

The impact of changing relations between
the **government**, **market**, and **civic sector**
on social and health services
in Central and Eastern Europe

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Public Policy Coordination: Government, Market, and the Civic Sector

The market, government, and the civic sector are rudimentary politico-economic mechanisms, functioning in democratic societies with market economies. In public policy, the key is to understand the advantages as well as the failures of all of them, and thus to be able to identify the fields of their potential interference and conflict, as well as synergy and mutually supportive application. The art of public policy making is to find an appropriate balance in their roles as regulators of public affairs.

Models of maintaining social order

Regulative model	Regulative principle	Specialized scientific discipline
society	spontaneous solidarity	sociology
market	competition	economics
government	hierarchical control	law, political science
associations	harmonization through organization	organizational theory, sociology of social movements

Types of sectors regulating people's actions

Private informal sector (society)	Private commercial sector (business)
Government	Civic sector (non-profit organizations)

Market Advantages

- The ability to maximize economic effectiveness
- A tendency to innovate
- Rapid adjustment to changing conditions
- Swift repetition of successful experiments
- The ability to abandon obsolete activities
- More effective performance of complex tasks
- Creations of opportunities for the productive use of human inventiveness and entrepreneurialship

Market Failures

... Using other criteria than economic effectiveness:

- Reducing inequalities in the distribution of wealth
- Maintaining institutional values
- Maintaining human dignity
- Cultivation and utilization of human potential
- Maintaining sustainable development

... Using the criterion of economic effectiveness:

- The existence of public goods
- The existence of externalities
- Natural monopoly of supply and demand
- Informational asymmetry between seller and buyer

Government Advantages

- Policy management
- Administrative regulation
- Rapidly mobilizing and using resources
- Ensuring the continuity and stability of services
- Preventing exploitation and discrimination
- Ensuring public safety
- Ensuring equity
- Maintaining social cohesion

Government Failures

Failures of totalitarian political systems

- Insufficient internal regulation
- Suppressing creative potential

Failures of democracy

- Myopic interests
- The estrangement of elected representatives from their electorate
- The influence of organized interests (lobbying)
- Distortions evoked by mass media

Typical failures of bureaucracy

- Inefficiency and poor adaptability of bureaucratic apparatuses
- The estrangement of bureaucracy from its purpose

Failures of decentralized systems

- The difficulty of governing in decentralized systems
- The threat to public interests by enforcing group interests
- Fiscal externalities

