

NEOLIBERALISM &



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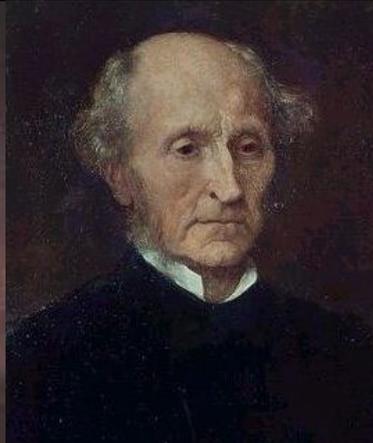
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LIBERALISM

- 18th century social philosophy
- Belief in liberty, equality, rule of law
- Right to life, liberty and property
- Government acquires consent to rule from the governed
- Economically: *laissez faire* economics, free trade



Locke



Mill



Smith



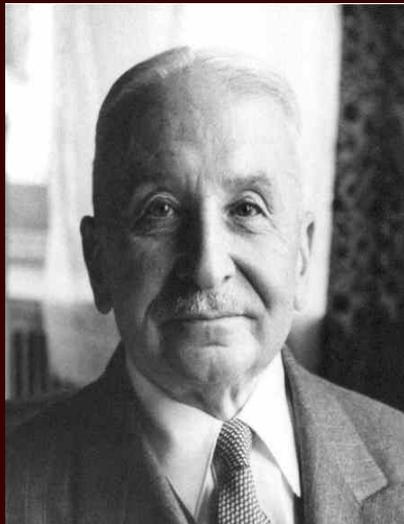
Ricardo

John Maynard Keynes

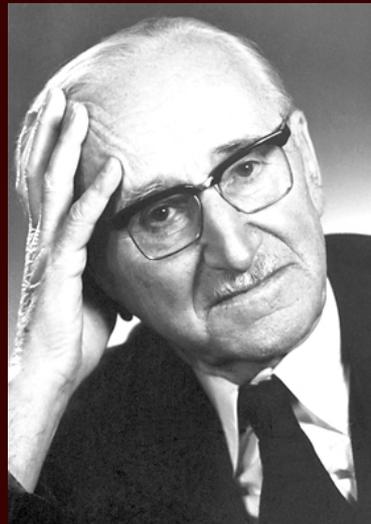


NEOLIBERALISM

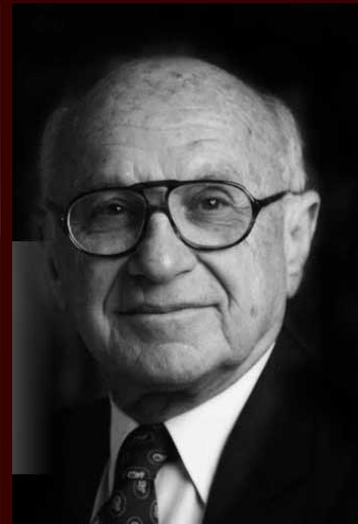
- repudiation of Keynesian welfare state economics
- reassertion of 'traditional' liberal ideas about the market
- supply and demand mechanisms will lead to general equilibrium
- state regulation – “interference – distorts the market
- *laissez faire* economics, free trade
- not simply an economic theory; a political philosophy



Mises



Hayek



Friedman



Soviet soldiers hoist the Soviet flag from the balcony of Berlin's Hotel Adlon opposite the Brandenburg Gate, May 2, 1945



Source: <http://www.thebellforum.com/showthread.php?t=51820>





“The central values of civilization are in danger.... The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power...

The group holds that these developments have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved. ”

