

Quality and profit in tax-financed welfare services

- what do we know?

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Book summary

How can a modern welfare state balance comprehensive tax financed welfare services with efficiency and fairness? What are the experiences from institutional reforms where for-profit firms are major suppliers of tax-financed services? Does the introduction of private providers and competition increase the availability and quality of services or does it lead to segregation and cream-skimming?

In this book, Mårten Blix and Henrik Jordahl at the Research Institute of Industrial Economics in Stockholm present *the Swedish experience*. Focusing on what others can learn from Sweden, they make accessible original research on schools, health care and elderly care. Since the 1970s, Sweden has seen several institutional reforms and an increasing scope of for-profit providers.

Though Sweden is sometimes seen as a middle road between socialism and capitalism, it has in fact been more akin to a large scale laboratory for institutional design. It has combined the creed of the welfare state with extensive use of market forces. In some areas, Sweden has introduced more competition in tax-financed services than any other country. For example, the government introduced a national *voucher system* in the early 1990s to promote school choice and encourage competition between private and public schools. The role of private providers has also increased substantially in primary care, elderly care and other social services.

The private sector expansion has occurred despite major political controversy between two competing visions for the welfare state. Local municipal initiatives provide part of the underlying explanation. Successful local experiments have spread organically to neighboring municipalities. In this sense, large parts of the Swedish model of welfare services have arisen from below. What was done well in this process and what were the mistakes? The authors address the fundamental economic challenges, the trends of the future, and the implications for institutional design. The book should be of interest to academics and policy makers in all countries aiming to get the most value and quality from tax-financed welfare services.