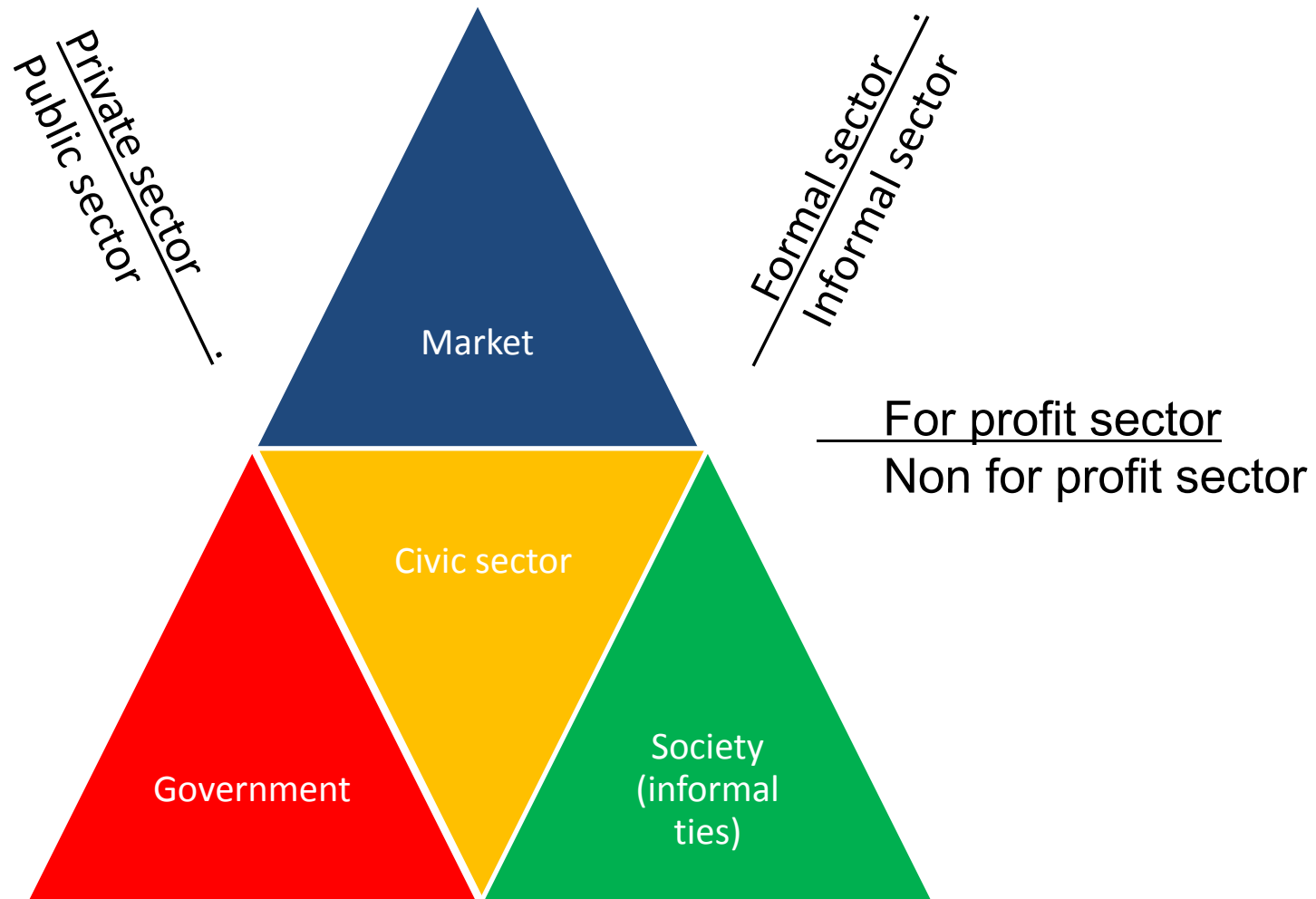
Civic Sector Advantages

- Require compassion for the needs of others and a willingness to help them
- Require a holistic approach
- Provide immediate and sensitive assistance to individuals (day-care, consultancy, assistance to the ill or handicapped)
- Assume considerable trust on the part of clients
- Require volunteer involvement
- Gain financial support through grants
- Encompass moral criteria and individual responsibility in the chosen activity

Civic Sector Failures

- Insufficient capacity for dealing with extensive tasks
- The absence of civic initiatives where they are necessary
- Heightened sensitivity to the personal characteristics of participants
- Threat of bureaucracy to the activities of NGOs
- Insecurity and instability of the civic sector
- A screen concealing the profit motive

Government, Market, and the Civic Sector Coordination



Complex regulations

Potentially positive:

- Managed competition (government – market)
- Outsourcing (government – market)
- Mutual support and coordinated action of the government and the civic sector (example: Proposition 63 in California)

Potentially detrimental:

- Corruption (distorted government – market relations)
- Black market (failing government)
- Biased media coverage (market – media; government - media)

Distortions in regulation

- Inappropriate regulation of the market: example of privatization
- Inappropriate (or missing) regulation of the market: shadow economy
- Corruption: private gains at the expense of public losses and the neglect of equal access to public services
- Overall failure of civilized regulation: violent conflicts, wars

Inappropriate regulation of the market: example of privatization, Czech way

- Changes of the legal system lagging behind the economic changes
- Lack of publicity and accountability of the decision making in the organization of the property transfer
- Misuse of insider information (both in the public and the private sector)
- Weak (or missing) rule of law, weak law enforcement

The result: state's failure in the representation of public interests in the privatization process; widespread predatory practices

Inappropriate regulation of the market: shadow economy

Shadow economy, by-passing the law by **producers**, **consumers**, or both, is caused by an **ineffective government**.

Consequences:

- **Public budgets** are drying and conditions in the **public sector** are deteriorating
- Long-term losses for the **economy** (human resources will not be sufficiently developed)
- **Producers and consumers** who obey the law are discriminated against, suffer economic losses
- The legitimacy of the **government** is decreasing.