—*Statement of Aims, The Mont Pèlerin Society, April 8, 1947*

**U.S. President Ronald Reagan with Friedrich von Hayek
and Dr. Ed Feulner of the Heritage Foundation**

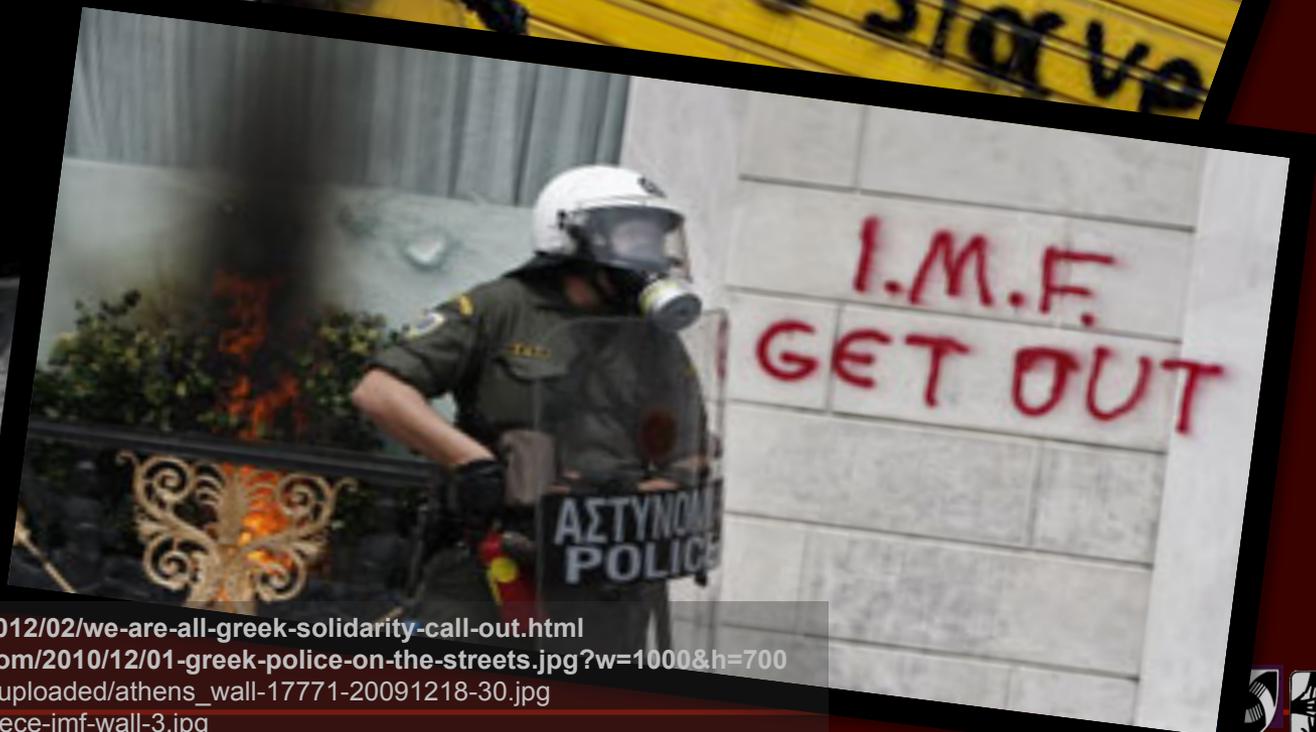






NEOLIBERALISM

REDESIGNING THE CONCEPT OF FREEDOM



Source: <http://vastminority.blogspot.com/2012/02/we-are-all-greek-solidarity-call-out.html>
<http://02varvara.files.wordpress.com/2010/12/01-greek-police-on-the-streets.jpg?w=1000&h=700>
http://www.opednews.com/populum/uploaded/athens_wall-17771-20091218-30.jpg
<http://www.novakeo.com/images/greece-imf-wall-3.jpg>





BRETTON WOODS MONETARY CONFERENCE

In 1944 the United States government chose the Mount Washington Hotel as the site for a gathering of representatives from 44 countries. This was to be the famed Bretton Woods Monetary Conference. The Conference established the World Bank, set the gold standard at \$35.00 an ounce, and chose the American dollar as the backbone of international exchange. The meeting provided the world with a badly needed post war currency stability.

C. Douglas Dillon



Robert McNamara



WORLD BANK: 1975

- Consumers of health care will not have sufficient understanding of diseases/illness to always make sensible choices
- There are too many externalities associated with disease for the responsibility for rational decision making to be given to the individual alone
- Likely little competition in the health sector because hospitals require very large investment to provide any service and are therefore more like a public utility than a private good.
- Distribution of income is also likely to limit the ability of the poor to gain access to health care through the market

