

THE HUMBLE ECONOMIST

**Tony Culyer
on Health, Health Care and
Social Decision Making**

Edited by
Richard Cookson and Karl Claxton

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Published by University of York and Office of Health Economics

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A CIP catalogue record for this book is available from the British Library.

ISBN 978-0-9525601-5-9 (paperback)

ISBN 978-0-9525601-7-3 (epub)

ISBN 978-0-9525601-6-6 (mobi)

Cover design by Richard Cookson and Clare Brayshaw

Prepared and printed by:

York Publishing Services Ltd

64 Hallfield Road

Layorthorpe

York YO31 7ZQ

Tel: 01904 431213

Website: www.yps-publishing.co.uk

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Both editors were fortunate enough to be taught by Tony as students, and have had the privilege to co-author a number of papers with him. We have both benefited throughout our careers from Tony's sage advice and guidance.

Acknowledgements

We – the editors of this book – would first of all like to thank Tony Culyer for his unstinting co-operation in the preparation of this book and, in particular, for revising and shortening all of the essays in this collection to suit our preferred publication format and for compiling the index. We sought Tony's input at all stages of the process, benefited considerably from his advice, and as ever had great fun working with him. However, all the final editorial decisions were our own and we take full responsibility for any errors or omissions.

We are also especially grateful to Anne Burton for her kindness, patience and good humour in sub-editing and proof reading the entire manuscript several times; to Jessica Stephens and Matthew Herring for their diligence and persistence with the seemingly endless copyright clearance work; to Clare Brayshaw from York Publishing Services (YPS) for her prompt and meticulously accurate typesetting work – and to all of the above for the painstaking care and attention they devoted to the production of this book and their fortitude in meeting tight deadlines often at short notice.

We are also grateful to Cathi Poole and her team at YPS for their excellent publication services in both preparation and printing; Kerry Sheppard, Koonal Shah and Adrian Towse at the Office for Health Economics for their warm-hearted professionalism in organising the book launch and marketing; Frances Sharp and Gill Forder from the University of York CHE Publications Office for their helpful advice and support throughout; Liz Ingham and

Kathy Crocker for their help in managing the book project finances; Bob Evans and Werner Brouwer for helpful comments on Chapter 4 (“normative rabbits”) and Chapter 6 (“welfarism vs. extra-welfarism”) respectively, which reproduce joint papers they both originally lead authored; Phil Jacobs and John Cullis for helpful comments on the introduction; all those who kindly agreed to read early versions of the manuscript and provide endorsement quotes; and all the many colleagues who have provided encouragement and advice at different stages of this project. We would also like to thank the following organisations and their respective leaders for their important contributions to this project: Julie Allinson and the University of York Digital Library Digitisation Programme for funding the digitisation and copyright clearance work; Andrew Jones and the University of York Department of Economics and Related Studies for underwriting the typesetting and printing work; Trevor Sheldon and the University of York Vice-Chancellor’s Office for a financial contribution towards the sub-editing and proof-reading work; Adrian Towse and the Office of Health Economics for a financial contribution towards the sub-editing and proof reading work and for organising the book launch event, marketing and distribution; and Maria Goddard and the Centre for Health Economics for supporting Richard Cookson and Karl Claxton to carry out this editorial work under University of York auspices and for providing them with such a vibrant working environment while so doing.

Finally, we would like to thank and acknowledge the publishers and co-authors of all the publications listed below for their kind permission to reproduce material from those original publications, in substantially revised, shortened and in some cases amalgamated formats. We have made every effort to obtain all the appropriate authorisations from all the relevant copyright holders.

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Chapter 2: Culyer, A.J., 1981. Economics, social policy and social administration: the interplay between topics and disciplines. *Journal of Social Policy* 10, 311-329. (Publisher: Cambridge Journals Online).

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Amalgamated with material from:

Culyer, A.J., 1989. The normative economics of health care finance and provision. *Oxford Review of Economic Policy* 5, 34-58 (reprinted with changes in A. McGuire, P. Fenn and K. Mayhew

(eds.) *Providing Health Care: The Economics of Alternative Systems of Finance and Delivery*, Oxford: Oxford University Press, 1991, 65-98, also in A J Culyer (Ed.) *Health Economics: Critical Perspectives on the World Economy*, London: Routledge, 2006, 148-157).

