Kenneth J. Arrow (1922–2017) substantially transformed many areas of economics. His doctoral dissertation [1] redefined the field of social choice with his famous “impossibility theorem,” leading him to receive the Economics Nobel Prize in 1972. He made major contributions in general equilibrium theory, operations research, and statistics. But perhaps in no field of economic thinking did he have so profound an effect as in health economics.

Although economists had studied health economics before his 1963 American Economic Review essay [2], I think it is fair to say that health economics did not really exist until then, and the field is now firmly established as an important subdomain of economics as a whole. His laser-like focus on the subject of “uncertainty” paved the way for much of what we do today; he stated: “I will hold that virtually all of the special features of this industry, in fact, stem from the presence of uncertainty.” Arrow understood that he was laying the groundwork for generations of scholarship, as revealed by his statement, “I have been chary about drawing policy inferences; to a considerable extent, they depend on future research, for which the present paper is intended to provide a framework.”

Arrow’s 1963 essay highlighted many issues related to uncertainty, all of which have been fertile ground for subsequent study. The list includes uncertainty in demand, demand for insurance, optimal structure of insurance, market regulation of providers and entry restrictions (licensing, etc.), trust and asymmetric information, departures from the profit motive, uncertain health benefits of treatments, widespread prevalence of price discrimination, moral hazard, pooling of unequal risks, and many others.

Arrow’s work in health economics began with his 1963 essay, and he went on to publish several major extensions of his thinking on optimal insurance through his ongoing consulting at the RAND Corporation on the Health Insurance Experiment. Arrow gave many talks and published numerous articles throughout his career that expanded his thinking on health economics. Most recently, he led a major Institute of Medicine study on the economics of malaria drugs [3].

We have long honored his seminal contributions by invoking his name to recognize outstanding health economics research. The International Health Economics Association established the Kenneth J. Arrow award in 1993, and its recipients define the leaders in our discipline.

From my very first time spent with Ken to my very last, several things remained constant (and from talking to others, I understand that he was this way with everybody). First, he was incredibly smart. A wide swath of “urban legend” stories exists to illuminate this point, and I will not dwell on this issue further here.

Second, despite this obvious intellectual gap between Ken and those around him, he was—at every occasion I ever observed—an incredibly fun person to be with, superbly polite, and the quintessential gentleman: charming, gracious, and entertaining. He was at the same time an intellectual giant and the perfect dinner companion. The one disquieting habit he had was wholly unintentional. His mind sometimes raced so far ahead of his speaking that he would sometimes seem to skip whole sections of an intellectual argument, as if he had suddenly jumped from the middle of a paragraph on page 17 to the middle of page 23 (probably linked by a common phrase or word), passing over the intervening logic as wholly obvious. I soon learned to stop him and ask for the missing details!

How can we best remember Ken Arrow as we pursue our work in health economics, outcomes research, and health services research? To me, the answer is clear: Use economic theory vigorously and regularly, but do not be afraid to expand the boundaries of inquiry beyond those already established. Bring data into the problem, but first work the theory. Data without theory have little value. Do not forget that teaching is also learning. Ken taught undergraduates for much of his career and mentored graduate students and fellow faculty until his very last days. Finally, remember that as we help each other, we can do so with total civility and genuine friendship. Kenneth J. Arrow lived his whole life that way, and he would want the very same from us.

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