WORLD BANK: 1981+

1981: Berg Report

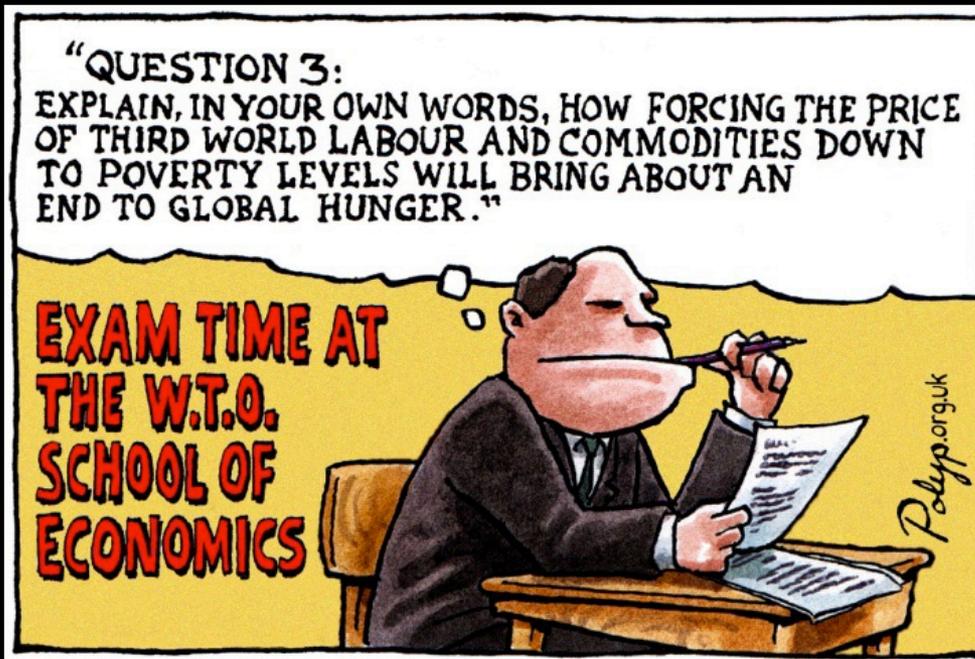
- Healthcare has to be *affordable* and *effective*
- Need to use cost-effectiveness analysis
- **User fees** generate revenues, efficiency and improved equity
- Preventive care not that necessary
- “...the use of prices and markets to allocate health care is... desirable”

1987: “Financing health services in developing countries”

- Decentralization of services



STRUCTURAL ADJUSTMENT

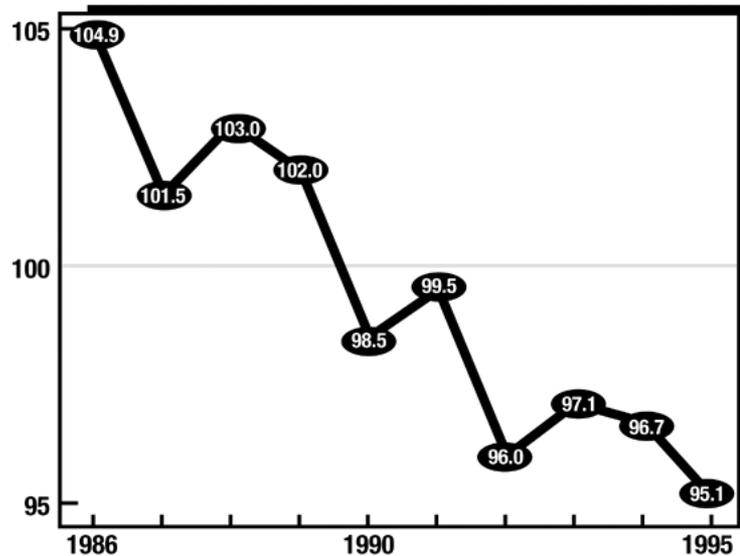


IMF conditionality for loans to countries

- **Stabilization:**
cutting government spending
- **Liberalization:**
reversing “price distortions”;
charging user fees
- **Privatization:**
selling state assets

Per capita agricultural production in sub-Saharan Africa

(Index: 1989-91 = 100)



Source: UN Africa Recovery from FAO data

Effects on development

- development gains lost
- reduced economic growth
- reduced food production
- reduced goods/services
- lower foreign direct investment



Picture source: http://2.bp.blogspot.com/_JeLTWX71R9M/SBE3wDZ-XTI/AAAAAAAAAG4c/M_u2KxOgLf/s320/stu.jpg

Effects of user fees

- health expenditures down
- user fees = less utilization
- user fees = sicker patients
- privatization = less facilities in high burden areas

An institutional framework



- Foreign Operations Administration to coordinate aid to other countries was created in 1953
- USAID created in 1961
- Created to work against totalitarianism
- Expand free markets and democracy

An institutional framework (2)



- 1982: President Reagan called for the US to do more
- Democracy Program Report
 - Use NGOs as a “transplanting mechanism” that can help synchronize foreign policy with political aid
 - Recommended the creation of the National Endowment for Democracy (1983)



“Open market economy is a prerequisite of a democratic political process”

Why NGOs? (1)

- non-governmental
- Un-coerced collective action
- shared interests, purposes and values
- not for profit
- A critical part of the vision of early liberal thinkers