Corruption

Through corruption, the corrupting obtains unauthorized or undeserved advantages in exchange for payment or other benefits to the corrupted. This represents private gains at the expense of public (corporate) losses and the neglect of equal access to goods and services.

Types of corruption: in the public and in the private sector, economic corruption, political corruption, corruption easing the access to rare goods and services.

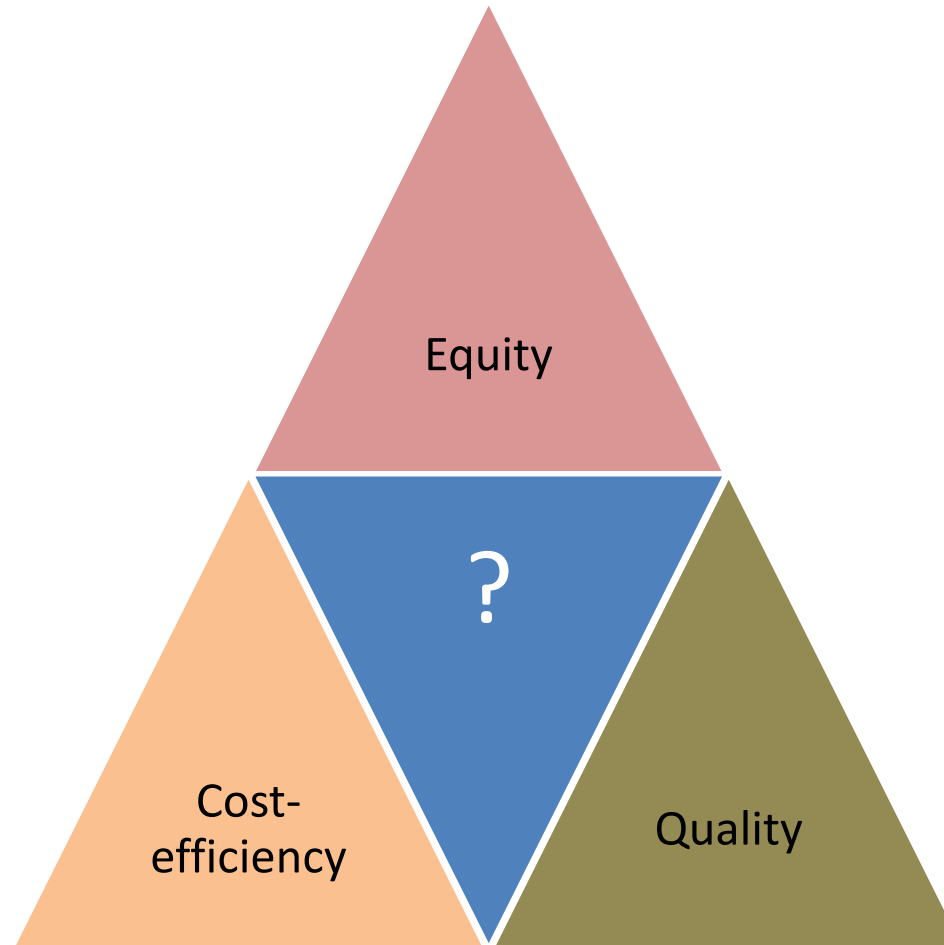
Causes: inappropriate legislation, weak law enforcement, low moral, **malfunctioning public services**, lack of supervision.

Consequences: **economic** losses, low legitimacy of the **government, political class and the system** as such.

Ongoing changes in the organization and financing of social and health services in CEE

- Decentralization of care without sufficient central disciplining power: missing or weak accreditation, planning, supervision, evaluation, right to appeal
- Corporatization of social and health care facilities without clearly defined public mission
- Increased for-profit incentives in the delivery of human services and of the system of their financing
- Increased share of private payment on the total expenditures for social and health care

Impact on these changes on **the outcome triangle**



Chereches, R.M. et al.: The impact of depression on diabetes patients: prevalence, costs and policy making

Suggested specific context for your research proposal:

„To assess if it is cost-efficient to detect and treat depression in diabetes patients.“ (Proposal, p. 3): To choose the criteria of evaluating the treatment of depression among diabetes patients (equity, efficiency, quality?).
Consequently, consider corresponding regulatory framework

Miovský, M. et al.: The picture of mental illness in the Czech, Slovak, and Croatian mass media (comparative study)

Suggested specific context for your research proposal:

