

Poverty and Politics: Evaluating Public Assistance in Japan

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Abstract

Literature on Asian, and in particular Japanese, welfare policies deals mostly with pensions and health care. As a result, we know very little about poverty relief in these countries. Japan, the most affluent Asian country, is often hailed as a poster child of “welfare capitalism”. However, when it comes to public assistance, Japan is in fact a laggard. We introduce the basic features of Japan’s public assistance program, and analyze what explains variations in both public spending on poverty relief, and the system coverage (the number of recipients of poverty relief) over time. We find that, unlike other “welfare nations”, Japan does not have a quasi-automatic, institutionalized response to changes in social and economic distress of its citizens. Rather, spending and coverage vary over time and are significantly influenced by the number of seats held by the Liberal Democratic Party in the Diet. We conclude that politics matter more than poverty relief *per se* in Japan’s public assistance program.

1. Introduction

Japan is typically considered as an industrialized country with a well-developed welfare system. Dore (2000) maps Japan and Germany as “welfare economies”, as opposed to the Anglo-Saxon “capitalist economies”. Likewise, Hall/Soskice (2001) group Japan with the “coordinated” systems of capitalism, where a variety of institutions and mechanisms are in place to delegate a significant amount of employment, training, unionism and welfare to corporations, which benefit from other state services in return. Observers of Japan’s welfare system, more narrowly defined, often focus their analyses of the well-established pensions and health care systems on the funding aspects, especially in light of Japan’s fast-ageing society (e.g., Estevez-Abe 2002). OECD data confirm the general notion of a developed welfare system in Japan, as the share of total public welfare spending to GDP in Japan is 16.9%, as compared to the U.S. with 14.8% (though behind Germany and Sweden, with 27.4% and 28.9% respectively) (OECD 2004).

However, what is completely overlooked in these analyses is Japan's public assistance system. Again looking at OECD data, we learn that Japan's share of poverty relief, narrowly defined as comprising public assistance to the poor, is only 0.2% of GDP, which is less than half that of the U.S. with 0.5% (Germany 0.5%, Sweden 0.6%). As we turn to the literature on public assistance in Japan, with the exception of Milly's (1999) seminal study of poverty in the first 20 years of the postwar period, we find a deplorable dearth of studies. Japan's government does not invite this research either, as data on poverty, homelessness, and other indicators of social distress are either unavailable or reduced to snapshots from surveys that leave the full extent of the situation unexplored. For most of the postwar period, this lack of data and research can be perhaps be explained by two factors: (a) the fact that the country was growing very fast, thus offering opportunities for many, and (b) the reliance on family ties for social support, as anchored not only in Confucianist values but more importantly in the Civil Code (as explained below), so that the poor could find relief from sources other than the government, leaving the state with little need or pressure to address these issues.

Regardless of what one might think of these two explanations, the situation in Japan has changed dramatically with the extended recession of the 1990s. Combining with the secular trend of waning family cohesiveness and traditional value systems was a jump in unemployment to twice its previous level and the general overall pressure on everybody to make ends meet. Towards the end of the 20th century, alarming indicators of social distress as expressed in long-term, structural unemployment, private debt (rising to a per capita level almost comparable to the U.S.), homelessness and even suicides could no longer be ignored (Schaeede 2006). It became apparent that the country's public assistance was neither designed nor equipped to dampen the effects of recession on the poor.

This paper tries to increase our understanding of public assistance in Japan by taking a closer look at poverty relief, and by conducting data analysis to estimate what explains the state's variance in responding to poverty and offering relief to the poor, in absolute terms of spending as well as in terms of population coverage, for the period of 1964-2002. In other words, we are interested in the supply side of poor relief, i.e., in determining what drives variations over time, if any, in the Japanese state's scale and scope in public assistance. What is the influence of politics on poor relief, as compared to macroeconomic variables such as GDP growth or the ageing society? How responsive is the government to increases in social distress, and to what extent is poor relief employed to subdue social unrest?

Most studies on public assistance are conducted based on U.S. data, and many of these focus on the demand side and find an almost automated response to changing macro-conditions. For example, an increase in unemployment rate tends to trigger an increase in spending on public assistance. These connections bespeak of an institutionalized system of public welfare provision that has grown over time. At the same time, however, there is a surprising scarcity of studies that consider political and social factors that may

determine public assistance.¹ In this paper, while controlling for demand-driven factors, (e.g., unemployment, government budget, or demographics) we zoom in on social and political factors that might determine the varying levels of public assistance over time. We show that public assistance in Japan is not so much designed to alleviate poverty over time or to dampen social distress during recessions, as most macroeconomic variables have limited effect on the level of either spending or coverage. Rather, politics is a significant determinant for public assistance spending, as we find changes in public assistance expenditure and coverage when LDP politicians are more eager to gather support from the poor, namely after poor showings in elections.

To present this argument, we begin with some theoretical considerations based on existing research on public assistance in different countries. In Section 3, an overview of the evolution of public assistance in Japan reveals that the system was designed to respond to temporary, short-term need and over time became increasingly inferior and supplementary to other forms of social security, such as pensions, with the effect that the poor were more and more marginalized. Section 4 introduces a set of hypotheses for what might explain variation in public assistance payments over time in Japan. Section 5 describes the data and our analysis. Section 6 concludes.

2. Literature Review

As we design this study of what determines government's response to poverty, we can lean on fairly extensive literature for the US, as well as a few singular studies for other countries, such as Sweden and Canada.² These studies can be grouped into two main categories. The first comprises the traditional view that with economic growth and increasing affluence, societies and governments become more responsible and generous, as well as able, in their support of the disadvantaged. As a result, government response to changes in need is almost automatic: if the demand for support goes up due to economic pressures, the supply will increase accordingly. In contrast, the second, more pragmatic view stipulates that poverty relief is one tool of public policy that governments can use effectively to suppress social unrest. In their seminal book *Regulating the Poor*, Piven and Cloward (1993; first published 1971) stipulate that poor relief is initiated or expanded during outbreaks of civil disorder, and abolished or reduced when stability is restored; i.e., poor relief may be generous or restrictive in line with the need to regulate society.

