



Freakonomics: A Rogue Economist Explores the Hidden Side of Everything

Steven D. Levitt and Stephen J. Dubner – Morrow (2005)

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What is – really – better explains the world than what we thought/wished explained the world... Freakonomics looks at what is, not (just) at what we wish....

The Fundamental Ideas

1. Incentives are the cornerstone of modern life.
2. The conventional wisdom is often wrong.
3. Dramatic effects often have distant, even subtle, causes.
4. “Experts” – from criminologists to real-estate agents – use their informational advantage to serve their own agenda.
5. Knowing what to measure and how, makes a complicated world much less so.

Some Random Findings

1. Everyone cheats – school teachers, sumo wrestlers, parents, and even bagel purchasers.
2. Nothing is more powerful than information, especially when its power is abused. Experts are in the perfect position to abuse you, including real estate agents, and on-line prospective daters.
3. Drug dealers still live with their mothers for self-interest and convenience. In a similar sense, experts routinely make up statistics, and the media creates a reality that actually isn't true. Did you know that Listerine actually *invented* halitosis? Did you know that prostitutes earn more than architects? (Few little girls grow up dreaming of being prostitutes, so the supply is relatively small. *“As for demand, let's just say that an architect is more likely to hire a prostitute than vice-versa.”*)
4. What makes a perfect parent? What does matter: highly educated parents; high socioeconomic status; mother age 30 or older at first child's birth; child had low birthweight; child is adopted; parents are involved in the PTA; child has many books in home. What doesn't matter: child's family is intact; child's parents recently moved into a better neighborhood; child's mother didn't work between birth and kindergarten; child attended Head Start; child's parents regularly take him to museums; child is regularly spanked; child frequently watches television; child's parents read to him every day.

Key Quotes from the Book

As far as crime is concerned, it turns out that not all children are born equal. Not even close. Decades of studies have shown that a child born into an adverse family environment is far more likely than other children to become a criminal... This powerful cause (abortion) would have a drastic, distant effect: years later, just as these unborn children would have entered their criminal primes, the rate of crime began to plummet. It wasn't gun control or a strong economy, or new police strategies that finally blunted the American crime wave. It was, among other factors, the reality that the pool of potential criminals had dramatically shrunk. Now, as the crime-drop experts (the former crime doomsayers) spun their theories to the media, how many times did they cite legalized abortion as a cause? Zero. (p. 6).

We all learn to respond to incentives, negative and positive, from the outset of life. If you toddle over to the hot stove and touch it, you burn a finger. But if you bring home straight A's from school, you get a new bike... An incentive is simply a means of urging people to do more of a good thing and less of a bad thing. The chance of going to jail is certainly a strong incentive. But when it comes to crime, people respond to moral incentives (they don't want to do something they consider wrong), and social incentives (they don't want to be seen by others as doing something wrong). For certain types of misbehavior, social incentives are terribly powerful. (pp. 21-22).

Experts use their information to your detriment. Experts depend on the fact that you don't have the information they do. Or that you are so befuddled by the complexity of their operation that you wouldn't know what to do with the information if you had it. Or that you are so in awe of their expertise that you wouldn't dare challenge them. (p. 70).

The first trick of asking questions is to determine if your question is a good one. (p. 89).