CHAPTER EIGHT

Remembering Gary Becker

Dinner remarks by Edward P. Lazear and George P. Shultz

Part 1: Edward Lazear

This two-day conference celebrates Gary Becker's life. Although we rejoice in his many accomplishments, it is difficult to avoid being distracted by thoughts of what each of us has lost with Gary's passing. Of course, this is toughest for Guity and Gary's family, but we all share with them a deep feeling of emptiness.

Each of us who knew Gary personally has our own memories. For me, beyond the scholarly interaction that can never be replaced, there are little things that it is difficult to believe are gone: the many lovely dinners and casual lunches that we shared together; the frequent phone calls; the meetings in the office to chat about economics, politics, family, sports, and life in general; knowing that when things got tough or that when I needed advice, Gary would always be there. He was not only my dear friend and most important counselor, he was to me—as to many of us at Hoover and in the larger economics profession—an intellectual father.

Gary had a human side that I relished. I loved to tell Gary the latest joke and watch him laugh deeply. He teased me incessantly, most often making fun of the knowledge I lacked. "What?" Gary would say, only half-jokingly, "You never heard of so and so?" or "You mean you never read that?" and then he'd reference some obscure article or book.

Many of you knew Gary Becker through our Hoover family. You remember his brilliance at retreats, conferences, and other oral presentations. You recall his insightful op-eds and blogs. You know how important he was to our community as a thought leader. There is no doubt that Gary was—and will remain—among the most respected of Hoover scholars. In short, you remember Gary as a Hoover treasure.

But as each of us reflects on the personal aspects of our loss, it is easy to forget that Gary belonged not just to us, but to the world. Yes, Gary was a great economist, but beyond that, Gary was the person who advanced social science more than any other twentieth-century scholar. Gary's life was spent using his genius to understand issues in every realm of society. Gary wrote the seminal paper in seven literatures, most of which he started, and is one of the few economists who deserved to win multiple Nobel prizes.

Gary was enormously creative, but as much as that, he had intellectual courage. Gary's work was not only revolutionary, it was viewed by many to be heresy. How dare an economist talk about such important moral dilemmas as discrimination in cost-benefit terms? Who in his right mind would think of a child as a consumer durable?

In the early years, one illustrious economist, when asked about Gary's work, replied, "Yes, I read Gary Becker. I enjoy American humor."

But Gary persisted. Even though he was a very young man and was going down a path that could be disastrous for his career, he believed that what he was doing would truly help us understand the world. He had confidence in his work and the catcalls from his detractors would not deter him.

Gary won. He not only silenced his critics, he turned many of them into followers as they came to understand the power of his reasoning, logic, and innovation. His analysis was not only the most innovative, it was the truth.

A powerful example comes to mind. One of my Stanford Business School colleague's wife was writing on women and the family and my colleague suggested that she read Gary's transformational *Treatise on the Family.* She was anti-economics, anti-Chicago, and anti-Becker, but she read the book. After reading it, she was awestruck. Her reaction was that the work was brilliant, thoughtful, and dedicated. It was, she thought, the epitome of serious intellectual reasoning and reflected, more than anything, a desire to truly understand this important subject.

The pursuit of scientific knowledge and truth was Gary's hallmark. We all know how much Gary believed in economics. Economics was not a game to be played to satisfy intellectual curiosity or to win academic chess-matches. Economics was the most powerful tool a scholar could have for understanding social phenomena. Gary once said that he used to think that economics could be used to explain all human behavior, but that he had changed his view. He now thought that economics could explain all behavior, human and non-human alike.

Gary's first major work was his doctoral dissertation on the economics of discrimination. Gary's goal was to understand how discrimination would affect the well-being of those who were the victims of discrimination and when discrimination's effects would be most pernicious. Gary reasoned that disfavored individuals worked first for those firms that had the least distaste for them, which implied that when there were large numbers of people in the disfavored group, the wages of that group would be much below that of the favored group because they would be forced to work even for those who had strong distastes for their kind. Thus, for example, African Americans as a large group suffer more from discrimination than Jews, who are a much smaller group, even when comparing individuals with the same education and skills. This proposition and the many others that are implied by the theory have been verified empirically.

Around 1960, Becker puzzled over why consumption patterns among various groups differed. Why, for example, do the rich play golf and the poor play basketball? Why do the rich attend opera and the poor watch TV? Is it possible to simply assume the answer, postulating that the rich have different tastes than the poor? Gary was not satisfied with such simple tautologies. Instead, he reasoned that sports, like all "commodities," required two inputs: goods and time. Individuals who have high wages have a high value of time, which makes the time component more expensive to them than to those with lower wages. High-wage CEOs cannot afford to take much time off because the value of their time at work is so high. As a result, the rich tend to produce entertainment using a larger share of goods and the poor use a larger share of time. Opera is "goods intensive," with high ticket prices. Watching TV is "time intensive," requiring little in the way of expenditure on goods. Rather than resorting to ethnic or racial explanations or stereotypes, Gary's theory implied that the poor play basketball because it requires much time but little in the way of goods, whereas the rich combine their high-priced time with much more expensive goods inputs like golf fees.

