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## A reflection on Richard Saltman's "Structural patterns in Swedish health policy"

Professor Saltman takes a long view when he examines structural changes in the Swedish health care sector. This is a very welcome contribution to the literature, as health economics usually is preoccupied with current problems and short term measures dealing with these problems. It also makes good sense – institutional change is often a slow process, and it will in many cases take considerable time before the effects of caning institutions can be fully appreciated.

The paper contains a very useful overview of 30 years of Swedish health care. Saltman discusses structural patterns, and three of these seem to describe what has actually happened in (the two remaining are international trends that have failed to materialize in Sweden). In all these cases there has been change, but at a slow pace: the resilience of the county council, the slow growth of diversity among service providers and the slow strengthening o patients' choice.

It is interesting to put this health-sector development in a (yet) broader perspective. Both diversity of providers and freedom of choice for patients can be seen as deregulations of the Swedish economy. The period from eh early 1980s till today is in fact characterized by a deep-going trend of deregulation in Sweden. At the macro level, this is captured by the Economic Freedom Index (ref). This index measures economic freedom in five dimensions and the overall score lies between 0 and 10. The highest level of economic freedom is usually found in countries like Singapore, with an index score around 9 (8.60 in 2010, which places Singapore in second place).

In 1980, Sweden was "a highly regulated economy with several state monopolies and low levels of economic freedom." Less than 20 years later, liberal reforms turned Sweden into one of the world's most open economies with a substantial increase in Economic freedom. The Swedish score increased from 5.68 in 1980 to 7.73 in 2010. which moved Sweden up from 37<sup>th</sup> to 18<sup>th</sup> place worldwide. The trend towards increased economic freedom is shared by Denmark, Finland and Norway, though none of the other countries had as little economic freedom in 1980 as Sweden, nor have they showed had an equally consistent increase.

Table 1: Scores of the Nordic countries in the Economic freedom index (overall rank in parenthesis)

| Year          | 1980      | 1985      | 1990      | 1995      | 2000      | 2005      | 2010      |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Denmark       | 6.39 (20) | 6.53 (21) | 7.26 (16) | 7.73 (12) | 7.92 (13) | 7.94 (13) | 7.94 (10) |
| Finland       | 6.65 (15) | 6.92 (14) | 7.24 (17) | 7.5 (29)  | 7.73 (17) | 7.97 (11) | 7.91 (11) |
| Norway        | 5.79 (32) | 6.46 (23) | 7.13 (19) | 7.56 (17) | 7.27 (40) | 7.69 (20) | 7.49 (35) |
| <b>Sweden</b> | 5.68 (37) | 6.47 (22) | 7.11 (21) | 7.28 (28) | 7.62 (19) | 7.58 (29) | 7.73 (18) |

Among the many changes, there were several tax reforms. The marginal income tax rate peaked in Sweden 1979-82, with a tax rate of t 87%. By 1990, it had been reduced to 50%, There were state monopolies on postal services, telecommunication, electricity?, railway services, etc. Generally, the trend towards increasing regulations continued in the Swedish economy in the late 197s. The possibilities for reform were being investigated from the late 1970s and deregulation began in the early 1980s.

So it appears that the trend towards more of market relationships in the health care sector is a reflection of the overall trend in the Swedish economy. Men Staten kunde inte avreglera sjukvården pga decentraliserad.

For one county council to deregulate would ...

Note the county councils have changed somewhat

Another important characteristic of the de-regulation of the Swedish economy is that the welfare state has proved more resilient than expected (its demise has frequently been predicted), but also that this resilience is due to the capacity of the welfare state to adapt to new challenges and transform itself. This has an obvious parallel in health care

In the new institutional economics, institutions are seen as the "rules of the game" – the humanly devised shaped constraints that shape human interaction (North 1990). Rules can be formal, such as laws and regulations, or they can be informal, like social norms. When we talk about a health care system we typically mean the formal rules. However, informal rules are equally important for the functioning of society.

One particularly important aspect of the Nordic health care systems is that they exist in a context where the level of trust is extremely high by international standards.

Table 2.

This trust likely helps underpin a work ethic in the Swedish labor force, reduce the principal-agent problem

Also related to the stated goal of equal access

May help explain the non-existence of choice of individual surgeon; might easily lead to ranking of surgeons, and skiljutan i sinnet av likvärdig vård av lika behov.

The health care system is a set of formal rules governing issues related to health care. There are two important contextual issues: on the one hand there are not only formal rules but also informal rules. In new institutional economics we frequently see the institutions in society as a "set of rules of the game" that shape human interaction (North 1990).

North (1990) famously defines institutions as xxx, emphasising that the informal rules (social norms etc) are equally important as the formal ones for the functioning of society

The changes in the health care sector should also be seen in the light of other institutional changes that occurred in Sweden during this period. The most obvious change is the comparatively extensive deregulation that took place in Sweden. In the early 1990s, state interventions were very much more prominent than today.

Bergh 2014)