It's the Economy, Honey

BY MOTOKO RICH
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PHILADELPHIA

BETSEY STEVENSON and Justin Wolfers might sound like almost any upscale couple.

They have impressive degrees and serious careers and the social markers that go with them. They have one child, but there are two strollers, a Bugaboo and a Bob baby jogger, parked in the front hall of their stylish home here. Their daughter, Matilda, who is almost 2 1/2 , attends classes in art, music and soccer. She is not allowed to eat any meat or sugar, not even in birthday cake.

But when Ms. Stevenson, 40, and Mr. Wolfers, 39, start talking about say, diapers or nursing, the conversation takes an odd turn. Suddenly, words like "inputs" and "outputs" — the economic kind — creep in. Mention loading the dishwasher and he tosses out "fungibility." The low cost of two big teddy bears they bought for Matilda gets Ms. Stevenson ruminating on productivity gains.

If they don't quite sound like the rest of us, that's because these two Harvard Ph.D.'s form a sort of power couple in the world of the dismal science, or at least a certain corner of it. Faculty members at the Wharton School of the University of Pennsylvania, and currently visiting fellows at Princeton, Ms. Stevenson and Mr. Wolfers have become the go-to pair on the economics of marriage, divorce and child-rearing. That they are themselves a couple — unmarried, for tax reasons they regularly cite — adds to the allure.

For years, they have enamored the news media with their eclectic brand of the economics of everyday life, in the "Freakonomics" vein. Their choice of topics tends to push people's buttons and to grab the attention even of those who might ignore the latest figures on nonfarm payrolls or industrial capacity utilization.

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Betsey Stevenson and Justin Wolfers are the go-to pair on what some might call "lovenomics," having produced much research on marriage, divorce and child-rearing. They are shown at home with their daughter, Matilda, and family dog, Max. (Jessica Kourkounis for The New York Times)

Their research shows that men have grown happier as women have become unhappier. (Why? They don't really know.) Are people in rich countries happier than people in poor countries? (Yes.) And contrary to popular belief, they show that the divorce rate in America has been falling, not rising, for decades. They cite a number of possible reasons, including more balanced expectations between men and women about how a marriage will actually work, as well as the fact that fewer people are marrying in the first place.

Economics pervades their personal lives. They sifted through unemployment statistics to find the optimal population of potential nannies for Matilda: 20-something teachers. If you're relatively affluent, as they are, they recommend outsourcing child care and domestic chores so you can spend your time on more leisure or economically worthwhile pursuits. That's what they do.

Yes, they say they disagree from time to time. Mr. Wolfers, an iPad fan, wants to get rid of their print books. Ms. Stevenson has read the research suggesting that children go further educationally if they grow up surrounded by books. So far, the books have stayed

— in custom-built shelves.

Another reason they stand out is that they have a remarkable ability to render economic concepts in simple terms. Mr. Wolfers once distilled a research paper by fellow economists on "present value earnings losses associated with job displacement" like this: Losing your job stinks. (He used a more colorful word.)

Both are active on Twitter, where Ms. Stevenson lobs playful comments on the gender imbalances of academic economics.

"I know it is a policy, rather than an economics conference, because there is a line for the women's toilet," she tweeted last November.

It also helps that they don't fit the stereotypes of tweedy academics. Mr. Wolfers, who is Australian, looks like a nerdy surfer and tends to pull his chin-length blond hair into a ponytail. Ms. Stevenson has an irresistible laugh and a stylish taste in clothes and shoes.

Their professional stature extends beyond their study of domestic life. Until last September, Ms. Stevenson was the chief economist at the Labor Department, and has written influential papers on the effect of Title IX, which guarantees women equal access to academic and athletic programs, on women's education and on future job success. Mr. Wolfers has been a co-author of papers on subjects as diverse as capital punishment and racial bias among N.B.A. referees. They are now writing an introductory economics textbook.

BUT it is their work on lovenomics, as it might be called, and their popularity with the news media, that have brought them attention outside the academy. Their modest celebrity has led to some sniping among their peers — several would not publicly declare their criticism — but their fans are effusive.

"They're terrific economists," said N. Gregory Mankiw, the Harvard economics professor who taught the couple during graduate school, adding that he saw no evidence that their public profile had "affected the quality of their scientific work." (Professor Mankiw is a contributor to the Economic View column in Sunday Business.)