Within these two categories, studies differ in their emphasis on what drives public

¹ One exception is Blank (2001) who shows that conservative states in the U.S. are less generous in their public assistance than state governed by Democrats, even when controlled for the state's fiscal capabilities and other macro-economic factors. Moreover, when governor and the legislature are from the same party, public assistance is reduced, regardless of party. While Blank does not offer any interpretation, her results point to complicated political processes in the case of welfare outlays.

² To the best of our knowledge there are no exhaustive studies of public assistance systems in Asia. Even new studies on inequality, such as Tachibanaki (2005), do not provide in-depth studies of poverty relief.

assistance. Many focus on socio-economic characteristics and point to an almost functional relationship between the economic distress and the state's responsiveness. Thus, unemployment is shown to be positively associated with expansion in public assistance in a range of studies and for various countries (e.g., Ayala and Perez 2005; Bergmark and Backman 2004; Andren and Gustafsson 2004; Blank 2001; Sternberg 1998; Ziliak et al 2000). Likewise, economic growth, affluence, and inflation all tend to increase the government's outlays in poverty support (e.g., Gustafsson 1984; Spindler and Gilbreath 1979). While these studies provide some suggestions for research design, upon reflection it comes as little surprise that economic conditions matter, especially if one simply measures the total amount of spending on the poor.

Therefore, some analysts have zoomed in on the effects of program accessibility on public assistance. By looking at the ratio of welfare recipients to the total number of people living in poverty, we can determine the degree of "coverage" (Ayala and Perez 2005). Since this poses a data access problem for many states, others have used alternative measures of coverage, such as the ease of access (Wohlenberg 1976), the absolute level of assistance (Blank 2001), or the relative level of assistance (standard benefits divided by minimum wage; Spindler and Gilbreath 1979). From these studies we know that eligibility criteria matter.

One insight derived from the "coverage" variable is, again, related to the notion of poor relief as regulation. As Piven/Cloward (1993:3) submit, the poor can be enticed to (re)enter the workforce by treating welfare recipients badly so as to instill fear and increase the willingness to accept even the most menial jobs. The notion that poor relief outlays can be fine-tuned fairly easily, without any revisions of the system of its laws, has been suggested by Albin/Stein (1968). They argue that the number of poor relief recipients can easily be regulated by changing eligibility requirements, "stigma" and other disutilities of being on the "the dole" (e.g., restriction of choice associated with food stamps, or the general unpleasantness of applying); i.e. cyclical variation can be caused simply by administrative discretion. Demographic characteristics should matter, too. Single-parent families in general have fewer resources and are shown to be more dependent on public assistance (Ayala and Perez 2005; Blank 2001). Minorities continue to face obstacles in labor market access, resulting in more reliance on income maintenance programs (Blank 2001).

Related to demographics, demands for public assistance should be weaker when other social security programs are available. If pensions, unemployment, disability, medical and other support programs are sufficiently developed and institutionalized, then elderly will have to rely less on public assistance (Gustafsson 1984, Ayala/Perez 2005, Yellowitz 1995). However, if these other programs are restrictive, then the proportion of old people in society should effect spending on public assistance.

Ample data for the U.S. also invite comparative research, across states, of poor relief efficacy. For example, Wohlenberg (1976) analyzes differences in the effectiveness of welfare in relieving poverty across the U.S. by looking at inter-state differences in welfare programs (e.g., by analyzing total expenditure per state, the ratio of welfare recipients to

poor residents, and the average payment per recipient). He finds, perhaps not surprisingly, that effectiveness in poverty relief through welfare is higher in states that are more liberal and more generous (i.e., that have less restrictive eligibility requirements in law and practice, and pay out more). Importantly, fiscal ability of a state was not found to be a determinant, as some wealthy states proved less effective in caring for the poor.

All this points us to politics. Surprisingly, there are only a handful of empirical attempts to uncover political variables that may drive public assistance spending. For example, Blank (2001) finds for the U.S. that when governed by Republicans, states are more restrictive in poverty relief (measured in the number of cases handled). Interestingly, studies including politics as a variable all look at the United States. We see two explanations for this: one is related to data limitations in countries other than the United States, and the other concerns the historical background and institutionalization of public welfare.

As for data limitations, perhaps the main reason why we know more about public welfare in the United States than elsewhere is the country's peculiar tax system which requires everybody to file a tax return, regardless of income.³ To increase filings even by the poor, and to also further subsidize them, the U.S. offers an additional payment known as the "Earned Income Tax Credit" (only those who have earned some income and who file a tax return are eligible for this credit; which leaves out very low-wage and illegal workers) (Shipler 2004:13-14). In Japan, just as in many European countries, only those who expect a return will file a tax return, leaving the governments with only limited data on real income levels and poverty. This difference also precludes studies of poor relief, for the denominator – poverty – remains unknown at the detailed level. Therefore, as we attempt to replicate some of the studies for the U.S. we have to use proxies to get around data restrictions.

Concerning the second explanation, in Western countries with extended histories of citizen's rights and state obligations, poverty relief is rooted in the social contract. Helping the disadvantaged is "the right thing to do", and therefore changes in poverty support with varying political situations are dampened by the institutionalized processes of public assistance; hence the often-observed near-automatic response in public assistance spending to bad economic events, such as an increase in unemployment. This argument can be phrased either as a path-dependency story (see, e.g., Hicks 1999), or as a development story: as countries become more affluent, they become more enlightened and social rights become citizenship rights (Marshall 1964). In contrast, in countries with different a

³ Studies from other countries for the most part confirm the main findings for the United States. For instance, Spindler and Gilbreath (1979) find for Canada that unemployment, urbanization, lower minimum wage, lower provincial income levels and a more liberal government are all associated with a higher rate of public assistance. Stenberg (1998) shows for Sweden that unemployment used to explain public assistance before 1946 when generous unemployment insurance was introduced, thus pointing at an interaction between poverty relief and long-term unemployment support. This interaction, which may also be observable in Germany and has been shown to hold for Spain (Ayala and Perez 2005), makes a comparison across countries all the more difficult; Japan does not have long-term unemployment support, making public assistance the only recourse for the poor.

political-philosophical background, poverty relief is not necessarily part of the social contract. For example, in Asia the overriding concept for centuries has been the reliance on the household or family for support.⁴ As we will argue in this paper, Japan is such a case, and the government has been reluctant to provide income maintenance to the disabled, the elderly, and other disadvantaged people, unless it had a political motive to do so. Instead, social values of family were underscored, while social stigma and other disutilities were attached to poverty relief. To capture this aspect of political motive, in our study we control for macroeconomic variables to identify social and political factors that may determine public assistance spending in Japan.

