

Acceptance Speech

Standing on the Shoulders of Giants

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How can one adequately thank ISPOR and the Avedis Donabedian Award Committee for this great honour, which I think is hardly deserved? But I must try. I shall follow the tradition of some of my predecessors by giving you a short



biographical account of how I at least see my career as a health economist and of what I owe to others.

Two people more than any have shaped my thinking in economics. One was Armen Alchian and the other Alan Williams. I knew Alchian for only one year of my life – as a graduate student at UCLA in 1964-5. His was a towering presence at UCLA and we were all in awe of him. His teaching style has been nicely described by David Glasner¹: “Armed with nothing but a chalkboard and piece of chalk, Alchian would lead us relatively painlessly from confusion to clarity, from obscurity to enlightenment. The key concepts with which to approach any problem were to understand the choices available to those involved, to define the relevant costs, and to understand the constraints under which choices are made.” His style was Socratic. The logic was relentless. He had an air of amused, philosophical detachment – never condescending but always inviting one as an equal partner to enter his world, the world of the ultimate economist’s economist. He would take a topic currently in the news (not necessarily a conventionally ‘economic’ topic) and question us about it, then using the

¹ See his blog at <http://uneasymoney.com/2013/02/25/armen-alchian-the-economists-economist/>.

simplest first principles he would dissect it, explain the phenomenon – always delectable especially when the explanation was counter-intuitive. A classic example of a simple but counter-intuitive idea is his invention of what has become known as the third law of demand: if the prices of two substitutes, such as high and low grades of apples or wine, are both increased by a fixed per-unit amount like a transportation cost, relatively more of the *higher* priced good will be consumed (Alchian & Allen 1963).

Ken Arrow once told me that Alchian was the brightest economics student Stanford ever had. For me he was an inspiration.

Politically, he was a libertarian.

Alan Williams was, by contrast, a lifelong socialist. I met him first in 1960 as my interviewer when I was seeking admission as an undergraduate to Exeter



University. He had similar qualities to Alchian – relentless logic that started from the most basic principles: constraints, demand (private or public), marginal value, opportunity cost, and an explicit normative idea of social welfare. In addition, and for me a big additional attraction, Williams was a great geometrician. His three dimensional depictions on two-dimensional chalk boards were to be marvelled at (Williams 1963). He was by nature a welfare economist. He led me more

specifically into health economics and into what I have come to call extra-welfarism. He taught me public finance as an undergraduate at Exeter and we subsequently became colleagues at York. Williams died in 2005 at the young age of 77. Alchian died in 2013 at the age of 98. Their memory deserves to be kept bright. They both exemplified in their thinking and teaching the power of

simplicity: *multum in parvo* – much from little, the casting away of all frills and complications to get to the heart of a puzzle and then to solve it step by step. One might call it relentless reductionism. I cannot hope to equal them in virtuosity but have nonetheless tried all my life to keep faith with that way of doing things.

They both taught me the power of economics to address big issues, usually beginning with a simple enquiry like “why is something the way it is and not some other way?” or “what might happen if...?” It was by asking questions like that that I came to health economics. In the mid 1960s most issues in social policy were addressed in an unanalytical way, with hefty doses of political opinion and a highly selective use of data. Social policy received scant attention from economists. By contrast, in mainstream economics, the so-called “positivist” revolution was taking place (e.g. Lipsey 1963) and applied economics was losing its stale descriptive personality and becoming more faithful to its name by actually *applying economic theory* to issues in the real world. So for me, questions that I lived with for several years are: “Can there be such a thing as an economics or health and health care (there wasn’t in the mid 1960s)?”, or “The NHS has survived for years despite being accused of irrationality by many economists (or so it was said in the 1960s) – but why? It had to be useful for *something* to have survived.” Another was “how can we create a mode of social welfare analysis that inherently requires us to make the very interpersonal comparisons that Paretian methods forbid?” Another was “Is it the role of economists to help our political leaders to implement *their* policies or is it to convince them that implementing *our* policies would enhance society welfare so much more?” Or “What ought a QALY to be?” Questions like these have kept me going for 50 years. One reason for this is that health is probably the most challenging of all social policy topics: the research agenda is complex and increasing in complexity. Another is that I have changed my answers as I went along. The answers – but rarely the questions.

So, once again, thank you ISPOR and thank you all, dear colleagues, for having made my intellectual journey so interesting – even exciting – and for continuing to keep it that way. May it remain so also for you all.

References

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