FREAKONOMICS

'A phenomenon'
OBSERVER

'Brilliant'
SUNDAY TELEGRAPH

'Non-stop fun'
EVENING STANDARD

WITH NEW MATERIAL

A Rogue Economist Explores the Hidden Side of Everything

STEVEN D. LEVITT & STEPHEN J. DUBNER

Economie, psychologie, sociologie, gedragsbiologie: de menswetenschappen kruipen steeds meer naar elkaar toe. De prikkels die tot menselijk gedrag leiden, hebben ze tot onderwerp. Dit boek denkt vanuit de economie en is vrolijk kritisch en inventief over het achterhalen en voorspellen van menselijk gedrag. Ook alweer tien jaar oud, maar nog steeds actueel, al helemaal sinds het verschijnen van deel 2: Superfreakonomics.

Steven D. Levitt & Stephen J. Dubner, *Freakonomics*
A rogue Economist explores the hidden side of everything 2005

Data show it is true that a candidate who spends more money in a campaign usually wins.
But is money the *cause* of the victory? p8
It helps to consider the incentives in play in campaign finance. (...)
Chances are you will give your money in one of two situations:
A close race in which you think your money will influence the outcome. Or a campaign in
which one candidate is a sure winner and you wish to bask in reflected glory or receiver
some future in-kind consideration. The one candidate you won't contribute to is the sure
loser. p9

Morality represents the way we would like the world to work, economics represents how it
actually does work. p11

Incentives are the cornerstone of modern life.
And understanding them - or, often, ferreting them out- is the key to solving just about any
riddle, from violent crime to sports cheating to online dating.

The conventional wisdom is often wrong.
Crime didn't keep soaring in the 1990's, money alone doesn't win elections, and drinking
eight glasses of water a day has never actually been shown to do a thing for your health.
Conventional wisdom is often shoddily formed and devilishly difficult to see through, but it
can be done.

Dramatic effects have distant, even subtle causes.
The answer to a given riddle is often not in front of you. Norma McCorvey had a far greater
impact on crime than did the combined forces of gun control, a strong economy and
innovative police strategies.

Experts use their information advantage to serve their own agenda.
Knowing what to measure and how to measure it makes a complicated world much less so.
The information asymmetry. However they can be beat at their own game. And in the face of
the Internet, their informative advantage is shrinking every day - as evidenced by the falling
price of coffins and life-insurance premiums.

Knowing what to measure and how to measure it makes a complicated world much less so.
If you learn to look at data in the right way. Because there is nothing like the sheer power of
numbers to scrub away layers of confusion and contradiction. p12

After a fine was installed for parents who picked their child up too late, the number of late
pickups promptly went....up. p16

(The bagel man) believes that employees further up the corporate ladder cheat more than
those below. p49

'At last there had sprung into existence a great Ku Klux Klan, a veritable empire of the
Southern country' Woodrow Wilson. p52

There are fewer incentives more powerful than the fear for random violence- that's why
terrorism is so effective. p58

They were also richer, taller, skinnier and better-looking than the average. that at least is what they wrote about themselves. More than 4 % of the online daters claim to earn more than $ 200.000 a year, whereas fewer than 1% of typical Internet users earn that much. Twenty-eight percent of the women on the site claimed they were blond, a number far beyond the national average, which indicates a sort of dying, or lying, or both. p78

A man who does not include his photo gets only 60% of the volume of email response of a man who does.
A woman who doesn't include her photo gets only 24% as much.
56% of the men who post ads don't receive even one email.
21% of the women don't get a single response. p80

..police in Atlanta were radically underreporting crime since the early 1990's. The practice apparently began when Atlanta was working to land the Olympics. p88

So if crack dealing is the most dangerous job in America and if the salary was only $3.30 an hour, why on earth would anyone take such a job?
Well, for the same reason that a pretty Wisconsin farm girl moves to Hollywood. For the same reason that a high-school quarterback wakes up at 5 a.m. to lift weights. They all want to succeed in an extremely competitive field in which, if you reach the top, you are paid a fortune. p102

