



FREAKONOMICS: A ROGUE ECONOMIST EXPLORES THE HIDDEN SIDE OF EVERYTHING,

by Steven D. Leavitt and Stephen J. Dunbar

Reviewed by Sherm Folland

If you have seen Steven Leavitt described as some wunderkind turned genius economist, and if you have come to believe this, then sadly you will be missing all the fun. Yes, Leavitt does things that people call “strokes of genius”, and he certainly has a wunderkind vita for someone with a PhD so recent as 1994. I will try to show you from his book, however, that his success is largely based on uninhibited creativity, not on whizbang mathematics or profound insights, no $E=mc^2$. Instead his creativity has a combined feel to it of “what’s anyone doing something like that for?” and at the same time a feel of “why didn’t I think of that?” Remember the old economist joke? Some people drive out for a picnic and discover there is no can opener; then an economist allegedly says “let’s assume a can opener”. Well, Leavitt is the guy who notices that the tire iron has a fairly sharp blade on one end and says: “Why don’t we try this?”

Why has Leavitt rated this much attention? Reportedly, he would not have been chosen by his follow graduate students as ‘most likely to succeed’. The story goes that when Steven mentioned to them that he intended to submit a paper to the American Economic Review his friends replied only: “You?” The further story is that he drives an aging green Chevy to

work in Chicago. He enters much of his data himself, because he likes to pore over all of it. He pursues questions that 99% of his economic peers might have considered too trivial to study, such as: “Are sumo wrestling tournaments on the level?” When someone is this unassuming, even nerdish, should we not just assume it is safe to ignore him?

Leavitt, however, has rarely been ignorable in his profession. Harvard BA, *summa cum laude*, MIT PhD. And, yes, of course, that AER submitted paper was accepted as were many more. He was snapped up by the University of Chicago, one of our top ten graduate schools, and for many it is the premier graduate school, home to at least half of the economic Nobel Prizes won by Americans. In 2003, he won the J.B. Clark medal, the top economics prize for an American to aspire to short of the Nobel. The Clark medal is given to the “best American economist under the age of 40”; Leavitt was 36 and only nine years out of graduate school when he won it. In 1999, he was chosen as the editor of the prestigious *Journal of Political Economy*.

I have read and applied to my work a paper that Leavitt wrote with James Poterba, and this taught me things that went beyond what the book revealed. The paper sought to find out whether the political party representation in Congress and the state of the senators’ or congressmen’s residence mattered for the portion of federal government money going to that state. Others had found no relationship, and this seemed puzzling; our politicians surely win their elections by ensuring that they bring home the bacon to their home state. The authors’ creative insight was simply to propose that it may be the most senior politicians that have this ability. They collected the needed additional data, and their hunch proved true; Leavitt and Poterba had solved a puzzling problem with a simple insight. But, economists reading their paper will notice something more. The authors had made an impressively thorough effort to understand where their data came from and what it meant, and they had also thought of what seemed like every possible confounding issue and tested it individually. Their choices of

statistical methods were simple yet clearly adequate for their conclusions. There is no attempt at virtuosity in performance, no attempt to impress. The only thing that motivated the authors seemed to be the desire to find something out. The journal, *Public Choice*, gave them its Outstanding Paper Award.

The book, *Freakonomics*, tells some great stories in a pleasantly readable style. Let me give you a sampling of some of these stories.

Leavitt, in watching sumo wrestling tournaments on television, somehow got the idea that these tournaments were rigged. He felt motivated to test this hunch in a more rigorous way, and to do so he collected data on all top level sumo matches over an 11 year period, a total of 32,000 bouts. But, if sumo matches are rigged, how do you prove it?

He began by reasoning through the incentives faced by the wrestlers. Sumo is high art wrestling and the top ranked wrestlers are treated like superstars and may make millions of dollars each year. Falling from the top ranked group would be like an American major league baseball player dropping down to the minors. The rankings are determined by one's record in the special tournaments: If you finish 15 bouts in such a tournament with a winning record, you move up in the rankings; otherwise, you move down. If you are low in the rankings already, moving down could be disastrous. Leavitt therefore reasoned that a low ranking wrestler going into the last bout of a tournament holding a 7-7 record, was "on the bubble", that is, he desperately needed to win the last one. Since top sumo wrestlers live together and socialize together, a wrestler going into the final bout with a securely winning record, say for example that he was already 9-5 in the tournament, might sympathize with an opponent colleague on the bubble and throw the bout. This gave Leavitt the focus he needed. If 7-7 wrestlers tended to win their final bout more often than predicted by previous experience, then this would point to cheating, a tougher wrestler throwing the bout to do his buddy a favor. Leavitt pored through the data to see how each pair of wrestlers had performed against each other in non-bubble

bouts. This table summarizes the result that told Leavitt he was on the right track:

