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**WELFARISM VS EXTRA-WELFARISM  
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*Anthony J. Culyer a budapesti European Health Care Economists konferencia egyik díszvendége, előadója volt. (A másik plenáris előadást Kornai János tartotta.) A következőkben közreadjuk előadását, amely a jólét fogalmának kiterjesztésével foglalkozott.*

*Közgazdász körökben megszokott a költség-hatékonysági elemzést elsősorban a neoklasszikus jóléti közgazdaságtan (welfare economics) köntösébe bújtatni, az „extra-jóléti” valójában egy olyan „nézőpont” kialakításának módszere, amelybe beletartoznak a jólét hagyományos forrásai (és még azok hasznosságmutatói is), de ugyanakkor „extra”, ugyanolyan értelemben, mint ahogyan az extra-szenzoros érzékelés olyan érzékelés, amely meghaladja a megszokottat. Ezen további elemek közé tartozik természetesen az „egészség”. A megengedhetőség/finanszírozhatóság (affordability) fogalomra nem létezik közgazdasági meghatározás. Néha a szolgáltatásvásárlási tervek feletti ellenőrzés kifejezésére használják, s általában a „nem engedhetjük meg magunknak” tagadásban nyilvánul meg, de ez azért nem sok közgazdászra vonatkozik. A jelenlegi szövegkörnyezetben azonban, a szó jelentése inkább azon döntésre vonatkozik, hogy valamit nem „éri meg” megvásárolni. A közpénzből finanszírozott egészségügyi szolgáltatásvásárlás esetében ez azt jelenti, hogy a más (társadalmi) programokból vagy lakossági fogyasztásból származó hasznot nagyobb értékkel, mint az adott programból (illetve a program adott kiterjedése mellett) nyerhető. Ez egy olyan döntés, melynek meghozatalában a közgazdászok is részt vehetnek. Nem tűnik azonban jó ötletnek az egészségügyi közgazdászok bevonása a döntéshozásba, főleg, ha a közéletben betöltött szerepük az egészségügyi szektort érinti, mivel nem rendelkeznek sem az ilyen ítéletekhez (beleértve az értékítéleteket) szükséges legitimitással, sem azokkal a technikai ismeretekkel, amelyek ahhoz kellene, hogy a politikailag illetékeseket tanácsal lássák el. Ebből úgy tűnhet, hogy az egészségügyi közgazdászok illetékessége normális esetben csak a szektoron belüli döntésekre vonatkozna, ahol mind a nyereség mind a költség az életév nyereség/veszteség tükrében ítéltető meg, illetve ahol a maximalizálás és az igazságos elosztás kérdését az egészségügyben elért eredmény, a ráfordítás és a felhasznált technológia határozza meg. Nem meglepő tehát, hogy az olyan szervek, mint a NICE inkább az egészség maximalizálását, mint a jólét maximalizálását tűzi ki célul (Pareto-elv), és határozottan tagadják, hogy döntéseiket a megengedhetőség/finanszírozhatóság irányítja.*

## OF WHAT ARE WE SPEAKING?

In the standard approach to CEA, which I call 'welfarist', the approach is a priori, the general objective of expected utility maximisation is usually asserted, the value content of policy is taken to be preference-based (and only preference-based), the criterion for a social improvement is the Pareto (or potential Pareto) improvement, and the role of the economist is essentially that of advising those responsible for policy as to how best to improve existing resource allocations in the face of a variety of market and governmental failures. This approach, like all good philosophy, can be very beautiful in the sense of its logical elegance, it contains within it some great brainteasers of the sort beloved by economists and logic-choppers in general, it ties the practice of health economics firmly into the mainstream of welfare economics and thereby gives us handles for discriminating between 'good' and 'bad' examples of the art as practised in the literature. It also provides some intellectual underpinnings for a fairly rarefied form of libertarian politics, and it seems to be the approach adopted by at least half of the world's academic economists.