The problem with crack dealing is the same as in every other glamour profession. A lot of people are competing for very few prices. ...like everyone else, criminals respond to incentives. So if the price is big enough... people wanting to sell crack vastly outnumbered the available street corners.
When there are a number of people willing and able to do a job, that job generally doesn't pay well. This is one of four meaningful factors that determine wage. The others are the specialized skills a job requires, the unpleasantness of a job and the demand for services that the job fulfills.
The delicate balance between these factors help explain why the typical prostitute earns more than the typical architect. The architect may appear more skilled and better educated, but little girls don't grow up dreaming of becoming a prostitute, so the supply of potential prostitutes is relatively small.
p103

Drive by shootings became a daily event. For a foot soldier -the gangs man on the street- this development was particularly dangerous. The nature of his business demanded that costumers be able to find him easily and quickly: if he hid from the other gang he couldn't sell crack p104

In 1939 when Dupont introduced nylons, countless American women felt if a miracle had been performed. Until then, stockings were made of silk, and silk was delicate, expensive and ever in shorter supply.
Dupont had pulled off the feat that every marketeer dreams of: it brought *class to the masses*. In this regard the invention of nylon stockings was markedly similar to the invention of crack cocaine. p107

A academic study called 'On Behalf of a Moratorium on Prison Construction' noted that crime rates tend to be high when imprisonment rates are high, and concluded that crime would fall if imprisonment rates could only be lowered.
The Moratorium argument rests on a fundamental confusion of correlation and causality. Consider a parallel argument. The mayor of a city sees that his citizens celebrate wildly when

their team wins the World Series. He fails to see the direction in which the correlation runs. So the following year the mayor decrees that his citizens celebrate the World Series before the first pitch is thrown. p121

..the broken window theory, which was conceived by the criminologists James Wilson and George Kelling. It argues: that minor nuisances, if left unchecked, turn into major nuisances: that is, if someone breaks a window and sees it isn't fixed immediately, he gets the signal that it's alright to break the rest of the windows. and maybe set the building afire too.
So with murder raging all around, Bill Braton's cops began to police the sort of deeds that got used to go un-policed: jumping a subway turnstile, panhandling top aggressively, urinating in the streets, swabbing a filthy squeegee across a car's windshield unless the driver makes an appropriate 'donation'. p127

Most damaging to the claim that the police innovations radically lowered crime is one simple and often overlooked fact: crime went down everywhere during the 1990's. p127

A famous gun control law is the Bardy Act, passed in 1993 which required a criminal check and a waiting period before a person can purchase a handgun. p131
The Brady Act had proven to be practically impotent in lowering crime. A study of imprisoned felons showed that even before the Brady Act, only one-fifth of the criminals had bought their guns through a licensed dealer. p131
Another staple of 1990's crime fighting is the gun buy back. You remember the image: a menacing, glistering heap of firearms surrounded by the mayor, the police chief, the neighborhood activists.
The likelihood that a particular gun was used to kill someone is 1 in 10000. The typical gun buy back yields fewer than 1000 guns, which translates into an expectation of less than one-tenth of one homicide per buyback. p132

The legalization of abortion in the US had a myriad of consequences. Infanticide dropped dramatically. So did shotgun marriages, as well as the number of babies put up for adoption (which had led to the boom of adoption of foreign baby's). p139

The likeliest objection is the most straightforward one: is the theory true? Perhaps abortion and crime are merely correlated and not causal.
We have evolved with a tendency to link causality to things we can see and feel, not to some distant or difficult phenomenon. We believe especially in near-term causes: a snake bites your friend, he screams with pain, and he dies. The snakebite, you conclude, must have killed him. Most of the time, such reckoning is correct. But when it comes to cause and effect, there is often a trap in such open-and-shit thinking. We smirk now we think of ancient cultures that embraced faulty causes -the warriors who believed that it was their raping of a virgin that brought them victory on the battlefield.
One way to test the effect of abortion on crime would be to measure crime data in the five states where abortion was made legal before Supreme Court extended abortion rights to the rest of the country. In New York, California, Washington, Alaska and Hawaii, a woman had been able to obtain a legal abortion from at least two years before Roe versus Wade. And indeed, those early legalizing states saw crime rates begin to fall earlier than the other forty-five states.
But what if those early legalizers simple got lucky? What else we might look for in the data to establish an abortion-crime link? p140

How can this type of data be made to tell a reliable story? p163

By subjecting it to the economist favorite trick: Regression Analysis (...) It's a powerful -if limited- tool that uses statistical techniques to identify otherwise elusive correlations. Correlation is nothing more than a statistical term that indicates whether two variables move together. It tends to be cold outside when it snows: those two factors are positively correlated. Sunshine and rain, meanwhile, are negatively correlated. Easy enough, as long as there are only a couple of variables. But with a couple of hundred variables, things get harder. Regression analysis is a tool that enables a economist to sort out these huge piles of data. It does so by artificially holding constant every variable except the two he wishes to focus on, and then showing how those two co-vary. (...)