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Amalgamated with material from:

Culyer, A.J., A rejoinder to John Harris. In: New, B. (ed.), *Rationing: Talk and Action*, loc. cit. 106-107. (Publisher: King's Fund and BMJ)

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Chapter 16: Culyer, A.J., Lavers, R.J., Williams, A., 1971. Social indicators: health. *Social Trends* 2, 31-42. (Publisher: UK Office for National Statistics).

Amalgamated with material from:

Culyer, A.J., Lavers, R.J., Williams, A., 1972. Social indicators: health. In Shonfield, A., Shaw, S. (eds.), *Social Indicators and Social Policy*. Heinemann, London, 94-118.

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Chapter 21: Culyer, A.J., 2012. Hic sunt dracones: the future of Health Technology Assessment – one economist's perspective, *Medical Decision Making* 32: E25-E32. (Publisher: Sage Journals)

Introduction

If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!

John Maynard Keynes 1932

Why read this book?

This book is a distillation of Anthony John (Tony) Culyer's most important writings on health, health care and social decision making, presented in the form of short, lucid essays accessible to a general audience. Its insights into how to improve health sector institutions and decision making processes will interest anyone working in the health field in any part of the world, whatever their disciplinary background or role. Tony Culyer is one of the founding fathers of health economics, and his work is a must read for anyone seeking to understand the health economic mind. Perhaps more importantly, it is also a must read for those trying to understand how to be an economist or indeed any type of social scientist.

Culyer is eloquent on this matter, "Whether one seeks to be a good social scientist or a good moral philosopher, a first requirement is to separate and distance the rational self from the passions that thoughts can provoke... Analysis, which must be the social scientist's forte, depends on making careful distinctions... Passion is too undifferentiating in its effects. The more social scientists seek to appear to be on the side of the angels, the more their birthright is

likely to be on sale for a mess of pottage”. In these essays Culyer is an exemplar of the good social scientist, more than willing to turn a dispassionate knife of reason on himself and use it mercilessly; at one point in the opening essay exploring “an incomplete list of my personal moral failures”.

Culyer’s humane, intelligent and pragmatic approach to social decision making – based on the values of legitimate social decision makers, rather than the commitments of academics or other “safe coteries” of like-minded individuals – is of interest well beyond the health field. His work can be read as a general set of theoretical principles and practical insights for anyone seeking to use reason and evidence to improve social decision making. The application of these principles is illustrated with reference to health sector decisions, but is potentially applicable to any type of social decision.

Culyer was closely involved in helping us select the original publications that form the basis of this book; he then painstakingly revised, shortened and in some cases amalgamated the original publications to turn them into non-technical bite-sized essays for a general audience. Our criteria for inclusion reflected the three core aims of the book – that the essays should summarise the most important, central and durable intellectual themes of Culyer’s work, should be accessible to a non-specialist audience, and should be enjoyable, thought-provoking and inspirational for future generations of health and social policy students, scholars, policy makers, managers and practitioners across the world. In pursuing these three aims we decided not to restrict ourselves to sole authored publications, and so have included essays based on a small number of jointly authored publications as noted below and in the acknowledgements section. However, we have been forced to exclude many important and influential publications – most notably his early career writings on topics such as blood donation, altruism, academic tenure and drug abuse, which we felt were too technical and too old-fashioned in writing style to meet our accessibility criterion.

The essays are elegantly phrased and a pleasure to read. To say they are written in plain English would do them an injustice: the meaning is always clear but never bland. As editors, we felt it would be a shame for writing of this quality to remain inaccessible and dispersed among diverse academic journals, books and discussion papers; many of which were published in the pre-digital era. So we have brought his best work together in one place. Rather than publishing in the conventional manner through a commercial publishing house, we have opted to publish in a low-cost, easy-to-read and comfortable-to-handle paperback format that is also available on the web as an e-book, with the kind support of two institutions that, as described below, have good reason to celebrate Culyer's work – the University of York and the Office of Health Economics. We expect that Culyer's work will inspire future generations of students, scholars and decision makers, as it has our own generation, and we hope that this book will make a modest contribution towards that end.

Who is Tony Culyer?