3. Japan's System of Public Assistance

History

Before 1945, Japan's public assistance system was greatly underdeveloped, but a brief look at its history is interesting in that it foreshadows some of the contentious issues in the current public assistance debate. The roots of Japan's modern public assistance program can be traced back to the Relief Regulation (*Jutsukyū Kisoku*) of 1875, which was effectively an integration of social assistance programs already in existence during the Tokugawa period (1603-1868). This Relief Regulation enabled the state to use discretion in providing assistance to a targeted few -- those who lacked physical abilities to work or family members to rely on for support. Assistance was paid for just 50 days, and designed mainly to provide food. Only the disabled or people younger than 13 or older than 70 years could apply. As suggested by Fox Piven and Cloward (1993) for the U.S., the Meiji government (1868-1911) was rather reluctant to offer even this limited support, but saw no choice given the threat of the social tensions and political upheavals in the 1870s (Taira 1967: 96). In 1881, a mere 0.019% of the population was supported under this Regulation. An attempt, in 1890, by the Ministry of Home Affairs to expand the relief program was defeated by the House of Representatives, on grounds that too generous a program would only encourage indolence -- the conservative view supported in recent research by, for example, Allen (1993) who argues that welfare reduces the incentives to participate in the workforce, which in turn reduces training and thus only exacerbates the welfare problem. In Japan, politicians agreed that family and community were expected to care for the needy. This notion was anchored in the Civil Code, which to this day stipulates in Section 877 that family members are the first recourse in times of need.

With Japan accelerating its imperial expansion in Asia in the early 20th century, the

⁴ Schaefer (2006). The literature on "East-Asian welfare capitalism" captures this sentiment only partially, see, e.g. Goodman, White, and Kwon (1998), Kwon (2005), and Shinkawa (2005). These see welfare policy as a consequence of the "productivity" coalition between the state and large firms, whereby pensions, health care programs, and other benefits are tied to companies. Note that all these analyses ignore the issue of poverty relief.

government focused on supporting soldiers and their families; i.e. the concern was not so much poverty *per se*, but morale of the military. The Law for Military-Related Assistance (*Gunji Kyūgo Hō*) of 1917 provided support to targeted segments, in particular disabled veterans and families of soldiers who died in military service. Coverage of welfare recipients rose to 0.071% in 1925, mostly due to the increase in military-related assistance (Taira 1967: 98). Still, this did little to alleviate poverty. By the 1920s, local governments such as Kyoto, Okayama, Osaka, Saitama and Tokyo, more concerned about the social unrest in their prefectures, had introduced their own welfare systems. These local government appointed some eminent local citizens as voluntary relief counselors (*saisei komon*). Because these were voluntary positions, however, they lacked authority to improve poor relief.

During the 1920s, due to the Tokyo Earthquake of 1923 and the Great Depression, things turned sufficiently bad for the government to feel pressured to expand public assistance (Taira 1967: 97-100). The Relief and Protection Law (*Kyūgo-hō*) of 1929 led to an increase in coverage to 0.14% in 1932, as the law extended the eligibility to cover not only people 13 years or younger and 65 years or older, but also pregnant women and the disabled. Perhaps the biggest contribution of this law was to introduce separate category of public assistance, such as “general assistance”, “medical care”, and “child bearing”.

All these efforts notwithstanding, the government continued to balk when it came to the core issue of public assistance, poverty. For example, in 1938 public welfare payments were capped at 12.5% of the average income at the time, which was fairly low to begin with (Taira 1967:102). In other words, the system was marginal and designed to moderate social unrest in the early Meiji period, and later expanded only to provide for ex-military in an effort to mobilize citizens for WWII (which had already begun in China in 1937).

Early Postwar Development

The defeat in WWII and the subsequent democratization of Japan under SCAP (Supreme Commander of the Allied Powers) led to some revisions in Japan's public assistance program. In April 1946, a new Plan for Emergency Life Assistance (*Seikatsu konkyūsha kinkū seikatsu engo yōkō*) was launched. Although officially this program provided housing and food assistance to very low-income people, in practice it clearly targeted demobilized soldiers and repatriates in the big cities (MHW 1988: 763-4).

Further pressured by SCAP, the government prepared a permanent law on public assistance in 1946, called the Living Protection Law (*Seikatsu hogo-hō*). This was based on Article 25 of the new Constitution, which stipulates that “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”. The Live Protection Law, accordingly, prescribed that the state was responsible for protecting the basic lives of people by providing public welfare. The prewar eligibility conditions were abolished, so that anyone whose standard of living fell below a certain minimum was entitled to public assistance. Seven kinds of assistance, ranging from

housing and medical care to education and funeral expenses, were provided based on a standard eligibility and means tests.

A 1950 revision of the law addressed a main drawback – the state’s discretion in deciding who was “poor” – by granting a right to demand assistance and file a complaint against the government if this was denied. Moreover, while the previous law had denied “misbehaving” citizens access to public assistance, access was now universal (Soeda 1995:40-9). Welfare offices staffed with professional caseworkers were established around the country to administer the public assistance program. In assessing need and level of benefits, these offices employed a so-called “market basket” that included basic necessities, such as food, cloths, and medical care. Still, benefits remained extremely low; for example, a visit to a public bathhouse (the standard way of bathing for most people at the time) was covered only three times in a month (Soeda 1995:54-61). Eligibility requirements remained very strict, especially given widespread poverty after WWII, and as a result, at its peak in 1950 the program covered 2.46% of the total population, but it continuously decreased to 1.77% in 1964 (Taira 1967:105).