The other approach is pragmatic and somewhat ad hoc. It too begins with primitive axioms but these are not of the formal kind that constitute the elementary propositions upon which the edifice of welfare economics syllogisms is then built. The most basic of these is an assumption that it is *someone other than the economist who possesses* (usually through a political process, such as popular democracy, recognised by the analyst to be a legitimate process) the ethical authority to stipulate the objective of any system, of which the health care system in a jurisdiction is but one. It is this approach that I call 'extra-welfarism'. This approach can also be elegant, though it severs itself pretty much from the root of mainstream welfare economics, and hence does not have its magnificently elegant superstructure of theorems, including the impossibility theorems and second best theorems. It is inherently less stable, because its ethical foundation rests upon an external source like 'a minister' which is itself inherently unstable. It raises different brainteasers, for example, those that arise from the probability that different 'ministers' will have different and mutually conflicting objectives measured, moreover, by quite different metrics so that for practical purposes the analyst is more or less permanently locked into a sub-optimising routine or perhaps into mere taxonomising. These objectives may also have quite different claims upon our ethical impulses. It raises its own interesting brands of puzzle, such as the construct validity of 'health' and the adequacy of empirical approximations to it, the extent to which preferences (whose?) count at all in practical analyses, or the range of opportunities across which opportunity cost is assessed (are health care costs to be evaluated with respect to resources uses outside the health care sector?) and it raises questions about how the efficiency analysis of other sectors, with which the health care sector competes for resources, should be appraised, their outcomes compared and valued, and their budgets determined.

An attraction of the approach is that it is much more likely to be attuned to the issues as seen by the ultimate clients of economic analyses – other than economists themselves – and even the language of analysis is likely to be more easily communicable to that great raft of humanity whom we collectively refer to as 'non-economists' – including ministers, their agents and research collaborators from other disciplines.

## SOME ROOTS OF EXTRA-WELFARISM

Several ideas seem to provide the seeds from which extra-welfarism has grown. One was sown by Tobin (1970). He argued that the desire for equality is specific rather than general (coining the term 'specific egalitarianism') and that some basic goods and services (like health care) are, as a matter of empirical fact, commonly thought to be more properly allocated in egalitarian ways than others. Similar ideas are met in other disciplines like philosophy, such as the notion of 'basic goods' used by Rawls (1971) though he explicitly excluded both health and health care from the list of 'primary goods'. In the early development of health economics there was much discussion as to the extent to which health care was 'different' from other goods and services: the consensus seems to have been that 'health' and health care are subject to so many of the standard cautions against reliance of free markets methods of production and distribution that they are, indeed, different from the general run of goods, services and characteristics – partly because each specific feature often looms large (severe information asymmetry, agency, inherent monopoly, absence of prices, incompleteness of markets, moral hazard, adverse selection, externality, publicness, equity) and partly because few other goods and services, if any, possess so comprehensive a collective set of challenges to efficiency and equity in resource allocation.

A second seed was sown in public finance in the shape of 'merit goods' (Musgrave, 1959): goods that need not be public goods but that are deemed so 'meritorious' that they ought to be subsidized by the state – though what qualified such goods as 'meritorious' was never quite clear, nor was it fully clear how these goods differed from goods whose consumption generated externalities (Culyer 1971).

A third, especially influential, seed was sown by Sen (1979, 1980, 1986) in arguing that a focus on mere individual utility was too narrow and ought to be replaced by a broader perspective that took account of the *quality* of utility and focused on people's *capabilities* rather than the emotional reaction (i.e. utility) of individuals to the possession of goods.

A fourth seed might be regarded as the explicit rejection of strict welfarist economics by governments. Some governments are very explicit about the proper role of willingness to pay in estimating social benefits of services. In the UK, for example, we have on ministerial authority that: 'The purpose of the NHS is to secure through the resources available the greatest possible improvement in the physical and mental health of the people of England [and]... aims to judge its results under three headings: equity, efficiency, and responsiveness' (Department of Health, 1996). Nothing about willingness to pay there! In the face of such explicit statements from politically authoritative sources it seems curmudgeonly for economists to insist on the standard assumptions of welfare economics, with which such statements conflict, and which have only the moral authority, such as it is, of economists.