Tony Culyer is an English economist who was born on 1 July 1942. Since the early 1970s he has played a leading role in nurturing and shaping the international health economics profession, during four formative decades of rapid growth in size and influence on health sector decision making. From 1970-1986 he helped set up and run the world's first association of health economists – the UK Health Economists Study Group – which is still going strong four decades later. In 1981, together with Joe Newhouse, he founded the world's first academic journal in the field – the *Journal of Health Economics* – which he still continues to edit, albeit now with the help of a much expanded editorial board. He has also edited several authoritative reference works, in recent years including the 2000 Elsevier Handbook of Health Economics (edited with Joe Newhouse), the 2006 Routledge four volume collection of classic readings in health economics, entitled Health Economics (Critical Perspectives on the World Economy), the 2008 Elgar Dictionary of Health Economics (2nd edition in 2010), and the Elsevier on-

line Encyclopedia of Health Economics (forthcoming). He has also served on many editorial boards for journals of health economics, medicine, medical ethics, social science and medical law, and has published over 250 articles and more than two dozen books (a full publications list is contained on Tony's personal web page <http://www-users.york.ac.uk/~ajc17/>).

Culyer has also played an influential role in the UK National Health Service (NHS). Through his NHS advisory work, he has helped to develop important new institutions for generating and using research evidence to inform decision making. From 1993 to 1994 he authored the influential "Culyer Report" supporting research and development in the NHS. This report led to far-reaching changes in NHS Research and Development (R&D), ensuring both that R&D was institutionally recognised as a core priority at all levels of the NHS and that R&D funding was more transparently identified and ring-fenced. These principles paved the way for the "Cooksey Review" and the founding of the NHS National Institute for Health Research in 2006. Culyer was subsequently awarded a CBE for services to NHS R&D in 1999. From 1999 to 2003 he served as founding vice-chair of the National Institute for Health and Clinical Excellence (NICE). NICE produces guidance on the cost effective use of health care and public health interventions in the NHS, and is widely respected throughout the world for its rigorous use of evidence and its transparent and accountable processes of stakeholder engagement and deliberation. When Culyer stepped down from the NICE Board in 2003, the Chair of NICE Sir Michael Rawlins acknowledged his contribution to NICE's development: "Tony Culyer has made massive contributions to the development of the Institute. We will miss his energy, enthusiasm and commitment to the work of NICE. I will, personally, also miss his wisdom as well as the quiet advice he gave on so many occasions."

Culyer has also served as chair of the Office of Health Economics (OHE) editorial board (since 1997) and policy board (since 2001),

helping to ensure the quality and independence of OHE research and publications. The OHE was set up in 1962 by the Association of the British Pharmaceutical Industry (ABPI) to commission, undertake and disseminate health economic research and data collection, and is now also funded by grant income from and consultancy services to a range of other public, commercial and charitable organisations. He is also a Founding Fellow of the Academy of Medical Sciences, a Fellow of the Royal Society of Arts, and an Honorary Fellow of the Royal College of Physicians.

Culyer started his academic career at the University of Exeter, in 1961, as an economics undergraduate and then a tutor and lecturer, before moving to York in 1969. He subsequently spent the bulk of his academic life at the University of York, where he has played leading roles in administration as well as research and teaching. He has also held various visiting research and government advisory positions in Canada since the 1970s, and still has homes in both Toronto and York. His main administrative roles at York have been as Assistant Director of the (then) Institute for Social and Economic Research (1979-82), Head of the Department of Economics and Related Studies (1986-2001), Pro-Vice-Chancellor (1991-4) and Deputy Vice-Chancellor (1994-7). He currently holds a part-time chair in economics at York and is also Ontario Chair in Health Policy and System Design at the University of Toronto, Canada.

What will you read and why does it matter?

The book is divided into five parts, reflecting different areas in which Culyer has made sustained and distinctive intellectual contributions. For ease of reading, the essays within each part follow a logical sequence rather than the chronological order in which the original versions were published. Part One presents Culyer's general views on the appropriate role of social scientists in helping to improve social decision making, which provide the intellectual underpinning for the subsequent parts of the book on health and health care. Part Two contains what many health

economists regard as his most distinctive intellectual contribution to the profession – the concept of “extra-welfarism” – and Part Three his contributions to clarifying the ethical concepts used by health care decision makers to formulate their objectives, with particular reference to the ubiquitous concepts of “need” and “equity”. Part Four illustrates his general approach to policy analysis, with special reference to three proposals for reforming the English NHS in the 1990s. Finally, Part Five presents his contributions to the foundations of health technology assessment, including the measurement of health, the nature of social value judgements about cost effectiveness, and the role of deliberative decision making processes.

