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GARY BECKER AND THE ART OF ECONOMICS

Aloysius Siow
Professor of Economics, University of Toronto, Canada

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Gary Becker, an American economist, died on May 3, 2014, at the age of 83. His major contribution was the systematic application of economics to the analysis of social issues. He used economics to study discrimination, criminal behavior, human capital, marriage, fertility and other social issues.

Becker won the Nobel Prize in economics in 1992. He also won the John Bates Clark medal, awarded to the best American economist under 40, in 1967; and the Presidential Medal of Freedom, the highest honor award by the US president to a civilian, in 2007.

Becker's father, Louis William Becker, migrated from Montreal to the United States at age sixteen and moved several times before settling down in Pottsville, Pennsylvania. Becker's mother was Anna Siskind. He was born in Pottsville in 1930. At age five, Gary and his family moved to Brooklyn. He graduated from James Madison High School and went to Princeton University for college. He did his PhD at the University of Chicago where he met Milton Friedman who would have an enormous influence on his intellectual development. After he obtained his PhD, Becker spent a few years as an assistant professor at the University of Chicago and then moved to Columbia University. In 1970, Becker returned to the University of Chicago where he remained as a professor until his death.

While impressive, a list of what he wrote on does not explain why he is so intellectually influential. His mentor, Friedman, always said that "There is no such thing as a free lunch" and applied it widely in market environments. The genius of Becker is to recognize that trade-offs are everywhere and not just in market environments. And he pointed out where they are in many non-market contexts. Economists and non-economists have followed his lead since.

Lionel Robbins said "The science of economics is the study of the allocation of scarce resources". Economists have primarily focused on situations where the scarce resources are in plain sight. Becker showed that resources are scarce everywhere and in surprising places. So after Becker, "The art of economics is to recognize the state of scarcity".

I thank Arthur Diamond for useful comments.

His path breaking 1955 dissertation was on the economics of discrimination. It was the first systematic study of a non-traditional economic topic using economics. In it, he argued that the difference in wages between a majority and a minority group can be used to measure the extent of discrimination in the labor market. His insight led to the development of labor market discrimination litigation. When one points out today that it is unfair that women earn 80 percent of what men make, they are channeling Becker. His thesis analyzed how the South African system of apartheid benefited Whites at the expense of Blacks in South Africa. This analysis predated the anti-apartheid boycott movement of the West which started in 1959.

The methodology and concern of his thesis previewed his research career. At the time of the publication of his thesis in 1957, economics was a conservative discipline, restricting itself to the study of the behavior of markets and market economies. Becker set for himself the task of systematically applying the tools of economics to the study of social issues. At the beginning, his work was generally ignored if not actually denigrated within the profession. Economists were supposed to study more important concerns.

After studying discrimination, he provided a modern economic theory of criminal behavior. Today, the study of criminal behavior is an active area of research in economics. Together with his study on discrimination, this work inspired the development of the law and economics movement.

At Columbia University, he began a systematic study of human capital, the allocation of time and other topics in labor economics. Together with his colleague Jacob Mincer, they wrote many of the important papers in labor economics and also produced many successful graduate students. For example, their graduate student, Michael Grossman, wrote his thesis applying economics to the study of individual maintenance of health. Today, health economics is a major field of study and a central pillar of health policy. Due to the topics they worked on, they also attracted and successfully supervised many female PhD students. Claudia Goldin of Harvard University is perhaps Robert Fogel's, also a Nobel laureate, and his most illustrious female PhD student.

After returning to the University of Chicago, he continued to apply economics to the study of the family, including the behavior of marriage markets, allocation of resources within the family and fertility behavior. His research program on the family has enormous impact on research on the family by both economists and non-economists. He has affected the language, models and concerns in this field.

Policy success is more modest. For example, due to modernization, most developed societies have attained fertility rates which are close to or below what is needed to keep the native populations from declining. Policy makers want to increase their fertility rates and Becker's theory of fertility provides a convenient framework to propose incentive based policies to do so. For example Singapore has over 20 of these programs. Surprising to economists and to the dismay of policy makers, existing incentive policies to increase fertility have had at best modest success. Thus Becker's fertility theory, by itself, is inadequate to deal with this particular policy problem.

Today, Becker's approach is known as the rational choice approach in the social sciences. As the economics profession grew to appreciate his contributions, other social sciences have mixed feelings about his influence. On the one hand, they appreciate how he led economists to study different social issues. On the other hand, some non-economists feel threatened by the invasion of economists. Economists systematically use mathematical methods, statistical analysis and often large data sets. They prioritize cost benefit calculus over other factors which may also affect individual behavior. They had little patience with qualitative studies. Thus, some social scientists felt that their contributions were unfairly ignored and so resisted the application of economics to their fields. For example, the critical legal studies movement was developed in the 1970s in part in reaction to the success of the law and economics movement in law schools. In political science, rational choice theory is now a core field of study. Yet there are many political scientists who reject this approach.

Interestingly, motivated by the work of psychologists, some economists have also begun to reject the purely rational calculus model of Becker as too narrow. Rather, these behavioral economics researchers argue that individuals have bounded rationality and are subject to systematic biases in their behavior. For example, Robert Shiller, another Nobel laureate, has argued that bubbles occur in asset markets due to psychological biases. Economists have also begun to explore how peer effects and social norms affect fertility choices. Thus, the success of Becker has led to qualifications which is a hallmark of progress in science.

Many readers of Becker are overwhelmed by the vast range of topics which he had contributed to. I am not downplaying his productivity or work effort but I want to argue that there is not where his genius lies. A less Herculean perspective is to realize that his genius was his ability to recognize scarcities which are not in plain sight, in different compelling situations. After he had found such a problem, and he found many of them, he brought standard tools to bear for analyzing it. Becker is more Darwin than Newton. A hedgehog disguised as a fox.

Some critics of Becker suffer from related confusion. First, some economists criticize Becker's models for being analytically inelegant and/or obvious. They criticize Becker for not contributing more to the science of economics. But as I have said, Becker's genius is in the art and not the science. Second, non-economists who are alarmed by the invasion of economists into their fields often are distracted by the mathematical and statistical sophistication of economic modeling. The insights which Becker brings are by and large not technically difficult. Even without technical sophistication, the identification of important scarcities not in plain sight would have been revolutionary. The economist's toolkit is suited to the analyses of those insights. And this advantage attracts economists into working on those problems.

Contrary to many successful economists, Becker did not spend much time consulting for either the government or business. He was a conservative but unlike his mentor Milton Friedman, his direct influence on policy was minimal. Rather due to him, policy analysts today are much more aware of the scarcities and associated trade-offs which they face in different environments. Practical men and women, who believe themselves to be quite exempt from any intellectual influence, are the slaves of Gary Becker.

On a personal note, I was a graduate student at the University of Chicago in the late seventies where I met Gary Becker. I was interested in social issues. But because he was so intimidating as a scholar, I did not write my thesis under him nor was it on those concerns. Ten years after I obtained my PhD, and after I had moved to the University of Toronto, I wrote my first paper on the economics of the family motivated by an insight of Robert Trivers, a distinguished biologist. Becker and my interest on the economics of the family overlapped and we subsequently have had several professional interactions. I also began to realize that he did not know everything and that it is fine to work on topics which he had worked on. Later in his life, he would sometimes introduce me as a former PhD student. At first I would correct him. But later, I did not because perhaps he was right.

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