7-7 Wrestler's Predicted Win Percentage Against their 9-5 Opponent	7-7 Wrestler's Actual Win Percentage Against 9-5 Opponent
47.2	73.4

You may recognize that so far Leavitt has only discovered an intriguing twist in the data and that the result is merely suggestive. For example, if you were fighting to show that you belong in the top sumo wrestler's group, wouldn't you fight harder than you ever have against this opponent? In fact, Leavitt's reputation lies not merely in the clever insights, but it depends on the thoroughness with which he pursues possible alternative explanations for the results. Even the book, *Freakonomics* is but an introduction to how he proceeds, but I will leave it to the book to introduce that part of the story.

Leavitt's off-beat interests and willingness to ignore the "conventional wisdom" led him to investigate crime in novel but realistic ways. One of the chapters I found especially interesting was about his study of the economic structure of Chicago drug dealer gangs entitled "Why Do Drug Dealers Still Live with Their Moms?" Typical of Leavitt, a thorough and unusual new data set forms the first order of business. For this, he teamed up with a recent graduate in sociology from the University of Chicago, named Sudhir Venkatesh, "Sid". Sid's advisor on his dissertation had sent him into the ghetto tenements with a clipboard to interview drug dealers and work his way up to the kingpin. Although the book is about Leavitt, the story about how Sid acquired his unique data is an extraordinarily interesting diversion. What must have been going through this young Indian's mind when he first approached that hornet's nest?

Venkatesh, who is a thoughtful, handsome, and well-built but not aberrationally brave person, had made his way up

to the sixth floor, trying to find someone willing to take his survey. Suddenly, on the stairwell landing, he startled a group of teenagers shooting dice. They turned out to be a gang of junior-level crack dealers who operated out of the building, and they were not happy to see him.

“I’m a student at the University of Chicago,” Venkatesh sputtered, sticking to his survey script, “and I am administering—” (p. 94)

You will have to imagine how the drug dealers responded, because it was unprintable. Surprisingly, in the story that follows, Venkatesh not only comes out with his life, but he becomes an accepted presence among the dealers and works his way up to the local overall boss man, “J.T.” A unique data set was born in this way, it includes detailed accounts numbers, costs, revenues, social structure and so on. As a layman to this subject, my biggest surprise was how small the net profit per month was and how big a share of this went to J.T. alone. The men on the street make so little money that they often need to take on part time jobs just to make ends meet. If it wasn’t for the “prestige”, it would hardly be worth it. Of course, you can always save on rent money by living with your mom.

Clearly, Leavitt enjoys being outrageous when he is sure he is right. Consider this comment about swimming pools versus guns and his implicit advice to parents:

The problem is that [parents] are often scared of the wrong things . . . Consider the parent of an eight-year-old girl named, say, Molly. Her two best friends, Amy and Imani, each live nearby. Molly’s parents know that Amy’s parents keep a gun in their house, so they have forbidden Molly to play there. Instead, Molly spends a lot of time at Imani’s house, which has a swimming pool in the backyard. Molly’s parents feel good about having made such a smart choice to protect their daughter. But according to the data, their choice isn’t smart at all. In a given year, there is one drowning of a child for every 11,000 residential pools . . . Meanwhile, there is 1 child killed by a gun for every 1 million-plus guns. (p. 149)

As he summarizes: “Swimming pools are 100 times more likely to kill a child than a gun is (p. 150).” Yet, here as typically, Leavitt just colorfully reports the data as he believes they are. He is not a gun advocate per se, in fact, one of the nation’s leading gun advocates, John Lott, has notoriously and repeatedly attacked Leavitt in cyberspace blogs.

I wouldn’t want to spoil it by telling you everything in this book, but even though it has just 242 pages, each chapter contains so many ideas and twists that it would be impossible to tell it all. Let me instead provide a taste of two of the hottest and most controversial chapters. For example, try the chapter “Where Have All the Criminals Gone?”

Leavitt was able to show that the decline in criminality in the ‘90s is correlated with the demographics of abortion. This could mean that when abortion became available it was applied disproportionately by single mothers in low income classes and poor neighborhoods. He could show that young men with criminal behaviors come disproportionately out of such life conditions. Later, twenty years after the onset of legalized abortion, the reduced prevalence of those demographics may have been the cause of reduced crime. You can see why Leavitt got in trouble with his readers on this one. For strong abortion opponents, abortion itself is much like a crime, was he advocating his result? Yet others accused him of racism. Closer examination of his work, however, reveals that race plays no explicit or necessary part of his theory. You may have heard of this controversy. This book gives you the inside story from Leavitt’s side.