Part One: Social scientists and social science

The first two essays in this part are about social scientists in general, and the second two are about economists in particular. All four essays were originally written during the middle of Culyer’s career – in 1992, 1981, 1984 and 1996 respectively – by which time he had extensive experience of engaging with social scientists and social decision makers of different stripes (and different social value judgements), as well as a distinguished track record of research and teaching in his “home” discipline of economics. By then he had also authored textbooks on the economics of social policy (1970), the political economy of social policy (1980) and economics (1985). His core theme is that the role of social scientists is not to provide passionate policy advocacy based implicitly on their own personal values, or the commitments of the particular scholarly community to which they belong, but rather to provide dispassionate policy analysis based on evidence and making explicit the values of legitimate social decision makers acting on behalf of the general population.

According to Culyer, the good social scientist should display professional humility, dispassionately exposing implied social value judgements rather than advocating particular values or, worse, allowing them to become embedded in analysis without proper

recognition and critical examination. In his own words: “Their appropriate morality is a professional morality which consists, chiefly, in humility – by offering no more (but this is already quite a lot) to the process of policy making than they are professionally competent to offer: the elucidation of ends, the analysis of means, and the unpacking within explicit systems of thought of difficult and polysemic ideas, like ‘need’.”

These principles are deftly wielded in Chapter Two, when Culyer takes to task an eminent social policy scholar from England – Richard Titmuss – for overstepping the mark on professional humility by implicitly advocating the idiosyncratic values of his own particular scholarly community. And in Chapter Four, Culyer’s eminent health economic colleague from the USA – Mark Pauly – receives a particularly severe “scolding” for committing the same kind of professional sin. This latter piece was jointly authored by another eminent colleague, the Canadian health economist, Bob Evans, who came up with the memorable title: “normative rabbits from positive hats”. This essay is one of our favourites: a classic “spat” between three of the founding fathers of health economics. Alas, however, none of these essays, hugely enjoyable though they are, can give more than the faintest hint of the wit, warmth and bonhomie that Culyer exudes in person.

Part Two: Extra-welfarism

Culyer’s concept of “extra-welfarism” helps to liberate health economists from the confines of the traditional “Paretian” or “welfarist” approach to evaluating alternative policies and institutions that dominated economic thinking in the nineteenth and twentieth centuries. Traditional “welfarist” economic analysis assumes that subjective individual preferences or “utilities” (understood either as the desires that motivate individual decisions or the feelings of happiness that may or may not follow those decisions) are the be all and end all of the social good when it comes to doing “economic” analysis properly. Culyer’s “extra-welfarist” approach allows economists to use additional sources

of information about individual wellbeing or flourishing – i.e. additional to subjective desires and feelings – for evaluating alternative policies and institutions. In keeping with his professional humility, of course, he does not endorse any specific view of what constitutes a flourishing life: “Flourishing may mean different things to different people; all I require is that it be a high goal whose accomplishment gives a deep satisfaction to the one living it, and perhaps others too, as when it is said of someone who has died ‘that was a life well-lived’.”

The concept of “extra-welfarism” builds upon the work of Amartya Sen, who first coined the term “welfarism” and wrote of the need to use “non-welfare” or “non-utility” information when assessing individual wellbeing. Culyer developed and refined this idea in the specific context of health care, showing in particular how non-welfare information about people’s health – and not merely people’s health-related preferences or desires – could be fruitfully used in the health care field. The three essays in turn set out the basic idea; develop and refine the distinction between “welfarist” and “extra-welfarist” approaches to health economics, in a multi-author essay originally lead authored by the eminent Dutch health economist, Werner Brouwer; and then explore a range of different practical applications of both “welfarist” and “extra-welfarist” approaches in the health sector, showing how both can be fruitful in different contexts.

Part Three: Ethics, need and equity

Economics is sometimes caricatured by philosophers as being merely an overgrown offshoot of moral philosophy – the modern day incarnation of Jeremy Bentham’s famous eighteenth century utilitarian slogan: “the greatest happiness of the greatest number”. Like most sweeping dismissals this is a gross exaggeration which misfires on a number of levels – most obviously, economic analysis need not focus on achieving the greatest happiness of the greatest number but can analyse almost any set of objectives the social decision maker chooses to set. Nevertheless, this caricature does

contain a grain of truth: the disciplines of economics and moral philosophy are indeed related and can learn from one another. In particular, as Culyer argues in Part One of this book, one of the tasks of economics is to clarify the concepts used by social decision makers in formulating their objectives. Insofar as moral philosophy is also in the business of conceptual clarification, this kind of work by economists can be seen as a form of applied ethics. However, the ultimate test of conceptual clarification work by social scientists is how far it is useful to social decision makers, rather than how far it is intellectually satisfying to ethicists, economists, or any other scholarly community.

