



Featured Book Review

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Things Aren't Quite What They Seem

How to Think and Explore the World Like a Renegade Economist

by Chris Lauer

Exploring the interconnected nature of reality through hard data might offer many surprises, but real stories about real people give us solid points to ponder about ourselves. Combining these two methods of observation — data and stories — into a single view of our lives answers numerous questions while providing us with a better perspective on our world and helping us understand what we see when we open our eyes a little wider.

Freakonomics helps us unearth the subtle facts that converge to create larger concepts, events and phenomena in our lives, as well as the personal stories that create them. It also shows us how we can use the tools of the economist, such as “regression analysis” and the LexisNexis database, to shape these elements into a more coherent perspective on the society in which we live.

Discovering the Details

In *Freakonomics*, renowned economist Steven D. Levitt and journalist Stephen J. Dubner ask many valid questions about the world around us, and go about “stripping a layer or two from the surface of modern life and seeing what is happening underneath.” As an economist who finds great pleasure in discovering the details that have been missed by others, Levitt seeks out the answers found in the data, as well as the patterns in that data, which can only be revealed when the proper questions are asked (outside of the realm of moral posturing and conventional wisdom).

For example, why did the average price paid for term life insurance fall dramatically in the late 1990s? The authors point out that the Internet allowed customers to instantaneously find the cheapest policy, saving them \$1 billion per year. What did

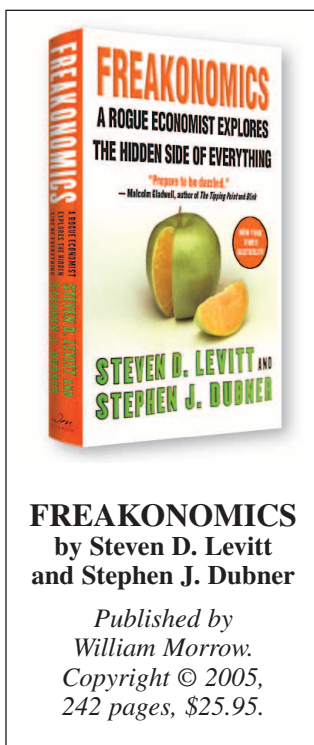
crack cocaine have in common with nylon stockings? They explain that both things made a previously expensive product available to the masses. How much do parents really matter? The authors conclude that parents matter a great deal in some ways, and not at all in others, and provide the specific details and studies that help us understand many of those ways.

The authors explain that *Freakonomics* is based on the following five fundamentals:

- 1. Incentives form the cornerstone of modern life.**
- 2. Conventional wisdom is usually faulty.**
- 3. Dramatic effects can often be traced to distant, subtle causes.**
- 4. The people who call themselves experts use the advantage of their information to serve their own personal interests.**
- 5. We can reduce the complexity of our world by understanding what we should measure and how we can measure it.**

Freakonomics has become a runaway bestseller due to many factors. On a superficial level, *Freakonomics* is the most compelling name a book on economics has ever had. The word *freak*

added to the word *economics* is a clever play on words — an enticing moniker that is both fun to repeat and instantly recognizable as a concept worthy of closer inspection. To further the intrigue, the book also bears an appealing graphic of an apple that upon deeper inspection reveals the pulpy interior of an orange under its green, shiny skin — a perfect image to represent the secret worlds lurking beneath the book’s surface. This one-two combo punch of title and graphic makes it the best-looking business tome



FREAKONOMICS
by Steven D. Levitt
and Stephen J. Dubner

Published by
William Morrow.
Copyright © 2005,
242 pages, \$25.95.

“Moving up to the next level of storytelling and comprehension, the book expands the nitty-gritty details that help us comprehend more than the story of an economist on the cutting edge: We get facts and concepts that can help us live our lives, as well as understand more about the systems surrounding us.”

to hit the bookstores in years, perhaps ever. The bright orange spine and title also scream out for additional attention.

A Simple Guideline

But the inside of *Freakonomics* is what keeps the book at or near the top of many bestseller lists. Although it offers none of the usual seven strategies, five steps, six ways, and 10 things that often grace the pages of the usual business book, it does provide a simple guideline that blazes a trail through its contents. This unifying element unleashes its intent, and guides readers into its conclusions that are strong enough to invite reflection long after the book has been shelved. That guideline is made up of short excerpts from a magazine article that was written long before *Freakonomics* was a book.