Further improvements of the system occurred in 1960, in the form of a new benefits-calculation method, partially in reaction to a lawsuit filed against the government for insufficient support by disgruntled welfare recipients (the so-called “Asahi Incident”, after the name of the lead plaintiff). The 1960s were a time of great social unrest in Japan as well, and the case attracted great media attention. The new method was more objective (using average calorie consumption as a base), more egalitarian (using consumption of the average household as a base), and, as a result, more generous. With a 16% increase, the year 1961 saw the greatest year-on-year increase in standard benefits. Payments for housing and education were also raised. In the 1960s, a family on welfare in Japan could afford having children attend high school, and own a TV set and a washing machine -- all previously considered luxury (Soeda 1995:104-13).

Current Situation

The main stipulations of the Constitution and the Livelihood Protection Law to the effect that the state will support the poor to sustain a reasonable livelihood continue to hold. But the law and its current interpretation also continue to emphasize the principle of supplementarity: one’s financial assets, capacity to work, benefits from other welfare programs (e.g., pension), and perhaps most critically, support from one’s family members all have to be exhausted first, before one may even apply for public assistance. Thus, poverty relief is explicitly meant to be the “last resort safety net” (MHLW 2005: 127).

Public assistance system in Japan is a transfer payment, i.e., it is exclusively financed from tax revenues. The central government shoulders three quarters of the burden, whereas local governments contribute.⁵ Administrative oversight, however, lies with the local

⁵ Local government finances in Japan are not transparent, and the net share of these local governments in welfare may be less than 25%, after figuring in central tax grants to the localities. The current Koizumi

municipalities. Public assistance currently has seven subcategories: life assistance, education, housing, medical, childbearing, work, and funeral.⁶ A recipient can receive support in any or all of these subcategories, upon application with a local caseworker. In 2004, there were 11,944 caseworkers in charge of reviewing financial assets and household income, as well as enforcing true reporting (MHLW 2005: 129). The amount a welfare recipients is eligible for depends on a variety of factors, including the size of the family, income level, and location (urban vs. rural). For example, as of 2004, a 30-year-old single mother in Tokyo with two minor children would receive approximately ¥196,640 (roughly (1,800)). Ministry of Welfare bureaucrats have the authority to change this base amount, as well as eligibility criteria, according to economic and demographic conditions.

As of 2003, a total of 1.34 million Japanese (941,000 households) received public assistance.⁷ Figure 1, at first glance, suggests that in the period from 1946 to the 1990s, the number of recipients had decreased, perhaps in contrast to the traditional view of rising public assistance generosity with economic growth but in support of the notion that economic growth helps fight poverty. A second look, however, suggests temporal variations in this trend; in particular there were spikes in the late 1950s to the early 1960s, and the second half of the 1970s (the “oil shock recession”, which ended Japan’s double-digit growth GDP growth rate). These spikes suggest that public assistance in Japan may be affected by economic fluctuations. The 1990s underscore this point, when the number of assistance recipients increased rapidly during the decade-long recession (MHLW 2005:125).

*** Figures 1, 2 about here ***

Figure 2 shows total spending over time. After outlays peaked in the mid-1980s they declined until a rebound beginning in the mid-1990s. By 2002, public assistance (including medical expenditures for the poor) spending reached a record high ¥2.25 trillion yen (roughly \$20 billion). Figure 2 also shows that of the seven subcategories of public assistance, life assistance (i.e., basic welfare) and medical care dominant, followed by housing assistance.

Evaluation

Figures 1 and 2 bespeak of an overall increasing trend in public assistance throughout the postwar period. However, many observers still deplore a structural gap between average income and the poor, most of whom continue to struggle to make ends meet, public assistance notwithstanding (e.g., Shinkawa 2005). Moreover, as in other countries some segments of society have begun to resent program expansion, based on a prejudice against those who receive “unfair” benefits without work. These sentiments are

cabinet is trying to change this ratio (3:1) to a 50:50, in a series of attempts to reduce the government deficits.

⁶ Note that Japan no longer has a food support system, such as the voucher programs in the U.S. Life assistance is intended to cover all basic needs.

⁷ In comparison, even as early as in 1991, 4.6 million families were receiving the AFDC in the United States (with roughly twice the population of Japan) *Need to update this from <http://oig.hhs.gov/>*

leading to increased social embarrassment for the poor and further increase the “disutilities” of public assistance (Soeda 1995: 118-126).

One reason for the remaining structural gap may be the state’s insistence that public assistance be supplementary, not only to family members and other government programs, but most importantly to corporate provision. The latter creates social marginalization by introducing a two-class society: those that are employed by large or medium-sized firms, and those that are not. To remedy this, Japan’s government has recently introduced more active measures to promote retraining and job consultation and placements, as well as new incentives to rejoin the workforce. (MHLW 2005: 133-5).

The development of company welfarism (lifetime employment, company health support, etc.) in the 1960s meant a lesser role for government assistance programs such as unemployment insurance. In 1961, the pension program and the health care insurance were expanded to cover all workers and their families. By 1965, new social insurance programs had emerged, such as unemployment and disability insurance. These programs also grew more generous over time: pension benefits increased from ¥10,000 a month in 1965 to ¥50,000 in 1973. Health care, too, increased its scope and scale, so that by 1973, about 70% of standard medical expenses were covered.

Yet, this increase in social security provisions had a negative consequence for public assistance, narrowly defined; i.e., livelihood assistance to the poor. Because well-funded social security was now available to the wage earners, who constituted the majority of voters, the poor were marginalized. Stigma increased the reluctance to apply. The disutilities of public welfare were further raised by bureaucratic fiat when the “oil shock” of 1973 introduced serious budget constraints. As a result, although the public assistance program held a majority share of all social programs before 1959, by the mid-1970s as a share of total social security expenditures, poverty relief accounted for less than 17% (Soeda 1995, pp.174-7). This trend has continued into the present, for public assistance seems to be a mere afterthought in the ongoing social security debate.

