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THE NORMATIVE ECONOMICS OF HEALTH CARE FINANCE AND PROVISION

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I. INTRODUCTION

Whereas in many countries the 'crisis' in medical care has been seen in terms of 'excess' spending on health services, in the UK it has been seen (at least by most of those who manage and work in the NHS) as a crisis of 'underfunding'. This has come about as the result of the government's successful attempts to restrain the rate of growth of real spending on the NHS, which in turn reflects the government's belief that its principal effective weapon against what it perceives to be inefficiency in the NHS is to challenge management (itself reformed and to some extent liberated) by systematic financial squeezes. The same concern has given rise to

insurance, private finance of other kinds (such as out-of-pocket payments), and private provision of health care itself.

Few of these contributions have been informed by the work of health economists, particularly their normative work. There have been several reviews of the empirical literature (e.g. Culyer, Donaldson and Gerard, 1988; Culyer, Brazier and O'Donnell, 1988). This essay is a review of the main contributions of a more conceptual kind.

I have adopted the rather general term 'normative' in my title, rather than 'welfare economics' for a reason. This is that much of the modern systematic

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