Initially, journalist Stephen J. Dubner, wrote an extensive piece about the brilliant young economist Steven D. Levitt in the Aug. 3, 2003, edition of *The New York Times Magazine*. Dubner detailed the controversies surrounding Levitt’s work as an economist who is willing to put himself on the front lines of political debate. At the time, Levitt and a colleague were turning heads by questioning the connection between the *Roe v. Wade* abortion decision and the recent decline in the nation’s crime rate. Dubner also painted a personal profile of the economist that colored him as a lovable, absent-minded professor whose nerdy style, youth, and unique take on the world of economics set him apart from his contemporaries.

Conventional Wisdom Meets Statistical Analysis

Each chapter in *Freakonomics* begins with a snippet from that fateful piece in *The New York Times Magazine*. These excerpts provide a starting point from which the stories within the book take shape. Not only do we see the glossy prose of a masterful journalist turn the obsessions of a young economist into subject matter that is relevant to the average person, but we also get the deeper

inside scoop that was left out of the original article due to space restrictions.

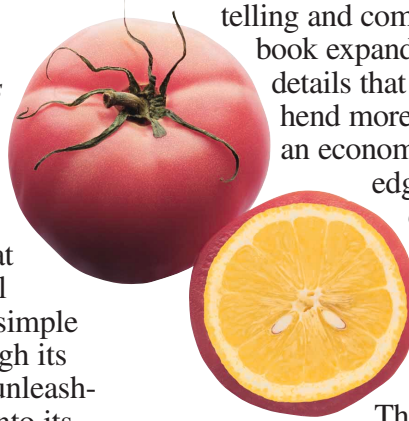
Moving up to the next level of storytelling and comprehension, the book expands the nitty-gritty details that help us comprehend more than the story of an economist on the cutting edge: We get facts and concepts that can help us live our lives, as well as understand more about the systems surrounding us.

These details are not just trivia for entertainment’s sake. Thanks to Levitt’s masterful ability to crunch the numbers past conventional wisdom down to a foundation of statistical facts, we learn that swimming pools are far more dangerous to children than the guns in their homes, that the management infrastructure of some crack-dealing gangs often resembles that of McDonald’s, and that an honor system for buying bagels works at least 87 percent of the time.

Controversy

Many of the points made in *Freakonomics* are controversial. These include claims that many sumo wrestlers cheat, the elderly and Hispanics are consistently discriminated against on *The Weakest Link* game show, and commissions motivate real-estate agents to sell homes at lower, not higher, prices. But Levitt’s controversial conclusion that legalized abortion has had a dramatic effect on reducing crime in the United States (and elsewhere) made national headlines when former Secretary of Education Bill Bennett said on his Sept. 28, 2005, “Morning in America” radio show: “It’s true that if you wanted to reduce crime . . . you could abort every black baby in this country, and your crime rate would go down.” The comments ignited a media firestorm of condemnation and defense. Bennett explained that he was simply extrapolating an idea that was written in *Freakonomics*.

But on the authors’ Web log two days



later, Levitt took issue with Bennett's twist on his work. Levitt writes that he and John Donohue, the co-writer on their academic paper that brought to light the abortion-crime connection, did not focus on race in their work. Levitt writes, "I mean it when I say that, from a purely fact-based and statistical perspective, race is not in any way central to our arguments about abortion and crime."

Freakonomics is a book that offers more than advice and tips: It provides deeper understanding of many professions and fundamental concepts by challenging faulty conventional wisdom at every turn. The people who can benefit from its statistical analysis include parents who may be doing too little or too much for their children, social activists looking for an edge, anyone interested in education reform, schoolteachers who want to learn how their cheating colleagues get caught, and fans of inner-city crime dramas who want to learn how real gangsters make their money. *Freakonomics* offers all readers the hidden facts buried within the stories they live and see dramatized every day, along with the numbers and statistics that can help them draw sense from the chaos.

Klansmen and Real-Estate Agents

For inquisitive people in the habit of asking random questions, Levitt is a mentor. He has asked some of the most outlandish questions ever conceived and found illumination in their answers. For example, when Levitt poses the question, "How is the Ku Klux Klan like a group of real-estate agents?" he isn't just throwing two concepts together to see how they clash. He is actually drawing the reader deep into the economist's world of hidden incentives and the power of exclusive information. By deciphering the codes used by both Ku Klux Klansmen and real-estate agents, the authors demonstrate how the right information in the right minds can both enlighten and empower.

