

Economists in Love: Betsey Stevenson and Justin Wolfers

by [JENNY](#) | March 10, 2011 5



[Betsey Stevenson](#) and [Justin Wolfers](#) have a lot in common. They are professors at the Wharton School of the University of Pennsylvania. They write cool academic papers (seriously) about marriage and divorce, among other topics. And they have a daughter, Matilda. Currently, Stevenson is on leave from Wharton and is the chief economist at the U.S. Department of Health and Human Services. They talked to us about love, happiness, and why they didn't get married.

1) *I recall Betsey telling me you two decided not to marry based on a cost-benefit analysis. Explain.*

Justin: Because Betsey and I earn similar incomes, we would pay a marriage penalty. The U.S. has a household-based tax system which subsidizes married families when one person stays home and taxes most people extra if they choose to not. If both work full-time. The average tax cost of marriage for a dual-income couple is \$1,500 annually. When our accountants ran the numbers for us a few years back we discovered marriage would cost us substantially more. I love Betsey and all, but is the tax certificate worth thousands of dollars annually? I can love her plenty without the certificate. But this isn't just about counter saving his beans. Truth is, I find it offensive that the tax man treats me differently according to a very private decision whether I marry or not. And so I prefer to remain unmarried, at least in the eyes of the tax man. And I would also be sympathetic to the formal legal institution of marriage if it were open to all couples, not just straight couples.

Betsey: It's not all taxes and politics. It's also contracts. Marriage is a contract between two people about how to organize their lives together. But modern marriage is a one-size-fits-all contract—a default written by the state legislatures. It makes no sense that I would want to sign the same contract with Justin that you sign with your partner. So we didn't take the state-shelf contract that we call marriage. Instead, we've talked at length about what is important to each of us, and it's a Justin- and Betsey-specific agreement that guides our lives together. And as anyone who has studied divorce knows, the formal contract doesn't actually bind our future selves. But I have something far more enduring with Justin than a wedding ceremony. We have an amazing daughter, who will bind us together for, well, until death do us part.

2) *How is comparative advantage at work in your household?*

Justin: The principle of comparative advantage tells us that gains from trade are largest when your trading partner has endowments that are quite different from yours. I'm an impractical bookish Harvard-trained empirical labor economist. Betsey is an impractical and bookish Harvard-trained empirical labor economist. When your skills are so similar, the trade aren't so large. Except when it comes to bringing up our baby. There, Betsey has a pair of, um, endowments that she's better at inputs. And that means that I'm left to deal with outputs.

Betsey: And it turns out that fathers can be pretty good at dealing with diapers. I recommend this to all my girlfriends we have specialized for years, but that specialization is pretty narrow. I pay bills, Justin gives pills to the cats, etc. But we see productivity gains as being the main benefit of our partnership. That model—the old Becker-style model in which one specializes in household production while the other specializes in market production—is outdated. Justin and I have found in our research that technological change along with other societal changes have eroded the efficiency gains from market trade. So our partnership isn't about getting more done through gains from trade, it's about having more fun because we like the same things.

3) *In many marriages, one party tends to be more risk averse. Is that true of yours and if so, how do you manage your disparate appetites?*

Justin: We're actually pretty similar in our risk tolerance. For us, the tensions arise instead over our perceptions of risk. For example, the military-industrial-parenting complex seems designed to make parents fear just about everything: vaccine danger, toys made in China and so on. The great virtue of being empiricists is that we know how to resolve our disagreements. We go to the data. There's a huge psychological literature showing that people worry disproportionately about salient but small risks—the kidnappings and poisonings that you read about in the newspaper. But we are determined to counter this where expected utility theory gives us advice we actually follow in our lives: We agree that one-in-a-thousand risks are important—about a thousand times more important—than one-in-a-million risks.

Betsey: I'd say that I'm a bit more risk averse, but once we've sorted out the actual risk and the cost of protecting against it, we find it easy to compromise. For instance, I'm more concerned about having a lot of savings because I grew up with parents that had money problems later in life. Justin is less so. But Justin's goal is to give a lot of our money to charity, which I don't like to do. But we give less now so that I can feel more confident with the money in the bank. The hope is we won't need it. We will be able to give it to charity. This compromise isn't free—there are charities who could use more money today—able to reach a compromise. The important thing is to talk about the risk clearly—what do you think could happen, how do you think it is to happen, how would the protective action help? I find that a lot of couples tangle all these aspects together and therefore find it hard to negotiate because it isn't clear what you are negotiating over.

4) *Have you two ever discussed moral hazard as it relates to your relationship? If so, what did you determine?*

Justin: Moral hazard reflects asymmetric information, such as when someone behaves differently—often selfishly—when they know their partner is unaware of their choices.