This part of the book presents Culyer's main contributions to applied ethics, focusing on two complex and contestable ethical concepts that are central to the objectives of social decision makers in the health field: need and equity. The first essay sets the scene and summarises the work of other health economists in clarifying these ethical concepts. The next three essays then show Culyer at work in this area himself, elegantly dissecting alternative conceptions of "need" and "equity" in health care, drawing out the similarities and differences between the different conceptions, and identifying the conditions under which they may or may not yield conflicting policy recommendations.

Culyer together with Adam Wagstaff published a classic conceptual analysis of need and equity – their 1993 *Journal of Health Economics* article "Equity in health and health care". The paper remains one of the health economic profession's most highly cited publications on the topic of equity, in both research publications and student reading lists. The original article is too technical for a general audience, so in this book we reproduce a non-technical distillation of its main ideas, based on two subsequent papers written for non-economists which Culyer has revised, shortened and amalgamated.

Part Four: Health policy

This part of the book illustrates Culyer's general approach to analysing health policy – i.e. clarify objectives then assess means for achieving those objectives – exemplified in relation to the National Health Service in England. The first essay provides a deliberately bold and provocative statement of the view that the principal objective of the NHS should be to maximise overall population health. It also endorses many important secondary objectives such as equality in the distribution of health, equitable processes for treating both NHS patients and employees, and the provision of non-health benefits such as information and hotel services. This essay was originally published as a debate piece in the *British Medical Journal* and is clearly labelled as a personal view, rather than a description of official NHS objectives. The next three essays are about different proposals for NHS reform – (i) a description and justification of his own 1994 “Culyer Report” proposals for reforming the NHS R&D function, (ii) an analysis of the 1989 Conservative government plans for an “internal market” in the NHS, and (iii) an unfavourable analysis of the 1993 proposals by NERA, an economic consultancy firm, for market reform to the demand side of the NHS involving (among other things) patient user charges, multiple social insurance plans, and top up insurance. The latter essay (Chapter Fifteen) also includes a simplified version of the four quadrant diagram originally developed by Culyer and Wagstaff (1993). This is the closest the book leans towards the technical, but we decided to keep this diagram in order to give readers a brief “under the bonnet” glimpse of the geometrical style of theorising that Culyer liked to employ.

In the third and fourth essays, Culyer develops and endorses the concept of “demand side socialism”. The basic principle is that, for reasons of equity, the demand side of the market (health insurance) should be collectively owned and controlled as a single monopoly payer, whereas for reasons of efficiency the supply side of the market (hospitals and other health care providers) should be characterised by heterogeneous competing organisations. This

concept is potentially relevant to all health systems, but has had particular traction in the English NHS: reforms along these lines have subsequently been taken forward by the Blair/Brown Labour government in the mid 2000s and currently (in the early 2010s) by the Cameron/Clegg coalition government. Culyer demolishes the NERA proposals for demand side markets by showing how they fail to specify clear social objectives or to analyse how the proposed reforms would achieve those objectives. His essay ends with the following memorable quote from the Yale political scientist, Charles Edward Lindblom, famed for his account of social decision making as a process of “muddling through”: “A market is like a tool: designed to do certain jobs but unsuited for others. Not wholly familiar with what it can do, people often leave it lying in the drawer when they could use it. But then, they also use it when they should not, like an amateur craftsman who carelessly uses his chisel as a screwdriver”.