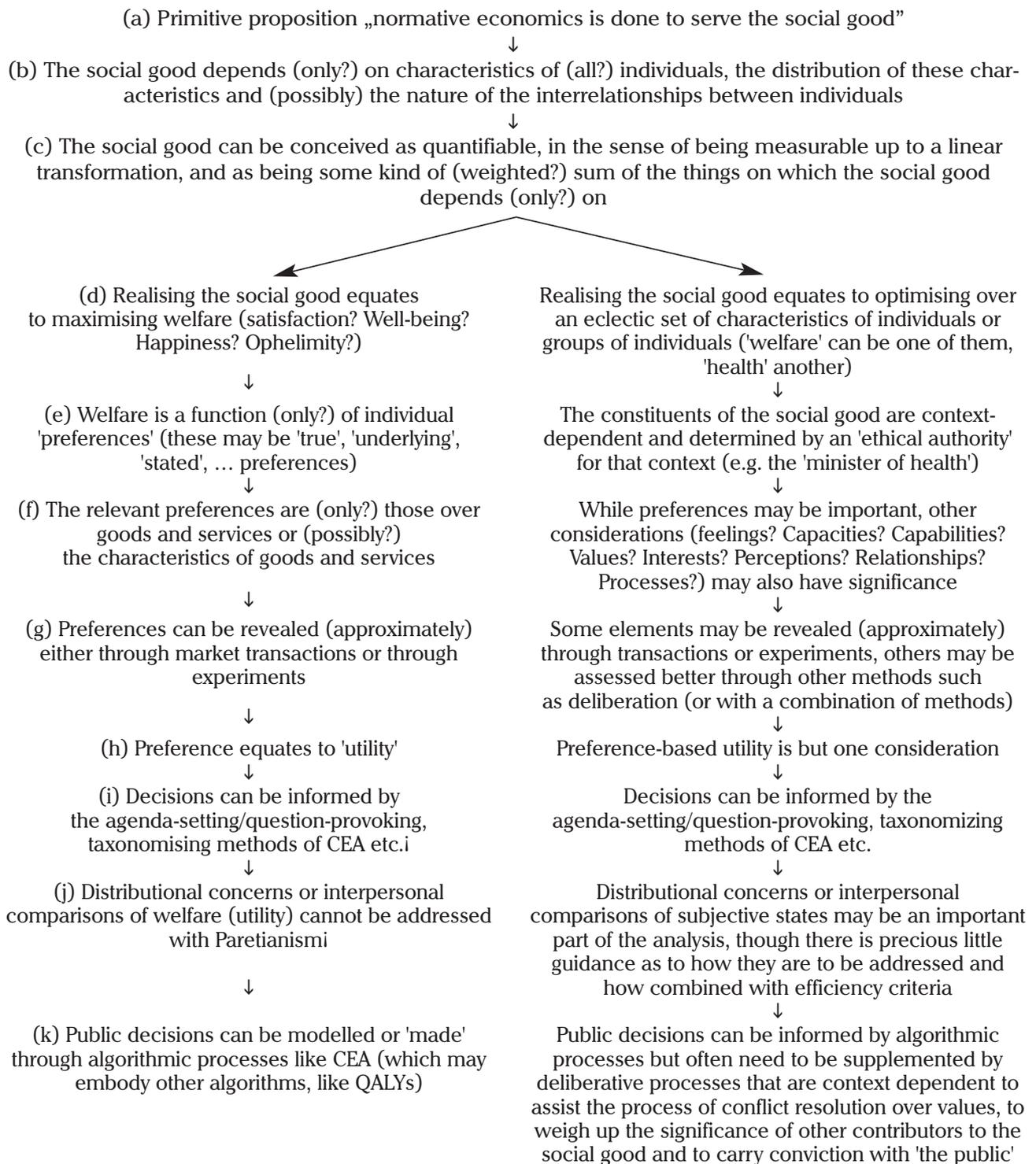
A fifth significant seed was the 'decision-making' approach to cost-benefit analysis suggested by Sugden and Williams (1978) through which they contrasted the Paretian approach with its embodiment of 'individual sovereignty' with one in which 'decision-makers' were the source of values (and weights) in public decision-making.

