2 U.S. Economists Win Nobel

**Prize:** The professors, from UC Berkeley and University of Chicago, are honored for work on measuring people's choices and behavior.

By JERRY HIRSCH, TIMES STAFF WRITER

Two American economists whose pioneering research helps predict how people make choices—how many hours they will work each day to whether they will ride the subway to their jobs—will share the Nobel Memorial Prize in Economic Sciences, the Royal Swedish Academy of Sciences announced Wednesday.

Tools developed by the researchers have helped policymakers plan transit systems, design job training programs and measure the economic cost of disasters such as the 1989 Exxon Valdez oil spill.

In awarding the prize to UC Berkeley's Daniel L. McFadden and James J. Heckman of the University of Chicago, the academy cited their work in the field of microeconomics, developing "theory and methods widely used in the statistical analysis of individual and household behavior."

McFadden, 63, and Heckman, 56, will split the $915,000 prize, awarded in Stockholm early Wednesday.

"They're a very natural pairing. Heckman's work builds directly on what McFadden has done," said Dale Jorgen-

James J. Heckman, left, and Daniel L. McFadden will share the Nobel Memorial Prize in economics.

son, a Harvard University economist.

McFadden learned of the prize in a 2:30 a.m. wake-up call from Nobel officials, warning that they were going to make an announcement and that he should be prepared for a flood of telephone calls. The professor and his wife, Beverlee Tito Simboli, barely had time to get dressed before both phone lines were ringing.

"I didn't even know I was under consideration," McFad-
Continued from C1

den told The Times.

Much of McFadden’s original re-
search was done roughly three de-
cades ago with the help of a Na-
tional Science Foundation grant to
analyze the potential for the Bay
Area Rapid Transit system in San
Francisco.

McFadden developed statistical
analysis that could be applied to
the “either-or” questions people
face in their everyday lives.

“We used the data that was in
place before BART was built to try
and predict what [prospective pas-
sengers] would do after it was
built,” McFadden said.

His analysis accurately predicted
that people would use the system
less than its planners thought and
that BART would have trouble at-
tracting riders who had to use
other forms of transportation to get
to a station.

More recently, McFadden and a
Berkeley colleague, Kenneth Train,
looked at what it would take to get
commuters into alternative fuel ve-
hicles. They discovered that con-
cerns about the ease of refueling,
the limited range of the vehicles
and their high price tag will limit
their commercial viability in Cali-
ifornia, a conclusion supported by
the recent poor reception for elec-
tric cars in the state.

Berkeley Chancellor Robert M.
Berdahl called McFadden’s work
“groundbreaking” and said his
methods helped in everything from
planning the location of highways
to making investments in phone
service and housing for the elderly.

McFadden is now studying the
link between health and wealth.

He and his wife plan to put some
of the prize money into their Napa
vineyard and farm, where they
have “five cows, three ducks and 11
chickens.”

Berkeley has now won 17 Nobel
prizes, including three in econom-
ic.

Heckman learned of the prize
while attending an economics con-
ference in Rio de Janeiro.

“I’m obviously very surprised.
I’m very honored and I feel a sense
deep gratitude,” Heckman said
in a teleconference.

Heckman is the 72nd University
of Chicago Nobel recipient and the
university’s 21st Nobelist in econ-
omic.

His research has focused on the
flip side of people's decisions, an
area nearly impossible to analyze
because of the inability to see what

would have happened to people if
they had chosen differently.

For example, while educators
and policymakers have pushed the
value of a high school equivalency
certificate, Heckman’s research
found that it turns out to have little
economic value, said Steven Levitt,
a University of Chicago economist.

Heckman found that people who
obtain a high school equivalency
degree tend to be hard workers
who would have done well whether
or not they had obtained the certi-
ficate, Levitt said. Heckman’s ad-
vance was to analyze what would
have happened to this group of
people had they made a different
choice.

“Real-life data often isn’t in the
right form for answering important
questions. Jim’s contribution has
been in recognizing that, being dis-
satisfied with that,” said Robert
Michael, another University of Chi-
cago professor.

The selection of McFadden and
Heckman by the academy sur-
prised many economists. The No-
bel committee has not typically re-
warded the type of technical work
that characterizes their research.

“I don't think people had fore-
cast this choice in the various of-
cine pools at the economics de-
partments, but I think people at the
frontier of research will be very
pleased,” said Paul Samuelson, a
Nobel laureate and economist at
the Massachusetts Institute of
Technology in Cambridge, Mass.

“Both are good, careful research-
ers.”

Samuelson speculated that the
application of both winners’ re-
search to social issues was a factor
in their selection.

McFadden, for example, devised
a way to measure the dollar harm
to individuals from the Exxon Val-
dez oil spill in Alaska, Samuelson
said. Heckman has examined how
different forms of payment affect
an individual’s work effort, he
added.

In its announcement, the acad-
emy described micro-econometrics
as an academic field “on the
boundary between economics and
statistics” useful for studying eco-
omic information about large
groups of individuals, households
and businesses.

Though the economics prize was
first awarded in 1969, Nobel prizes
date to 1901. They are the idea of
Swedish industrialist and dynamite
inventor Alfred Nobel, who died in
1896.