

Gary Becker, RIP

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The economic world lost a leading thinker this weekend with the passing away of Gary Becker, who, since the death of Milton Friedman in 2006, was the most influential, and important, living economist.

Becker, who won the Nobel Prize in 1992, led an invasion of classical economic thought into previously sloppy and hidebound areas of study such as sociology, demography, and crime. He studied human capital. Think of it this way: Without Becker, bestselling books like *Freakonomics* wouldn't even be possible.

Prior to Becker, the academic study of these topics was dominated by social determinists in general and Marxists in particular. So, for example, conventional wisdom held that people commit crime because of discrimination, overly strict fathers, capitalist oppression, or the exploitation of the working class.

Becker shoved all these simplistic (and unscientific) answers aside, applying the free-market principle that people have an incentive to pursue their self-interest not only as producers and earners but also outside the workplace.

To Becker, people commit crimes more often when they perceive that the benefits outweigh the costs. So, better policing to apprehend criminals and harsher sentences would result in less crime because they raise the potential costs of crime. To Becker, becoming a predator was a choice, like becoming an engineer, or a bus driver, or a politician (known as predators in some circles).

Becker was instrumental in developing the economic analysis of the family, fertility and marriage. He also focused on drug addiction and education. Decades ago, he analyzed education as an investment choice, with time as a key cost of investment. Becker is largely responsible for this now being the mainstream view.

One of his early path-breaking findings was that employment discrimination can hurt not only workers who are discriminated against but also the firms that discriminate, particularly in more competitive business sectors. And so, firms in competitive sectors have an incentive to hire the best workers regardless of race, ethnicity, religion, or sex.

It's also fair to say that he didn't think highly of the direction of economic policy in the US over the last several years. Becker noticed that the largeness of some corporations could undermine effective decision-making, but thought the problem much worse with the federal government because it was involved in so many endeavors and faced no competition at all.

Becker opposed further increases in the minimum wage, opposed Dodd-Frank, supported lower taxes on Corporate America, and argued that a larger more-intrusive government cuts economic growth.

In recent years some economists have argued that we are in an era of "secular stagnation," where we simply have to accept slow economic growth. Becker said the theory was just another version of a similar theory that had popped up in the past, and would likely be proven untrue with time. Innovations in energy and health care could push the economy back toward a faster growth path and government policy should focus more on economic growth and less on redistribution.

The world would be a better place if lawmakers of both political parties were more familiar with his work. We're not holding our breath waiting for that to happen. But long term shifts in public thinking sometimes start in the academic world, which Gary Becker changed for the better by challenging and enlightening, making many see the world with clearer vision than they had before.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
5-5 / 9:00 am	ISM Non Mfg Index – Apr	54.0	53.7	55.2	53.1
5-6 / 7:30 am	Int'l Trade Balance – Mar	-\$40.0 Bil	-\$40.5 Bil		-\$42.3 Bil
5-7 / 7:30 am	Q1 Non-Farm Productivity	-1.0%	-0.8%		+1.8%
7:30 am	Q1 Unit Labor Costs	+2.7%	+2.9%		-0.1%
2:00 pm	Consumer Credit – Mar	\$15.5 Bil	\$14.7 Bil		\$16.5 Bil
5-8 / 7:30 am	Initial Claims – May 3	325K	320K		344K