Underlying all these views may be the idea that public decision makers, in acting as agents for their clients, the public, ought to act not as they think the principals whom they represented would actually act, but rather as they think these principals ought to act. Whether or not so fundamental a form of paternalism actually does underlie these views

is a conjecture I shall merely suggest for the present but it seems to have the potential for a newly-enriched development of principal-agent theory – the idea of the agent as a 'moral' agent.

### HEAD TO HEAD COMPARISON – WELFARISM VS EXTRA-WELFARISM

The standard sorts of intellectual journey that economists have made have a common root but, beyond a certain stage, diverge. I think they go something like this:



**STEP (A)**

Step (a) contains a primitive proposition of the sort that establishes a normative context for the analysis and implies the existence of an entity called 'society'. Like any such point of departure, it is taken largely uncritically (indeed the primitive statement is often left implicit) and most of the debates that take place are downstream from it. I am hoping that my rendition of will not prove controversial either as a statement 'in its own right' or as the kind of statement that does indeed underlie most of what has usually been called 'welfare economics'. In this way I propose to let this sleeping dog lie, tempting though it might be, having made the implicit explicit, to chase some of the possibilities (for example, that in serving the social good, economists are doing the will of God – for example, by obeying the second great Christian-Judaeo commandment).

**STEP (B)**

Step (b), which says what it is that the social good depends on, requires greater courage as it involves making a leap. Although most economists seem to have little difficulty with it, there are others who object, for example, on grounds that it is too reductionist, or not post-modern. In any event, Step (b) is an assertion that is not necessarily entailed by Step (a). The emphasis that economists typically put on the characteristics of individuals, their distribution across individuals, and the nature of the interrelationships between individuals (like whether they are loving or respectful or trusting, or hate-filled, inconsiderate or suspicious) varies a good deal. But what is overwhelmingly the case is that the focus is on individuals. There is not a notion amongst most economists of the social good that is grounded elsewhere.

**STEP (C)**

Step (c) provides the means by which most economists do their work: it permits marginal analysis; it addresses the 'adding-up' problem, both of the characteristics that are asserted in Step (b) for one individual and of the resultant sums across many individuals. The question 'which individuals?' is usually left unaddressed in any systematic way. The usual presumption seems to be one of inclusivity, though sometimes explicit exclusions are encountered – such as children, the crazed, the unconscious or the irrational (the latter does not necessarily correspond to those who do not obey the axioms of expected utility theory, presumably on the grounds that such an exclusion would be altogether too comprehensive for comfort, but it does open the door to tedious discussions of what else economists mean when they refer to rationality).

**STEP (D)**

At Step (d) there is a decided branching. This is not a branching according to the respective weight attached to efficiency relative to distributive equity, nor is it a branching that differentiates economists who are well-disposed to the market from those who are not, nor one that decisively settles the question of 'which individuals?' or the 'adding-up' problem.

The differentiation is of a different kind (though it may have consequences for the views one takes of efficiency and equity, or of markets and pseudo- or non-markets), and it relates to the character of the entities to be maximised or equitably distributed. Down the left-hand column is what I understand to be the conventional route of welfare economics. This is welfarism (at least, it is welfarism of a sort) with the social good being more precisely located in terms of the satisfaction of preferences and where welfare, well-being, satisfaction, happiness, ophelimity and so on, while not being synonyms or even pleionyms, are all taken as conceptual bed-fellows, the bed being the procrustean one of that state of mind called 'preference', and the fellows being allowed to be quite diverse, though united by their common respect for individual preferences (and not much else). On the right hand side we find a much more tentative and open-ended line of enquiry in which welfare, in any of the senses on the left hand side, can count as one – but only one – of a set of characteristics of individuals or groups. Groups need to be there because of the possibility that one may wish to include some characteristics of *relationships between individuals* in the idea of the social good. In this specific sense, extra-welfarism might allow 'society' to be more than merely a collection of atomistic individuals. Although the right hand side approach may entail maximising some function of these diverse entities, it may not go so far (stopping, for example, at listing and measuring the variables in question) or it may take a fuzzier approach (satisficing, for example). Its very eclecticism is intuitively attractive to a pragmatist (like me) who wants any policy advice he or she gives to be as responsive as possible to the reasonable demands of policy customers, but it also attractive to any (again like me) who want to associate the idea of the social good with human experiences and characteristics other than those normally subsumed under the heading of 'welfare'. Eclectic candidates might include ability to adapt to changing circumstances, achievements, aspirations, assurances and reassurances, being appreciated, capabilities, capacities to benefit, entering or leaving 'states of being', fearing or not fearing for the public safety of one's children, fears in general, feelings, participation in processes of many kinds, security, senses of belonging and self-worth, senses of membership in a kindly and mutually supportive society, virtue, and other such things, most of which – indeed I think probably all – can be measured, albeit with varying degrees of construct validity, in accordance with the prescriptions of Step (c).