In the case of the ECLS data it might help to think of regression analysis as performing the following task: converting *each* of those twenty thousand schoolchildren into a sort of circuit board with an identical number of switches. Each switch represents a single category of the child's data. his first-grade math score, his third grade math score, his first-grade reading score his third-grade reading score, his mother's education level, his father's income, the number of books in his home, the relative affluence of his neighborhood and so on.

A researcher can line up all the children who share many characteristics - all the circuit boards switches flipped in the same direction -and then pinpoint the simple characteristic they don't share. This is how he isolates the true impact of that single switch becomes manifest.

Does having a lot of books in your home lead your child to do well at school? (cause)
Does a child with a lot of books in his hoe tend to do better than a child with no books? (correlation)

A regression analysis can prove demonstrate correlation, but it can't prove cause. After all there are several ways in which the two variables can be correlated. X can cause Y. Y can cause X. Or it may be that some other factor is causing both X and Y. A regression analysis cab't tell you whether it snows because it is cold, whether it's cold because it snows, or if the two just happen to go together.

The ECLS data show that a child with a lot of books in his home tends do test higher than a child with no books. So those factors are correlated, and that's nice to know, Nut higher test scores are correlated with any other factors as well. If you simple measure children with a lot of books against children with no books , the answer may not be very meaningful. Perhaps the number of books merely indicates how much money his parents make. What we rally want to do is measure two children who are alike in every way except one -in this case then number of books in their homes- and see if that factor makes a difference in school performance.

It should be said that regression analysis is more art than science. p165

The belief of parental power is manifest in the first official act a parent commits: giving the baby a name. Many parents seem to belief that a child cannot prosper unless it is hitched to the right name; names are seen to carry great esthetic or even predictive powers.

That might explain why in 1958 a New York City man named Robert Lane decided to call his baby son Winner. Winner Lane, who could fail with a name like that?

Three years later the Lanes had another baby boy, their seventh and last child. For reason that no one can quite pin down today, Robert decided to name this boy Loser. (...)

If Winner Lane hardly could be expected to fail, could Loser Lane possible succeed?

Loser Lane did in fact succeed. He went to prep school an a scholarship, graduated from Lafayette College Pennsylvania, and joined the New York Police Department (his mother's longtime wish) where he made detective and eventually, sergeant. Although he never hid his name, many people were uncomfortable using it. 'So I have a bunch of names', he says today, 'from Jimmy to James to whatever they want to call you. Timmy. But they rarely call you Loser. 'Once in a while', he says, 'they throw a French twist on it: Losier'.

And what with his brother with the can't miss name. The most noteworthy achievement of Winner Lane, now in his mid-forties, is the sheer length of his criminal record: nearly three

dozen arrests for burglary, domestic violence, trespassing, resisting arrest and other mayhem. p181

The data show the black-white gap to be a recent phenomenon. Until the early 1970s, there was a great overlap between black and white names. The typical baby girl born in an black neighborhood in 1970 was given a name that was twice as common among blacks as whites. By 1980 she received a name that was twenty times more common among blacks. p185
(...) Of the 626 baby girls named Precious, 431 were black. Of the 318 Shanices, 310 were black.
What kind of parent is most likely to give a child a distinctively black name? The data offer a clear answer: an unmarried, low-income, undereducated teenage mother from a black neighborhood who has a distinctively black name herself. in Fryer's view, giving the cild a super black name is a black parent's signal of solidarity with the community. "If I start naming my kid Madison'' he says, "you might think: 'Oh, you want to live across the railroad tracks, don't you?'" If black kids who study calculus and ballet are thought to be 'acting white', Fryer says, then mothers who call their babies Shanice are simply acting black. p187

The implication is that black sounding names carry an economic penalty. p189

The clerks in the New York City's civil court recently reported that name changes are at an all-time high. p190