“What Makes a Perfect Parent?” challenges everything we have heard about rearing children. Since this issue involves fatherhood, it is fitting that I explain that Leavitt’s parental feeling runs deep. The worst of it is that one of his youngest children died recently. Colleagues at the University of Chicago made themselves available to him in any way they could. Leavitt has said that he didn’t realize how much his colleagues cared about him and his family until this happened. Leavitt is

in the process of adopting more children. What does a dedicated father find to be the key to good parenting?

As always his search for answers involved an unusually large database, this time covering much of the city of Chicago. Reported parental behaviors and characteristics of the adult subjects were traced to outcomes of their children at intellectual skills, especially reading, later in school. Again, his results are surprising. He finds that it matters little what parenting philosophy you have nor how you treat your children (within bounds) nor what you say. What matters seems to be *who you are*. For example, if you have lots of books around the house, reveal to your children by your behavior that education means a great deal to you, use your education in your work, then it matters little whether you are a single mother, married couple, same sex couple, black, white, rich or poor. The chances of your child becoming an avid reader are pretty good.

I leave the rest of the book to you, with one exception. I can't resist giving you a slice of the last chapter entitled "Would a Roshanda by Any Other Name Smell as Sweet?"

Many years ago someone told me that what we call "that thing in our living rooms" discriminates between people by income class: Is it a "davenport", a "sofa", or a "couch"? Now Leavitt finds that birth names discriminate between people by both income class and race. That is, a person's birth name can be applied statistically to help to predict his or her income class and race. Leavitt wondered further whether the name you give your baby tends to set that child off in a certain direction in life. Is your birth name your destiny?

In typical style, he begins by acquiring as a partner a brilliant black economist named Roland Fryer and access to an extraordinarily substantial California data set containing records on over sixteen million births. You can easily imagine both of them sifting through these data, probably line by line, as well as gathering in all the lore they could find about names and economic consequences.

The sifting produced, as a side effect, some wonderful stories. A man in New York, Robert Lane, named his firstborn

son, “Winner”. How could a kid with a name like that not succeed? But, Lane later named his last child, also a son, “Loser,” the reasons for which may never be understood. But, by now you are expecting the unexpected. What else? Loser went on to become an upstanding member of the New York Police Department, eventually being promoted to sergeant. His colleagues call him “Lou.” In contrast, “the most noteworthy achievement of Winner Lane . . . is the sheer length of his criminal record.” (p. 180)

At other times, a name might almost seem to demand its destiny. One mother named her daughter “Temptress,” she had misheard the name of the actress Tempestt Bledsoe of the popular *Cosby Show*. At the time of this child’s naming, the mother reportedly did not know what the word “temptress” meant. Did this unhappy choice of name steer her daughter’s life in the wrong direction? All we know is that Temptress was later charged in court with “ungovernable behavior”, which included bringing men into the house while her mother was at work.

A risk understood by Fryer and Leavitt was that black names are often distinctively different from white names, yet black people’s incomes are discretely below those of whites. This raises the question: Does giving your child a distinctively black name handicap your child in the economic marketplace or even in the academic marketplace? The California data were able to answer this question. By controlling for race, gender and several other factors, and by following pairs of people through time, the authors found that mere names have no effect.

For example, your name being “Roshanda” means more than that you have a distinctively black name, it also means in today’s reality that there is a greater chance that you came from a poor neighborhood, from parents with less than average education and so on. By sorting out these factors, the authors in effect were able to compare a “Roshanda” from such a neighborhood with a “Katherine” from similar circumstances. Doing this for thousands of pairs they came to reason that chil-

dren's names signal mainly the parents' own expectations of how successful their children will be. "The name [itself] isn't likely to make a shard of difference." (p. 204)

After reading *Freakonomics*, one of Leavitt's academic papers, and several news stories about him, I find him to be one of the most delightful academic heroes to come along. Certainly, he is superbly creative, but his creative ideas all seem accessible, they don't exclude you into a humbling perplexity, instead you feel like saying: "Yep, now that's a good idea right there." For the final word, however, I yield to a much better expert on Leavitt's work than myself. Here is what Colin F. Cramer, an economist at the California Institute of Technology, says about Leavitt:

He represents something that everyone thinks they will be when they go to graduate school in econ but usually they have the creative spark bored out of them by endless math—namely, a kind of intellectual detective trying to figure stuff out. (NYT, Aug 3, 2003)