The opening up of so disparate a range of considerations is likely to provoke two kinds of response from economists following the left hand side. One is to say that the entire scheme is preposterously ambitious; far better to exercise some modesty by recognising that the economist's role is restricted to a narrower set of considerations that we may call 'economic welfare' and the rest are someone else's business. The counter to this is twofold. First, it may be – and it often actually is – business that no one else is around to pick up. Second, economists rarely hedge their advice, whether about the operation of markets in general or of those in or connected with the health care sector, by disclaimers about all the relevant considerations they are ignoring. The modesty, in short, is a sham and the rest of the world is invited to accept policy prescriptions that appear, at least on some occasions, as grotesque, like the appropriateness (to use Uwe Reinhardt's telling example (Reinhardt 1998)) of the efficiency of poor and sickly baby Smith consuming a small fraction of the health care of rich and healthy baby Chen. This is,

of course, an invitation that the perceptive amongst them will decline even though they earn thereby the scorn of my more supercilious economist colleagues.

The other kind of response from the left-leaning (in the columnar sense) economist is to say that all the 'extras' that right-leaning economists want to allow, least in principle, are as admissible on the left as they are on the right, in that there are preferences over them all – we can even have preferences over preferences – and utility numbers are readily available to be assigned to them by well-known experimental methods. I recall Joan Robinson's dismissive characterisation of utilitarian economic theory (I don't know if she ever wrote this down) as essentially telling us that 'people carry on doing whatever they are doing until they feel inclined to stop'. I am not so dismissive of utilitarianism as that (which does miss the serious point that utility theory, viewed positively, actually has refutable and therefore testable implications), though I have little time for those who solipsistically go to the *reductio ad absurdum* of reducing everything to a 'preference' and every difficult choice to a utilitarian trade-off – as though there really were no difference between the questions 'what do I, a person with preferences, want to do?' and 'what ought I to do, I wanting to be behave morally?' or as if there were not a possible – even frequent – conflict between the two answers. The *reductio* would be one way of re-writing *Hamlet* but it has no evident attractions to any playgoer. It also leads to the absurd Panglossian conclusion that all is at all times for the best in the world, otherwise it would have changed, but if it didn't, then the expected utility of the world changed must have been less than the expected utility of the world kept constant, the gainers evidently could not compensate the losers, and the costs of reducing the transaction costs that may have impeded some transactions must have been higher than the combined surplus to be had from making the transactions that were not made – otherwise those costs would have been incurred and the transactions thus enabled would have been executed (Culyer 1984).

A clear danger in the right hand column arises from the risk of double-counting or over- and under-accounting. Whereas there are standard procedures for avoiding these biasing distortions in conventional welfare economics, so transfers and sunk costs are not confused with opportunity costs, or increased property values are not added to the value of shortened commuting times, the opportunities for missing such effects on the right is much enhanced by the plethora of possible elements. Avoidance requires clarity about the elements and an understanding of how they may be empirically associated.

Step (d) is the point at which there seems to be a clear separation of 'welfarism' and 'extra-welfarism'. I am using the term 'extra-welfarism' here in order to differentiate it from a more extreme 'non-welfarism' (Kaplow and Shavell, 2001; Dolan and Olsen 2002) which appears to deny the relevance of any part of the welfarist programme (and preferences in particular) in helping to identify the social good.

