



Matthew Gilson

**Kevin Murphy**, George J. Stigler Distinguished Service Professor of Economics, has long been successful at Chicago GSB. He became a lecturer in 1983 while he was still working on his PhD in the university's economics department. But Murphy's work outside the classroom has put him in the spotlight, most recently this fall when he became the **first business school professor to be named a MacArthur Fellow**. Murphy spoke with *Chicago GSB* about teaching, research, and serving on the local school board in his spare time. **By Patricia Houlihan**

# The Economist Next Door

**Where do you get your ideas for research topics?**

I have three primary sources. I get some ideas from outside the academic environment—newspapers, TV—just general topics of interest in the world as a whole. I also get ideas by hearing what somebody else says, topics that generate interest within the profession. A lot of times people will present a paper or some research and you either say, "That's an interesting question," or "That doesn't seem like the right answer to that question," so that motivates you to work on it. And I actu-

## Feature Kevin Murphy

ally get a fair number of ideas from teaching. You teach a class, and in the process, you say, “That’s an interesting question; I hadn’t thought about it before,” and that generates a research topic. For example, I’m trying to quiz students on a topic, and I come up with a question and realize it’s more interesting than I thought it would be. I’m always trying to push students to learn how to apply economics to real problems, so I try to come up with problems that push them to actually say, “I can apply economics to this issue.” And then you realize that’s a more insightful answer. It’s not just interesting as an illustration of how to apply it; it’s an interesting application in general. And then you say, is it deeper than that? Is it something that’s worth a research topic?

**You ask some pretty hard questions and get some pretty amazing results, like that the war on drugs is expensive and unsuccessful.**

**How do you balance results like that with your own personal beliefs?**

I’m a big believer that common sense, what you understand about the world, and what you observe are useful when working on your research. I think it’s often a good check on whether you’re going down the right path. You can have an explanation that theoretically hangs together, but common sense says it is quantitatively not going to be as important as you would need it to be, or there’s some aspect that doesn’t fit. You have to walk a fine line there because we know that what people call common sense—or people’s casual perceptions—isn’t necessarily accurate. Human beings are not

built to process data objectively and analytically without some thought process.

You have to use your common sense as a guide, but constantly check back and say, “Is my common sense really a reflection of reality? Is there a misperception of what’s going on?” I always bring that in as part of what I do. I say, “Does this pass the ‘laugh test’ of something that I would believe based on a broader set of knowledge that I have about the world?” For instance, in our paper on the drug war, we specifically said, “We’re not going to argue that the war on drugs is bad because it’s objectively bad. Let’s take the objective of reducing consumption as legitimate.” And we just assumed that was a desirable outcome. But we tried to say that even if [reducing

some intuition, some gut feeling. To some extent, that guides your approach to the research because it’s telling you where to look for explanations, what you think potential explanations might be. And you’re always a little worried that makes it more likely you’ll find those explanations as opposed to alternatives, but I think that’s unavoidable. We work largely in a world where we don’t have purely experimental evidence. We have to look at real-world outcomes, and so you need some kind of theory to guide your research. You just have to be cognizant that that’s how you approach it.

**You’re known for your research, but you also spend plenty of time in the classroom. What do you get out of teaching?**

I enjoy teaching, and that’s partly why I teach a lot. To me, teaching shows that economics is useful. It shows that this is not just an exercise that a bunch of academics do to entertain each other, that when you teach it and you show people, “I can explain what happens in the world,” economics is a useful thing to help you run your business, understand policy debates, understand how to run your life, understand why the world looks the way it does. The world’s not such a confusing place if you think you can understand why it is the way it is, why politicians act the way they do, why

businessmen act the way they do, why consumers behave the way in which they do, and why the economy has evolved in the directions it has. I think a little bit of training in economics, together with a lot of practice in using that training, can really help you understand what’s happening a lot better.

That’s what teaching does—it reaffirms the idea. It brings you back to thinking about the basics, about the things that really are useful for understanding the world. That’s what you try to teach your students, and it gets you away from some very narrow aspects of things that you might get more focused on in the research world. That’s the real value of teaching.

**Do you remember why you picked economics?**

As an undergraduate, I was initially a math major. What drew me to economics was that it was a great combination of a discipline that had a solid set of principles, organizing ideas, and basic concepts that had a solid foundation of theory, together

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consumption] is your desired outcome, this doesn’t seem to be a very effective way of achieving it. And I think the empirical evidence and the theory is pretty clear that it’s unlikely to be an effective method. (To read a story on the research that appeared in the fall issue of Chicago GSB, go to [gsbwww.uchicago.edu/news/gsbchicago/fall05/index.htm](http://gsbwww.uchicago.edu/news/gsbchicago/fall05/index.htm).) So I don’t have as much trouble marrying that with my beliefs because I haven’t really changed or altered what I think of as the objective; it’s just saying [that] this is not an effective method.

**When you’re coming up with your research questions, do you have any idea what the outcome is likely to be?**

About half the time. And I never get it quite right. I think when I have an idea, it’s probably more likely to be right than wrong, but there are no ideas or views that haven’t changed as a process of doing research. As you do research, things morph a little bit. You have an evolving view of the world. A lot of times you have



**In the classroom:** Kevin Murphy teaches five classes to students at the GSB and in the College.

Callie Lipkin



## Fast Facts about Kevin Murphy

**Age**  
47

**Current Position**

George J. Stigler Distinguished Service Professor of Economics at Chicago GSB and the University of Chicago

**GSB Faculty Positions**

Joined in 1983 as a lecturer, appointed assistant professor when he received his PhD in 1986, named associate professor in 1988, made full professor in 1989, named George Pratt Shultz Professor of Business Economics and Industrial Relations in 1993, named George J. Stigler Professor of Economics in 2002, and given the distinction of distinguished service professor in 2005.

