Massive Influence with Scarce Contributions: the rationalizing economist

Gary S. Becker, 1930-2014

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Introduction

“In Memoriam: Gary S. Becker, 1930-2014”.¹ It is through this lapidary “Farewell Post”, announcing that the “the Becker-Posner blog is terminated”, that a number of Richard Posner’s followers might have learned the death of his friend and colleague at the University of Chicago, Gary S. Becker. Becker was a major influence in economics, and was awarded in 1992 the Nobel Memorial Prize in Economic Sciences for “having extended the domain of microeconomic analysis to a wide range of human behaviour and interaction, including non-market behaviour”.² Posner never missed an opportunity to remind the reader that Becker had exerted the strongest influence on the development law and economics (e.g. Posner 1993). Yet, it is noteworthy to mention that Becker’s direct contributions to the field were scarce: one can (only) think of two papers: the 1968 “Crime and Punishment: an Economic Approach” and the 1974 “Law Enforcement, Malfeasance, and Compensation of Enforcers” (co-authored with George Stigler).

This is somewhat illustrative of Becker’s scholarly work throughout his life. Becker’s influence on economics was both direct and indirect. He published numerous seminal contributions on topics that had not really been analyzed with microeconomic tools before him (the economics of the household, human capital, etc.). Yet he was primarily interested in broadening the scope of economics, that is, in invading new and virgin territories to the economist, rather than in focusing exclusively on a particular subfield.³ Becker’s indirect influence, though, was massive, and was channeled mostly through the work of his students and colleagues, who made those subfields he contributed to create flourish. Becker is remembered by many as both a trailblazer and a mentor who played a fundamental role in supporting early controversial research.

¹ www.Becker-Posner-Blog.com. Note that the website is no longer active.
³ For instance, his work on discrimination, now influential, was only developed in his Ph.D. thesis in 1955 and in a book in 1957. Perhaps one significant exception would be his everlasting interest in publishing about human capital.
By taking a quick glance at his career, where the University of Chicago appears to be a centripetal force, it is easy to see that Becker played on the careers of his colleagues and protégés a very similar role as his own Chicago mentors -- especially Milton Friedman--played on him.

From Brooklyn to Chicago

Becker was born in Pottsville, a coal mining town in Pennsylvania, from a Canadian father who ran a small business and an émigré mother from Eastern Europe (Becker 1995, Becker 2001). Soon, the Becker family would move to New York, and particularly Brooklyn, when Gary spent most of his childhood. He graduated from the James Madison High School a few years after another great economist, Robert Solow, and joined Princeton University at the age of seventeen (Heckman 2011, Fuchs 1994). At Princeton, Becker hesitated between many opportunities, as he was a very talented student in mathematics, but a very good athlete as well. More importantly, Becker recalled in many occasions that he always had a strong interest for social problems (e.g. Becker 1990). Economics appeared to him as a promising opportunity to marry his mathematical skills and interest in society’s issues. Becker made a decisive decision in 1951 when he left Princeton to Chicago. The decision was motivated during his senior thesis by his interaction with one of the leading figures of the “old” Chicago school of economics, Jacob Viner (Heckman 2011). He was also motivated by the presence of the Cowles Commission, which would remain at Chicago until 1953, and developed at the time a most impressive program in mathematical economics and econometrics (Fleury 2012). But, as a future leading economist, Becker found additional incentive in the generous fellowship that came with the University of Chicago (Becker 2009).

At Chicago, Becker learned to master the Chicago style of economics (or “price theory”), one that is strongly policy-oriented and addresses real world questions, as opposed to being merely an abstract thought process. His center of interests changed accordingly --under the influence of Friedman, as we shall see below. He developed a strong interest for applying economics to unconventional issues for the time, such as discrimination and the political process, issues that departed from the rather “standard” questions that he had already contributed to when in Princeton. After a few years at Chicago, Becker left to Columbia in the late 1950s, but never stopped from working on trailblazing and controversial topics. He would return to his intellectual “home”, Chicago, in the late 1960s, where he stayed for the remaining of his life.

