1. An introduction to the *Handbook on the Political Economy of Health Systems*

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1. A FRAMEWORK OF THE POLITICAL ECONOMY OF HEALTH AND HEALTH CARE

Although many would agree with the statement that “effective health care is at the heart of staying healthy and caring for those sick”, it is far more difficult for most of us to understand how important rules constraining and incentivising health care activity are for efficient health care, and more specifically to keep the costs of medicines under control, and to motivate physicians and nurses in the pursuit of their daily duties. Country-specific rules influencing the constraints and incentives of health care activity are often defined as “health care institutions”. Such rules can take the form of policies when they refer to specific interventions, or reforms when such incentives and constraints change. More generally, the system of rules influencing how health care is provided and financed are widely heterogenous across countries, and define what we know as “health systems”. Health systems differ by several features, including the way physicians and medicines are regulated and paid, whether they have a single payer or multiple payers for health care, as well as the barriers current and future patients face to access health care. This book will focus on studying how institutions affect the activity, outcomes, and financing of health systems as they are widely understood.

Health systems are in continuous reform to respond to new evidence and challenges (see Chapter 21 to understand barriers to reform in public systems), and such reforms are interdependent (countries learn from each other, and react to each other’s reforms). Similarly, health systems are shaped by changes in the social values and ideologies (e.g., the shared belief in the primacy of market choice over government provision can explain the heavy reliance of health care on markets in the United States and other health systems), which add to other economic and financial constraints a country sets itself (e.g., austerity cuts weakened the preparedness of nursing homes during the Covid-19 pandemic in Europe, or lower reliance on primary care gate-keeping limits the effectiveness of public health interventions). A recent example of the role of regulation in health care at the time of writing this book is the US Supreme Court decision to overturn the 1973 *Roe vs. Wade* ruling on federally sanctioning the right to abortion, and the significant consequences this decision will have on maternal and child health. Another paradigmatic example can be found in the series of decisions (such as lockdowns, curfews, mask wearing, etc.) made by governments during the various waves of the COVID-19 pandemic, as well as the vaccination campaigns that followed (see Chapter 24). At the core of all these examples it is possible to identify what can be defined as “public choices”, namely collective decisions made by citizens and their representatives that gave rise to a series of associated political processes, which can prove critical for population health.
2. THIS HANDBOOK’S LIFE COURSE AND MISSION

This Handbook is written to add to the growing field of the political economy of health and health care – an area of an increasing interest, especially after the pandemic. However, the idea of editing and writing some chapters of this Handbook pre-dated the pandemic. It resulted from informal discussions about the importance of political processes in health care decision-making after presenting papers at events in the same sessions, especially at the European Public Choice Society annual meetings. Informal discussions during coffee breaks became ideas written down in papers, some of which have been turned into book and journal articles, but it was not until 2017–18 that we seriously conceived the idea of pushing for the development of a new research area in the health economics and policy field, namely the “political economy of health and health care”. We began by laying some basic ideas in the book *The Political Economy of Health and Healthcare: The Rise of the Patient Citizen* (2020, CUP). The book’s main idea is that each of us is a patient-citizen, interested as patients in accessing high-quality health care services, and as citizens, we attempt to influence how health care is provided and financed, and we intend to do so by engaging in political processes and designing health care regulations, demanding the recognition of the right to health care, and generally shaping the rules and the constraints that impact those health care services the patient citizen has access to. This idea is not necessarily a description of how health systems operate, but a framework for how they can be examined.

We hope that this Handbook becomes a significant step towards the development of the field of the political economy of health and health care. We have collected contributions from very diverse scholars in economics, policy, politics, medicine, anthropology, law, and sociology, offering a heterogeneous set of views about what we mean by the “political economy of health and health care”. The message, however, is common and is that politics matters in health, even though the aspects that we focus on and the methods used differ by disciplinary area. This is far more than stating that health policymaking affects the health of citizens, which is obvious, but that health policymakers act according to incentives and constraints that can be designed and re-designed to influence citizens’ health care actions, and ultimately their health. Patient-citizens are endogenously affected by health care institutions, and collectively they can contribute to influence the type of health care regulation and financing at play (e.g., by electing a government that expands universal insurance coverage). As market and non-market players respond to different incentives and constraints, the analysis of the effect of institutions on health and health care becomes far from trivial, and understanding the processes at hand requires pooling different perspectives, to favour the cross-pollination between fields of analysis of health care.

