

Remarks on the Life of Hendrik S. Houthakker

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by

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We are assembled this afternoon to celebrate the life of Hendrik Samuel Houthakker, the late Henry Lee Professor of Economics at Harvard University. It was a very rich and full life that brought “Henk”, as he was universally known, into contact with many of the most important events of our time and some of the best known actors in these events.

I would like to begin by reading a short description of Henk, written on the occasion of his passing by his friend and former colleague, Andreu Mas-Colell, now Professor of Economics at the University of Pompeu Fabra in Barcelona:

“I was privileged to be his colleague at Harvard, where he received me with much kindness and I discovered a gentle man with very broad intellectual and social interests. My own proclivities led to many exchanges on revealed preference and aggregation theory. I distinctly recall them as most enlightening.”

Mas-Colell goes on to say: “Beyond economics proper it is impossible not to remember the Houthakkers, Hendrik and Anna-Teresa, as hosts. They were wonderful. At their dinner parties the conversations ran deep and wide, about economics, philosophy, American politics and also, very centrally, given the Dutch and Polish origins of the couple, the European scene.”

My own first contact with Henk Houthakker took place almost by chance. As a Visiting Professor at Harvard in 1958-9, fifty years ago, Henk was co-opted into service as a third examiner on the defense of my Ph.D. dissertation. I am happy to recall that the examination went smoothly and I received my degree on schedule. Henk returned to Harvard in 1960 on a permanent basis and I was pleased to resume our acquaintance when I came to Harvard myself in 1969, this time as his colleague. We had many interests in common and interacted frequently over the years until his retirement in 1994.

Henk was born in Amsterdam on New Years’ Eve in 1924 and received his doctorandus degree in economics at the University of Amsterdam in 1949. He immediately joined the Department of Applied Economics at the University of Cambridge, established by Richard Stone and then a hot bed of empirical and theoretical work in consumer economics or “demand analysis”.

While in Cambridge in 1950 Henk published a paper that assured him of a permanent place in the history of economic thought, presenting his famous Strong Axiom of Revealed Preference. The force of this stunning contribution is well captured by Robert Pollak in the following words: “Economics, unlike mathematics, has relatively few classic well-posed problems whose solutions can make professional reputations. The original revealed preference problem was one of them.”

Henk’s paper was cited thirteen years later when he received the John Bates Clark Medal of the American Economic Association, awarded every other year to an economist under 40 who has made a contribution to economics. The paper was one of two major themes in Pollak’s essay, “Houthakker’s Contributions to Economics”, written on the occasion of Henk’s election as Distinguished Fellow of the Association in 1988, thirty-eight years after publication of his famous paper.

From Cambridge Henk went to the Cowles Commission on Economics at the University of Chicago. Led by Tjalling Koopmans, Henk’s Dutch fellow countryman, and Jacob Marshak, Cowles was re-shaping economics into its modern form as a theoretical and empirical discipline. Henk’s contributions to economics continued at a breathtaking pace and included the first of his important empirical studies of consumer demand, published in book form as *THE ANALYSIS OF FAMILY BUDGETS* with S. J. Prais. His empirical findings, like his theoretical work, have become a permanent part of economics.

Henk went from Chicago to Stanford in 1954, where he met his wife Anna-Teresa, and then to Harvard in 1960. It is difficult to exaggerate Henk’s many contributions to the Department of Economics at Harvard. Unlike most of his colleagues, he taught a wide variety of topics, beginning with econometrics and mathematical economics. He later took responsibility for international economics and financial economics, contributing to the beginning of many a successful career on Wall Street.

You will hear more about his twenty-one years as editor of the *REVIEW OF ECONOMICS AND STATISTICS*, then as now one of Harvard’s two leading journals of economics. I recall his brief service as Acting Chairman of the Department of Economics in 1987-8. This was the first and last time that departmental dinners required black tie for men and long dresses for women.

While at Harvard Henk served as a staff member at the Council of Economic Advisers under President Lyndon Johnson in 1966-7 and was appointed to be a Member of the Council from 1969 to 1971 by President Richard Nixon. This period included the collapse of Bretton Woods, the system of fixed parities for international currencies established after World War II. This was accompanied by the “Nixon Shock”, suspending the convertibility of the dollar into gold and imposing a system of price controls.