Becker’s direct contributions to law and economics

At Columbia, where he joined Jacob Mincer, Becker developed the foundations of his research program, contributing to the expansion of the use of microeconomics to outlandish topics such as human capital, fertility choices, marriage and the family, as well as crime and law enforcement (Teixeira 2007). Becker’s

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4 While in Princeton, Becker published at the age of 21-22 in *Economica* and the *American Economic Review*, two papers about monetary theory and international trade.
approach to the latter topic was similar to the others: he aimed to develop a general and encompassing economic point of view. The works of his students Isaac Ehrlich and Arleen Leibowitz, mostly empirical, helped him start on firm theoretical grounds: the significance of a deterrent effect of punishment confirmed Becker in the belief that criminals behave like any other economic agents. They are rational; they maximize their expected utility, and, therefore, are responding to changes in the costs of crime, comprised of the level of punishment and the probability of apprehension. Since both crime and its prevention were costly, the central question to be addressed was “How much crime should be tolerated by a society?” Becker analyzed it by resorting to the minimization of a social a social loss function akin to the social welfare function used in welfare economics. Interestingly, Becker’s article on crime was, for a number of reasons, different from what he had previously done and will subsequently do. Becker’s paper was explicitly normative and focused less on individual rational choice (and more on social welfare) than his usual work. Perhaps those differences explain why he never developed further such a theory. He contributed once more to the topic in 1974 with George Stigler, in a paper that, this time, focused more on the individual occupational choice, especially the one of enforcers.

Becker’s contributions had a direct impact on the developments of law and economics as an academic field. Indeed, it offered to rethink the relationship between economics and the law. Until the mid-1960s, the “old” law and economics addressed the impact of the general regulation (by law) on the economy mostly through discussions about anti-trust. It had been developed at Chicago, by, among others, Aaron Director, and furthered by Ronald Coase, who was, since the 1960s, the editor of the Journal of Law and Economics (Kitch 1983). Becker’s paper introduced the possibility to think the relationship otherwise: to use the tools of economics to study and evaluate the law, as well as the judicial system. Indeed, Becker’s 1968 paper studied the optimal values of the probability of conviction and the level of punishment—which were directly influenced by both the law and the judicial system—in order to minimize social loss. Therefore, a number of laws, legal sanctions, decisions and processes were now opened to the realm of economic analysis.

Like what happened in other subfields, Becker provided only a small number of seminal inroads into crime and law enforcement, before letting the research program flourish through the work of his students, for instance Ehrlich, who rose to prominence with his studies of the deterrent effect of capital punishment. Becker rapidly switched to other topics in the 1970s, notably marriage and social interactions. As Posner (1993) wrote, Becker was always motivated by working on topics of social importance, instead of “working on a literature” (that is, furthering one specific point or mistake identified in the body of work on a precise
topic). This explains, for instance, Becker’s negative comments about the relatively sterile state of economic analysis of the law that he made in the mid-1990s.5

**Becker’s “indirect” contribution to law and economics**

Yet, this doesn’t mean that Becker was not supportive of law and economics; his indirect influence was massive. First, as Posner (1993) argued, Becker’s publications demonstrated that the realm of economics’ was not limited to a specific set of questions. Becker changed the definition of economics, promoting one centered on its specific method (rational choice theory), which opened new fields of inquiry, and thus made possible, for instance, Posner’s own studies of judicial behavior (see also Harnay and Marciano 2009). Second, Becker’s wide range of analyses of social phenomena brought new tools to the legal scholar in order to study various litigations related to non-market phenomena, for instance, discrimination at work, employment at will, employment compensation, etc. (Posner 2004, Posner 1993).

But Becker exerted also an indirect but this time “informal” influence, through his teachings and his support of colleagues and students. In a fascinating way, this type of influence was precisely what Becker (1991) remembered as the most important legacy of his mentor, Milton Friedman, a legacy that overshadowed Friedman’s direct published contributions to economics.6 One can’t think of a single interview where Becker would not praise Friedman’s teaching and approach to economics, which fascinated Becker ever since his graduate studies at Chicago, and have fascinated other important economists since then (e.g. Hammond 1999; Snowdon and Vane 1999; Becker 1990, 1993, 2009). In particular, Friedman addressed in his classes a variety of real world topics that went far beyond what Becker has been previously accustomed to. As Becker recalled from these classes, a number of topics that he investigated in his career came directly from Friedman’s examples, such as the determinants of the parental demand for children. Turning now to Becker’s legacy, similar comments are found in the writings of his students and colleagues. Becker made possible for serious research the kind of examples that one might address incidentally in class

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5 Becker (2002) would have said at the time during a conference on Law and Economics, that “Fields become sterile when the source of inspiration for additional work is simply the literature in the field rather than the world out there”.