4. Hypotheses

Our goal is to better understand what determines variance over time in the Japanese state’s public assistance expenditures, as shown in Figures 1 and 2 (i.e., both in terms of total spending and in terms of coverage, namely how many people receive poverty relief). Can we identify quasi-automated responses to need, or are other factors driving the decision to extend support to the poor? How important are regulation of social sentiment, or political considerations? Data constraints, as mentioned in Section 2, in particular in regard to income levels, deter us from replicating directly some of the studies conducted for the United States. However we can use proxies and create new instruments to test the following hypotheses as to what may explain public assistance spending in postwar Japan.

We begin with two variables related to political motivations. First, the size of the

general budget in a given year may determine how much poverty relief is dispensed. As argued above, bureaucrats can fine-tune public assistance expenditures by making access more or less restrictive, or increasing the disutilities associated with applying. To the extent this is effective in Japan, we would expect to see variations in public assistance spending associated with fluctuations in the budget. Research suggests that year-on-year changes in budget categories may not be incremental: McCubbins/Noble (1995) argue this for all government units, and in interviews with Ministry of Finance bureaucrats in 1995 Schaede could confirm this at least for the budget categories of “health/welfare” and “defense”, which are among the largest and most contested categories and therefore fiercely negotiated every budget cycle, both among bureaucrats and politicians. Therefore, we posit:

H1: The larger the growth in the general budget, the higher the amount of public assistance spending, or the larger the support coverage.

One then wonders what might drive this debate over budget categories. Although the Liberal Democratic Party (LDP) has dominated Japan’s political landscape over long periods, this dominance has in fact varied, as the number of seats in the Diet (parliament) has changed with each election. In periods when the LDP has fewer seats, some party officials may have felt pressured to appease the poor by increasing public assistance; i.e. public assistance is used as a means of vote-buying. Moreover, when the LDP has fewer seats, opposition parties may find it easier to push through budget increases for public assistance, against the usual inclination of the LDP. In either case, we stipulate:

H2: The fewer seats occupied by the LDP in the Diet, the higher the public assistance spending, or the larger the support coverage.

In addition to politics, research has suggested that governments can use poor relief to control social unrest (Piven/Cloward 1993). In other words, it is possible that public assistance has less to do with addressing poverty *per se*, and more with calming social unrest and regulating the poor. In times of social upheaval there should be more spending than in times of peace and quiet. A nice instrument to measure “social upheaval” might be the number of demonstrations held in a given year, but unfortunately such data are not available for Japan. We must therefore resort to a somewhat lesser, but still expressive variable: the incidence of crime (measured in the number burglaries, robberies, assault, etc.). Presumably, in times of social upheaval the crime rate increases, whereas in peace and quiet it falls. We can therefore propose:

H3: The higher the crime rate, the higher the public assistance spending, or the larger the coverage..

A perhaps even more pointed variable to measure state responsiveness to social

distress is the number of suicides. It has been shown that the suicide rate in Japan is highly pro-cyclical, and during recessions more than 50% of suicides are attributed to economic- and work-related reasons (Schaefer 2006). If the state is sensitive to this indicator of grave personal distress due to economic hardship, and if the state is concerned that a high suicide rate may be indicative of overall social unrest, one might assume changes in public assistance spending associated with changes in the suicide rate:

H4: The higher the suicide rate, the higher the public assistance spending, or the larger the coverage..

Of course, it is entirely possible that Japan is much more similar to places like Germany and Sweden, where poverty relief is embedded in the social contract and increases and decreases quasi-automatically with changes in demand for support during business cycles. To shed light on this possibility, we need to control for the “usual suspects” used in existing research on public assistance. The first of these is overall economic conditions, as expressed in year-on-year GDP growth:

H5: The lower the GDP growth rate, the higher the state’s spending on public assistance, or the larger the coverage.

The next obvious variable one can presume to drive public assistance is unemployment. The results for this variable should be particularly pronounced in Japan, where there is no long-term unemployment insurance (the maximum number of days a long-term wage earner can receive unemployment insurance for is capped at 330). Therefore, complementarity rules notwithstanding, the effect should therefore be direct. We posit:

H6: The higher the unemployment rate, the higher the state’s spending on public assistance, or the larger the coverage.

Obviously, the scale of government spending on public assistance is also related to how generous the program is, either in terms of the maximum amount of public assistance a recipient can receive per month, or the stringency of eligibility requirements. Since these can change, occasionally even with bureaucratic discretion, we suggest:

H7a: The higher the payment to the poor (the more generous the system), the higher the state’s spending on public assistance.

However, the total amount of poverty support should not affect coverage, unless one presumes that a more generous system attracts more applicants. Without changes in demand, we should find:

H7b: There should be no relation between the amount of payment, and the coverage.

Another variable to consider is demographic change: since job mobility declines with age, it is reasonable to assume that a higher share of elderly people would translate into more applicants to public assistance (e.g., Blank 2001). At the same time, however, supplementarity rules prescribe that all other sources of support have to be relied upon before public assistance can be applied for. This leads us to predict:

H8a: The higher the share of the population older than 65 years, the higher the state's spending on public assistance, or the larger the coverage.

but also:

H8b: The higher the pension outlays by the government, the lower the state's spending on public assistance, and the lower the coverage.

In addition to these variables, we need to control for inflation and possible trends in absolute data. With these hypotheses in place, we can now turn to our analysis.

5. Data Analysis

Our structural mode is written as:

$$Y_t = \beta_0 + \beta_1 Y_{t-1} + \beta_2 ldpshare_t + \beta_3 exp_growth_t + \beta_4 crime_t + \beta_5 suicide_rate_t + \beta_6 trend + \gamma C_t + \varepsilon_t,$$

where C is a vector of controls, t is 1964, ..., 2002, and ε is the year-specific error term.