**Education**

University of California, Los Angeles, AB, Economics, 1981  
University of Chicago, PhD, Economics, 1986

**Major Awards**

2005 MacArthur Fellowship, for “revealing economic forces shaping vital social phenomena such as wage inequality, unemployment, addiction, medical research, and economic growth.”  
1997 John Bates Clark Medal, awarded every two years to the most outstanding American economist under age 40.

**Books Published**

*Social Economics: Market Behavior in a Social Environment* (Harvard University Press, 2000), with **Gary Becker**, **PhD '55** (economics), University Professor of Economics and of Sociology.

*Measuring the Gains from Medical Research: An Economic Approach* (University of Chicago Press, 2003), edited volume with **Robert Topel**, Isidore Brown and Gladys J. Brown Professor in Urban and Labor Economics.

**Research Interests**

The empirical analysis of inequality, unemployment, and relative wages; economics of growth and development; the economic value of improvements in health and longevity.

**Published Research Papers**

61

**Selected Working Papers**

10

**For more on Murphy’s research, link to his Web site at [gsbwww.edu/news/gsbchicago/facultylinks.html](http://gsbwww.edu/news/gsbchicago/facultylinks.html).**

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with the ability to apply that to a wide range of data, which I thought was interesting—businesses, consumers, markets, and the like. I guess it was the combination of a rigorous discipline that was very applied that interested me—and the use of a wide range of data. Those three things—data, theory, and a kind of solid discipline base—made me like economics a lot. I had some very good teachers who really instilled an interest in using economics that drew me in more than any other subject I took.

**At this point, what has been your greatest accomplishment?**

From my own perspective, I’ve developed my understanding of economics a lot further than I ever thought I would, and in an interesting way. I’ve honed in on this idea that economics is a set of pretty basic ideas that you have to learn how to apply. And I guess what’s an accomplishment is I think I’ve gotten not as far as you can go, but farther than I thought I could in terms of being able to use those basic principles to address a wide range of issues. And not just that, but also to be able to teach that to students. To me, that has been a big accomplishment.

**What’s been your biggest challenge?**

Keeping up with the profession. I’m not that good at keeping track of where the profession is headed, and as a result I’ve been less likely than many people to work on the current hot topics in economics. I’ve been off in my own direction, which has some value but also has its limitations because I don’t think I’m as able to talk to people about what they’re interested in.

**I think you’re perceived as being a little bit different among the GSB faculty because you don’t live in Hyde Park. You live in the South Suburbs, where you served on the local elementary school board. You have a low-key, down-to-earth demeanor and a different lifestyle.**

Outside of here, nobody knows I’m an academic. I don’t look like an academic. I don’t act like an academic.

**Does the way you live have an effect on your work at the GSB or your general approach to economics?**

A little bit, because it always pushes you to apply economics in a way that everybody might think is of value. You’re playing to a somewhat different constituency. If the guy next door asks you, “What do you do for a living?” you want to feel like you’ve actually done something he would think was of value. So if you worked on inequality or medical research or unemployment, then you can say, “It’s true, I doodle on the blackboard for a living and play with my computer, but in the process of doing that, I actually do something that has some ultimate value to people.” I wouldn’t want to write a paper that I would

be embarrassed to explain to people because they’d say, “You’re just a crazy ivory-tower academic. What the heck would you know about anything in the world?”

And on the other hand, I’m somewhat at a disadvantage because I really am not your typical academic, to be honest. It’s not like I go home and read books for entertainment. I don’t do a lot of that stuff. I drive a pickup truck. I enjoy working in my garage. It’s not a typical academic lifestyle, possibly. I think the other thing to realize is that academics are not made from a single mold, like people think. You go around this place and everybody’s got their little things they do, like sports. Not everybody is the tweed jacket and pipe. Maybe I’m a little further off the regression line than the usual person, but that’s not because everybody else is all the same. So I don’t want to sell myself as being too different. But there are not too many people who have ever guessed I’m an academic when they see me, which is OK.

**Do people here know the kind of life you have when you go home?**

The guys who know me well know that, probably. I don’t go home and have too many intellectual discussions. My life is really centered around my family, and doing things in the community, and sports, and my kids. Academics is a great way to earn a living. It gives you a lot of freedom to work on what you want to work on, and teaching is pretty rewarding, although it’s a tough activity.

One of the things people don’t realize about teaching is that it’s a very exhausting, difficult activity. You teach for three hours, and it’s amazing how hard it is. It’s as tough of a way to spend three hours as just about anything, in terms of how drained you feel when you get done. It’s like acting, in a lot of ways.

I’m not trying to say being an academic is tough, because it’s the easiest job in the world. I always joke with people, “If I had a real job, I’d have to do something. But I’ve only got this crazy academic job!”

It’s a great job. Being at the University of Chicago and the GSB, you couldn’t ask for a better job.

**Is there something special about the GSB?**

The GSB is a perfect home for me because it combines a respect for the academic disciplines with a demand to make it applicable and useful for the real world. I think it does a better job of combining those two things than anyplace else I can think of. It avoids being purely academic and divorced from the real world, but at the same time, it has tremendous respect for the power of academic disciplines to help you understand the world. I like the blend. That’s why it’s a place I wouldn’t want to leave. ■