

Economics 251: Price and Allocation Theory
Reading Guide: *The Economic Approach to Human Behavior*

The reading is the first chapter of a book by Gary Becker (1930–2014), a Nobel Laureate and Professor of Economics at the University of Chicago. One of the (many) things Professor Becker is famous for is expanding economics as a field, using the lens of utility maximization to study decisions about marriage and fertility, educational attainment, crime, and discrimination.

You should be able to read the chapter from start to finish without too much effort (all the equations are in the footnotes, which you can certainly skip the first time through). After you finish the reading, you should be able to answer the following questions:

1. What are the “conflicting definitions of economics” that Professor Becker describes?
2. Which one of these three definitions is Becker most critical of, and why?
3. According to Professor Becker, what distinguishes the “economic approach” from other social sciences?
4. What are the four theorems (or empirical predictions) that the economic approach generates?
5. What is a “shadow price” and how does it differ from our more conventional notion of a market or equilibrium price?
6. How might behavior that appears “irrational” reflect utility maximization given stable preferences?
7. Is Professor Becker the first person to use what he describes as the economic approach to study questions that are not specific to the market sector?
8. What do you think is missing from Professor Becker’s discussion of the pros and cons of the economic approach to human behavior?