise of international organizations—we have chosen to give particular attention to the circumstances and motives of the policymakers who ultimately set up the legislation and bureaucracy for social insurance programs. Our narrative of “interactive diffusion”—encompassing innovation, diffusion, evolution, and the balance of emulation and learning in policy—breaks into five periods. These include the origins of national compulsory social insurance (1790s-1880s); the rise of two social insurance models

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5 The term “diffusion” is here taken, in its sociological sense, to mean the general spread of a phenomenon. The term is to be used with some caution, however, in that it sometimes refers to a spread in which the items or institutions move only outward and undergo no change in movement. Patrick Manning, *Navigating World History: Historians Create a Global Past* (New York: Palgrave, 2003).