#### **STEP (E)**

In Step (e) we approach more nearly the actual entities in terms of which any appraisal of what is good for society is to be performed. In the left hand column, we explicitly lay bare the roots of welfarism in preference relations with the tentative suggestion that welfare is dependent only on the satisfaction of preferences, with some acknowledgment of the fact that 'preferences' are not self-evident and generally have to be inferred via fairly precarious

chains of reasoning from behaviours of one kind or another. The basis of welfare in preferences is, however, essentially stipulative and a priori. On the right hand side we may still retain welfare in the preferential sense but its retention is conditional on the nature and circumstances of the decisions to be made. The ethical authority comes not from a stipulative condition about what welfare is, but from a different kind of stipulation – one that stipulates an ethical arbiter or a process through which such an arbiter is to be identified. To illustrate the difference, it would be natural for someone on the left to articulate 'welfare economics insists that ...' whereas someone on the right might articulate 'the minister insists that ...'. Whether one feels bound by either of these insistencies will clearly depend on a number of factors, including one's acceptance of the ethical underpinnings for 'welfare economics' on the one hand and the ethical standing of 'the minister' on the other. In the one case, the ethics come from the characteristics of the axioms; in the other from the legitimacy of the arbiter- such as whether she has been elected. Essentially, the right hand side substitutes a process (a stipulator or a method of finding one) for an algorithm.

#### **STEP (F)**

The left hand side of Step (f) has two variants: preferences are considered to be either over goods and services or over characteristics of goods and services (examples might be their effectiveness, convenience and responsiveness). On the right hand side such preferences may also be important but other factors may also be deemed relevant such as the employment conditions of those delivering the services or whether the service delivery team treats patients as partners in a treatment and rehabilitation process. Some utilitarians on the left include 'process' in principle and that is a somewhat less restrictive form of welfarism than that delineated in the table. It is plainly possible for hybrid forms to exist and there is little advantage to be had from polarising the approaches more drastically than is necessary or than corresponds to the usual practices of applied economists. The potential for divergence is, however, at least as great as that for convergence and will depend upon the contingencies that seem important to the 'authority' on the right.

#### **STEP (G)**

Step (g) concerns the measurement of the sources of welfare. On the left, preferences may be inferred from market transactions or through experiments in either real (relative) terms or by a monetary yardstick – willingness to pay or willingness to accept. On the right, the same techniques and inferences may be drawn for preferences deemed relevant; some of them may also prove suitable for measuring and valuing non-preference elements (for example, limits placed on the application of the 'rule of rescue' or the discovery of distributional weights from economic experiments); but there will often be other considerations that are deemed relevant and that may require altogether different mechanisms of empirical inference and appraisal through, for example, consultation and negotiation (for example, the short term service impact of a new addition to the drug formulary on GPs and pharmacies and its managerial implications or working out in committee an agreed formula for ranking needs, or whether a proposed allocation mechanism may be seen as an embarrassing political symbol or precedent).

More fundamentally, the experimental economics and psychology literatures have revealed major ambiguities in what we may understand by 'preference' which partly have impact on the meanings one attaches to 'rationality', partly suggest that 'real' preferences (if they can be said to exist at all) are virtually impossible to reveal, and which also seem to make whatever it is that experiments and like mechanisms reveal highly contingent on circumstances – not merely the circumstances of birth and development of the subject but the immediate circumstances under which whatever is being revealed is revealed – framing effects and the like. All of these seem to cast serious doubt on the merit of deriving the basic value content of public policy in health care upon 'preferences'. However, they also open up the tantalising possibility of systems for ordering public policy options that make no pretence at accuracy of portraying preferences or people's states of mind and that might even go further and be the ranking decisions of committees based upon whatever virtues are deemed acceptable by the 'authority' but which still obey the standard assumptions of utility theory – completeness, transitivity, continuity, convexity and non-satiation. It seems an attractive quality of a public health policy mechanism that it ought to aim in some way to reflect what seem to be the preferences of stakeholders (especially the general public and those most directly affected by health care – patients and their families). But it ought also do more than this and embody a distinct set of values, for which decision makers would be accountable, and which would resemble utilities in their form and structure but would not be seeking to represent 'preferences' and would therefore be interpreted differently.