Independent Variables

We operationalized and sourced our variables as follows. Our primary political independent variable is *ldpshare*, measured as the number of Liberal Democratic Party's seats in the Lower House (*Asahi Shimbun-sha* various years). The second political variable is *exp_growth*, which measures annual change in the government's total expenditures (i.e., the annual budget) (*Sōrifu Tōkeikyoku* various years). Social variables are the *crime rate* and the *suicide_rate*. The former indicates the number of crimes reported to the Police Agency in a given year, divided by the total population at that time (*Hōmu Sōgō Kenkyūjo*, various years). The *suicide_rate* is the annual number of suicides per 100,000 people (*Kōseishō Daijin Kanbo Tōkei Jōhobu*, various years).

Controls

Controls include: *growth*, *inflation*, *unemp_rate*, *generosity*, *over65*, and *pension_gdp*. The variable *growth* is the real annual growth rate of real GDP (sourced from the Cabinet Office website www.cao.go.jp). *Inflation* denotes the annual rate of inflation (also from the Cabinet Office website). The *unemp_rate* is the percent of unemployed of the total workforce, as of January of each year (sourced from *Sōrifu Tōkeikyoku*, various years). *Generosity* refers to the maximum basic amount of public assistance a five-member family can receive, divided by per capita GDP. Therefore, this variable represents how generous the assistance is as compared to the mean income of the total national population in a given year. This variable was constructed using the basic amount (based on *Sōrifu Shakai Hoshō Seido Shingikai*, various years) divided by GDP per capita for that year, as sourced from the Cabinet Office website. *Over65* denotes the number of people older than 65 years, divided by the total population (*Sōrifu Tōkeikyoku*, various years). *Pension* indicates total pension benefits paid out, including employees' pension (*kōsei nenkin*), national pension (*kokumin nenkin*) and other post-retirement benefits (excluding private pension insurance schemes; sourced from *Sōrifu Shakai Hoshō Seido Shingikai*, various years). Finally, *trend* denotes a time trend, with the year 1946 set at zero.

Dependent Variables

We test two separate dependent variables. The first dependent variable is the total spending on public assistance (including all seven categories⁸, but not administrative costs) divided by real GDP. This captures the variance in the state's spending on the poor over time; that is, we are picking up on the scale of public assistance. The second dependent variable is population coverage, i.e., how many people receive poor relief, and what explains changes in that percentage over time.⁹ This redirects the angle of analysis to the scope of public assistance. In both analyses, the dependent variable is lagged because we are interested in identifying drivers of change.

Analysis

Summary statistics of our independent variables with expected signs are shown in Table 1, while Table 2 shows correlations among the independent variables. Some of our variables, not surprisingly, are correlated, so we run various models to partial out separate effects. Estimation results are presented in Tables 3 and 4.

*** Tables 1, 2, 3 about here ****

Table 3 reports the results of our models for the scale of public assistance, as

⁸ These categories are: livelihood assistance (which is poverty relief, narrowly defined), housing assistance, education assistance, medical assistance, child-bearing assistance, work assistance, funeral assistance, and, beginning in 2000, elderly care assistance.

⁹ Ideally, we would use the ratio of poor relief recipients over total poor people in Japan, but unfortunately these data are not available.

measured in public assistance spending per GDP. Throughout the models, we find that the political variables (the share of LDP seats and annual budget changes) are significant and carry the expected signs. That is, as the number of LDP seats in the Lower House decreases, and/or the budget grows, spending on public assistance rises.

When interpreting the result for the LDP variables, we consider two possible explanations. First, it is possible that after poor results in a Lower House election, the LDP changes its stance on social policies in order to appease poor voters. Second, fewer seats in the Lower House may translate into more concessions to the opposition during budget negotiations, leading to poverty relief expansion. We leave it for future research to determine the validity of these possible explanations. For current purposes, we find that variance in LDP dominance is an important determinant for public assistance spending.

Our results for the “budget” variable indicate a connection between public assistance spending and cyclical fiscal trends. Budget constraints directly affect poverty politics. This is consistent with the view that Japan's public assistance system is not so much designed to support the structurally poor (which might be particularly important during times of budget constraints) or to counterbalance the adverse effects of income inequality. Rather, public assistance varies with the perceived needs of fiscal policies in a given year.

Moving to the “social” variables, we find that the crime rate is a significant factor for public assistance (except for one model). We conclude that the government's willingness to expand public assistance expenditures is partly a response to the social problems. This finding confirms our hypothesis that public assistance may have more to do with providing order to society, rather than improving the social and economic situation of poverty *per se*.

The suicide rate, on the other hand, seems unimportant in determining public assistance spending. We can think of two interpretations for this finding. First, suicide can be more appropriately understood as an indication of personal social distress rather than more generic social unrest by the masses that the government may feel pressured to address. Alternatively, the finding suggests, again, that relieving personal distress as related to poverty is not a main motivation for the government when it determines its levels of spending on public assistance.

These findings hold even when we control for various macro-economic controls (economic growth, unemployment, inflation), the generosity of the payouts (payment levels), and demography (share of people over 65). Neither does the level of pension payments matter, which indicates that public assistance is not, in fact, performing a supplementary role in the country's social safety net.

*** Table 4 about here ***

All of these findings are even more prominent when we shift our view from the scale of public assistance (total spending) to its scope (total number of recipients), as shown in Table 4. The political variables again are strongly significant throughout the models, confirming that politics matters greatly when we discuss changes in public assistance over time. In contrast to Table 3, we also find that the two social variables are strong and

significant, throughout all models, in explaining public assistance coverage. With rising crimes and suicides, the government may be more inclined, or more pressured, to provide public assistance to more people. That is, private distress does lead to more poverty relief.

To be sure, suicides are attributable to many causes, and government response is likewise contingent on multiple factors. However, we know that about half of all suicides in Japan are attributed to “economic reasons” (Schaefer 2006), and our findings here confirm that this is understood and partially addressed through poverty relief. While we do not know whether this is simply an issue of increase in demand (more desperate people applying, all disutilities notwithstanding), or due to a change in eligibility requirements for poverty relief, we can say with certainty that the scope of public assistance changes more with social distress than does actual spending.

Table 4 also shows that economic and demographic variables (except for GDP growth) are not relevant in considering the scope of public assistance. Again, this supports our argument that Japanese public assistance system is not so much an institutionalized, quasi-automatic response designed to alleviate income disparity through the business cycles, but rather as a political mechanism to affect the poor at particular points in time.