Why NGOs? (2)

- NGOs are seen as an **alternative to government**
 - “third sector” / “private sector” / civil society
 - Markets and private initiative seen as more *efficient*
 - Donors channel money through NGOs (e.g. for USAID it is mandated by congress)
 - Minimization of government
- Seen as vehicles of **democratization**
 - Counterweight to the state (human rights, participation, pluralism)
- In the absence of the state, NGOs can **fill a political vacuum**



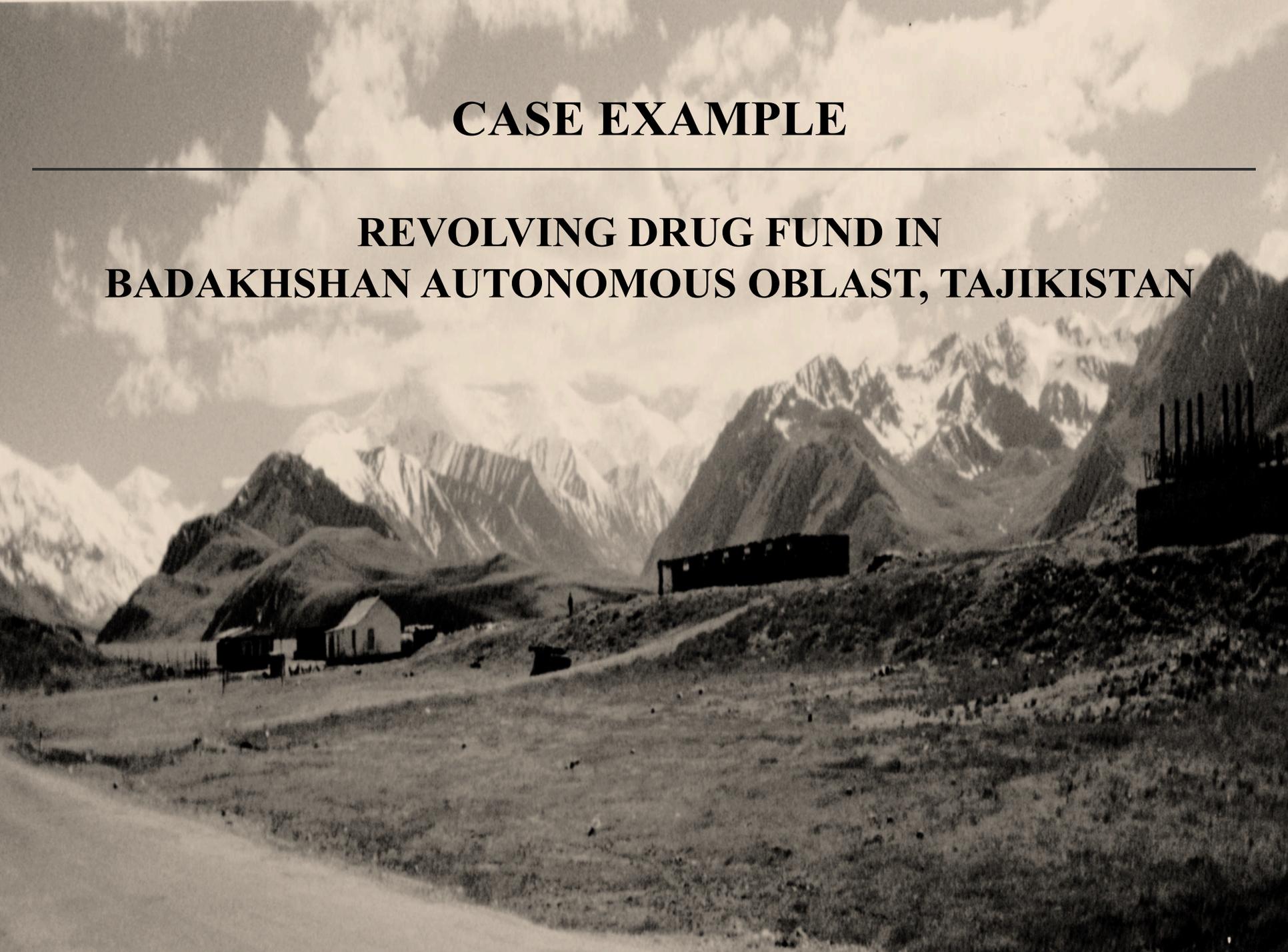
The growth of NGOs

- 6 NGOs in 1854 → 176 International NGOs in 1909 → 28,900 by 1993 → 2007 there were 60,000 registered
- Between 1975 and 1985 → 1,400% increase in NGO funding
- Between 1980 and 1993 funding rose from \$2.8B to \$5.7B
- In 1993, half of all WB projects included an NGO component; absence of state in social sector
- NGOs provide health, education, agricultural assistance, credit services, etc. (e.g. BRAC)