Another of Gary's most important policy implications came from his economic theory of fertility. Gary observed that in the nineteenth century, high-income families were larger than low-income families, but in the latter part of the twentieth century, the pattern was reversed with the poor having the largest families. Gary reasoned that raising a child combined both goods and time, primarily time of the mother. The time cost varied with the mother's wage rate. The "cost of a child" was lower to low-wage women because the value of their time in the labor market was lower than that of a high-wage woman. As a result, he postulated that families where the mother has low wages are likely to be larger than families with high-wage mothers. This implication is found to be true almost universally. Today, immigrant families with low-wage women are large, whereas the families of professional women are small. Female professionals have fewer children because they cannot "afford" to take time off to raise a large number of children, not because they love children less than their poorer counterparts. The cost of taking time off work is higher for professional women than for low-wage women and, as a result, they work more and spend less time in the home raising children. In the nineteenth century, the pattern was the reverse because women with rich husbands did not work and the value of their time outside the home was low.

This theory not only has been verified time and time again, but it gave the prescription that the most effective way to reduce population growth is to educate girls so that they will have high wages in adulthood, which induces them to have fewer children. This policy has become a widely accepted part of economic development.

The theory of human capital was developed most forcefully by Becker in the 1960s. He argued that human capital was most commonly obtained through formal schooling and through learning on the job. The theory yielded very specific predictions for education and wage patterns over the work life. The educational establishment was at first hostile to this view, thinking that treating education as a mere income-producer belittled education and those engaged in it. That view changed as the evidence mounted that the single most important factor in raising income was education. This not only illustrated the importance and relevance of the theory, but made education and teachers all the more important to society.

Gary's *Treatise on the Family* was a comprehensive view of much that went on in family life, again using the tools of economics to reason through behavior in an ultra-rational fashion. He understood caring for children not only as an act of love, but also as an investment. He studied gifts, bequests, and primogenitor (giving all of an estate to the first born). He examined family formation and its dissolution in the context of human capital. For example, his theories of marriage and divorce reasoned that those who had more “family specific capital” were more likely to stay together, which is why families with children have lower divorce rates than those without, why divorce rates fall with years of marriage, and why couples who are well-matched in education levels, religion, and other characteristics are more likely to stay together. Becker’s family economics was, like his other theories, resisted at the outset. Its empirical predictions that were borne out in so many different environments convinced most of his critics to the extent that it is now thought of as mainstream. The best evidence of its universality is that Gary was awarded the Nobel Prize in large part for his work on the family.

There are many other areas in which Gary made seminal contributions. These include understanding the trade-off between punishment and crime detection as deterrents to crime, how advertising affects consumer preferences, and how to provide organs for transplants in the most efficient way. The list goes on.

Despite Gary’s love of scholarship, he was a devoted family man who not only loved his children and grandchildren, but appreciated them enormously. He often spoke of how fortunate he was to have Guity as his wife.

The fact that he was devoted to his family did not prevent him from devoting time and effort to others, most notably his colleagues and students. Many of us, I among them, went to the University of Chicago to be with Gary. Gary was my idol, even as I obtained my PhD among the infidels at Harvard. Being able to come to Chicago as an assistant professor was a dream come true. That’s because Gary made us all better. Sitting in workshops with him, watching him think, listening to his comments, and being the victim of his criticism were invaluable to our intellectual development. There is no better way to become a good economist than to be an assistant professor under Gary Becker.

All of us here know that Gary's powers of concentration were truly exceptional. Even at eighty-three, Gary was always attentive to the topic being discussed. While people forty years his junior were dozing in seminars, Gary was always alert, intense, and involved. Gary loved research and he loved the academic life, which consists mostly of proposing and shooting down new ideas. In his last days, Guity told me how his doctors were amazed at his awareness and power to reason, even when his body was so weak. I responded that I wasn't surprised at all. Gary had so much practice staying focused in thousands of boring seminars that he could outwit anyone, no matter what his physical condition. He never gave up on thinking critically. He maintained his love for doing research until his last day.

We all knew that Gary would die with his boots on, and he did so, galloping faster than the rest of us. A couple of months ago, Gary co-authored and presented a paper entitled "The Manipulation of Children's Preferences, Old Age Support, and Investment in Children's Human Capital," at a conference here at Stanford. It was unbelievable. Here was an octogenarian presenting a high-quality paper that reminded me of work that he was capable of doing fifty years earlier. All the conference participants and my Stanford colleagues remarked at how impressive he was, how much energy and clarity he had. Indeed, it is true. Gary was youthful until his last day.

