

NOBEL LAUREATE BECKER EXPLORES SOCIAL VALUE

Gary S. Becker of the University of Chicago, winner of the 1992 Nobel Prize in economics, says that his interest in economics was strongly influenced by the writings of Henry George. Like Henry George, Becker bases his economics firmly within a sociological perspective, tackling such topics as racial discrimination, family structure and investment in public education - unusual subjects for an economist today. "We in economics stress that people's needs are unlimited," Becker says, explaining his wide-ranging approach to the creation of social value. In honoring him, the Royal Swedish Academy of Sciences credited Becker with "having extended the domain of economic theory to aspects of human behavior which have previously been dealt with, if at all, by the other social science disciplines such as sociology and demography."

Becker's first book was a consideration of racism from an economic perspective. He used statistical techniques usually applied to the study of international trade to inquire into the relations between racial discrimination and the labor market. His conclusion was that discrimination can only effectively exist where markets are not fully competitive.

In 1964 his book *Human Capital*, cited by the Royal Swedish Academy as his "most noteworthy contribution," and the work for which he is probably best known, was published to wide acclaim. Prefaced with a quote from Alfred Marshall's *Principles of Economics* - "the most valuable of all capital is that invested in human beings," the book was a pioneer study of the uses and needs of investment in social enterprise. "The original aim of this study," begins Becker, "was to estimate the money rate of return to college

and high-school education in the United States. In order to set these estimates in the proper context, a brief formulation of the theory of investment in human capital was undertaken. It soon became clear to me, however, that more than a restatement was called for; ...there had been few, if any, attempts to treat the process of investing in people from a general viewpoint or to work out a broad set of empirical implications." *Human Capital* covers a broad field of inter-related economic subjects, from education to job training and health. Becker says: "it eventually became apparent that a general analysis would do more than fill a gap in formal economic theory; it offers a unified explanation of a wide range of empirical phenomena which have either been given *ad hoc* interpretations or have baffled investigators."

Becker's next work, and his most controversial, was a study of criminal behavior. While many criminologists tend to reduce all criminal behavior to strictly social parameters, either social maladjustment or deprivation, Becker took the position that entering the criminal life was a rational economic decision based

"IN THE OTHER ECONOMY, THAT OF SOCIAL WHOLE, OR THE SOCIAL ORGANISM, NOTHING CAN BE REGARDED AS WEALTH THAT DOES NOT ADD TO THE WEALTHINESS OF THE WHOLE." - HENRY GEORGE, *THE SCIENCE OF POLITICAL ECONOMY*

on calculated risk factors and that criminals respond like other people to reward and punishment. While not denying the social component behind much

criminal behavior, Becker insists that the choice to lead a criminal life is an economic choice freely made by the individual.

Becker, who also teaches sociology and is a regular contributor to *Business Week* magazine, was the speaker at the Spring 1992 Henry George lecture at St. John's University, New York. (For a summary of his remarks see the Summer '92 issue of *The Georgist Journal*, published by the Henry George Institute). -David Domke