CASE EXAMPLE

REVOLVING DRUG FUND IN BADAKHSHAN AUTONOMOUS OBLAST, TAJIKISTAN



The Caucasus and Central Asia



Tajikistan: Basic Data (1)

- Came under Russian Rule in ~1860s
- Population: 7,349,145 (July 2009 est.)
- IMR **41.03/1000 live births**
 - Singapore is 2.32
 - US is 6.26
- Life expectance: **65.33 years**
 - Singapore 81.98
 - US is 78.11



Tajikistan: Basic Data (2)

- Literacy: **99.5%**
- Urban population: **26%**
- Per capita GDP (2008): **\$1,800** (PPP method)
 - 190th out of 229 countries;
 - Liechtenstein is \$188,000
 - Russia \$16,100
 - US is \$46,900
 - Rwanda \$1,000
 - Haiti \$1,300
- **60% of population below the poverty line**

Tajikistan: Situation in the 1990s (1)

- Tajikistan had been one of the Soviet Union's poorest regions.
- After fall of Soviet Union, loss of subsidies from Moscow followed by civil war
- Per capita GDP fell from \$2,870 in 1990 → \$330 in 1996 → \$215 in 1998
- 85% of the population was living below the poverty line
- By 1996, real wages were 5% of their 1991 levels



Tajikistan: Situation in the 1990s (2)

- By 1995, infant mortality soared above 30.7 per 1000 live births (compared to EU average of 5.8 and a former Soviet Union average of 21.7)
- Maternal mortality increased from 41.8 per 100,000 live births in 1990 to 93.7 in 1995, almost ten times the European Union average.
- Breakdown in the supply of: clean water, proper sewerage
- Breakdown in health services
 - upsurge of communicable diseases: waterborne diseases, tuberculosis, malaria, typhoid fever, measles, and diphtheria.



Badakhshan





Comparison of Results from the 1994 and 1996 Badakhshan Nutrition Surveys:

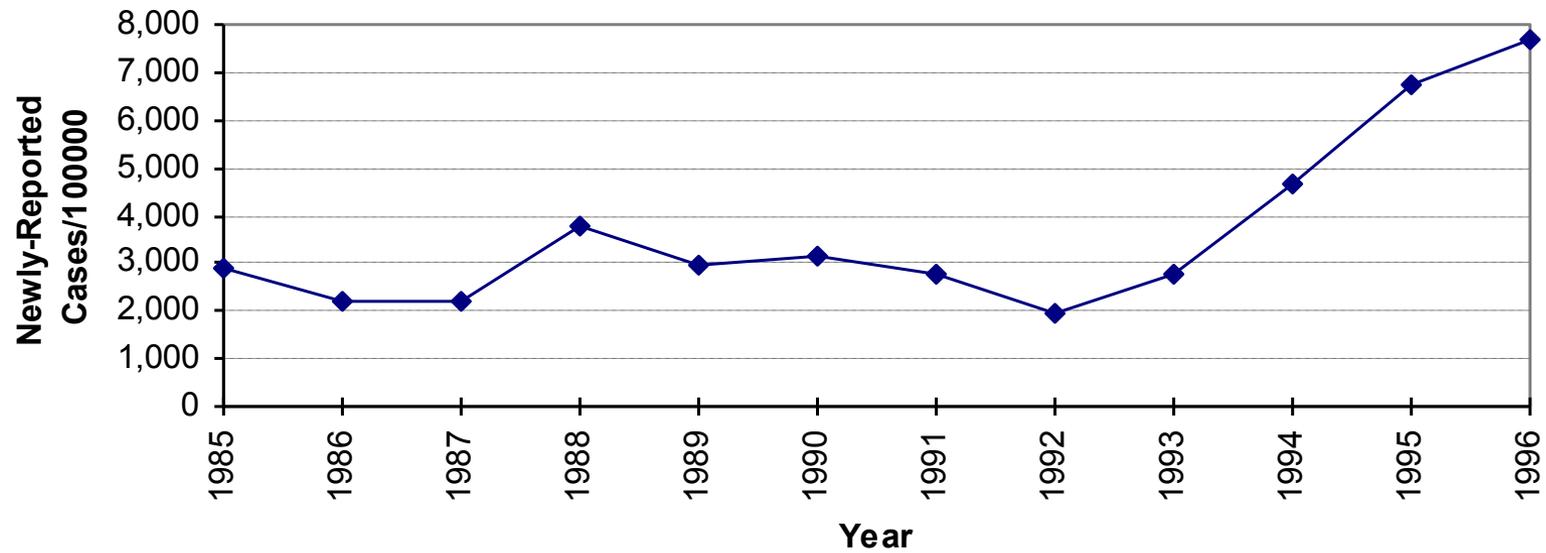
Year of Survey	WFH < -2 Z Scores (Acute Malnourishment)	HFA < -2 Z Scores (Chronic Malnourishment)	WFA < -2 Z Scores (Weight deficit)
1994 (n=818)	3%	40.3%	19.2%
1996 (n=5299)	5.8%	44.8%	27.4%

