Health economics took off in 1970 or thereabouts, just after the take-off date for the economics of education. Although early health economics made use of human capital theory as did the economics of education, it soon took a different route inspired by Arrow's work on medical insurance. The economics of education failed to live up to its promising start in the 1960s and gradually ran out of steam. The economics of health, however, has made steady theoretical and empirical progress since 1970 principally in coming to grips with the implications of supplier-induced demand and the difficulties of evaluating health care outcomes. Some of the best work on British health economics has been in the area of normative welfare economics, defining more precisely what is meant by equity in the delivery of health care and measuring the degree of success in achieving equity. Recent efforts to reform the NHS by the introduction of "quasimarkets" have improved the quality and quantity of health care in Britain. In short, British health economics has been characterized by the use of Pigovian piecemeal rather than Paretianglobal welfare economics, retaining a distinctive style that sets it apart from American health econoimics.

Abstract

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