

# Lunch with Justin Wolfers: how to live, love and eat like an economist

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Senior Writer

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Justin Wolfers is the pin-up boy for a new brand of economics. *Photo: Jessica Irvine*

I wonder if he even realises he's doing it.

I'm at Shenkin Kitchen, an Israeli cafe not far from Sydney University where one of Australia's most successful academic exports, Justin Wolfers, is back home visiting for the summer.

The waitress has just arrived to take our order. But we've been too busy trading economic gossip and name-dropping famous economists we know to actually read the menu.

But if Wolfers is an expert in one thing, it is optimal decision making.

As he places his lunch order, I feel sure he too has read US economist Tyler Cowan's book, *An Economist Gets Lunch*, which advises diners to exploit the comparative advantage of locals when deciding what to eat.

"Look, I'm probably not going to come back, because I don't live here," Wolfers advises our waitress. "So what would you recommend?"

Shakshuka – a middle eastern speciality of eggs, tomato, haloumi and eggplant baked in a pan – springs to her mind.

Decision made. Shakshuka it is.

At the academically tender age of 43 and sporting shoulder-length blonde locks, Wolfers has emerged as something of a pin-up boy for a new brand of economics.

It's economist as agony aunt, employing the calculus of costs versus benefits to advise on all aspects of human decision making: what to eat, how to love and how to be happy.

He and partner Betsey Stevenson, who has just finished a two-year stint as an economic advisor to US President Barack Obama, are often described as an "economics power couple".

Stevenson and Wolfers are famously not married, not only because the US tax code would penalise them financially for it, but because they prefer the freedom to craft their own individual contract. For example, when Stevenson was nursing their two children, Wolfers would change the nappies. "She does inputs and I do outputs."

It's economics, but not as we knew it.

"I use economics every day in ways I'm not even aware of," Wolfers later tells me. "I believe it has been incredibly useful."

He's a vegetarian - a pescetarian, technically. Is that an economics thing?

"Any decision can be looked at through the prism of economics. It is all driven by the costs and benefits," he says. "I'll tell you the story once in English and then we can try and work it out in economics."

Basically, Wolfers became a vegetarian because Stevenson is: it was just easier to eat what she was eating. Plus, he quite likes animals.

"So let's go back and tell that story in economics. So, one, the cost for me in moving over to be vegetarian was very low because I had an excellent vegetarian cook in the house. There's a complementarity between my vegetarianism and Betsey's, so we only have to cook one meal. And, two, thinking about factory farming, it is just that my ethical social welfare function doesn't put zero weight on the suffering of animals."

I wonder, who is more the economist, him or Stevenson? "I don't know whether it's good or bad, but we're both economists all the time. We met in the first year of grad school. Grad school is very much an intellectually formative period."

A high school friend from Pennant Hills turned federal Labor MP, Andrew Leigh, says Wolfers has definitely become more economically-minded since falling in love with Stevenson.

"Yes, I'm sure he's become more economic since teaming up with Betsey," observes Leigh.

Their willingness to apply economic principles to their own relationship has seen them open a new field of "loveconomics", or applying the rules of economics to love and marriage.

Having formed an unfortunate habit of confusing economists for psychologists, I can't resist the temptation to get some free counselling.

Might a wife who too frequently reminded her husband she'd only stick around so long as the benefits outweighed the costs, find this ultimately to be an unwise strategy?

Yes, says Wolfers. A daily cost/benefit analysis is "not actually very helpful" when it comes to marriage.

"It creates another problem, which is that there's a bunch of relationship-specific investments you could make," he says. "Say you like French films, your husband could learn French so you can watch French films together. If he thinks there's a fair chance that you're going to walk out, he has less incentive to make those investments."

But, over the long run, of course the cost/benefit calculation applies.

"Some of those hard-nose economic analyses don't go down well. But we all make them. The only mistake you're making is to be specific about it."

Being partnered with an economist does make it easier to negotiate such concepts, says Wolfers, conceding however that: "I may have danced on the wrong side of that at certain points in my life too."

If I treat Wolfers as something of a new age happiness guru, it is not without foundation.

Stevenson and Wolfers' groundbreaking research on happiness and income has revolutionised the field over the past decade.

Before they looked at the data, no one had been able to establish whether rich countries really were happier than poor countries, or whether countries got happier as they got richer.

Worse, the idea had taken hold that happiness was entirely relative, determined not by absolute income level, but by how much you have relative to other people. If that was so, the entire capitalist project of economic growth seemed rather pointless. If being rich doesn't make you happy, why bother?

But armed with better data and more advanced spreadsheets to do their analysis, Stevenson and Wolfers have put that controversy to bed.

Yes, money does buy happiness, at least at the country level.

At the individual level, the causal relationship is less clear, says Wolfers.

"I was incredibly lucky to be born a citizen of a rich country. That 's the not the same as saying I should quit my job and become a hedge fund guy.

"The answer to whether income makes you happy depends on what you have to trade off to get it. If I had to trade off my time and wear a suit every day, I wouldn't be happy."

There doesn't seem to be any risk of that. With tenured positions at the University of Michigan, Wolfers and Stevenson are set to shake up undergraduate curriculums around the world, collaborating again, this time to write a first-year economics text book.

"Our goal is to revolutionise economics teaching and you have to go away and have a think about what economics is. For our students, very few of whom are going to be policy makers, what they want is a set of tools to make good decisions in a whole range of domains. It could be volunteering on week nights. It could be coaching your kid's soccer game. There are insights from economics which can be useful. That's literally the term we use: useful

economics."

Traditional economics has taken a battering in recent years from the discoveries of behavioural economics: mainly, that humans are not entirely rational.

But far from destroying economics, Wolfers says this only makes it more important.

"We've discovered a bunch of ways that people screw up decisions. But I think the research program has moved on from 'drive by shooting' – you find something where people are making irrational decisions and say 'oh the model's bullshit' – to trying to create an alternative model.

"If you really want to be successful in economics these days, it's about trying to build an alternative model."

A few days after our lunch, I read on Twitter that Wolfers has broken a rib, an unfortunate incident on a bus involving a quick-braking driver.

It's vintage Wolfers, ferreting out the economics in everyday life: "Just tried socialized [sic] medicine (cracked my rib in Australia), and every aspect of it – price, care, access, quality – was better than in the US."

### Life and Times

1972 Born in Papua New Guinea

1990 Graduates from James Ruse Agricultural High School

1994 Graduates from The University of Sydney and takes job at Reserve Bank

1997 Moves to America and starts graduate school at Harvard University

2012 Appointed professor of economics and public policy at University of Michigan

2013 Moves to Washington DC to work for Brookings Institution while partner Betsey serves as an economic advisor to President Obama

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