This chart uses “weight for height”, “height for age”, and “weight for age” as indicators for malnutrition. Surveys were performed by Aga Khan Foundation Tajikistan (Keshavjee 1998)

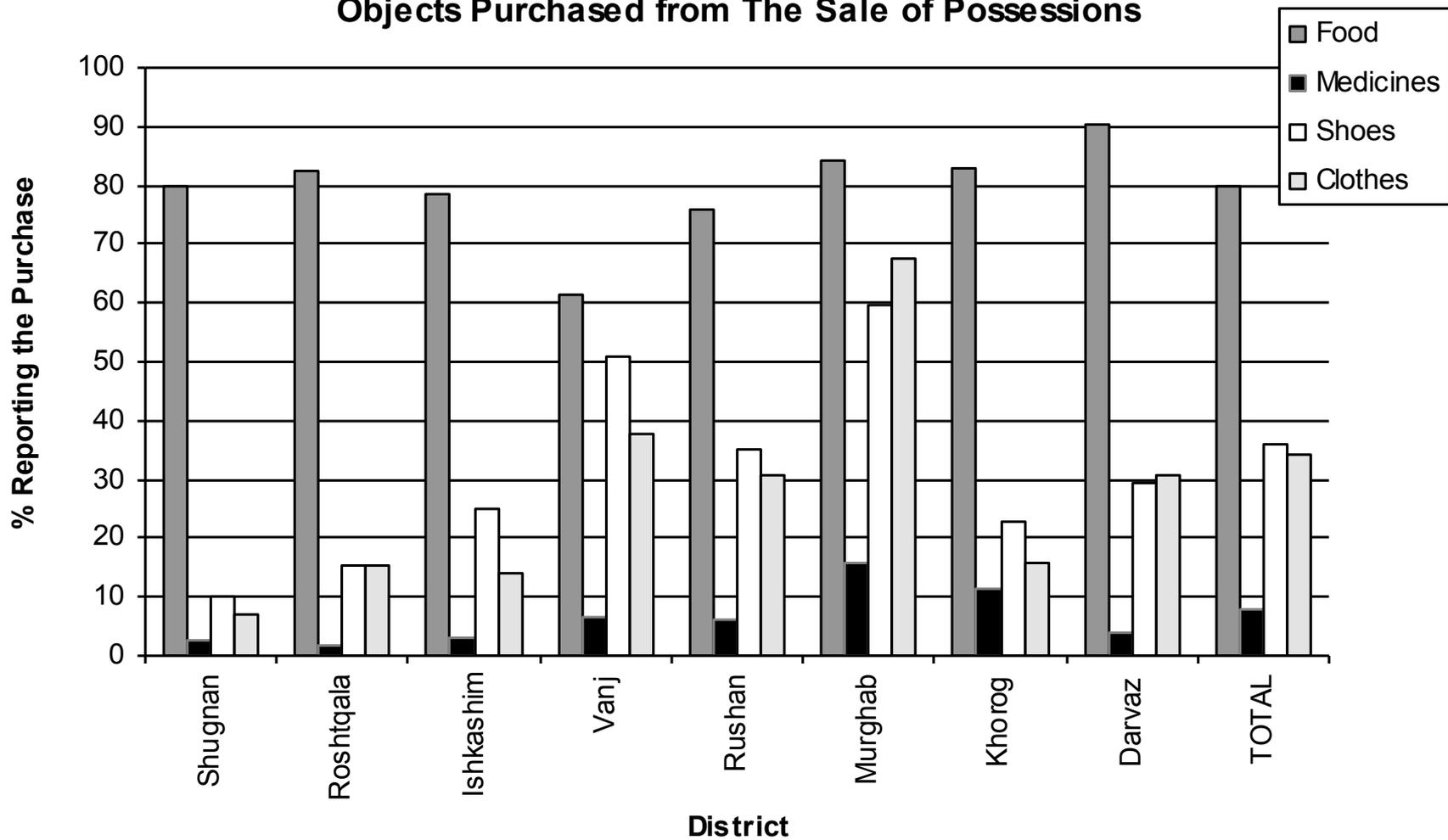


Incidence of Newly-Reported Cases of Pneumonia in Children >1 Year 1985-1996

Reported by Khorog Central Polyclinic



Objects Purchased from The Sale of Possessions



A solution to the problem? (1)