#### **STEP (H)**

Step (h) contains several causes of potential confusion. Because of the greater inclusivity of the right hand column the utility measures appropriate to the left hand column may also be relevant on the right. However, the stipulator on the right may also require utility measures of non-preference entities and, when this is the case, the differences between the two columns become blurred. Or it may be stipulated that the utilities in question be indeed those representing preferences but they may be the preferences of a particular group of individuals and not those of some other group. The problem here is that 'utility' is doing more work than it can normally bear. For example, in addressing the matter of health outcomes one might:

- Ask the following to assign utility numbers according to a conventional experimental method to states of health-related quality of life:

- Doctors
- Patients with the specified condition
- All patients
- Taxpayers
- Informal carers

where the subjects may be members of the class described and asked to assign their own values or be non-members but asked to assign numbers putting themselves in the shoes of those indicated.

- Assign utility numbers in the foregoing experiment and its variants according to the subjects' view of
  - The desert of the probable beneficiaries

- The productivity of the probably beneficiaries
- The likely income generated for the service providers

In each of these cases, the term 'utility' may be entirely appropriate in, say, the conventional sense of the experiment requiring ordering systems to be used that are characterized by completeness, transitivity, continuity, convexity and non-satiation. But the normative significance is again quite different according as to who is doing the assigning, whose utility is being measured – if anyone's – and according as to whether utility is being used as an index of health, or need, or of some other desideratum that enables decision makers to prioritise their use of resources.

Despite the fact that 'utility' has no necessary normative content at all, even when it is used as an indicator of preference, the fact that it has for so long been linked with preference, and the fact that by definition in normative economics it does have a normative connotation, can condition us into thinking that it belongs firmly on the left. It is more properly seen as a part of the armamentarium of both columns but, on the right, and with no necessary attachment to 'preferences'.

#### **STEP (I)**

Step (i) identifies an underrated virtue of economics, which is its rather comprehensive categorisations of elements for a decision maker to consider: the critical significance of 'perspective', the sources of bias in signals about values and what can be done about them, the range to consider of possible consequences both anticipated and unanticipated, external effects, publicness of goods and bads, the insights to be had from sensitivity analyses, the distinction between (and therefore searching testing of) elements claimed to be 'fixed' rather than 'variable', the idea of opportunity cost and its meaning in the presence and absence of market signals, the idea that speed of implementation is a determinant of cost, and so on. This is a feature that appears in both columns. There is likely to be a difference, however, in the way that these considerations affect an analysis. Since the right hand column is the more inclusive column, it must imply that some of the elements in a choice that may be thrown up in an initial brainstorming session using an economic 'checklist' would be deemed 'beyond' the scope of an economic analysis that was to be conducted according to the rules of the left hand column. Presumably, their full consideration takes place elsewhere, at tables at which no economists qua economists are seated.

The idea of economic analysis as a question-posing, or taxonomizing, rather than as a problem-solving exercise is intriguing – though not an idea that essentially differentiates left from right in my schema. It defines, perhaps, a role for economists that ought more frequently to be brought into the open, not least because it is a role that may not necessarily be extended beyond the agenda-setting phase.

#### **STEP (J)**

Step (j) is not really a step in the Paretian scheme at all, since interpersonal comparisons of subjective experiences, such as 'welfare' or 'utility', are excluded by design. In less stringent applications some have urged the use of unitary weights (e.g.

Harberger's third postulate in Harberger (1971)). The approach adopted to date by those on the right is scarcely more advanced however. Harberger (1978) explicitly analyzed the qualitative effects of differential weights in the use of consumer's and producer's surplus in cost-benefit analysis, though without analysis of the source of such weights. Advice from, for example, NICE includes: treating unitary weights as provisional, conducting sensitivity analyses to test the impact of alternative weight on the application of a decision rule, taking account of the views of advisory bodies on specific distributional questions, conducting research into the distributional values that are held by the public, and embodying these concerns in the deliberative processes that translate economic and other evidence into practical advice for policy and professional practice, rather than embodying them in the economic evidence itself.

The main impediment to progress in this area seems to lie in the fact that whereas the idea of 'efficiency' seems relatively simple and commands consensus, the same cannot be said for matters of distributional concern, where rival concepts abound and disagreement is rife. In the absence of unambiguous guidance from 'the authority' - or at least guidance given unambiguous interpretation by analysts - it seems to be no obvious escape from this difficulty and 'deliberation', informed wherever possible by research into the values actually held by relevant stakeholders, seems the best way forward.