Gary Becker was an intellectual giant. He was the kind of person who comes along only a few times each century. For this reason, we are overwhelmed by the enormity of our loss. But it is more important to remember how much we all gained from having Gary with us for over eight decades. As we celebrate his life, let us be grateful for the riches that Gary bestowed on his friends and family and for the immense positive impact that he had on scholarship, on policy, and on humankind.

Part 2: George Shultz

Thank you, Eddie, for that terrific exposition about Gary and his work. I learned a lot by listening to you, but not as much as I learned by listening to Gary when he was around here.

This is a conference about inequality, and somehow the topic is appropriate, but I also think we should recognize that Gary was the epitome of inequality. He was so gifted, so different, so superior, that you had to shake your head and say, "I've got to listen to that guy. He has something really important to say."

You also recognize that high quality has many dimensions. Gary reminded me once of a little scene in one of Milton Friedman's *Free to Choose* videos. Milton has his nose pressed up against the glass as he watches a young girl playing a violin, and he says to himself, "I wish I were that talented." So talent has many dimensions.

I thought I'd give you a few reminiscences of our time together. First of all, there is the Chicago-Hoover connection. I had the great privilege of being at the University of Chicago for quite a while and participating in that intense intellectual atmosphere. Gary was there in economics, as was Milton. George Stigler's office was right across the hall from mine. So I got to know George and Milton and Gary very well in that setting.

Then, of course, out here at Hoover, here they were again: Milton, George, Gary. There's a wonderful picture of them that Guity gave me today. Isn't that terrific? Those were three giants. They respected each other, they listened to each other, they argued with each other, and it was just sensational. So I'm wearing a coat that has both Stanford and University of Chicago colors.

I used to organize what we called an economists' weekend every year. Bechtel has a wonderful place called Villa Cypress near Carmel, and when I was associated with Bechtel, we would go down there. George, Milton, Gary, and Walt Wriston were usually there. Walt was the smartest banker that ever existed. We would have

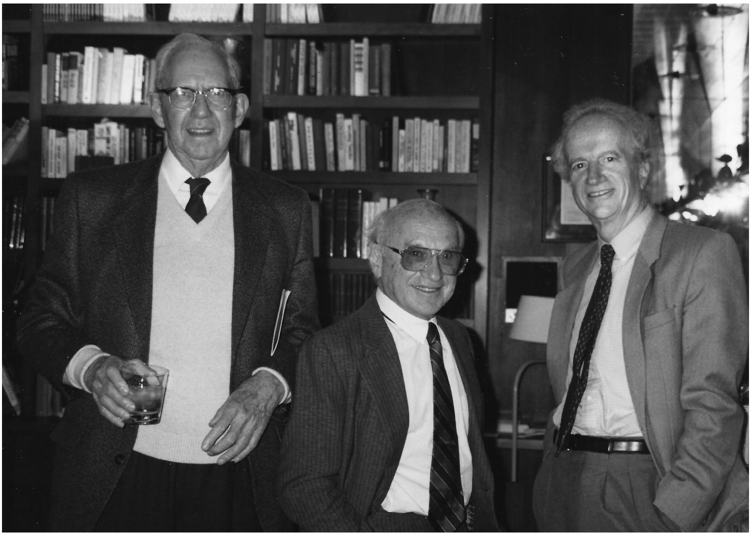

Photo courtesy Guity Nashat

George Stigler, Milton Friedman, and Gary Becker (from left to right).

extended conversations. We'd arrive on Friday afternoon and have a continuous conversation until we left on Sunday afternoon, and it was really stimulating. Usually Gary would drive Milton down, and by the time they got there, they were just steamed up and ready to talk.

I was always amazed at the practicality of these people. When I was in office, they were sort of my unpaid casual consultants, because I'd call up Gary or Milton or George and relate a problem. They would always have good ideas that were practical, usable—not just theory.

A few months ago I had the occasion of writing an op-ed with Gary. That was really an experience. We talked about our subject, we found we agreed, and then we started to pin it down a little more clearly. Then we put our ideas into writing and I was really impressed with Gary's care with words, his insistence that our piece would be absolutely clear, with no ambiguity—no "on this hand or the other hand." Our op-ed was on a revenue-neutral carbon tax and how it was important to be sure we had a system for being sure that it was revenue neutral—no ifs, ands, or buts about it. That was quite a good experience.

What these people and Gary insisted on was getting factual content to go with ideas. Ideas were important, but if an idea couldn't be tested with the reality of empirical research—with facts—well, it wasn't worth much. He had this connection between ideas and facts. Milton had the same characteristic, and I sang this song at his ninetieth birthday, but it also applies to Gary. It goes like this:

> A fact without a theory is like a kite without a tail,
> Is like a boat without a rudder,
> Is like a ship without a sail.
> A fact without a theory is sad as sad can be,
> But if there's one thing worse in this universe,
> It's a theory . . . I said a theory . . . I mean a theory without a fact!