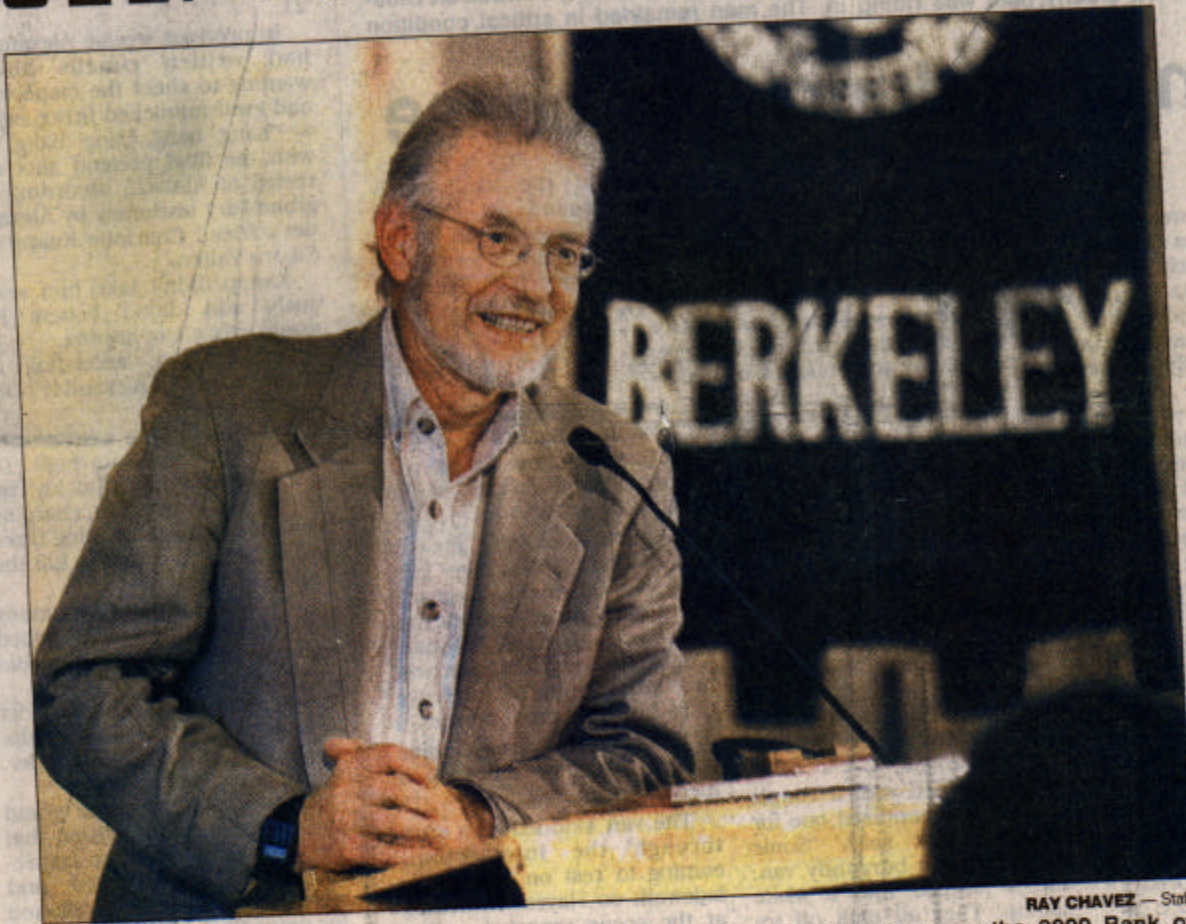


SELF-INTEREST PAYS OFF



RAY CHAVEZ — Staff

University of California, Berkeley professor of economics Daniel McFadden won the 2000 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. McFadden answers questions Wednesday morning during an on-campus press conference at Stephens Hall.

UC professor wins Nobel Prize

Economist's model predicts decisions

By Molly Colin
STAFF WRITER

U **BERKELEY** UNIVERSITY OF California, Berkeley, economics professor Daniel L. McFadden is a recipient of this year's Nobel Prize in economics for laying the theoretical foundation to predict how people make decisions from riding BART to

voting.

"Self-interest matters — it's the primary motivation for people when they make choices," said McFadden, elated but bleary-eyed at a hastily called news conference Wednesday morning at UC Berkeley.

McFadden, 63, will share the \$900,000 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel with University of Chicago economist James Heckman.

McFadden also will win a reserved parking place on the Berkeley campus, designated with

a blue sign that says N.L. (Nobel Laureate).

"The space comes with a Nobel Prize," UC Berkeley Chancellor Robert Berdahl said following his congratulations to the economist, one of 17 UC Berkeley researchers to win the Nobel Prize since 1939. McFadden said he was awakened early Wednesday morning by his wife, Beverly Tito Simboli, jumping on the bed of their Berkeley home. Simboli had answered the 2:30 a.m. overseas telephone call informing

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Nobel: He designs models other economists may use

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McFadden of the good news.

"It took a while to register," said McFadden, bolstered by a breakfast of coffee sipped in between the morning's landslide of telephone calls. "My chances of winning were slim to none."

McFadden, a self-effacing man dressed simply in a gray blazer with an open shirt collar, described his work as a designer of machinery that other economists may use.

The Nobel committee commended McFadden's creation of a statistical model to analyze economic information about choices people make when given alternatives.

McFadden has particularly applied his research to social issues, such as housing for the elderly.

Colleagues, economists and students praised McFadden's work in the field of econometrics, an area that straddles the line between economics and statistics.

"He is an economist's economist," said

UC Berkeley economics chairman Maurice Obstfeld at the news conference. "His work has changed the way we look at econometrics and economic decision making."

McFadden is credited with creating the econometric model researchers used to determine ridership of BART.

Sofia Berto Villas-Boas, a current graduate student of McFadden's, lauded his accomplishments. "He not only created the model but the way to think about it," she said.

Peter Diamond, an economics professor and former colleague at the Massachusetts Institute of Technology, said in a statement that McFadden "revolutionized our understanding of how people and governments make choices" when opting to ride BART rather than drive, or deciding where to build highways.

In the environment, McFadden has contributed to methods used to estimate the value of natural resources.

Such methods were used to evaluate the damage of the 1989 oil spill from the Exxon Valdez tanker off the coast of Alaska and its

effects today, according to the Royal Swedish Academy.

Born in rural North Carolina, McFadden said his childhood ambition had been to be a farmer or a novelist.

Instead, he turned his talents to physics, eventually earning a Ph.D. in behavioral science (economics) from the University of Minnesota in 1962.

The next year he joined the faculty at UC Berkeley, which he left in 1977 for MIT. He rejoined the economics department at UC Berkeley in 1990. McFadden's current research examines possible links between wealth and health.

McFadden said he is unsure how he will use the prize money, noting some could go to operating his small Napa Valley farm.

The couple and their three children plan to attend the Dec. 10 Nobel ceremonies in Stockholm, said McFadden.

The Nobel economics prize was begun in 1968 by Sweden's central bank in memory of Alfred Nobel, the inventor of dynamite. It is not one of the original five prizes Nobel created.

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