Part Five: Health technology assessment

Culyer’s contributions to health technology assessment lie in three main areas. First, in helping to develop an overall indicator of health suitable for comparing health gains and losses across multiple conditions. The first essay in this part is an early contribution to thinking about how such an indicator might be developed, co-authored by his colleagues Bob Lavers and Alan Williams. These ideas were subsequently taken forward in empirical work by Alan Williams and other members of the “EuroQol” group, who succeeded in developing methods for constructing the Quality Adjusted Life Year (QALY) measure of health that are now routinely used by NICE and other health technology assessment agencies across the world. Second, in clarifying the nature and meaning of social value judgements about cost effectiveness. The second essay in this part clarifies the concept of cost effectiveness in general terms, through application of Culyer’s underpinning views about social decision making and professional humility, and the third essay, jointly authored with the then chair of NICE, Mike Rawlins, clarifies the concept in relation to the specific decision

making context of NICE and the NHS. Third, in helping to develop appropriate deliberative processes for addressing thorny issues of scientific and social value judgement in health technology assessment. The fourth, fifth and sixth essays all develop this theme, by clarifying the nature and purpose of deliberative processes, in a piece jointly authored with Canadian health service researcher, Jonathan Lomas; setting out conjectures about the circumstances in which they might most usefully be applied; and describing how they might be used to address issues of equity that go beyond concern for cost effectiveness.

Conclusion

According to Aristotle, individual human beings can only achieve a flourishing life through “an active life ruled by reason”. In developing his own “extra-welfarist” ideas about using the concept of individual wellbeing to help inform social decision making, Culyer carefully avoids endorsing Aristotle’s view – referring to it as “somewhat elitist” – or indeed any other specific set of value judgements about what might constitute a flourishing life. Instead, the humble economist naturally defers to the context-specific value judgements of the legitimate social decision makers relevant to the decision in hand. As editors of this volume, however, we are happy to endorse the phrase “an active life ruled by reason” as a neat summary of Culyer himself and his work as evident in this book.

In his early career work, Culyer aimed to understand how social arrangements lead to certain results, and also how people set up social arrangements to achieve their ends. This led him into asking how social arrangements can be revised to achieve social ends – and so paved the way for the mid and late career essays in this book on how to build better institutions and how to develop and implement tools to support them. Throughout his career, Culyer has succeeded in communicating with and influencing people outside his own “safe coterie” of likeminded professional colleagues in the economics discipline. In so doing, the humble economist rose to become a grandee of all the communities he served – the University of York

community, the NHS R&D community, and the international academic community of health economists and health service researchers. One of the keys to his success, we believe, lies in his love of English language and grammar and his preference – at least in his mid and late career work – for conducting theoretical argument and analysis using words and diagrams rather than algebra. This is a somewhat unfashionable preference among modern economists, for whom algebra has been the medium of choice for theorising and intra-professional communication since the middle of the twentieth century. However, Culyer’s ability to scrutinise and deploy the English language in a clear and precise manner – which to us less gifted grammarians sometimes seems to verge on the pedantic – has allowed him to develop and express ideas which are not only intellectually rigorous but also clear and appealing to scholars and decision makers with no technical training in economics. As Culyer often tells his students, and occasionally his colleagues, “a good idea badly expressed is simply a bad idea”.

“A good head and good heart are always a formidable combination. But when you add to that a literate tongue or pen, then you have something very special.” Culyer’s essays are precisely that: something very special.

Richard Cookson and Karl Claxton
York, October 2012

The Humble Economist will change the way you think about health, health care and social decision making

These short, enjoyable essays by Tony Culyer distil a powerful set of ideas that have profoundly influenced health policy and decision making. Tony Culyer is a founding father of health economics who helped set up the renowned UK National Institute for Health and Clinical Excellence. His insights into how to improve health sector institutions and decision making processes will interest anyone working in the health field. *The humble economist* shows how reason and evidence can be used to improve decision making in any area of social policy.

‘I learned everything I know about health economics from Tony. This wonderful collection of essays will allow me – and many others – to continue learning at the feet of the master’

Sir Michael Rawlins, Founding Chair of NICE

‘Tony is a great social scientist. His papers were a joy to read when first published, and certainly repay re-reading’

Joe Newhouse, Harvard University

‘Not everyone gets the opportunity to sit down with Tony to discuss health policy, ethic, and the National Health Service, but this volume is the next best thing’

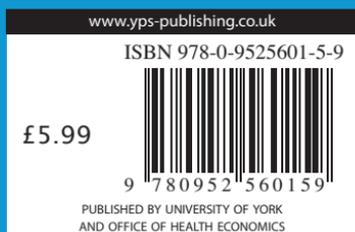
John Cawley, Cornell University

‘Tony Culyer is that rare beast; an inspirational economist. A must read for those who want to discover what economics can contribute to social policy – and to general social welfare’

Julian Le Grand, London School of Economics

‘Culyer’s work zings with wit and rigour. It can, in the nicest possible way, hurt your brain’

Nicholas Timmins, Financial Times



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