Economics has clearly been good to them. Their home in Philadelphia, in a historic building that once housed an African-American publishing house, features soaring ceilings and custom iron work. A glass-top Noguchi coffee table is in the living room, next to a white Jonathan Adler casting couch covered in a sheepskin throw from Costco. In the attic is a home gym with a treadmill, a boxing bag, a recumbent bicycle and a flat-screen television.

Matilda's nanny has a master's degree in education and draws an annual salary of $50,000. (She works Monday to Friday, 8 a.m. to 7 p.m.) The couple also have someone who drives them back and forth to Princeton and who cooks, does the laundry and snakes the drains when they are clogged.

Neither Mr. Wolfers nor Ms. Stevenson grew up this way. Mr. Wolfers, the second of six children, spent his early years in Sydney. His parents went through a bitter divorce when he was 15, leaving the family dependent on government assistance for a while.

> A pair of academics have stayed unmarried — for financial reasons.

Ms. Stevenson was an Air Force brat whose family hopscotched around the country before ending up in Yorktown, Va., not far from Newport News. When her father, a pilot, left the Air Force, he had trouble finding a job. Her mother scrambled to find work.

Both describe their childhood experiences of divorce and unemployment as profoundly formative, professionally and personally.

"So now we are not married," Mr. Wolfers joked, "but we both have jobs."

Mr. Wolfers excelled at math from an early age and began studying economics in high school. At first, he decided to forgo college, running for a bookie at a local racetrack. The first week on the job, he neglected to collect receipts on some of the bets he had placed with his boss's money. Some of the wagers went south and he was fired, although not before telling his boss, "You are extrapolating beyond good data."

Mr. Wolfers enrolled in the University of Sydney and went on to earn the University Medal in economics. From there, he joined Australia's central bank.

"I was the most self important 22-year-old you ever met," Mr. Wolfers said.

Ms. Stevenson's confidence came later. In high school in Virginia, she was a top student in math and science but felt out of place in a social milieu that prized looks and boyfriends over academics. But she realized that many of the popular students in high school did not end up having the kind of adult life she wanted. "Education was the only way out of a dreary strip-mall existence," she said. She headed for Wellesley College and eventually decided to study economics.

"The truth is, it was for me a really natural way of seeing the world," she said. "All of a sudden, ideas I had expressed before that had seemed sort of nutty made sense."

After Wellesley, she worked as a research assistant at the Federal Reserve, then left for Harvard to begin her Ph.D.

In her third year there, a handsome Australian on a Fulbright scholarship arrived. At first, Ms. Stevenson dismissed him as a mere political scientist. "It wasn't what he said; it was his long hair," she said.

Mr. Wolfers, kneading one of Ms. Stevenson's pedicured feet, interrupted.

"Betsey used to tell this story as, 'He was too good-looking to be an economist,' " he said. "But somehow the story has gotten less generous."

The couple officially met at a party. Mr. Wolfers had brought a six-pack of Newcastle Brown Ale and, as was the Aussie custom, planned to drink it all himself. Ms. Stevenson grabbed a bottle and swigged it down. Before long, he moved in.

Everyone in the economics department quickly noticed Mr. Wolfers's brash assurance. In an early class with Professor Mankiw, Mr. Wolfers took issue with one of his professor's points, calling out, "That's bollocks, Greg."

Professor Mankiw still remembers the incident. "It struck me that it was very blunt, but it also wasn't a word that Americans use very much," he said. "So for the next couple of weeks I called him 'Mr. Bollocks' whenever I called on him."

Mr. Wolfers later achieved star status at Harvard when Olivier Blanchard, then a visiting professor there, invited him to collaborate on research examining unemployment in Europe. Mr. Blanchard, now at M.I.T., said that some economists bluff how much they know but that "my nose told me he knew the numbers."

Ms. Stevenson knows the numbers, too. "She has a weird cleverness about how to use the data in the real world to answer the questions in front of us," said Caroline M. Hoxby, who served as one of her thesis advisers and is now a professor at Stanford. "That is something that can't be taught. You either have it or you don't have it. It's like a gene or something."

Still, Ms. Stevenson said her self-esteem took a beating at Harvard. "My confidence had been so eroded that I was the one saying, 'Well, maybe this ...' But you can't exist in economics that way," she said. "It's not a profession that rewards modesty in any way."

So she turned down a faculty position at the University of Michigan and moved to California with Mr. Wolfers, who had accepted a job at the Stanford business school. Ms. Stevenson went to work for Forrester Research, the technology consulting firm.