The mission of this Handbook is to bring together key theoretical and empirical academic and policy debates of what is progressively becoming known as the “political economy of health systems”. The main theoretical debates in the “political economy of health systems” originate from various scholarly groups, which share the common goal of understanding the institutional mechanisms, constraints, and determinants that influence decision-making in the health and health care domains. This includes scholars in public health and medical schools, new groups of health economists working on political economy, political scientists increasingly paying attention to political economy aspects of health care, public finance scholars interested in incorporating the role of institutions in their analysis, and historical institutionalists interested in policy reform in the health sector, in addition to public choice scholars.
and different groups of policy analysts, political scientists, and sociologists specialising in international and comparative political economy, and political psychologists, public policy, and management scholars interested in the influence of incentives and constraints on health care activity.

Certainly, the fragmentation of the debate is the result of the disciplinary backgrounds of its researchers, but it does not have to result in fragmented scientific inquiry. Rather, different disciplines may specialise in the application of various methods and concentrate on answering specific questions where their disciplinary approaches provide an advantage. The obvious advantage of interdisciplinary approaches is the proliferation of various and competing theories often lacking with single disciplinary analysis. Indeed, the heterogeneity of worldviews can only enrich the search for empirical regularities and theories of how institutions influence health systems. This book is a modest step in this direction, and more specifically towards the creation of a space for discussion of the various approaches. This Handbook is a collection of contributions from all streams of the political economy debate, and provides a unique state of the art not found in other textbooks. It is intended to be an interdisciplinary, accessible, and non-technical contribution for a broad audience, including practitioners as well as academics. Scholars from these fields have been invited (though not everyone invited had the time to contribute). Inevitably, surely, we have failed to invite many relevant contributors, an omission that is not intentional and is purely driven by time constraints and ignorance on our part, and for which we hope we can be forgiven. The main mission of this Handbook is to highlight the importance of the political economy of health care as an area of research inquiry, and to discuss what questions we have the most agreement on, as well as pointing out areas where research in political economy still has to delve into. We can draw some main emerging themes from the highly interdisciplinary body of perspectives, which are classified into four broad sections of the Handbook, described in the following section.

3. BOOK STRUCTURE AND CHAPTERS OVERVIEW

The book is divided into four sections (excluding the introduction and the conclusions): (i) the constitutional design of health care systems; (ii) political institutions, political markets, and health care decisions; (iii) the political economy of health care financing and policy reforms; and (iv) the political economy of health care during Covid-19. We will now briefly go over some of the highlights of the chapters in each of these four parts, providing an overview of the issues covered in the Handbook.

The Constitutional Design of Health Care Systems

The first part of the Handbook consists of eight chapters (Chapters 2–9) that broadly speaking spell out the main discussion issues in the constitutional political economy of health. Constitutions establish the “rules of the game”: they are first level decisions that influence how patient-citizens express their voices through voting, as well as how citizens’ voices translate into actual legislation. Finally, constitutions establish individuals’ rights by defining what the patient citizen can expect from the State, who should provide these services, and who should pay for them. Constitutional principles, as well as other laws, and regulations also define
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whether a health system should be private, public, or mixed, alongside social norms in each society.

The book begins with a chapter by Hiroaki Matsuura discussing the recognition of health and health care as a constitutional right in Chapter 2, “Health and healthcare as a human right”, from both a formal and substantive standpoint. It includes methodological reviews as well as empirical findings on the economics and social consequences of making health a constitutional right. First, the author investigates the historical evolution of the human right to health, as well as the geographical spread of a constitutional right to health throughout various countries from the late 18th century to the present. Then he moves to an analysis of the difference between considering the right to health from an ethical or a legal perspective and the ensuing intellectual debate, including the normative discussion of the respective roles of a country’s courts and government towards the health and health care of the citizens. The following section discusses the economic and redistribution effects of including the constitutional right to health and health care in the framework of constitutional economics. The final section provides an up-to-date review of the literature on the economics of the right to health, and explores both methodological and empirical issues related to the right to health.

