

# *A Response to Frank Rotering's "Human Economics: A Theory for Humanity and the Environment"*

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## **Introduction**

I would like to start by thanking Frank for his paper, which I found very interesting. This response follows the structure of Frank's main paper; I have tried to be as objective as possible, and to respect the views of someone who has obviously taken the issues very seriously.

I do not agree that "those who hold conventional views are bolstered by a set of sophisticated economic concepts". There is no inequality, as such, between us and our political opponents. Also, economics does not represent the viewpoint of the class of capitalists, if such a class exists. Everyone who has a pension plan is a capitalist; for the rest of us, in the words of an old trade unionist, "you compromise with capitalism in every breath you take". In any case, do we really need a theory of economics with which to meet the theory of "the establishment"? There are many ideas in economics which can be used by Greens (externalities, public goods, competition). The present situation has come about because of the interests of people, and what they do, not what they believe about economics.

## **Human Economics: A theory for humanity and the environment**

"An economic theory would force us to derive our policy prescriptions from first principles and systematic logic. It would enable us to confirm our correct notions and repudiate our errors." Would this help us make our economy more sustainable? If the theory is incomplete, presumably we should put off doing anything until it is right - when would we know, and how long will it take?

What does it mean to say "our economic terminology is currently a mess"? Do we really "lack terms for ideas we cherish and use ill-conceived terms that subvert our purposes"? These are quite serious charges, for which I do not see any evidence. I do not agree either that capitalists have an ideology, nor do I share Frank's optimism that a new theory would clarify our ideas and the effectiveness of our actions. Conventional economics does not do this for business people, who rely on cunning and wit,

and not on economics; why should our own do it for us?

The world is not a debating chamber; "winning the argument" does not mean getting a motion passed in some kind of forum of world opinion, to the eternal betterment of mankind. "Winning the argument" within the Green movement could mean silencing those who feel unable to criticise analysis, or it could mean helping to develop a common view of the way the world works, with which to inform wider debates, in the knowledge that there is some agreement among those of us who understand that we cannot stand by and continue to watch the destruction of the planet. .

## **The structure of Human Economics**

"To formulate economic concepts and analytical tools that permit the maximisation of human well-being, subject to ecological constraints" is not a soluble problem. The failure of the theory of markets to solve it should make us beware similar attempts.

## **Graphs and rigour**

I spend a lot of time trying to get people to see the value of functional relationships presented in graphical terms. If people are to consider graphs useful and illuminating, they must first recognise the variables described; in this case, it seems that some at least did not find the variables meaningful. This is a flaw in the theory, not in the recipients. The objective of argument is to persuade; a theory will not persuade unless it ties in, somehow, with the experience of the intended recipients

Also, is it really easy "to hide sloppy logic in a profusion of words"? We may be surrounded by sloppy logic and poor writing, in words, but words themselves do not conceal bad reasoning. Anything expressed using mathematics, if worthwhile, should be capable of expression in words.

## **The human framework**

The use of single standards on which to base resource allocation is perhaps the single greatest curse afflicting public policy in the UK. As Andre

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Gide put it, “Tyranny is the absence of complexity”, and the UK government is abdicating from its democratic responsibilities by using budget limits and crude measures of output to determine resource allocation. Together, these are slowly strangling the education and health sectors of the UK. It might be that some single standard is possible, but the political problems of a single standard, in that it focuses power with those who determine and measure such a standard, have to be reckoned with.

It is surprising that Frank considers health to be objective and measurable, because most Greens have a degree of scepticism about the claims of science to objectivity. Certainly, an appreciation of randomised controlled trials, and the application of their results to medical practice, should make us pause before crediting physicians with objectivity.

Also, it turns out that health is actually quite hard to measure. There is a whole literature on valuing health [see references below], which has attempted to provide a metric with which to compare health states. None of the measures has been put forward, far less accepted, as objective; they are part of the health economists’ (fairly laudable) attempt to help determine which drugs or interventions are better value for money. In the absence of such an objective metric, regrettably, Frank’s rather satisfying theoretical construction cannot work.

## Thresholds

The distinction between threshold effects and marginal effects is a valuable contribution to our thinking. However, it may be a mistake to suggest that Greens should not be concerned about habitat degradation in principle. We simply may not be aware of it when the biosphere has passed the point where its destruction cannot be prevented. Until we know, it seems better to err on the side of maintaining biodiversity, at least, or anything else which might prevent the ultimate disaster.

“Such a decision might be based on the inherent worth of the species, or on other ethical or cultural considerations. Any of these can legitimately override economic calculations.” Why are we going to all the trouble of developing this new economics, and putting so much resources into collecting the necessary information, if all our complex analysis can be dumped because someone goes dewy-eyed over a rare orchid? Frank is trying to be hard-headed, but he still gives precedence to non-materialist ideals, unlike the reductionist economists who have so impressed him.

Does economic analysis as such make a difference? I doubt it. I teach people to think using economics; they do not seem to become indoctrinated with materialist values, not more than other people, anyway. In my view, Frank has too high an opinion of the importance of economic ideas. Other people (non-Greens) are more like us than unlike, and they are often open to reason. They have their own reasonable beliefs. They will have interests which will affect the arguments they are willing to listen to, or even affect the meaning they ascribe to the words they hear, but the facts will speak to them if their interests are affected. We have to find the right arguments, based on the facts, case by case, and we should share our experiences as we go. That’s about it.

## Conclusion

The objective we share is progress towards a clearer view of how the sustainable economy might work, and the Rotering papers have made a large contribution to that. The main problem I have with Human Economics is that it relies on the measurement of health. My feeling is that if health could be measured objectively, the pharmaceutical multinationals would have found a way. Most developed countries have guidelines for the acceptance of new compounds which require the companies to demonstrate cost-effectiveness using a measure of health outcome. Any objective measure which enabled the

companies to provide this would have been developed and in use by now.

Health economists have done little better than the drugs firms. As health economics developed, it appeared that the measurement of a procedure's impact on the quality of the patient's life and on his or her survival, amalgamated into a single measure, the "quality-adjusted life year" or QALY, might help prioritise the allocation of resources. Over the past thirty or so years, although several QALY measures have been developed, none of these is objective since all rely on patient or carer evaluation of health states. Thus, despite a generation's work, no QALY measure has achieved the status of an accepted objective measure of health which permits the comparison of all interventions in cost per QALY terms.

Deciding what was to be produced in an economy on the basis of the cost per QALY would require large assumptions about what was known (or could be known) about costs and outcomes, especially the relationship between each and the level of production, across the whole range of possible outputs. The amount of information, and the cost of assembling it, would be immense.

What is produced in an economy depends on the consumer wants. Consequently, in determining the mix of production technologies the economy should use, we have to know what wants we are meeting. This presents difficulties because the division between consumption and production may be an ideologically unsound carry-over from

conventional economics if one is aiming to build a sustainable economy. For example, the taking of holidays (consumption) would not be so necessary if people's working lives (production) were adequately healthy and congenial; and the production of health services would be much less if many individuals' consumption patterns (diet, drugs, alcohol) were different. There are many other possible examples. The division in our thinking between consumption and production may conceal important possibilities for restructuring our economies towards sustainability.

Finally, while I am not sure that the global approach of Human Economics will be as productive as the development of policy frameworks and strategies for particular sectors, I am convinced of the value of the Rotering papers. They constitute a substantial contribution to the working out and the eventual development of the sustainable economy, whatever form it takes, and however we get there.

## References

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