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# Neoliberal reforms in health systems and the construction of long-lasting inequalities in health care: A case study from Chile

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## ABSTRACT

The aim of this article is to discuss how neoliberal policies implemented in the Chilean health system during the Pinochet regime have a lingering effect on equal access to health care today. The two-tier health system – public and private – that was introduced in the early 1980s as a means to improve efficiency and lower health-related costs, has led instead to inequality of access and dehumanisation of health care. Health has changed from being a right to being a marketable need, thus creating a structural disadvantage for several parts of the population – particularly the poor, the elderly, and women – who cannot afford the better-quality services and timely attention of private health providers, and thus, are not adequately protected against health risks. Despite the recent health reforms that aim at improving equity in health care access and financing, we argue that the Chilean health system is still biased against the poorer segments of the population, while it favours the more affluent groups that can afford private health care.

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## 1. Introduction

Health care is considered as one of the main pillars of social policy, together with education and social welfare [11]. Health care policy involves governments' decisions regarding cost, quality, delivery, accessibility, and evaluation of programmes and initiatives aimed at ensuring the well-being of the population, and especially of some groups that might be marginalised, including children, the elderly, the poor, aboriginals, and women [39]. Neoliberal health care reforms – that are often presented as restructuring of ineffective and costly health care systems – imply different

aims, targets, and mechanisms that aim at satisfying the goals of a free-market system.

The aim of this article is to discuss the material effects of neoliberalism on health care, using Chile as a case study, and highlight the ways neoliberalism can create long-lasting effects on health care systems. There is a wealth of analyses (e.g. Ayo [3]) on the link between neoliberalism and the creation of layers of exclusion and disadvantage through an increasing emphasis on health as choice, that is, a matter of personal responsibility. We argue that neoliberalism – with its focus on free-markets, individualism, liberalisation, and deregulation – does not include in its agenda the welfare of people, communities, and societies. Through a process of marketisation, health is no longer regarded a human right but becomes a need/product that people need to manage privately. Furthermore, other effects of neoliberalism, such as the informalisation of the

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job market, can also impact on people's access to health care, predominantly affecting the poorer segments of the population who are in precarious employment.

Chile is viewed as the first country where neoliberal economic reforms were applied in 1975, under the military dictatorship of Augusto Pinochet. While the neoliberal 'shock therapy' and structural adjustment programmes that were adopted by many countries led to instability and poor growth, this was not the case with Chile. Although initially its economy did not improve, it did manage to eventually escape the failure of unregulated free markets and free trade policies. As a result, from neoliberal advocates to strong critics of neoliberalism, Chile is viewed as an 'economic miracle' and portrayed as a great exception among Latin American countries that have suffered from economic stagnation, corruption, or instability [6,24,56]. Currently, Chile is a high-income country – according to the World Bank – and, since 2010, the first South American country member of the Organisation of Economic Cooperation and Development [46]. Furthermore, Chile has universal health coverage: all citizens are entitled to access to health services in a non-discriminatory and dignified manner, and, therefore, all Chileans have health insurance, whether public or private (Law 20584, Ministry of Health [40]).

Nevertheless, despite the numerous accolades the country has received regarding its impressive economic growth, the neoliberal policies adopted in Chile have had a long-lasting negative impact on welfare provision, especially concerning the health and education systems [38,43,50]. Although great improvements have been made during the last few decades, the country still suffers from high income inequality, unequal educational opportunities, and inequitable health care access [51,61]. We argue that the health care system remains a topos of structural disadvantage, a space that is neither universally nor equitably accessible; in Chile, neoliberal policies have led to unequal access and dehumanisation of health care.

In the sections that follow, Chile is taken as a clear example of a country that was forced to apply neoliberal measures to its economy, spearheaded by a dictatorial regime and international actors. In the first part of the article, we present an overview of neoliberalism and the impact of neoliberalism on health systems in general. We then focus on Chile and describe the introduction of neoliberal policies in health care in the country, and outline the current situation, before presenting the concluding remarks.

## 2. Background: neoliberalism

Neoliberalism is the term often used to describe the current global economic regime. Neoliberal economic theory promotes 'free-market' or 'laissez-faire' economics; as a political ideology, it emphasises that the role of national governments, local authorities, and institutions is to provide regulatory frameworks that enable global markets to function successfully [53]. Private institutions are deemed as more capable and effective than governments at delivering social services, including health and education. This has resulted in the slashing of government welfare spend-

ing in many parts of the world, a fact that has often led to an increase in poverty and inequality rates. Neoliberalism, therefore, rests on the "...beliefs in the efficacy of the free market and the adoption of policies that prioritise deregulation, foreign debt reduction, privatisation of the public sector...and a (new) orthodoxy of individual responsibility and the 'emergency' safety net – thus replacing collective provision through a more residualist welfare state" [26][26: 5].

There are many definitions of neoliberalism and what it stands for: it has been defined as "...a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade" [27][27: 2]. Other definitions refer to neoliberalism as "...the ideology and practice of the dominant classes of the developed and developing worlds alike" [44][44: 53]. Neoliberal philosophy has been used in an attempt to legitimise "...the minimalisation of the State in terms of its restructuring through corporatisation and privatisation" [29][29: 1], an exact opposite view of Keynesian welfarism that envisioned the state as the provider of goods and services in order to ensure the social well-being of the population [60].

Liberalism stems from the 1776 work of Adam Smith, 'The wealth of nations', where he advocated for a minimal role of the government in the economy so that trade could thrive. While this liberal view of economics predominated for the following one hundred and fifty years, it was replaced in the 1930s by Keynesian economics, which promoted a mixed economy with an emphasis on the private sector but with an interventionist role for the government, especially during recessions [18]. While Keynesian economics provided the standard economic model for developed nations since the later part of the Great Depression, due to the 1973 oil crisis and the economic problems of the 1970s, they were replaced by a more 'monetarist' approach. At this point, neoliberal ideology emerged in the economic and political debate, with the introduction of neoliberal economic theories by Friedrich Hayek and Milton Friedman, and the spread of neoliberalism as an international ideology through the election of Margaret Thatcher in the UK and Ronald Reagan in the US [44]. By the 1990s, communist governments had fallen. Countries that had previously relied on state interventions and welfare provision limited their interventionist role; instead, they proceeded to lifting capital controls, massive and unregulated privatisation of state enterprises, and limiting social welfare, under the 'guidance' of international institutions, such as the International Monetary Fund (IMF) and the World Bank.

In the late 1980s and early 1990s, these institutions introduced the so-called 'Washington Consensus'—a set of ten economic policy prescriptions for developing countries under crisis. Through these economic prescriptions, and the implementation of 'shock therapy', the IMF and the World Bank imposed their own economic solutions that opened the way to the neoliberal regime of the world economy. However, despite the confidence in neoliberal policies to invigorate the economy, this did not happen. In the 1990s, the 'Washington Consensus' had very negative results around the world and was being criticised; there

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