6 Friedman was “the dominant economist at Chicago... He solidified and expanded the reputation of the Chicago school, as the economics department increasingly reflected his approach and interests. These included deep commitment to the truth, appreciation of markets and free enterprise, frank and blunt discussion, and enormous zeal to convince the heathen. But most important was his commitment to economic analysis as a powerful instrument for interpreting economic and social life. Practically every student who passed through the economics department from 1948 to 1977 remains in Friedman’s debt”. (Becker 1991, 146)
or over lunch (e.g. Levitt 2014). Rather than leaving them aside as recreational thinking, his work attempted to make these questions serious questions for investigation.

In addition to his teaching qualities, Friedman was remembered as being a strong supporter of Becker in the face of hostility. In the 1950s, the kind of economics that Becker mastered gradually in Chicago was not standing in line with the general orthodoxy. His paper on competition and democracy was rejected in 1953; his dissertation on discrimination was initially rejected from publication by Chicago University Press; his attempts to apply microeconomics to “human capital”, fertility choices, and, in the early 1970s, marriage, also met with skepticism (Fleury 2012, Fuchs 1994). His peculiar definition of economics, and his numerous inroads outside its traditional boundaries, met constantly with criticisms, even from other Chicago scholars in law and economics, such as Coase. But Becker could always count on the strong support of Friedman, among others. A support that was no free lunch. Friedman was a brilliant scholar, but his superiority was hard to handle for many students, as he “left no room for posturing”, while “embarrassment and psychological wounds were to him a small price to pay for the pursuit of the Holy Grail... Many students shied away from working with him because they could not take the heat” (Becker 1991, 146).

To some extent, Becker is remembered in similar terms: he was supportive of many innovative research endeavors, but “had a reputation for being extremely tough. He absolutely terrified people... People feared him because he could see the truth.” (Levitt 2014). Yet, Becker’s character was different, and his mentoring style was perhaps derived from his experience at Chicago. Indeed, Becker left Chicago to Columbia, where he developed his initial network of students, precisely because he felt that the leading figures at Chicago could restrain his independence. Many of his colleagues would confirm that Becker was what Heckman (2011) characterized as an “anomaly” for a Chicago boy: always courteous and polite, and generally very encouraging with students who were willing to take risks careerwise. In the case of the economic analysis of law, Posner (1993) recalled the “constant aid and encouragement” provided by Becker, starting with helpful comments on his paper on negligence in the early 1970s. William Landes (2009) also recalled that he presented a preliminary version of his paper on bargaining at the labor workshop at the University of Chicago in 1967. After a presentation in front of a generally skeptical audience, a senior economist (Zvi Griliches) said to Landes that research in such topic (courts) was not of interest for most economists, something that Becker had heard numerous times during his own career. Becker was, indeed, of a very different opinion and supported Landes. But more than providing motivational support, he took on to organize the development of the subfield. Landes moved the next year from Chicago to New York and joined the NBER, where Becker and Mincer were progressively changing the orientation the research being

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7 Coase (1978) paper criticizes the all-encompassing definition of economics à la Becker, and supports a more traditional definition of the discipline based on its subject matter (the economic system and the social institutions that bind it together).
done there, through their work on human capital, labor markets, and their links with Fuch’s health economics.

No doubt that many other recollections would confirm Becker’s support of controversial research and how he played a substantial role in creating a nexus of students and scholars around him, to explore the many possible applications of economics to real-world and policy issues. By exerting such an indirect role, Becker simply adapted in his own style a tradition of teaching and mentoring that he took from Friedman, but which have characterized more generally the Chicago school of economics: similar recollections would easily be found regarding the indirect influence of Frank Knight and Aaron Director (e.g. Kitch 1983). This makes Becker Friedman’s heir to the prestigious legacy of the Chicago school. It is, in a sense, perfectly illustrated by the recently created Becker-Friedman Institute for Research in Economics at the University of Chicago.

Conclusion

In the textbook *The New World of Economics* by Richard B. McKenzie and Gordon Tullock (2012), the chapter on “Dying: the Most Economical Way to Go!” introduces a rational choice theory of how to best use one’s body and organs. Dying through a “tumultuous exit may indicate that the individual involved has more thoroughly enjoyed life than the person who dies with only a failing heart and everything else in perfect order” (Tullock and McKenzie 2012, 151). Becker’s death was announced on May 3, 2014, and was caused by complications of ulcer surgery. It was not the first health issue that Becker had encountered: he already had survived a prostate cancer. Moreover, until late in his life, Becker kept on doing sports, as he always craved physical exercise (Heckman 2011). Thus, although Becker’s death is a tragedy for the community of economists, one might find relief in the fact that he died as a true economist.

Reference List