At the onset of World War II, anti-bigotry activist Stetson Kennedy decoded the language of the Ku Klux Klan and helped to get its code words

inserted into the *Adventures of Superman* radio show. This converted the Klan's private communications into ammunition for mockery. By portraying Klansmen as Superman's foes who used a silly coded language to communicate with each other, Kennedy demystified the Klan's real secret code when it was broadcast to millions of listeners nationwide. The authors explain that removing the Klan's informational advantage reduced its ability to gather new members, deflating its power. Similarly, the authors offer readers the code words that real-estate agents use to sell their own homes, uncovering and sharing the information asymmetry they use to their own advantage.

Perfect Parents

In a compelling chapter called, "What Makes a Perfect Parent?" the authors delve into the connections between a child's personal circumstances and his or her performance at school, as well as our perceptions of those connections. Breaking down the data from a study undertaken by the U.S. Department of Education called the Early Childhood Longitudinal Study (ECLS), which measured the academic progress of more than 20,000 grammar-school children from across the country, Levitt uses the economist's tools to find out more about the art of parenting.

Levitt found eight factors that showed a strong correlation with the students' test scores, and eight factors that had no correlation. The factors that did affect test scores were no surprise, including the fact that the child has highly educated parents, the child's parents have high socioeconomic status, the child has many books at home, and the child's parents are involved in the PTA. But the eight factors that had no correlation to the children's test scores were the biggest surprises of all.

According to Levitt's analysis of the

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ECLS data, the fact that a child's family is intact had no correlation with his or her test scores. It also did not matter that the child's parents recently moved to a better neighborhood, nor did it matter if the child's mother did not work between the child's birth and kindergarten. Even more surprising, Levitt found that regularly taking your child to museums and reading to him or her nearly every day also had no effect on test scores. Likewise, frequently watching television had no negative effect on the child's test scores. What can parents learn from Levitt's insights? Basically, the conventional wisdom about the detrimental results of watching television is wrong. And, despite the best of intentions, the cultural cramming performed by doting parents will not bring up their child's test scores. Levitt explains that parents who are successful, well-educated and healthy usually have children who test well in school, but most child-rearing techniques are highly overrated.

The Heart of the Matter

Although *Freakonomics* has no traditional narrative running from beginning to end, it leaves readers with the overall feeling that they have stumbled on a treasure-trove of many concepts and facts that were once beyond their grasp. By justifying the use of strange questions to get at the heart of the matter, the authors expand their readers' minds by showing them how economists turn collections of facts into unusual theories, and then prove them by subjecting them to critical analysis. The authors admit that their book has no "unifying theme," but it does have a unifying element: the thought patterns of its economist protagonist, Steven Levitt. With Stephen Dubner's empathetic portrayal of Levitt's personal quirks (unfashionable eyewear, unkempt hair, etc.) and personal tragedy (the sudden loss of a young son), we can easily put ourselves in his shoes as a human, and just as easily find ourselves in his inquisitive, truth-seeking head. ■

Chris Lauer is senior editor for Soundview. He can be reached at clauer@summary.com.

The co-author: Steven D. Levitt teaches economics at the University of Chicago. He recently received the John Bates Clark Medal, awarded every two years to the best American economist under the age of 40.

Inside the Bestsellers: What Makes *Freakonomics* So Special?

Ever since its release on May 1, 2005, *Freakonomics* has been making waves on the nonfiction hardcover bestseller lists of the *New York Times*, Amazon, *Publisher's Weekly*, *BusinessWeek*, and many other media outlets. Although great books weave in and out of our perceptions on a daily basis, the unique books that make it to the bestseller charts are a privileged few.

About 200,000 books were published in 2005. Of those books, only a tiny percentage (about 0.2 percent) made it to the bestseller lists. According to Daisy Maryles from *Publisher's Weekly*, only 442 new adult trade titles made it onto *PW's* four weekly lists last year. In addition, she explains, 45 percent of those stayed on a list for less than one month.

Statistics such as these demonstrate the relevance of *Freakonomics's* success. Maryles points out that the combined stays of Malcolm Gladwell's *Blink*, Thomas L. Friedman's *The World Is Flat*, and *Freakonomics* on the 2005 charts took up almost 15 percent of the available weekly nonfiction hardcover positions on the bestseller charts: a distinguished reign indeed.

Freakonomics spent 35 weeks on *Publisher's Weekly's* hardcover nonfiction bestseller list, the fifth most popular book of the year on that list, topped only by two books that had a head start by being released before 2005. The only other 2005 books that stayed on the hardcover nonfiction bestseller list for a longer period of time are *Blink* and *The World Is Flat*, which were both published before *Freakonomics*.

The co-author: Stephen J. Dubner lives in New York City. He writes for the *New York Times* and *The New Yorker*, and is the national bestselling author of *Turbulent Souls* and *Confessions of a Hero-Worshiper*.

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