

In Memoriam

Hendrik Samuel Houthakker
(December 31, 1924 - April 15, 2008)

Lester D. Taylor

Memorial Church
Harvard Yard
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In the opening words of his article in the 1992 *Festschrift* for Henk, Paul Samuelson said in tribute:

Originality, depth, and versatility -- those are the marks of a master scholar. Hendrik Houthakker started off with a bang: a big bang. ... this young and unknown Dutchman resolved a long-standing challenge before he reached his second quarter century.

Paul was referring, of course, to Henk's proof in his famous 1950 *Economica* article that the Strong Axiom of Revealed Preference suffices for the integrability of preferences. At the time, this unsettled question was essentially of the same importance in economics as the Riemann Hypothesis was (and still is) in mathematics. To have solved it in the manner and ease with which he did was simply an initial display of the untrammelled power of Henk's mind.

Most of us are fortunate if we should come up with one really good idea in a career, but this was not the case with Henk. For there is virtually no area of economics that is absent something of importance from his fertile brain; the Strong Axiom is simply the best-known. Let me note five other contributions that, in my opinion, are of nearly equal rank:

- (1). His 1955 paper in the *Review of Economic Studies* that showed how an aggregate Cobb-Douglas production function can be obtained through aggregation of an economy of firms that are distributed according to the Law of Pareto. I have always felt this result in some ways to be even more amazing than his invention of the Strong Axiom.
- (2). His 1956 paper in *Kyklos* that likens speciation in biology to the division of labor in economics.
- (3). His 1960 paper in *Econometrica* on additive preferences in which he devised the Direct and Indirect Addilog utility functions.
- (4). His work over many years on futures markets (which always was his most abiding interest) that has done much to establish the importance

of speculators to stability in commodity markets, as well as to dispel the confusion surrounding Keynes's enigmatic concept of "backwardation".

- (5). His underlying ideas concerning dynamics that informed our more than 40 years of collaboration on the study of consumer behavior.

The foregoing attests to both to Henk's originality and versatility, but there is more. For in addition to his formal research, Henk was extremely interested in economic policy and was a superb policy economist. On two occasions, he served at the President's Council of Economic Advisers, as a senior staff economist in 1965-66 and then as one of the three Council Members in 1969-71. As a policy economist, Henk had an amazing ability to see a question or problem, first in its totality, and, then (untainted by ideology) in its economic aspects separate from social and political considerations. A prime example of this is in an address that he gave in December 1964 to the Annual Meeting of The American Farm Bureau Federation. In this address, Henk provides the most cogent and trenchant analysis of the social, political, and economic problems of agriculture in modern economies that I have ever seen, and is an analysis that has as much relevance for world agricultural policy today as it did then.

Despite English not being his first tongue, Henk was a craftsman with the language, and, as all who were acquainted with him know, he had a wonderfully subtle, and at times, piercing, sense of humor. A good example of this humor in a policy context is given in some prepared notes for a 1966 Treasury Consultants Meeting in Washington, D.C., in which he was taking to task ideas of price controls that were then currently being bandied about:

Price controls on particular markets are all the more useless because they tend to be capricious in their coverage. For some reason, official attention has been concentrated on primary metals, which are no more important to the economy as a whole than any other sector of similar size. In line with this bias, the molybdenum industry was dissuaded from raising its prices by five percent, yet the whole molybdenum industry is no more important (in terms of value added) than Harvard University all by itself. When Harvard recently raised its tuition by about thirteen percent, we did not hear of President Pusey being summoned to Washington!

Let me now turn to things more personal. My first contact with Henk was in the fall of 1960 as a student in his courses in econometrics and mathematical economics (then Economics 221 and 214). He was a superb teacher and lecturer. He never used notes, but was always in total command of material, and spoke in beautifully clear and concise English. From the very start of classes, it was evident that here was a person with an extraordinary mind, but with a soul that was humble and unspoiled by fame. As was the norm at the time, the door to his Littauer office was kept closed, but yet was one that was always open to a knock. I was in his office many, many times in the 1960s (both as a student and then as a collaborator), and never once did I sense that he had more important things to do than to discuss economics with a student or colleague.

In the summer of 1962, Henk had a contract with the U. S. Bureau of Labor Statistics to develop a model for forecasting consumption expenditures for use in an interagency growth study. Although I was working on my dissertation on another topic, Henk nevertheless kindly involved me in the project. This was the start of more than four decades of collaboration, and was the basis for editions in 1966 and 1970 of our book *Consumer Demand in The United States*. As a collaborator, Henk was very trusting, and was an absolute joy to work with. He was patient and generous in both time and thought, and was never dogmatic or insistent concerning his own ideas. He had a never-ending capacity to invent, and few problems, whether theoretical or econometric, were beyond his ken to solve. He was first and foremost a scientist, and, while cognizant that nothing can ever be perfect, was insistent that finished work never contain a known error.

While Henk was the total package as an economist and academic, research was clearly his first love. When he retired from Harvard in 1994, he did so because he wanted finally to devote his full attention to research. Between then and about 2000, he completed what, in my view, are two of his finest pieces of research, papers that one simply cannot expect of someone in their 70s. The first paper represents an empirical test, using international data, of the Weak and Strong Axioms of Revealed Preference, while the second involves the invention of a totally new functional form for describing the distribution of income. Sadly, however, Henk was never able to see these two papers through to publication, and they still await the light of day.

Besides research, teaching, and public service, Henk was strongly committed to the general scholarship of economics, and accordingly spent more than 20 years as a watchful steward of *The Review of Economics & Statistics*. However, while these years were clearly beneficial to the profession at large, they were very costly to Henk personally because of the way that he approached his editorial duties. For his procedure was first to read every paper submitted to the *Review* himself, and then to make a decision as whether to pass the paper on to referees for formal review or to return it immediately to the author(s) as unsuitable for publication. In the process of doing this, he became concerned that, in sifting through the many ideas of others, he would not be able keep separate his own, which, in turn, led him to putting his own research and publishing on hold. The cost to Henk of this selfless act of intellectual integrity was, in my opinion, a Nobel Prize.

As a final personal note: Harvard in the early 1960s was not particularly concerned with preparing its students for the classroom, and the only advice that I ever got was when Henk said to me as I was about to enter my first classroom: “Don’t ever be afraid of being wrong in front of a class.” Such is the sentiment of a modest and humble person, and is a piece of wisdom that I have never forgotten.

To Paul’s characterization of Henk as a master scholar -- Originality, Depth, Versatility-- two more can be added : *Intellectual Integrity* and *Humility*. Not only was Henk a master scholar, but he was a gentle and kind soul and a genuinely good person. Teresa, Louis, Johnny, and Isabella, our lives are richer because of your husband and father.