

The Politics of Social Risk: Business and Welfare State Development. *By Isabella Mares.* New York: Cambridge University Press, 2003. xvii + 319 pp. Figures, tables, references, index. Cloth, \$65; paper, \$24. ISBN: cloth 0-521-82741-8; paper 0-521-53477-1.

Reviewed by Jan-Otmar Hesse

Isabella Mares's book is not a history, but it will be of interest to historians nonetheless. She has developed a theoretical model in order to explain the behavior of employers when they are faced with the introduction of an institutionally organized social security system. By comparing events in Germany and France between the years 1880 and 1990, she confirms her theory that employers did not always oppose the introduction of such systems as a matter of principle. Rather, their perspectives varied, depending on the line of business they were in. The introduction of social insurance in Germany was not solely an effect of the power of the trade unions and of class conflict (as many scholars claim), but was also the result of the "strategic alliances" forged by certain segments of the labor movement and by some entrepreneurs who considered incorporating insurance for their workers to be in their own interest. Only such a hypothesis, Mares claims, can explain the sharp differences in the social security systems of welfare states today.

Business historians will be intrigued by Mares's theoretical model, which is based on the idea that social security institutions succeed in direct relation to the skill of the workforce: workers will invest in advancing their skills, Mares argues, when they can reasonably expect that, in the event of illness or invalidism, they will receive higher returns than workers who do not make such an investment. This hypothesis cannot be accepted uncritically: there is no proof that a person's willingness to receive additional training depends on the existence of social security institutions, rather than, as one would expect, on the expectation of receiving higher wages, the dream of achieving greater social mobility, and general trends in the labor market. However, by extending the argument, we are led to the conclusion that as a way of encouraging their workers to become more skilled, employers supported the introduction of social security institutions. This assumption is backed up by the many examples of private social security institutions that emerged before the passage of legislation that introduced national systems.

If, Mares asks, employers did not as a matter of principle oppose the introduction of social security institutions, why did some favor the introduction of national social insurance systems while others did not? Two kinds of decisions were involved. On the one hand, entrepreneurs had to consider how much control they might be able to exercise over the new institutional structure. A company with its own social insurance scheme would be able to dictate its terms, whereas its directors have little say in the operation of a plan run by a national institution. On the other hand, a national social insurance plan offered advantages in the redistribution of risk that were not available to a single company. Based on these criteria, Mares distinguishes enterprises that preferred social security systems according to how suitable they were for their particular manufacturing structures. A small firm employing workers with few skills in a workplace that had a high risk of workplace accidents was better off under a national security insurance system, as its risks would be offset by being in a pool with companies that had lower accident risks and thus incurred lower insurance payments. Conversely, a company whose employees were highly skilled would find it preferable to adopt its own social insurance scheme, which would allow it to pay higher-than-average pensions and provide better health insurance as a way of encouraging workers to continue upgrading their skills. This hypothesis is somewhat shaky, however, as it does not seem plausible that higher skills are necessarily combined with lower occupational risk. Maybe the theory was correct for circumstances in the nineteenth century, but would it fit, for example, the current situation of an engineer building a dam in a Third World country? A theoretical model only makes sense if it applies to different epochs and to all the different modes of social security. Mares's model, however, seems to have been constructed partly from accident insurance, partly from old-age pension schemes, and partly from health-insurance plans, but it fails to meet her goal of constructing social insurance as one all-encompassing phenomenon.

Mares applies her model to four cases drawn from the annals of the French and German welfare states. In her first empirical chapter, Mares examines the introduction of accident insurance in Germany in 1883, and in France in 1898. In these examples, her model works very well. In both countries, employers' decisive influence on accident insurance can be demonstrated, and she makes a clear distinction between the position of

large enterprises with high accident risks and that of small enterprises whose working environments were less dangerous.

In a second case study, Mares examines unemployment insurance, comparing the “Ghent System,” introduced in France in 1905, which gave state subsidies to the insurance initiatives of entrepreneurs and trade unions, with the contributory system for all employees that was established in Germany in 1927. In this example, the development of social insurance institutions is not explained by Mares’s general model of entrepreneurial behavior, but instead is accounted for by the formation of various “strategic alliances,” which encouraged the decision makers in the enterprise and the trade unions to accept the second-best solution, thereby reducing the importance of their preferences.

In a third case study, Mares examines plans to standardize the systems of social insurance in France and Germany after World War II. This idea, which eventually failed, combined accident and health insurance and introduced a common insurance for blue-collar and white-collar workers. As a last example, Mares compares the methods adopted by the two countries for introducing early-retirement regulations during the 1980s and 1990s.

Mares’s empirical studies offer historians no new information on the welfare states in Germany and France. Her cases are drawn exclusively from well-known sources, most of which were published earlier. However, her argument that employers’ politics strongly influenced both the introduction and the development of the welfare state, and her insight that the course followed by each nation depended on its industrial structure and the particular form of its class conflicts is strikingly new and will likely inspire further research, particularly by business historians.

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