

Health Policy as Industrial Policy: Brazil in Comparative Perspective



Ken Shadlen has a new article in the journal *Politics & Society*, part of a special issue on the topic of “Rewarding Regulation in Latin America.” The articles in this issue analyze how countries can reconcile the dual objectives of implementing and complying with social regulations and increasing firms’ competitiveness. Many analysts see these two objectives as being in conflict, fearing that the introduction of stringent environmental, food standards, labour, or health regulations in developing countries creates excessive burdens on foreign investors and local firms. The concern, then, is that regulations either are not enforced (witness the recent tragedies in garment factories in Bangladesh) or if enforced drive firms out of business; standards which, on the face of it, seem admirable, are thus expected to have perverse effects on both social and economic development outcomes. The papers in this special issue provide a contrasting perspective, examining efforts to reconcile compliance with competitiveness. The case studies are drawn from Latin America, though the analyses speak to broader lessons for developing countries. Click [here](#) for the full table of contents.

Shadlen’s article, co-authored with Elize Fonseca (from the Center for Metropolitan Studies and the São Paulo Research Foundation), examines the relationship between health policy and industrial policy in Brazil. The authors focus on two ways that health policies can trigger policies to encourage industrial development. They show how high levels of government demand for stable supplies of affordable drugs unleashed an array of industrial policies to strengthen the local pharmaceutical sector (they call this first pathway “demand-driven” industrial policy), and they show how policies regulating the entry and marketing of “generic” drugs, which threatened to have the dire effects of regulation that many fear, became complemented by an additional set of capability-building measures to help local firms comply with the new regulations (they call this second pathway “regulation-induced” industrial policy). In addition to engaging the special issue’s overall theme of rewarding regulation, Shadlen and Fonseca’s paper suggests that concerns over conflicts between health and industrial policies (that an emphasis on the former implies a neglect of the latter, or that an emphasis on the latter will undermine the former) may be misplaced. Indeed, they suggest that deriving industrial policies from health (and, more broadly, social concerns) can improve industrial policies by providing greater focus and, critically, changing the order by which subsidies (carrots) and constraints (sticks) are applied.

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In contrast to analyses that regard health policy and industrial policy as anathema to each other, either because an emphasis on health implies neglect of industry or because gains in industrialization come at the expense of health, we show positive synergies between the two realms. Government intervention into the health sector can catalyze interventions to promote industrial development in the pharmaceutical sector, which in turn can make health policies more effective. We focus on two pathways by which health policies can trigger industrial policies. A demand-driven pathway entails government commitments in health revealing weaknesses and deficiencies in pharmaceutical production, and thus inspiring efforts to build capabilities to stabilize the flow of drugs to the public sector. A regulation-induced pathway consists of sanitary policies revealing mismatches between what is required for firms to continue to participate in the market and pharmaceutical producers’ prevailing levels of capabilities, and government measures then being developed and deployed to address the mismatch. We demonstrate both pathways with the case of Brazil.

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