Chapters 3 and 4 deal with the effect of autocratic (including communist) and democratic regimes in terms of outcomes and health care services. In Chapter 3, “Do democratic regimes exhibit ‘better’ health outcomes?”, Alberto Batinti and Joan Costa-Font examine the various mechanisms driving democratic and non-democratic regimes, influencing health outcomes through institutional change and policies, as well as the specific environmental and cultural effects that democracies and non-democracies bring about. The authors contend that while most of the evidence suggests a positive relationship between democracy and health, studies attempting to retrieve causal effects are more limited and exhibit some differences depending on the specific form of variation examined and, especially, the measure of health outcome considered, such as mortality and heights. More importantly, democracies seem to influence different forms of health inequalities, and the effects differ by gender and socioeconomic status; in some cases, they can give rise to health inequality traps when a majority impose their health policies on the rest of the population. Furthermore, democracies can exert a differential influence on the old-age population, and on the mental and long-term health of a society by affecting the social environment and the culture individuals live in. Finally, the authors provide an assessment of the effect of democracies in confronting communicable diseases such as Covid-19, and more specifically document that although the evidence suggests that autocracies are stricter in their mobility restrictions, they do not necessarily show better outcomes. Chapter 4, “Soviet communism and later-life health and health care” is a contribution from Joan Costa-Font and Anna Nicińska. This chapter explores the health and health care effects of exposure to Soviet communism and provides an up-to-date overview of the literature on the topic. Such exposure was found to hurt health in general, and longer exposure harmed trust and confidence in public institutions. This also had a detrimental impact on the early 1990s regime transitions, which had a negative impact on health outcomes. The chapter then examines the formal and informal components of the Soviet system’s health institutions, as well as the failures and successes of the communist regime’s public health and health care policies. Turning to positive effects, it then explores the role of health education provided in former communist countries in influencing the health gradient and discusses both methodological and empirical issues in measuring the causal effect of communist education on health.
Chapters 5–8 address the issue of government vertical architecture and the complex set of problems that arise in these contexts. Roger D. Congleton contributes a chapter on federalism and constitutional design, Chapter 5, “Federalism and tax-financed healthcare: economic advantages, dilemmas, and solutions.” The author explores the issue of health care financing by comparing unitary and decentralised systems of governance, and stresses the matching and informational competitive advantages of the latter, especially in the presence of informational asymmetries, uncertainty, and health care goods and services heterogeneity. Moreover, an additional advantage of decentralisation is that rent-seeking might be reduced. The chapter concludes by stating that decentralised systems, while not perfect, produce health care more efficiently and with less rent-seeking, and by incentivising useful innovation in the delivery and management of health care resources. Chapter 6, “The coordination in European Union healthcare after Covid-19”, is a joint contribution by Marco Buso, Massimo Bordignon, Rosella Levaggi, and Gilberto Turati. This chapter draws on evidence from data envelopment analysis to produce measures of efficiency which may support the European Union’s (EU’s) larger role in health care policies. In general, and considering the overall spending, which is heavily reliant on curative medicine (a publicly provided private good), the authors do not find support for the EU playing a larger coordinating role in health care policies. However, the answer changes when specific sub-functions of European health systems, such as procurement and prevention, are considered. A larger role for the EU in these specific policy areas may be justified, forecasting financial savings from effectively managing externalities and financial savings from a more centralised procurement system. The findings are also extended to the EU’s role in procuring vaccines for European citizens, who overwhelmingly supported the initiative. With Chapter 7, “Efficiency and equity effects of healthcare decentralisation: evidence from Italy”, Caterina Ferrario, Rosella Levaggi, and Massimiliano Piacenza contribute a perspective account of the first- and second-generation fiscal federalism models, focusing on the main trade-offs between welfare and asymmetric information. They then move from general theories of decentralisation to theories of decentralisation applied to the health care sector, and review the literature on the role of health policies at the central and local levels, with special emphasis on the Italian experience, but not exclusively. Finally, they draw some relevant conclusions and identify the next steps, especially considering the problems that emerged during the Covid-19 pandemic in Italy, and how to restructure the health institutions in Italy in the aftermath of the pandemic. In Chapter 8, “Political economy of health care insurance expansion in Mexico”, David G. Lugo-Palacios and Alejandro Sanders Villa examine the evolution of Mexico’s public health care system, categorising it into three major stages: (i) the decentralisation process, (ii) the expansion of health care insurance coverage within the context of a decentralised system, and (iii) the recentralisation of the health system. The authors discuss the drivers of such major health care reforms and identify the key players involved in the design of Mexico’s health care system.