- UNICEF's Bamako Initiative.:
 - Resolution adopted by the Health Ministers of the WHO African Region at their Regional Committee session held at Bamako, Mali, in September 1987 (UNICEF 1988).
- Goal: accelerate and strengthen the implementation of primary health care with the goal of achieving universal accessibility to these services
- Strategy: of **decentralized** community-based decision-making, **user-financing** of health services under community control, and the provision of essential drugs within the framework of a national drugs policy
- AKF wanted to use this approach as both a mechanism to “rationalize” prescription practices and to make essential medicines available where needed



A solution to the problem? (2)

- USAID funded the project
- Expert in pharmaceutical policies was hired
 - He has written extensively on pharmaceuticals in poor countries and had been quite critical of the Bamako initiative.



A solution to the problem? (3)

- In their proposal to USAID, AKF set the following goals:
 - Improved availability and accessibility of essential drugs in project areas.
 - Greater efficiency and effectiveness of clinical case management and prescribing practices
 - The establishment of a monetized system for purchasing and supplying pharmaceuticals which supports national plans for health sector reform and improved self-sufficiency in financing and resource management.
 - Increased involvement of communities in decision-making for essential drugs management.



In their application to USAID, AKF wrote:

“The strategic use of essential drugs to catalyze the start of these reforms is an opportunity that perhaps should not be missed. In many ways, *the timing for such an initiative seems right*, and if the RDF project can serve to change the old ways of thinking at the many levels of this society, then the project will have made a significant contribution.

...Although it is unlikely that the project will ever recover more than 50-60% of the actual drug costs, it is imperative that both government and communities make the mental switch that the old system is not coming back, and that any new, viable system will require more community involvement in management as well as in contribution. “





“We don’t have money for medicines: we only take them when we are totally desperate.”





“That would mean to us either complete ruin or total refusal of medical services. You can judge for yourself. There are 8 of us in the family with 3000 Tajik rubles monthly income.

....There are families with chronically diseased members who need long-term care. It is a catastrophe for the health of Badakhshan.”