6. Conclusions

Japan’s system of poverty relief grew out of a concern for military personnel and their family’s morale. Even though the Meiji Constitution included some vocabulary regarding the poor, the Civil Code of 1898 placed poverty support clearly in the hands of family members. The evolution over time of the country’s social security system made poverty relief something of an afterthought – a supplement to other things. The poor, already stigmatized in a society claiming that 90% of households were “middle-class” faced increasing disutilities in applying for welfare over time. As a result, public assistance has occupied a waning portion of Japan’s social security budget over time.

What is more, our analysis finds that even this small portion is not delivered in a quasi-automatic and functional way, as it would be in a true welfare state; i.e. simply in reaction to changes in demand for support. Rather, variation in public assistance spending over time is greatly affected by political and social variables. In terms of politics, we have learned that the number of seats in the Diet occupied by the LDP is a surprisingly strong indicator of public assistance spending. We can think of two mechanisms to explain this finding. First, it is possible that after poor results in a Lower House election, the LDP more aggressively touts social policies in an effort of vote-buying from the poor. Alternatively, it is possible that a lower number of Diet seats translates into less power for the LDP during budget negotiations, which may ease budget constraints for the local welfare offices.

Our results also point at significant effects of social distress on public assistance, in particular in terms of coverage. While this suggests that Japan’s government uses poverty relief for social regulation, we must remind ourselves that the overall level of public

assistance continues to be very low. We therefore conclude that crime and suicides are two indications of an enormous increase in poverty, which is, not too surprisingly, related to an increase in the number of people received poverty relief.

Taken together, we find that there is perhaps much less than meets the eye when it comes to Japan's welfare state, but much more than meets the eye when it comes to the role of politics in determining public assistance spending.

Figure 1: Number and Ratio of Households and People Receiving Public Assistance

Source: *Sorifu Shakai Hosho Seido Shingikai* (various years).

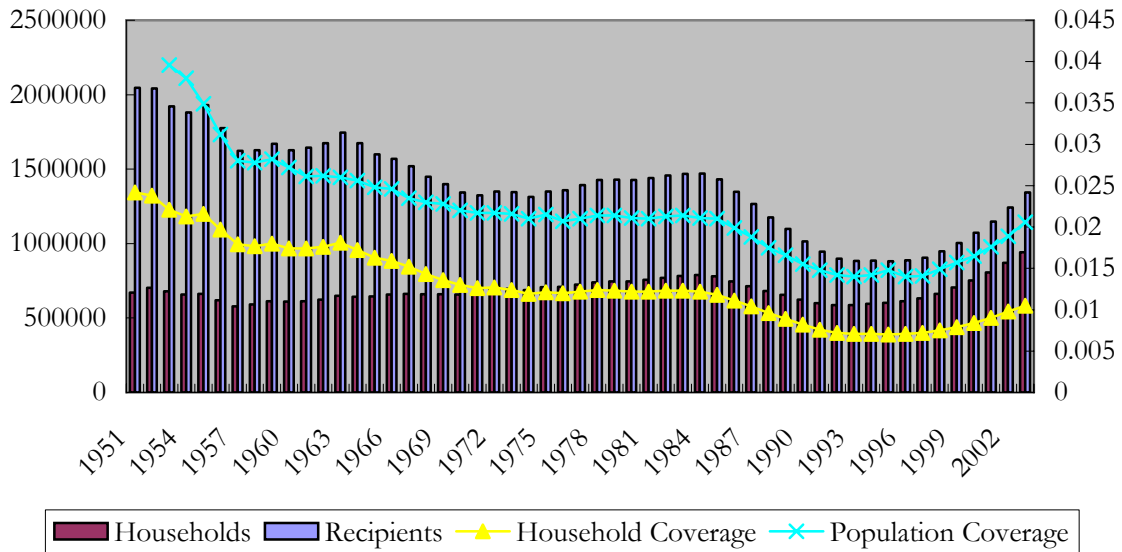


Figure 2: Government Spending on Public Assistance, 1957-2003

Source: *Sorifu Shakai Hosho Seido Shingikai* (various years).