Part I’s concluding contribution addresses two intriguing issues at the boundaries of State intervention as defined in a country’s constitution. Indeed, Hartmut Kliemt’s Chapter 9, “Weird health care for WEIRD societies?”, discusses how medical technological progress may increase political demand for public intervention, with the private sphere potentially crowded out by the public. This is especially true when constitutions define the right to health rather than the right to health care. If the State must intervene whenever a lifesaving intervention is available, as the lifesaving option is made possible and expanded by technological innovation, the sphere of public intervention automatically expands. This increasingly protective State
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may alter a country’s material constitution. The author uses kidney allocation for transplants as an example.

Political Institutions, Political Markets, and Health Care Decisions

The second bloc of the Handbook includes nine chapters (Chapters 10–18) and explores the role of political institutions (like a parliament or cabinet) in health care. More specifically, the composition of political institutions in charge of defining and enforcing laws, and how it influences policymaking and the allocation of resources. Another set of chapters focuses on the role of external factors that can influence the behaviour of political institutions; in this case, we use the term “political markets” to refer to both competitive and non-competitive forces (such as elections or the process of lobbying).

Chapters 10 and 11 focus on two stimulating features of composition: the first is the role of ideology, and the second the role of politicians’ gender. Chapter 10, “Medical composition of cabinets and the health care system”, by Joan Costa-Font, Nicolas Marchi, and Debra Winberg, provides a broad discussion of the role of cabinets in health care. Drawing on some previous work, and a leadership dataset, they discuss the influence of different cabinet compositions in health care decisions and suggest that the composition of cabinets is important, consistent with the idea that the backgrounds of decision makers influence their views and priorities, and hence affect the decision-making outcomes. In Chapter 11, “Women politicians and public health”, Sonia Bhalotra and Mariana Lopes da Fonseca explore the literature on how women’s political participation affects policymaking in terms of redistribution, public health intervention, schooling, and policy outcomes aimed at improving the health of mothers and children. They also discuss challenges for empirical research in the field, such as identification issues and designs based on quota introduction, close elections in mixed-gender contexts, and textual analysis. Finally, they examine the supply- and demand-side (discrimination) factors that prevent women from entering politics. In contexts where politicians’ selection matters, the chapter concludes by emphasising the importance of gender-specific policy preferences (more redistribution and more spending on children and maternal health).

Luke Munford and Daniel Gray explore the role of social capital as a determinant of health in Chapter 12, “Community and civic participation effects on health and well-being”. First, the chapter provides a current review of the literature on social capital and health, as well as the definition and relevant dimensions of social capital discussed in the literature. It then summarises the empirical evidence and mechanisms that mediate the channel from social capital to health. It also looks at two case studies from the United Kingdom, one on the role of community engagement in improving health and the other on the impact of political engagement and voting behaviour on mental health. Finally, the authors identify a number of interventions that could be implemented to improve health and well-being.

