

NANCY AND RICHARD RUGGLES MEMORIAL FUND PRIZE

International Association for Research in Income and Wealth

31st General Conference, 22-28 August 2010

Estimating 'Fisherian' national income to account for twentieth century economic welfare gains generated by improved health in the United States

Despite unprecedented health improvements in developed economies over the twentieth century there have been a limited number of attempts to quantify these developments in health (defined here as mortality and crucially also morbidity). The paper outlines an innovative quantitative methodology that can measure historical levels of health in terms of additional economic growth, so that national income can be defined on a utility or 'Fisherian' basis to include health outputs. Current measures of national income or GDP only include the cost of health services, with no accounting for the return.

In addition to presenting an innovative methodology the results make some progress in filling a crucial historical void about the value of mortality and more originally morbidity gains during the twentieth century. The paper estimates that twentieth century health improvements in the United States have added at least 1 percent growth to per annum GDP if defined on a utility or 'Fisherian' basis to include health outputs. These 'Fisherian' national income estimates generate more optimistic conclusions about the contribution of health gains to economic development and indicate that the social productivity of healthcare spending is many times that of other spending. The results substantiate the findings of Cutler & Richardson (1999) and Nordhaus (1999) by reiterating the value of historical health improvements and the need to more accurately measure the associated economic welfare gains. Finally, the magnitude of the results about the value of healthcare output provides some justification for the escalating healthcare costs that were evident at the close of the twentieth century in the United States.

Dr Kerry Hickson (D.O.B: 14/08/1979)

British Academy Postdoctoral Fellow

Bye-Fellow of Downing College

Department of Geography

Cambridge Group for the History of Population and Social Structure

University of Cambridge

Email: kh422@cam.ac.uk

<http://www.geog.cam.ac.uk/people/hickson/>