



International Association for the Study of Insurance Economics

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HOW IT ALL STARTED: At the Forefront of the New Welfare Society

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The Geneva Association was founded in 1973, the year the period of extraordinary overall economic growth that had started right after World War II (with an average rate of 6% per annum for industrialized countries) entered a period of definitive slow-down, with an average of about 3%**.

It was possible, during this great economic growth period, to pursue several objectives at the same time: full employment, an increase in social security, expansion of investment, control of inflation and utilization of budget deficits essentially to meet economic fluctuations in the short term. But from 1973 the economies of industrialized nations had to face a very substantial change in the functioning of the economic system.

It was against this background that the Geneva Association commenced its activities by undertaking studies in the sector of life insurance, which examined the latter's interface with social security, on the one hand, and household savings, on the other. At that time, in most countries, these three pillars were considered separately, with few interconnections, and were not yet an element of global and general financial strategies.

Pioneer studies in these areas have been carried out in several countries, one of the best-known having been published in France in 1982, written by Dominique Strauss-Kahn and Denis Kessler under the title "Retirement and Savings" (Economica, Paris).

By the middle of the 1980s, the concept of a complementarity between the three pillars of the welfare state (social security based on pay-as-you-go systems, capitalized systems linked to employment, personal savings) became an overall point of reference everywhere. A wave and even a flood of studies and social and political discussions started and are still dominating the present economic debate on the future of the welfare state. Indeed, the subject became so widely debated that the function of the Geneva Association in this area, as a research center dedicated to the promotion of new important issues, could be considered accomplished.

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**The reasons for both an exceptional period of growth and the slow-down period were first described in "Dialogue on Welfare, Report to the Club of Rome" Pergamon Press, Oxford, 1980. This book developed the ideas already put forward in the "Lettre d'information" no. 19 of the Geneva Association, published on March 24, 1975 entitled "Economics, Technology and Vulnerability (The Economics of Risk and Insurance)". Various Geneva Association collaborators have written and published books on this issue showing that service functions have become dominant in all sectors of economic activity, where also the issues of risk management, vulnerability and therefore, the function of insurance, have become key economic factors. See among others "The Limits to Certainty: Managing Risk in a Service Economy" by Orio Giarini and Walter Stahel, Kluwer, 2nd revised edition, 1993, Dordrecht and "The Employment Dilemma: The Future of Employment" by Orio Giarini and Patrick M. Liedtke, Geneva Association, 1998 (also published in French, German, Italian and Spanish).

It was, then, in October 1985 that an internal think-piece was submitted to the Board of the Geneva Association introducing a new idea: the future of the welfare society would in fact need to be based on four pillars. Considering the demographic changes everywhere, and in particular the lengthening of the life cycle in most countries of the world, it was important to explore to what extent the possibility of remaining active for all those over 60 or 65 years of age should become an important social and economic point of reference. A first newsletter on the strategy of "The Four Pillars" was published in 1987: this newsletter described in 24 pages the programme of research which today, 15 years later, is still essentially valid and is more and more widely accepted as a reasonable policy in the search for better solutions for the new welfare society.

In particular, the first page of this document already stated that:

"The Geneva Association's approach is based on the assumption that the populations of industrialized countries will continue to enjoy increasing life expectancy and that future options taken in this regard will soon be affecting what will become the largest section of the world's population. Contrary to the prevailing pessimism, the Geneva Association is of the opinion that this situation will lead to changes in practice and thinking, whose socio-economic impact will be highly beneficial."

More specifically, a first study written by Denis Kessler (the then Vice Secretary General of the Association) under the title "The Four Pillars of Retirement" was published in the 1988 October issue of the Geneva Papers.

Due to the widespread acceptance of these ideas, our proposals for policies and measures on The Four Pillars strategy are still maturing, although a number of them have already influenced legislation or practice. We are not yet at the stage where the Geneva Association would consider abandoning its activities in this area in favour of developing a new strategic fundamental issue.

In fact, the fourth pillar has so many economic and social implications that there is enough food for research and practical initiatives in the economic and political sphere for the current decade or even longer. The whole issue of recognizing the new welfare society around a "Four Pillars" strategy is at stake. We are still right at the forefront.