Chapters 13–17 explore “political markets”, including competitive market structures and non-competitive ones, tackling issues like political electoral cycles, lobbying, corruption, and the role of health care providers as a special interest group. More specifically, Chapter 13, “Ideology and health spending”, by Bernd Theilen, examines the political demand for health care, reviewing the role of ideology on the allocation of health care resources, and specifically the influence of political electoral cycles in driving health spending. He documents that ideology (or partisanship) matters and there is no convergence towards a single platform which is characteristic of the median voter model. This makes for policy platforms that can
be distinguished between left- and right-wing governments and heterogeneous trade-offs between spending and inflation. Additionally, the chapter discusses methodological issues in analysing the (causal) effect of changes in government ideology on health care spending, and then examines the empirical literature based on international comparisons, and on decentralised economies single-country studies. Chapter 14, “Lobbying, health, and healthcare”, by Nathaniel Z. Counts and Vinu Ilakkuvan, examines the effects of lobbying as influencing the political demand for health care. The chapter proceeds with a discussion of the main features of lobbying models, and their application in the realm of health care policymaking, providing a summary of findings and pointing the reader to data for future research and data sources that can be used to do research in the field of health care policy lobbying. Finally, it goes over the role that lobbying might have in promoting health equity and other important health-related policy objectives.

Chapter 15, “Healthcare corruption”, by Martin McKee, Eleanor Hutchinson, and Dina Balabanova, digs into corruption. The authors contextualise corrupt behaviour in the relevant asymmetric information framework, in the presence of misaligned incentives, and possible disparities in social status between health care workers and patients. All these factors justify survey-evidence showing the health sector as one of the most corrupt in cross-country and sectoral comparisons. The chapter discusses the central challenges in defining corruption, capturing corrupt behaviour, and defining anti-corruption policies in the health care sector. The authors observe that, despite these challenges, anti-corruption policies made relevant progress in recent years, and they are becoming a priority in the policy agenda of international organisations.

Chapter 16, “Provider power and healthcare systems”, by Mason Barnard, Irini Papanicolas, and Peter Smith, provides a very interdisciplinary perspective on the analysis of medical providers’ behaviour and their political demand for health policies. The discussion proceeds by looking at the incentives and constraints faced by health care personnel in influencing health care policies throughout various channels. Finally, the chapter examines how constraints, levels, and incentives on the part of providers have operated in the context of the Affordable Care Act and Covid-19. Chapter 17, “Health effects of trade policy and corporate interest groups”, by Pepita Barlow, examines the political economy of trade policies, and the role that they have played in influencing the health of the population. The author discusses the cases when there has been a positive or a negative influence and explores the relationship between globalisation and global health systems. The structure of the chapter starts with discussing contemporary global trade features, moves into an exploration of the evidence showing how institutions, trade agreements, and policies impact health systems, and concludes with the political economy of health systems involved in trade policies.

Finally, Chapter 18, “Institutional quality and health outcomes”, by Giacomo De Luca, Domenico Lisi, Marco Martorana, and Luigi Siciliani, takes a broader perspective and discusses the relationship between the “quality” of political institutions and health outcomes. The authors first provide a theoretical framework, followed by empirical evidence relative to Italy. They show how higher institutional quality in some regional administrations does improve hospitals’ health outcomes in terms of reductions in mortality rates related to heart attacks, hip fractures, and stroke.
The Political Economy of Health Care Financing and Policy Reforms

A core part of the Handbook refers to the four chapters (Chapters 19–22) exploring central issues related to health care financing and health policy reforms. Chapters 19 and 20 discuss the political economy of public and private health insurance. Chapter 19, “Towards a general political economy of private supplementary health insurance”, by Claudio Lucarelli and Mark Pauly, takes a theoretical approach and explores the political economy of private health insurance supplementation in a majoritarian democracy. The authors provide a theoretical analysis and several case studies to offer factual evidence of what are the most likely political equilibria. More specifically, they show how the presence of private insurance supplementation for higher-income people does make lower-income people better off. Chapter 20, “Political economy of public financing of health in low- and middle-income countries”, by Sumit Mazumdar and Rodrigo Moreno-Serra, introduces the fundamental of the analysis of economic policies, theories, and approaches to the political economy of health at different stages of policymaking. They then look at the role of actors, mechanisms, and strategies influencing the policy process towards universal health care, especially regarding low- and middle-income countries. Finally, they offer an illustration of the political constraints driving the financing of the Indian health care system.