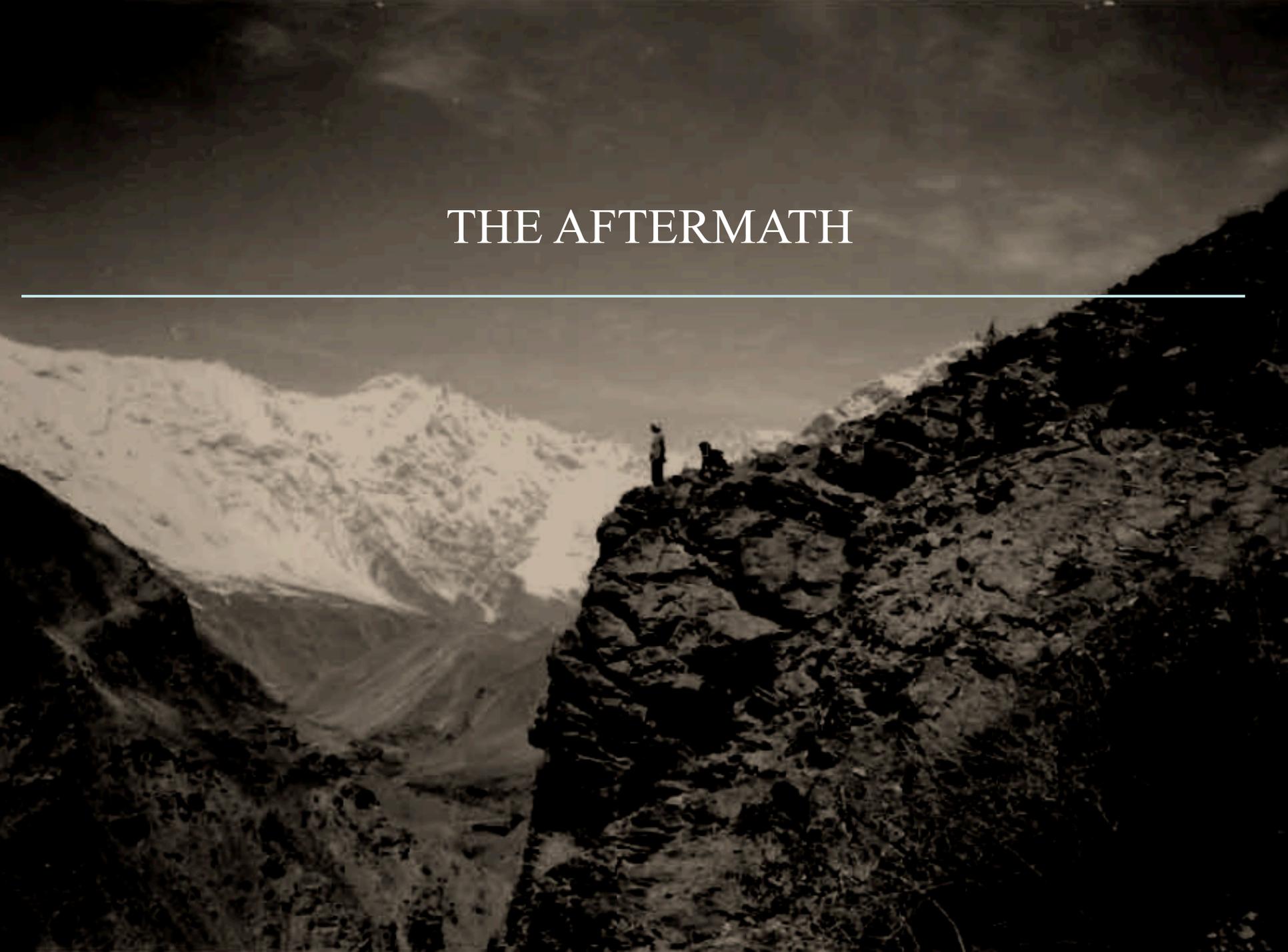




“That is impossible. It is destruction. It is a catastrophe. My family and I and the whole of Badakhshan’s population will not be able to get treatment. We will have to forget the word ‘medicine.’ ”



THE AFTERMATH



- RDF was formulated in 1996; expanded between 1997 and 2000.
- By January 2004, only 50% of the cost of drugs were being recovered.
 - The reason: 71.6% of the population reported difficulty paying for drugs, even with a subsidy.



Household situation in Badakhshan (2004)

- 26 percent of the population employed
- annual per capita income of 70 USD (207 somoni).
- Estimated 76% live below the poverty line (down from 91 percent in 1999),
- 6 out of 7 districts facing food insecurity at a “high” or “very high” level.
- ~92% of respondents reported that their household sold possessions to pay for food



Nutritional status of children under five years by survey year, HNS, 1994-2004

Year of Survey	1994 (n=818)	1996 (n=5299)	1998	2001	2004
WFH < -2 Scores (acute malnourishment)	3%	5.8%	6.1%	13.5%	8.8%
HFA < -2 Z Scores (chronic malnourishment)	40.3%	44.8%	53.8%	47.0%	32.3%
WFA < -2 Z Scores (weight deficit)	19.2%	27.4%	26.8%	35.0%	23.1%



Of the 2,370 households surveyed in 2004, AKF reported:

- **22 percent** reported a household member suffering from a chronic illness
- **12 percent** reported a household member experiencing acute illness in the two weeks prior to the survey.
 - Illness was highest among < 5 yrs (28%)
- Households with illnesses:
 - **72 percent** spent money on care (mean = 42 S or 20% of yearly income)
 - 59 percent of total expenses were for medicines.



- The survey estimated the crude **infant mortality** rate (per 1000 live births) to be 38.3, and the crude child mortality rate (per 1000 live births) to be 52.2.
- The number of **children immunized** for childhood diseases decreased from 72 percent in 2001 to 36 percent in 2004.
- In all of the data from the Nutrition survey, statistics were worse in the poorer regions of Badakhshan, suggesting a direct association with poverty.

- **Government capacity** to provide pharmaceuticals to health clinics: completely decimated.

“The DoH no longer has the pharmacists or infrastructure for supply and distribution of pharmaceuticals since the privatization of the oblast central pharmacy (TajikFarmatsia) and district pharmacies several years ago. The only provision of essential drugs for PHC [primary health care] is provided by the [RDF] project for the entire oblast....”



