# GARY BECKER EXPANDING THE SCOPE OF ECONOMICS

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When I arrived at the University of Chicago in September, 1954, the new assistant professors in the department included Gary Becker, Bob Gustafson, and Roy Radner. The Cowles Commission was leaving for Yale, and there was no introductory course in mathematical economics. Meyer L. Burstein asked Gary and Dick Muth if they could offer us a non-credit course. Working through R.G.D. Allen constituted my first encounter with Gary Becker, teacher and economist. My next exposure revealed his innovative streak when he spoke on the demand for children and the determinants of fertility. Over the next 40 years, I have followed Gary's research and publications beginning with racial discrimination and followed by human capital, the allocation of time, crime and punishment, altruism and the theory of social interactions, marriage and the family, economic growth, habits and addictions choices over time and endogenous time preference. His curriculum vitae is fat and shows no sign of slowing in its rate of growth. Adam Smith (1776, 234) noted that "The progressive state is really the hardy and cheery state, the stationary is dull, and the declining melancholy."

The domain of economics was initially limited to the production and exchange of material products, but it was soon extended to intangible services. Gary Becker has imaginatively applied the familiar tools of economic analysis to a far wider range of activities. Thanks to his insights, we have new ways of looking at problems that were often left to other disciplines such as psychology, sociology, and the law. However, some of his topics are like the polar bear and Atlantic cod. Their importance is slowly declining. We are having fewer children, the family is a dying institution, and the Civil Rights Act is evidently reducing the injurious effects of racial discrimination. For the great mass of economists, these subjects are melancholy. But crime, addiction, and endogenous time preference are exciting topics for a progressive economist.

Crime is surely an important aspect of any society. The prison population has increased by three-fold since 1975. We lack satisfactory explanations for the rapid growth in crime and the reasons for what the media claim is a rising tide of violence. We equivocate over our policies with respect to punishment and rehabilitation. Indeed, Alexis de Tocqueville traveled to America in 1830 not to observe democracy but to inspect our prisons. Gary Becker was, I believe, one of the first economists to study crime. It reminded me about one of my earliest airline trips. The man seated next to me was a meteorologist who learned that I was studying economics and statistics. As our DC-6 descended toward Midway airport, he asked me, "Have you ever heard of Jerzy Neyman?" When I indicated in the affirmative, he probed further, "Is he any good?" When I responded, "Neyman is first-rate," the meteorologist commented on the wave lengths of the cloud cover below us and spoke in a soft voice. "Did you know that Neyman has been doing research on cloud seeding? He might be a fine statistician, but all that I can say about Neyman is that he is aggressively ignorant about all of meteorology." When I related this conversation to Bill Niskanen, Bill told me that Jerzy Neyman was doing the right thing. A few years later, Bob Clower described a young economist as a scholar who was bringing a *new head* to Keynesian economics. But fresh new heads are heterogeneous. I don't recall if Clower's find made a contribution, nor do I know if we ever solved the problem of how to successfully seed a cloud. But Neyman probably got those guys to study statistics and to design better experiments.

The model developed by Becker (1968) invoked two assumptions. First, the obedience

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to law is not taken for granted. The supply of criminal offenses is similar to the supply of other economic activities. Second, the allocation of public and private resources to the prevention of crimes and the punishment of offenders should be guided by an objective of minimizing the sum of harm, prevention, and enforcement costs. Although Becker elegantly analyzed the principal issues in a static context, it left room for further research. For example, the gains from the forcible transfer of property are imbedded in the harm function and do not directly affect the supply of crimes. The penalty function is altogether too general and could accommodate almost any observed behavior on the part of the criminal justice system. The strength of Becker's application of economic theory to what was not previously treated as an economic issue is revealed by its impact on the discipline of law and economics not only in the area described by our crime statistics (murders, assaults, burglaries, auto theft, etc.), but also in the areas of contract law and tort liability. A review of this impressive article prompts me to offer some speculative remarks.

A crime represents a forcible income redistribution. The incentive to commit a crime is greater, the larger the wealth of the potential victim. Likewise, a richer potential victim is prepared to allocate more resources for protection. Although Becker recognizes this fact in his discussion, the reciprocal relation is not formally incorporated into his model. Additionally, how should a society choose to spend more on prevention, an activity that is surely characterized by economies of scale and scope. Although more tax resources have been allocated to police forces, we are spending even more on private security in spite of increasing returns. The explanation might be found in the inefficiency of the public provision of services. According to Adam Smith (1776, 771),

> "The agents of the Prince regard the wealth of their master as inexhaustible, are careless at which price they buy, are careless at what price they sell, are careless at what expense they transport his goods from one place to another."

Fire prevention has been privatized to a considerable degree, and we are trying to privatize some of our state prisons. Some people are constructing walled cities and apartment complexes. Is this the efficient solution? Should we review what activities ought to be covered by criminal laws?

Altruism offers another example of the way in which Becker has applied his analytic skills. Here, a donor has an incentive to produce more widgets to accumulate a larger bequest that can be left to a favorite recipient. But a recipient who anticipates the bequest will understandably contract his supply of labor. If the donor is a more efficient producer and the recipient's income elasticity of demand for leisure is small, the combined output of widgets will expand provided that inheritances are not taxed too heavily. Altruism might be efficient with the donor specializing in production and the recipient in consumption. Crime and altruism represent two kinds of income redistribution, forcible and voluntary. I have not come across a general equilibrium model that incorporates both.

Edward C. Banfield has persuasively argued that criminals have a high rate of time preference. They know that they will be caught, but the six-pack of beer and a carton of cigarettes tonight are worth more than the jail term next week. The willingness to engage in risky activities or to work at hazardous occupations is related to the rate of time preference. We find, for example, that persons with criminal records are more likely to be involved in automobile accidents than law-abiding individuals (Haviland and Wiseman [1974]). That men, especially young men, are more likely to be injured than women has led some to conclude that women are more risk averse. Instead of looking at a utility function whose argument is wealth, we might better investigate gender differences in the rate of time preference. In a recent paper, Becker and Mulligan [1995] advance the thesis that the rate of time preference is endogenous and can be influenced by allocating more or less resources to future orientation. A clearer understanding of the reasons for differences in the rate of time preference might lead to important contributions to our policies on crime and its prevention. Crime is surely an important economic phenomenon. Over a million men and women are incarcerated in federal and state prisons. These private vices provide employment to over 600 thousand persons who work as prison guards and administrators. In addition, two million or more individuals are gainfully employed as private security workers guarding our children at school, our homes, and the property of our business enterprises. Over a quarter century ago, Gary Becker recognized that the science of economics can be productively applied to understand crime. We owe a debt to Gary Becker who has expanded the scope of economics to a wider range of human behavior. I eagerly await the working papers from Chicago to read about the latest Beckerian ideas.

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