Economic (business), political (governmental) and civic (NGOs) influence on media (media ownership structure, income from advertisement, public regulation of the media content)

Societal (cultural) differences influencing images of mental illnesses in public opinion (and/or in media) in particular countries

Vesely, A. et al.: Social determinants of mental health: Phase 1

Suggested specific context for your research proposal:

Impact of overall societal regulation (fall of communism, introduction of liberal democracy, shift from etatist regulation to marketization) on mental health

Impact of economic transformation (unemployment, less secure employment, economic distresses, economic affluence, corruption, shadow economy...) on mental health

Impact of changes in health care services delivery (due to the ongoing reforms) on mental health

Overall failure of civilized regulation: violent conflicts, wars and their impact on mental health (the Croatian case)

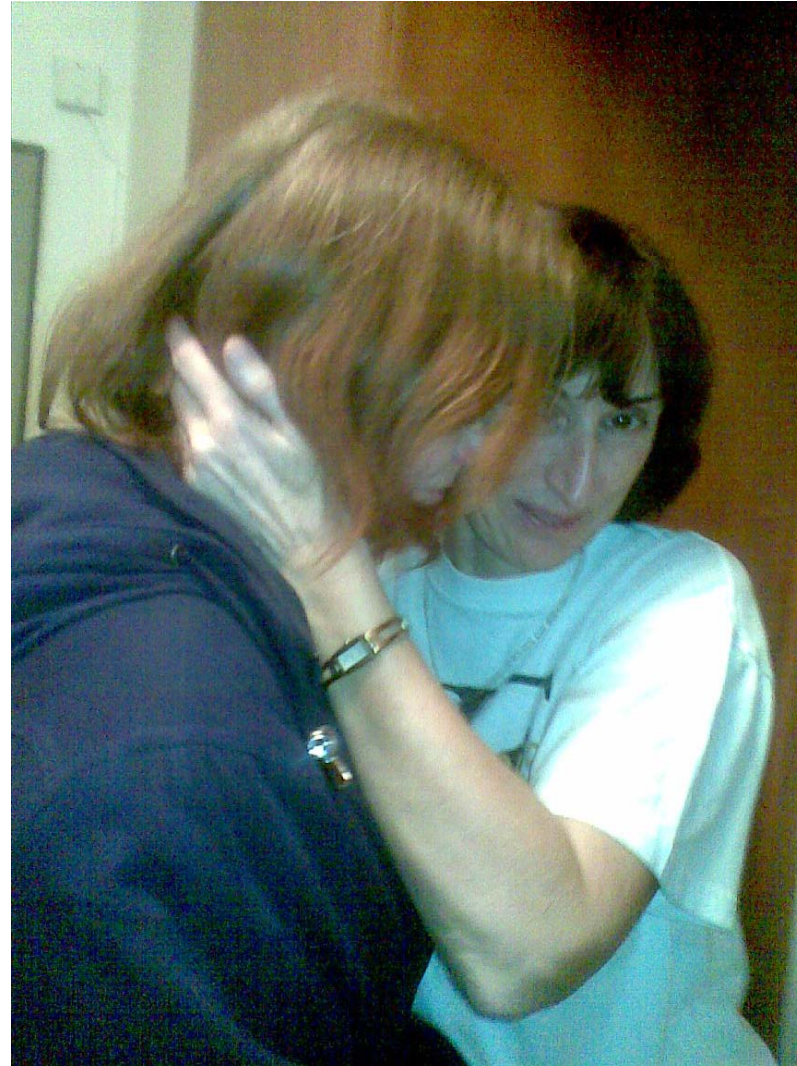
Dlouhý, M. et al.: Resource Allocation to Mental Health in Central and Eastern Europe

Suggested specific context for your research proposal:

To analyze trends in changing share of public and private expenditures to mental health

To analyze potential distortions of financing procedures and health outcomes caused by weak public administration and strong business interests (pharmaceuticals, outsourced services...)

The story of Mrs. Dana H.



Future challenges...

- To incorporate informal societal ties (such as the family or „significant others“) into the regulatory framework
- To pay appropriate attention to specific qualities of health and social services, such as the potential of various institutions to collaborate
- ... plus
- To include media as an increasingly relevant regulator into the regulatory framework
- To operate with the different layers of government

Resources

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