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Gary Becker (1930–2014)

An economist used sociology and economics to examine life and explain human behavior

By Edward L. Glaeser and Andrei Shleifer

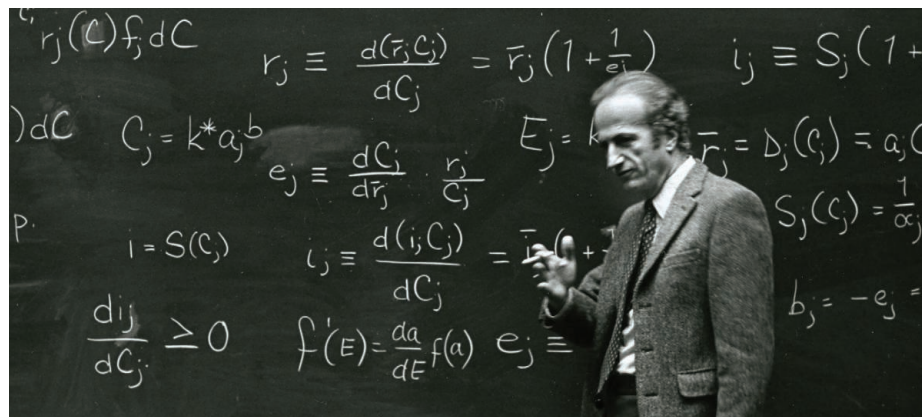
Gary Becker, who died on 3 May 2014 at the age of 83, redefined economics both in its methodology and scope. He radically expanded the sphere of economic analysis. As the range of issues and especially data in economics increased over the last half century, Becker's approach became more and more relevant and modern. He was awarded the 1992 Nobel Prize in Economics for "having extended the domain of microeconomic analysis to a wide range of human behavior and interaction, including nonmarket behavior."

Becker grew up in Brooklyn, New York, and earned a B.A. at Princeton University in 1951 and a Ph.D. at the University of Chicago in 1955, where he was a student of the Nobel Prize-winning economist Milton Friedman. Becker grasped that Friedman's methodological definition of economics—as a discipline based on formal models that yielded refutable hypotheses—meant that the field was no longer tied to any traditional topic, such as monetary policy or international trade. Even as a graduate student, Becker used the methods of economics to investigate political behavior and racial disparities. His doctoral dissertation on "The Economics of Discrimination" showed the full power of economics. The study showed how racism could be a money-losing proposition for businesses. Becker argued that market pressure forces individuals and firms to bear the costs of racism, and would thus discourage its practice. Although he was clear that competitive pressures do not always destroy discrimination, he showed how competition can be a force for tolerance.

Two broad themes reappear throughout Becker's work. One is the centrality of rational individual choice, even in domains widely regarded as emotional and immune to economic analysis, such as racism. Another is the power of competition in shaping broad social and political outcomes, and not just prices of traditional commodities.

Becker left Chicago for Columbia University, New York, in 1957 where he taught until his return to Chicago in 1969. His

best-known book from this period, *Human Capital* (1964), is a masterly analysis of investment in education, combining formal theory, statistics, and descriptive work to solve old riddles and generate new questions. Becker wondered whether credit constraints were the reason why so many people failed to take advantage of the large financial returns



from education, thus explaining the need for student loans. He asked why firms should invest in training if workers could then turn around and use those skills to bargain for higher wages or leave for other firms.

Becker's period at Columbia University was marked by a surge of creativity. He wrote about time allocation within the household, explaining why the value of time for non-working spouses could be just as high as that of their highly paid companions. He wrote on fertility, explaining why women's education reduced child-bearing by increasing the value of their time. He described the trade-off between the quantity and quality of children, suggesting that greater educational attainment should lead to smaller households. The analysis of fertility led Becker to predict that world population growth would decline as countries grew richer and better educated, a prediction that proved true and is self-evident today, but was highly controversial in the 1960s, when most pundits forecast exponentially growing world population.

In Becker's view, economics was defined by more than just formal models and testable hypotheses. Economics must begin with decision-making agents who rationally maximize "utility" (the hedonic value of something). Contrary to the caricature of

economics in which all people care about is money and goods, Becker embraced an extremely broad conception of human nature, in which love, hatred, and altruism are all part of utility.

In his brilliant 1962 essay "Irrational Behavior and Economic Theory," Becker pointed out that economics could still yield meaningful predictions if humans acted in a random fashion but were subjected to resource constraints. Still, Becker insisted on the assumption of human rationality, despite his extremely broad view of what enters human utility. Perhaps he feared that opening the doors to irrationality would create a discipline without order, nor the ability to generate falsifiable predictions. Only

in recent years, with tremendous growth of experimental and survey evidence, have economists been able to move away from rationality and still generate testable and falsifiable predictions.

Becker would continue writing papers and books until his death. He worked on the family, fads and fashions, advertising, addiction, health, and politics. As he approached each new topic, even late in life, his work would often be the lodestone that defined the issues for years to come. But his influence is only partially reflected in his writings. He followed Friedman in teaching an introductory microeconomics course (called "Price Theory") to Ph.D. students at the University of Chicago. This course was the central intellectual experience in the life of many of them [including one of the authors (E.L.G.) of this reflection]. Becker was astonishing in seminars, with an ability to cut immediately to the heart of any paper.

Gary Becker saw scholarship as a high and moral calling and expected a devotion to scholarship from his colleagues and his students. He was enormously generous to all around him and continues to inspire thousands of social scientists. Economics has lost one of its greatest leaders. ■

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