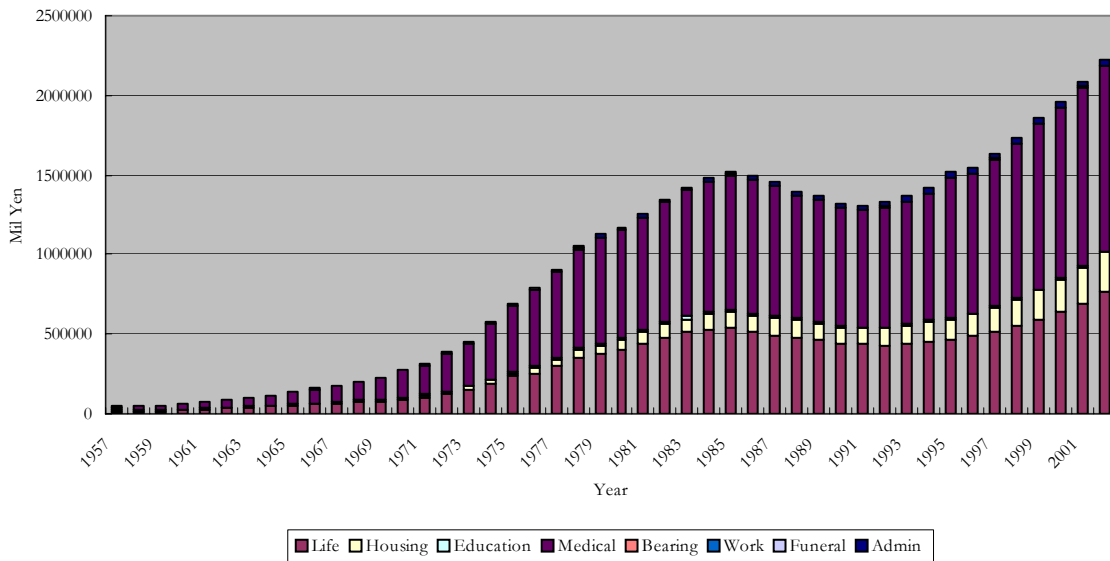


Table 1: Summary Statistics

Variable	Mean	Std. Dev.	Min	Max	Expected Sign
<i>Ldpshare</i>	0.54	0.059	0.39	0.63	-
<i>exp_growth</i>	0.093	0.081	-0.029	0.25	+
<i>Crime</i>	0.019	0.0037	0.015	0.029	+
<i>suicide_rate</i>	0.00018	0.000029	0.00014	0.00025	+
<i>Growth</i>	0.043	0.036	-0.012	0.12	-
<i>Inflation</i>	0.035	0.043	-0.02	0.19	+
<i>unemp_rate</i>	0.024	0.011	0.011	0.052	+
<i>Generosity</i>	0.51	0.18	0.19	0.67	+
<i>over65</i>	0.11	0.037	0.062	0.19	+
<i>Pension</i>	0.039	0.026	0.0029	0.083	-

Table 2: Correlation Table

	<i>ldpshare</i>	<i>exp_growth</i>	<i>crime</i>	<i>suicide</i>	<i>growth</i>	<i>inflation</i>	<i>unemp_rate</i>	<i>generosity</i>	<i>over65</i>	<i>pension</i>
<i>ldpshare</i>	1									
<i>gov_sur</i>	0.58*	1								
<i>crime</i>	-0.47*	-0.55*	1							
<i>suicide_rate</i>	-0.058	-0.48*	0.38*	1						
<i>growth</i>	0.66*	0.58*	-0.45*	-0.29*	1					
<i>inflation</i>	0.50*	0.73*	-0.63*	-0.39*	0.37*	1				
<i>unemp_rate</i>	-0.50*	-0.72*	0.85*	0.66*	-0.56*	-0.72*	1			
<i>generosity</i>	-0.75*	-0.74*	0.42*	0.30*	-0.81*	-0.56*	0.65*	1		
<i>over65</i>	-0.75*	-0.66*	0.77*	0.29*	-0.73*	-0.71*	0.86*	0.79*	1	
<i>pension</i>	-0.69*	-0.86*	0.73*	0.75*	-0.72*	-0.78*	0.90*	0.86*	0.97*	1

Note: *p<0.05

Table 3: OLS Estimates, DV=Total Spending on Public Assistance (in % of GDP)

Lagged DV		0.95*** (0.037)	0.49*** (0.094)	0.98*** (0.052)	0.94*** (0.037)
Independent Variables	<i>Ldpshare</i>	-0.0016** (0.00047)	-0.00092** (0.00036)	-0.0014** (0.00054)	-0.0016*** (0.00049)
	<i>exp_growth</i>	0.0015*** (0.00049)	0.0017*** (0.00035)	0.0014*** (0.00050)	0.0018** (0.00061)
	<i>Crime</i>	0.025* (0.0112)	0.063*** (0.016)	0.015 (0.018)	0.026** (0.012)
	<i>suicide_rate</i>	2.66** (1.29)	1.07 (1.25)	2.09 (1.49)	2.31 (1.38)
Controls	<i>Growth</i>	-0.0049*** (0.0010)	-0.0027*** (0.00096)	-0.0048*** (0.0010)	-0.0048*** (0.0011)
	<i>Inflation</i>	-0.00045 (0.00089)	0.016** (0.00073)	-0.00023 (0.00093)	-0.000053 (0.0010)
	<i>unemp_rate</i>		0.026** (0.0062)		
	<i>Generosity</i>		0.0046*** (0.00096)		
	<i>over65</i>			0.0048 (0.0062)	
	<i>Pension</i>				0.0075 (0.0099)
	<i>Trend</i>	-0.000019*** (0.0000053)	-0.000065*** (0.0000094)	-0.000031* (0.000017)	-0.000033* (0.000018)
Constant	0.00098** (0.00037)	-0.000036 (0.00044)	0.0010** (0.00038)	0.0012** (0.00044)	
Obs	39	39	39	39	
Adjusted R2	0.9864	0.9932	0.9862	0.9862	

Note: ***p<0.01, **p<0.05, *p<0.1. Standard Errors are in the parentheses.

Table 4: OLS Estimates, DV=Population Coverage (Number of public assistance recipients)

Variable					
Lagged DV		1.02*** (0.056)	0.98*** (0.10)	1.03*** (0.060)	1.02*** (0.060)
Independent Variables	<i>Ldpshare</i>	-0.0080*** (0.0014)	-0.0077*** (0.0017)	-0.0079*** (0.0015)	-0.0080*** (0.0015)
	<i>exp_growth</i>	0.0053*** (0.0016)	0.0052** (0.0017)	0.0053*** (0.0016)	0.0054*** (0.0019)
	<i>Crime</i>	0.13*** (0.028)	0.18** (0.070)	0.12** (0.057)	0.13*** (0.031)
	<i>suicide_rate</i>	11.78*** (4.02)	12.09** (5.30)	11.49*** (4.18)	11.78*** (4.16)
Controls	<i>Growth</i>	-0.0079** (0.0031)	-0.0066* (0.0037)	-0.0079** (0.0031)	-0.0079** (0.0032)
	<i>Inflation</i>	-0.0061** (0.0026)	-0.0053 (0.0032)	-0.0060** (0.0026)	-0.0061* (0.0032)
	<i>unemp_rate</i>		-0.00051 (0.031)		
	<i>Generosity</i>		0.0012 (0.0018)		
	<i>over65</i>			0.0045 (0.014)	
	<i>Pension</i>				0.00028 (0.031)
	<i>Trend</i>	-0.000051* (0.000027)	-0.000082 (0.000069)	-0.000058 (0.000037)	-0.00051 (0.000069)
Constant	0.0011 (0.0016)	0.0014 (0.0026)	0.0010 (0.0017)	0.0011 (0.0020)	
Obs	39	39	39	39	
Adjusted R2	0.9897	0.9891	0.9893	0.9893	

Note: ***p<0.01, **p<0.05, *p<0.1. Standard Errors are in the parentheses.

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