After Henk’s return to Harvard we were recruited in 1973 by our colleague Otto Eckstein to join the Energy Policy Project, a Ford Foundation-funded study group on energy policy. The purpose of this project was to reduce energy consumption. Does this

sound familiar? In those years excitement seemed to follow Henk, as we were confronted in October 1973 by the first Oil Shock, leading to five-fold increase in oil prices. This seemed to obviate the need for energy policy until the Nixon Administration responded by eliminating price controls on everything except energy, leading to widespread shortages.

Henk's interest in energy policy dated from his first scientific publication in Dutch in 1949, devoted to electricity tariffs. During and after the Energy Policy Project his continued his research on energy and became one of the nation's leading authorities on the world oil market. It is impossible in these brief remarks to do justice to the breadth of Henk's interests in economics, encompassing economic theory, econometrics, energy economics, international trade and finance, and commodity markets. In closing I would like to describe one of his interests known to only a few of his colleagues and friends, namely, the social and ethical aspects of economics.

In 1992 Henk organized a Symposium for the Pontifical Council for Justice and Peace on the centennial of the famous papal encyclical, *Rerum Novarum*, translated by the Vatican as "Capital and Labor". This was written by Pope Leo XIII in 1891 and presented the papal view of capitalism, socialism, and democracy? Of course, the focus was on the church's responsibilities, especially to the poor and disadvantaged.

In 1991 Pope John Paul II, the first Polish pope, wrote the encyclical, *Centessimus Annus*, one hundred years anniversary. This brought the papal view of capitalism, socialism, and democracy up to date, taking into account the fall of socialism in Eastern Europe and the on-going collapse of the Soviet Union. Chapter 5 presented an emphatic and elaborated statement of approval for the transition to democracy and a market economy then under way.

Why Henk? Pope John Paul II has been a close friend of Teresa and Henk Houthakker since the 1970's, a story recounted in the well-known biography, *HIS HOLINESS*, written by Carl Bernstein (of Bernstein and Woodward), and Marco Politi, an Italian journalist. The authors quote Henk on his conversations with John Paul II, then the Cardinal Archbishop Karol Wojtyla, "I tried to talk with him about the merits of capitalism and democracy, but I had a feeling I wasn't getting anywhere."

Apparently, the conversations between Henk and the Cardinal, later the Pope, may have had an impact. The symposium was a success and led to a book, *SOCIAL AND ETHICAL ASPECTS OF ECONOMICS: A COLLOQUIUM IN THE VATICAN*, published in 1992. This included contributions by Henk, his Harvard colleagues Jeffrey Sachs and Amartya Sen, and many other famous economists from America, Europe, and Japan.

The symposium was among the services to the church acknowledged in Henk's election to be a Knight Commander with Star in the Papal Order of Saint Gregory in 2003. The papal knighthood was added to the long list of honors Henk had received, including Presidency of the Econometric Society in 1967, Vice Presidency of the

American Economic Association in 1972, membership in the U.S. Academy of Sciences and the American Academy of Arts and Sciences, corresponding membership in the Netherlands Academy of Sciences and honorary degrees from his alma mater, the University of Amsterdam, and the University of Fribourg. Henk was devoted to economic research from his youth in Amsterdam until the very end of his life and he received the honors that his originality, depth, and breadth of interest merited.

In short, Henk Houthakker was a notable exception to the observation by George Stigler, the famous historian of economic thought, that great economists lead rather dull lives. Of course, Stigler was referring to the eighteenth and nineteenth century founders of economics. While Henk lived the life of the humble and unassuming scholar in Cambridge, he also ventured into the real world and served as an adviser to figures as disparate as President Richard Nixon and Pope John Paul II. He lived through the Nazi occupation of The Netherlands in World War II and was present at the collapse of the Bretton Woods institutions that were created in the aftermath. Given his faith in democracy and the market economy, he was fortunate to witness the fall of communism from the perspective of Pope John Paul II, one of the creators of the new world order.

Hendrik Houthakker lived a life to be celebrated and it is a great privilege to be among those assembled here who remember him, especially his wife of 52 years, Anna-Teresa, and their children Louis, Jan Nicholas, and Isabella Romana. I would like to turn now to Robert Russell, Distinguished Professor of Economics at the University of California, Riverside, and Lester Taylor, Professor of Economics, Emeritus, at the University of Arizona, who will share with us their memories of Henk Houthakker.