Betsey: And so we've eliminated the inefficiency caused by moral hazard, by eliminating the asymmetric info. How? We have a commitment to telling the truth. Tell the truth, and there's no asymmetric info. This sounds easy, but it means we have an agreement that we tell the truth and we don't have draconian consequences.

Justin: There's something else sustaining that trust though. We spend most of our time together—we wake up together, work together, teach together, do much of our research together, socialize together and parent together. There's no asymmetric info when we can each see exactly what the other is doing.

Betsey: It's more intense than that: I pay all the bills, and neither of us uses cash much. It means that I pretty much do everything Justin is up to.

Justin: It's true. I remember when Elliot Spitzer was caught, in, err... a severe state of moral hazard. My first response: did he get the money to pay for it? If I were spending thousands of dollars on an out-of-state dalliance, Betsey would be over the dalliance was over.

5) *You two have studied happiness data. What happens to couples' happiness when they have children? What happened to you when you two had your daughter?*

Betsey: The stylized fact is that people with kids are less happy than people without kids. It's worse than that: parents are either just before the kids are born, or after they leave the nest; and even during any given day, parents are unhappy v. childcare. There was only one paper published that suggested kids made people happier, but the results turned out to be a coding error!

Justin: These aren't just abstract issues either, we were actively reading this literature—and running our own regressions trying to decide whether to have kids. In the end, we decided to try it out—despite the data. By jingo, we are glad our daughter Matilda has just been an amazing joy. Truth is, our last year-and-a-half as parents has been the happiest period of our lives. As empiricists we've learned that Matilda causes greater happiness. Does this generalize? We don't know. Personal experience is usually a dreadful guide to research—our lives as academics just aren't representative of the lives of most people. In this case, we've become convinced that there's a lot more work to be done in trying to sort out just what effects kids have on parent's well-being.

6) *How do you keep the romance alive? Or do you?*

Justin: By romance, you mean writing papers together, don't you? What could possibly be more romantic? Seriously, our research shows that learning new things together is a crucial part of feeling fulfilled in your relationship and Betsey and I try to do things together every day.

Betsey: Beyond that I think any new parent will tell you that it is hard to make time alone with a baby around. Just so happy spending time together with Matilda that we've failed the number one advice for new parents: go out together without the baby. But we do make time for each other in little ways. A friend once sent me as a joke some offensive advice I'd read written in the 1950s, but one part struck me as being adaptable to our modern times. It told housewives to get ready for their husband's arrival from work by putting on lipstick and disengaging from the work of the home to be able to focus on their husband when he arrived. What was offensive about this advice was that it was lopsided. In truth I think that both people in a relationship should take a moment to refocus our energy and be ready to fully engage with our partners and family members when they're home at the end of the day. And sometimes this does mean that I put on lipstick. But I know that Justin also pops a strip on his way home.

[5 Comments](#)

[COMMENT](#)

[EMAIL IT](#)

[TWEET](#)

[Like](#)

50 people like this. Be the first of your friends.

Posted In [Marriage](#)

5 Responses to *Economists in Love: Betsey Stevenson and Justin Wolfers*

Karin says:

March 10, 2011 at 5:58 pm

Thanks for this – I've been interested in these guys' careers and partnership for a long time, so it is good to get a glimpse into how they manage it.

Thanks for your thought-provoking blog!

[Reply](#)

Tony says:

March 11, 2011 at 9:02 am

Although there is still divorce, a marriage contract is more important to a 1-income household (to protect the non-earner) than the 2-income household. Still, I agree that income tax should be marital-status neutral. The penalty should be phased out, and then the single and married categories removed from the tax form. The only categories should be filing individually and filing jointly (with a second non-dependent household member).

[Reply](#)

Longley says:

September 16, 2011 at 2:17 pm

This actually brings up a really interesting question—would it make sense for some couples to get married for a period of time, perhaps if one partner is studying or otherwise not earning a significant income, and then divorce later in life when that income disparity disappears?

I'm assuming that a divorce with uncontested terms would have negligibly transactional costs.

[Reply](#)

Pingback: [Interesting Post on Spousonomics » Marginal Success](#)

Sara says:

September 16, 2011 at 2:24 pm

I LOVE LOVE LOVE this blog post. I am one of the few who does not WANT to get married. I'm making my boyfriend read this tonight.

[Reply](#)

[About Paula Szuchman](#)

[About Jenny Anderson](#)

[Overview](#)

[Reviews](#)

[Press](#)

[Amazon](#)

[Barnes & Noble](#)

[Random House](#)

[Powells](#)