

Book Review

Levitt, Steven D., and Stephen J. Dubner, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, Harper Collins Publishers, New York, NY, 2005, pp 356, Price: Hardback \$ 27.95.

Ever wondered why drug dealers still live with their mothers? Why the United States' crime rate plummeted to new lows in the 90s? Why did the racist hate group the Ku Klux Klan (KKK) falter as an organized unit in America? What do school teachers and sumo wrestlers have in common? "Why" is something Steven D. Levitt does not cease to question. Levitt along with his amanuensis, Stephen Dubner has written a classic titled, *Freakonomics*.

His is a simple two pronged formula: Fielding questions few people dare to ask, followed by mountains of data and rigorous statistical analysis which seem second nature to even those who consider economics a 'dismal science'. The book deals with economics at the street level and with popular culture. Deceptively easy to read, its style so lucid and succinct, its tone so humorous, that it is hard to realize that this book attacks some basic assumptions in life, and in turn raises eyebrows.

Levitt graduated from Harvard in 1989 *summa cum laude* and received a Ph.D. in economics from MIT in 1994. Now a chaired professor at the University of Chicago, he recently won the John Bates Clark medal, which is awarded every two years to America's most promising economist under the age of 40, and is often considered a precursor of a potential Nobel laureate. Levitt says that he still can't understand why he won the medal. "I was always puzzled by that. I really was. I've always thought of myself as a kind of a freak, of a dilettante, operating at the fringes of the profession."

The entire purpose of *Freakonomics* is to reveal counterintuitive and often disturbing truths. Levitt puts forward a true picture of the world, and does not care what we want to see in that picture. Imparting truth throughout the book, the economist goes on to propound that people respond to economic incentives, which is fairly rational, and that incentives predict human behavior. Both Levitt and Dubner go against the one-dimensional theory, so near and dear to purist economists and orthodox

social scientists alike – that profit maximization is the sole motivating factor for humankind.

Giving the concept of incentives a rather out-of-the-ordinary tinge, the authors observe that in cities with high murder rates, having more police officers does not mean that the officers are causing murders. This leads us to further, less intuitive examples. For instance, the presence of books in a household seems to be an effect of educated and motivated parents, and thus a good predictor of how their children will perform in school. Steven Levitt has something else in store for you: the presence of books he concludes is not a cause; therefore, asking your child to read will not necessarily enhance his/her test score.

The authors show the precariousness of the drug trade by pointing out that the fatality rate for street dealers is greater than that of inmates on death row in Texas. They also demonstrate the power of information, and pay tribute to the internet which has eroded the pricing power of realtors and automobile dealers alike. They relate this quality of the internet to the Ku Klux Klan's demise, which was brought about by an infiltrator who broadcast the group's secrets, thus making information easy-to-get.

Levitt not only crusades against conventional wisdom, he violates expert wisdom as well, and at times makes our common sense seem nonsense. Levitt and Dubner try to demolish the common misperception that money leads to success in politics by arguing that, in fact, success attracts money, and not the other way round. They say that when big-spending politicians run for re-election against repeat opponents, the results usually reflect those of the previous election. As evidence he puts forward Thomas Golisano as an example who has spent \$93 million in trying to become Governor of New York, but has never captured more than 14 percent of the vote.

There is yet another surprise: Swimming pools are much more dangerous to children than guns! In the United States, 175 children under 10 got shot and killed each year, whereas around 550 children under 10 drown in their parent's pool every year, which accounts for one child drowned for 11,000 homes with a pool (there are a lot of residential swimming pools in the US).

If there is a flaw, it is the awkward co-authorship of the book and the profuse promotion of Levitt throughout much of the text. The book tilts heavily on the article written by Levitt, and every chapter starts with an

italicized excerpt from the article, which often raises Levitt to an exalted status.

This book is not a political or moral philippic. Nor does it ask the same questions that your professor at college would ask. But caution: Readers might start viewing the world with much more skepticism than before.

**Lahore School of Economics
Lahore**

Sohaib Shahid