Within a year, she was itching to get back to the academy. She persuaded her boss to let her cobble together vacation time to work on economic research about the effect of the Internet on job search behavior. Although Mr. Wolfers acknowledged having "huge relationship phobia," because of his parents' divorce, the couple applied for dozens of jobs together and ended up accepting posts at Wharton.

Their intellectual partnership soon blossomed. In their first jointly published paper, they examined what happened after states passed laws allowing one spouse to initiate a divorce. They found that in states that adopted such laws, women's suicide rates dropped, domestic abuse declined and even the number of women being murdered by their husbands fell.

BOTH hew — one might even say passionately — to the data. But Ms. Stevenson says she gives a lot of thought to how people feel in certain situations and how those feelings influence their behavior.

Mr. Wolfers said that although he has an emotional side, "as an economist I've learned to squash it like hell."

His mother, Roslyn Wolfers, said she was bemused by this analysis.

"Out of all my children he was, and still is, the most emotional," Ms. Wolfers wrote in an e-mail. "Any attempts to hide his feelings, positive or negative, are doomed to failure. This seems to be at odds with his belief that all aspects of life can be described by an economic concept or a cold, bleak economics formula."

Claudia Goldin, a Harvard labor economist and another of Ms. Stevenson's advisers, says she hopes that her former student and Mr. Wolfers will balance a little more emotion with classic economics in the introductory textbook they are writing together.

One of the problems with how economics is taught, Ms. Goldin said, is that "there aren't people, there are agents, X's and Y's." "Wouldn't it be nice," she added, "if our friends Betsey and Justin were writing a textbook that used all of their wealth of information about this real world in which people get married, get divorced, are happy and unhappy?"

Some people have mistaken their scholarly interests for insights of the touchy-feely, self-help variety. But Mr. Wolfers says the couple's friends generally know better.

"Our friends don't see us as experts, God bless them," he said. "We're experts about abstract notions, so my friends might call me and say, 'How's the economy doing?' but not, 'Should I get married?' "

Sometimes people can't resist asking for advice. When a friend asked if she and her husband should move from the Upper East Side of Manhattan to the Upper West Side because they liked the West Side better, Ms. Stevenson explained the reasons that their decision might be economically unsound, even if it was the right choice emotionally.

"Economists make very cold, calculating decisions and will come up with what looks like the rational best decision," Ms. Stevenson said. "But there were these other factors."

"I disagree with everything Betsey was just saying," Mr. Wolfers said. "Betsey says, here are a set of benefits and costs, and they chose to do the emotional thing. But real economics takes account of emotions as well."

LAST month, Ms. Stevenson and Mr. Wolfers presented new research into what is known as the Easterlin Paradox. First documented by the economist Richard Easterlin in the 1970s, this concept involves the link between economic growth and happiness. The idea is that, within a given country, people with higher incomes are more likely to be happy, and yet, for the most part, the average level of happiness doesn't vary much from rich countries and poor countries. What's more, as countries become richer, their populations don't become happier.

Using a red laser pointer to highlight PowerPoint graphs, Ms. Stevenson told a group of economists, psychologists and other experts gathered at the Russell Sage Foundation on the Upper East Side of Manhattan that earlier research had failed to take into account that as people and countries grow richer, it takes a much bigger amount of absolute dollars to raise incomes, and thus happiness.

So while it could appear that increases in happiness flattened out after incomes reached a certain point, "the richer you are, the more dollars it takes to give you the same increase in well-being," Ms. Stevenson said. "To get a 10 percent increase in income, you need more dollars than when you are poor."

Asked for comment, Mr. Easterlin declined to be interviewed but pointed out in an e-mail that their research excluded China and India. (Ms. Stevenson and Mr. Wolfers found significant problems with data from both of those countries.)

Still, data alone can't explain everything in life. Before Matilda arrived, Ms. Stevenson reviewed research on children and their effect on adult happiness. “I was really put off by the fact that people with kids were less happy,” she said.

But at their home last month, their delight in their daughter was clear.

Mr. Wolfers has written about the joys of fatherhood: “It’s visceral; it’s real; it’s hormonal and it’s not in our economic models.”

Over dinner, he and Ms. Stevenson began discussing Republican attacks on President Obama’s economic policies.

“Mama,” Matilda interrupted, “stop talking about work.”

So Ms. Stevenson asked her daughter about her afternoon at the playground. Matilda happily shoved pieces of fusilli pasta into her mouth. ■