In Chapter 21, “Political economy of health system reform: evidence from Spain”, Guillem López-Casasnovas uses the example of the Spanish health care system to provide an analysis of the institutional determinants of health care reforms in universal and tax-funded systems. He discusses what we have learned from the political economy of reform in national health service systems. The chapter identifies a series of constraints to health care reform, drawing on the Spanish experience after setting up a national health system. These include the effects of provider competition, and especially devolving most of the health policymaking to regional governments.

In the concluding chapter of Part III, Chapter 22, “The pharmaceutical patent system and access to medicines”, Valbona Muzaka tackles the important issue of reforming the current patent systems for drugs. The author offers a historical perspective of the development of the international regulatory framework for patented drugs and sees as a crucial watershed the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement in 1995. The chapter considers the high international costs for patented drugs deriving from the TRIPS, and the resulting problems in accessing drugs, especially in low- and middle-income countries, providing an analysis of the pros and cons of patents. The author also discusses the most recent attempts to modify the current policies in terms of alternative means for sustaining medical R&D, and other initiatives brought forwards within the World Health Organization regarding the accessibility of patented drugs on the part of low- and middle-income countries.

Political Economy of Health Care During Covid-19

The last core part of the Handbook includes three chapters (Chapters 23–25) and deals with the political economy of health care since the onset of the Covid-19 pandemic. The pandemic has originated a great deal of research at the intersection of politics and health care. Here we take up three main issues: the role of special interest groups in affecting policy choices, the impact of nudging in the midst of contradictory media messages and polarised political positions on vaccinations, and the impact of governance centralisation/decentralisation on health
outcomes. Chapter 23, “Covid-19 and the interest group approach to government”, by Peter T. Leeson and Henry A. Thompson, translates interest group theory into political economy issues raised by Covid-19. The chapter explores, from a public choice perspective, how private interests influenced lockdown measures and the allocation of Covid-19 resources on the part of governments, and discusses the potentially perverse consequences of these influences when policymaking in public health is undermining rather than promoting the health of vulnerable people. The authors also supply ideas on how research in the non-Covid area might inspire future investigations on the public choice of Covid-19.

Chapter 24, “Political preferences and nudging for healthcare: evidence from Covid certificates”, by Mario Cesare Nurchis, Luca Salmasi, and Gilberto Turati, discusses the role of nudging in health policymaking when political preferences are heterogenous and correlated with individual choices. Covid-19 vaccination policy in Italy and Spain is taken as a testing ground, where no-vax groups resisted governments’ decisions on vaccination, and vaccine hesitancy was present as a result. The authors find that nudge interventions put forward by the Italian and the Spanish governments affected the uptake of vaccinations in the two countries. However, more importantly, citizens’ responses to vaccination policy measures varied according to both political preferences and the type of nudging measures put in place.

Chapter 25, “Multilevel governance in the first wave of Covid-19”, by Marta Angelici, Paolo Berta, Joan Costa-Font, and Gilberto Turati, explores and compares the role of central and subnational policymaking in addressing the Covid-19 pandemic, considering as case studies Italy and Spain. The chapter exploits the different approaches of the two countries to face the first wave of the pandemic, and it offers comparative evidence of the relative advantages of a decentralised policy approach to respond to pandemics, which fosters regional cooperation as well as regional autonomy. The authors document that keeping governance decentralized produces better results than exclusively centralised responses to a global threat when the effects of the policy choices are highly uncertain.

Finally, in this Handbook’s Chapter 26, “The political economy of health systems: research space, goals and lessons”, you will find not only a summary of the main insights of the Handbook but also some ideas on the more pressing topics in the political economy of health systems, to be addressed in the years to come. We make some suggestions to guide future research, and humbly point out some of the areas where there is a higher need, in our view, for further research.

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