#### **STEP (K)**

Step (k) contains a more striking contrast between the two columns and develops the point just made about process. I may have overdrawn the distinction between algorithms and processes, but I think it is a real one which accords to the left hand column a more deterministic form of analysis than the right hand column. Both will employ algorithms and models but the right hand column emphasises that the agenda, or parts of it at least, may be best addressed and resolved through a deliberative process. This is not quite the same as a consultative process. Through consultative processes one can gain information, even scientific information (if the consulting is done in a scientific way, for example by commissioning some economists to discover people's willingnesses to pay for additional QALYs), but the final decision is bound to be determined by the combining of what Jonathan Lomas and I have called context-free scientific evidence, context-sensitive scientific evidence and colloquial evidence (Lomas et al. 2005, Culyer and Lomas 2006). The difference between the first of these is well-illustrated by the difference between RCTs and pragmatic trials, the former being rather good (one hopes) at establishing internal validity and the latter (again, one hopes) at establishing external validity. Colloquial evidence is not scientific evidence at all, though frequently it is the only form of evidence available to a decision maker. It typically consists of 'case studies', guesses about what the political and other constraints on the scope of a decision may be, 'expert opinion' (which may be scientifically collected but which is still a species of gossip - systematically collected gossip). Weighing all these matters up is, I conjecture, better done through a deliberative process involving the relevant 'stakeholders'. I also conjecture that the consideration of matters of equitable concern is also most fruitfully done in a deliberative fashion,

especially if they are controversial. To the extent that this is true, economists become much more intimately involved in – and responsible for – public policy resource allocation decisions. The phenomenon is well-illustrated by the way in which NICE's Appraisal Committees work. This may not be a necessary consequence of a deliberative process but it seems to be a highly likely one, particularly if it is thought important for any decisions resulting from the process to be both evidence-informed and to have high public and political credibility. Moreover, the higher the reputational standing of the participating experts, including the economists, the better.

### **SOME QUESTIONS TO WHICH I DO NOT KNOW THE ANSWERS**

Economists have listed many reasons why health is 'different' from other characteristics of people, or health care is different from other services. A system of health care can even be emblematic for an entire nation, as is the case for Canadians, a geographically widespread and culturally diverse people, whose health care system is widely regarded as not only the outward and visible sign of a shared set of clearly articulated and unifying principles, but also as iconic in differentiating Canadian values from those of its nearest neighbour. These values recognise that health is too important to allow gross inequalities to persist in it, and that the full flourishing of humans depends largely, if not exclusively, on their enjoyment of reasonable health. They also elevate the application of cost-effectiveness analysis to health care technologies to an altogether higher moral plane, for neither inequity nor inefficiency is tolerable in a human characteristic (flourishing) of such fundamental importance. These broader considerations suggest a range of more specific questions for economists to address. I shall simply list some of the more obvious ones and make no attempt to answer them:

- Is it possible to make general statements about the types of decision that determine the balance of algorithmic and deliberative resolution of value questions?
- Is it desirable, supposing it to be possible, to retain any element of preference-based welfarism in cost-effectiveness and related techniques of analysis?
- Where it is decided to go beyond, or simply to circumnavigate, preferences (one might say 'extra-preferentially') what kinds of ethical authority ought we to seek?
- How are controversies over interpersonal weights to be resolved and any such resolution embodied in economic analyses?
- Without a foundation of 'preferences' what role is there for 'utility'?
- What kind of accountability to the general public is required?
- Supposing that we also want (or are instructed by 'the authority') to keep public policy in line with common values in society, how best do we do this (invite comments, use consultation, citizens' juries, markets or pseudo-markets ...?)
- How do we build a coherent extra-welfarist theory of optimality in the public sector, or even the economy as a whole, when there are different ethical authorities for each sector, differently measured objectives for each with varying degrees of construct validity, separate budgets and sub-budgets each of which constrains choice and generates opportunity costs that are sector specific and each of which may be non-optimal in either or both welfarist or extra-welfarist terms?

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