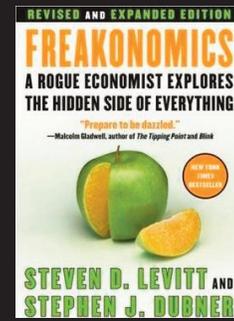


Freakonomics

A Rogue Economist Explores the Hidden Side of Everything



Review by Paul Lawrence

Book by Steven D. Levitt & Stephen J. Dubner
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Want to know more about cause and effect? Interested in the real-life application of economics in our everyday lives? Curious why sumo wrestlers sometimes cheat? This book has something for everyone as it delves into what really motivates human behavior.

Freakonomics is partly about the analysis of sets of data, and also touches fleetingly on regression analysis and information asymmetry. But the resemblance to most other economics textbooks ends there.

This book introduces readers to a larger-than-life cast of characters who are scrutinized by the authors: cheating schoolteachers, self-serving real-estate agents and laggardly parents to name but a few. Stephen J. Dubner and Stephen D. Levitt bring them all sharply into focus, warts and all, with their fluent and conversational writing style.

The authors are uniquely qualified to pinpoint the practical application of economics in everyday situations. Levitt is a renowned professor of economics at the University of Chicago, while Dubner has won multiple awards as an author and journalist. In *Freakonomics*, the co-authors explore the following themes:

- ✓ what motivates human behavior and why the experts often get it wrong
- ✓ how most people serve their own agenda first and others second
- ✓ how a single event can have a larger ripple effect
- ✓ how to get a different perspective on everyday events and how the data can help

Initial Insights

Freakonomics puts human nature under the microscope and uses empirical and statistical data to gain fascinating insights into what motivates us. The authors bring a range of everyday examples to our attention and in doing so they expose the worst, and the best, of the human condition.

Investigating What Motivates Us

Freakonomics contends that economics is all about incentives—and considers how we are rewarded or punished for our behavior in everyday interactions. The authors describe how we are all conditioned to react to positive incentives—for example, working hard at school to earn a reward from our parents or putting in long hours to climb the corporate ladder in return for social and financial benefits. They also look at how humans are conditioned to respond to negative incentives—for example, being subject to a traffic fine for speeding or missing out on promotion because of a poor work ethic. The case studies used are the result of rigorous research and data collection showing how incentives, both positive and negative, can result in behavior that can sometimes be quite bizarre.

The authors are adept at unpacking the statistical research dry data and presenting it in a conversational, often humorous writing style that brings the extremes of human behavior into such sharp relief that we cannot help but reflect on the particular set of incentives that drives our own attitudes and ambitions.

Levitt and Dubner skillfully probe the worst—and best—characteristics of the human condition in such a way that it gives all of us cause to ponder how our values and behavior are constantly influenced and informed, and occasionally compromised, by everyday economic, social, and moral incentives.

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Implications of Increased Access to Information

Freakonomics demonstrates how specialists and experts in various vocations, like mechanics, lawyers, and insurance agents, no longer exclusively hold sole access to insider information in their respective fields since the advent of the Internet has put a wealth of information into the public domain. The authors reveal the consequences of this shift for all of us, using real-life examples ranging from the mundane, like car repairs, to the more unusual task of choosing a funeral casket.

The authors powerfully reiterate the impact that positive and negative incentives can have on human behavior. Information is power and the authors expertly demonstrate that point as they relate the fascinating account of how public perception of the white supremacist Ku Klux Klan movement was transformed from that of a sinister and powerful cabal to a slightly ridiculous and antiquated fringe movement when its innermost rituals and passwords were made public knowledge.

Thanks in large part to the Internet, the demystification of processes in certain industries has led to insider practices coming under public scrutiny, and the authors consider the consequences for readers in their daily lives.

Some specialists, for example estate agents, can still manipulate the available information to secure the best outcomes for themselves, rather than their clients. In other areas, like online dating sites however, individuals still have control of how much information they want to share and make publicly available and the authors share fascinating insights based on the data into how male and female singles represent themselves in their profiles compared with the reality.

Freakonomics will make you take a more critical look at how you choose to portray yourself to others in both your personal and professional life.

“The authors powerfully reiterate the impact that positive and negative incentives can have on human behavior.”

Exploring the Socio-Economic Effects of Poverty

The authors take a closer look at the scourge of inner-city gangs typical of many cities in the US, and they debunk the myth of the street-corner drug dealer loaded with disposable income from their ill-gotten gains. Data unearthed from the authors' well-researched studies yield rather surprising results. The structure of gangs conforms quite closely to capitalist operations, in that typically those close to the top of the organization make most of the income, while the rank and file earn comparatively very little.

Perhaps the most contentious claim made by the authors in *Freakonomics* is that the sudden drop in the crime rate in the USA from the middle of the 1990s can be linked to the legalization of abortion in the wake of the *Roe v. Wade* ruling by the Supreme Court in 1973. They argue that, at a stroke, this caused the pool of potential criminals to shrink because these future perpetrators of violent crime were typically raised by the many poor, teenage, usually single women who could now opt for legal abortions. Many contemporaries of the authors and reviews of *Freakonomics* dispute this claim, but once again the authors provide solid research to back up their contention.

However contentious some of their findings may be, there is no doubt that Levitt and Dubner succeed, in *Freakonomics*, in bringing dry statistics and economic data to vivid life by examining how the seemingly mundane everyday choices that individuals make can have a ripple effect through families, communities and even nations.

Pondering Parenting

Interestingly, the authors devote a large portion of *Freakonomics* to the subject of parenting. The authors question what contributes most to the development of a child and, most importantly, what parents can do, if anything, to stimulate the intellectual and personal development of their offspring. They also consider other variables, such as the impact of school on the development of children and how much children read. The authors conclude that parenting is less about what parents do than who they are.

In other words, the authors persuasively posit that genetics—more so than nurturing—determine the fate of a child. But the authors don't expect you to take their word for it. They outline eight factors based on their research that strongly link to improved test scores in children. Equally fascinating are the eight factors that do *not* correlate with increased child development, as evidenced by the research. This makes for engaging and compelling reading for any parent, or indeed any student of cognitive development.

Parting Thoughts

Levitt and Dubner's highly readable prose brings the very human emotions at play in each of the scenarios in the book to the fore, principal among them fear, love, compassion, and greed. But *Freakonomics* is also extensively and meticulously researched, as is evidenced by the empirical and statistical data underpinning each chapter.

The authors combine their expertise in economics and investigative journalism to good effect and the result is a series of engrossing accounts of why, as human beings, we react the way we do when confronted with the series of moral and social incentives that inform and influence our behavior every day. *Freakonomics* leaves us with plenty to ponder, and provides invaluable insights that will help us to better understand the motives, attitudes, and behavior of our friends, family, and colleagues.

About the Authors



STEVEN D. LEVITT, a professor of economics at the University of Chicago, was awarded the John Bates Clark medal, given to the most influential American economist under the age of 40. He is also a founder of The Greatest Good, which applies *Freakonomics*-style thinking to business and philanthropy.



STEPHEN J. DUBNER is an award-winning author, journalist, and radio and TV personality. He has worked for the *New York Times* and published three non-*Freakonomics* books. He lives with his family in New York City.

Also by the Authors

- 1 *SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance*, William Morrow, © 2011, 978-0060889586.
- 2 *Think Like a Freak: The Authors of Freakonomics Offer to Retrain Your Brain*, William Morrow, © 2014, ISBN 978-0062218339.
- 3 *When to Rob a Bank...And 131 More Warped Suggestions and Well-Intended Rants*, William Morrow, © 2016, ISBN 978-0062385802