

Freak-Freakonomics

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When a million and a half Americans purchase a book within a year of its publication, when a book is translated into more than 30 languages, when Super-Freakonomics is already on the way (and I would not be surprised if a movie deal is in the works), the book must be an exemplary work or at least a cultural phenomenon. In any case, it is worth examining. And indeed, the book is enjoyable, witty and offers light reading. Much has been written about the secret of its success. It focuses on everyday issues. It touches upon crime, family, espionage, sport and even sex. It does not demand much of the reader. In my view, the secret of the book's success is its invitation to flirt with a revered genius. "The most brilliant young economist in America," (page ix) "acknowledged as a master of the simple, clever solution," (87) and "considered a demigod," (53) are some of the superlatives the book heaps upon its hero and principal author, Steve Levitt, a professor of economics at the University of Chicago.

Freakonomics is a collection of anecdotes and, as the authors note, has no central theme. Many of the anecdotes are taken from Steve Levitt's academic articles. The book gives expression to the economic worldview that sees people as "economic agents," responding to mainly material incentives (though in keeping with the new behavioral economic approach, the book also recognizes the existence of additional psychological motives). This worldview seeks a simple explanation for the behavior of human beings that is consistent with their aspirations to attain a goal, attributing high importance to money and status and low importance to moral values. All human beings are seen as economic agents, except for one group of angels looking down at the world from above: the economists.

Freakonomics lashes out at the entire world from the Olympus of economics. My response is an outline of "my new book" – Freak Freakonomics. In my ("brilliant...") book, I will borrow from the structure and text of Freakonomics. I will show that if one also looks upon economists, including Levitt, as economic agents, one can use the insights of Freakonomics to lash out against... economics.

Chapter 1: Is imperialism still alive?

Economists believe that they have a lot to contribute to any field – sociology, zoology or criminology. The academic imperialism of economics has something in common with political imperialism. Therefore, I will begin my chapter with a fascinating historical review where we will learn that imperialism stemmed from the perceived superiority of the conquering people over the conquered peoples, and that the role of the conqueror is to disseminate its lofty culture.

From here, I will move to describe Freakonomics as a typical work of academic imperialism. Feelings of superiority and deficiency have driven every empire and economics is no different. Levitt: "Economics is a science with excellent tools for gaining answers, but a serious shortage of interesting questions." (xi) Freakonomics makes statistical reasoning, which is used in all the sciences, look like a subdued colony of economics. Furthermore, Freakonomics expresses the aspiration to expand economics to encompass any question that requires the use of common sense.

Take, for example, Levitt's tales of the big city. The Chicago Municipality administers an annual test for schoolchildren. A suspicion arose that teachers, were "correcting" their students' answers before sending the tests to be checked. Levitt obtained the data from the municipality and developed a computer program that looks for classes with suspicious combinations of answers. For example, if all of the students in a particular class responded correctly to questions 7, 8 and 10, and erred on question 9, a suspicion arises that the teacher falsified the answers to four questions. (On question 9, the teacher either made a mistake himself or tried unsuccessfully to avoid raising suspicion.) In this way, Levitt discovered dozens of deceitful teachers. The IDF's intelligence units and credit card companies use similar algorithms. What have we learned about Levitt? He is a smart guy with connections in the municipality. What is the connection to economics? None.

Chapter 2: Why do economists earn more than mathematicians?

The chapter is inspired from Freakonomics' discussion of the question why "the typical prostitute earns more than the typical architect." (106) The comparison between architects and prostitutes can be applied to mathematicians and economists: The former are more skilled, highly educated and intelligent. Levitt has never encountered a girl who dreams of being a prostitute and I have never met a child who dreams of being an economist. Like prostitutes, the skill required of economists is "not necessarily 'specialized'" (106). And, finally, here is a new explanation for the salary gap between mathematicians and

economists: Many economists are hired to justify a viewpoint but I have never heard of mathematicians who proved a theorem to satisfy their masters.

Chapter 3: The return of four million missing children.

An amazing fact: "It was the night of April 15, 1987. Seven million American children suddenly disappeared." (25) It turns out that the requirement to fill in the social security number of each reported child when claiming a deduction on the parent's income tax form led to a reduction of seven million children. The corresponding increase in income tax revenue is estimated at \$3 billion a year (a huge sum, enough to finance about ten days of fighting in Iraq...)!

It is not surprising that some people invented children in order to receive income tax credits, and that these parents of fictitious children were deterred when they noticed that the tax authorities had stopped ignoring this. But is it conceivable that "one of every ten children" in the U.S. is only conceived by the pen of taxpayers? With some effort, I obtained the "exact" numbers. Two million children resurfaced immediately, because they never disappeared. From the start, the number of children drops by five million and not by seven million. To find some of the rest, you have to know that a child in the U.S. does not receive a social security number unless his parents request one. One can imagine that on the spring night when income tax forms were submitted, many parents realized that they had forgotten to visit the social security offices. Supportive evidence: Another two million children returned to the lists on April 15, 1988.

I did not check every fact in this fact-laden book, but this episode should lead the reader to ask the question that forms the title of the next chapter.

Chapter 4: Is every "fact" a fact?

The decisive tone of the book creates an impression that all of the facts in the book are carved in stone. Here's an observation in the book: "We accept ... that someone (usually an expert) knows more than someone else" (68) And another one: "If you were to assume that many experts use their information to your detriment, you'd be right. 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.” (70) Though Levitt is referring in this passage to cardiologists, why should the reader not exercise the same healthy skepticism toward the “facts” in his book as well?

Levitt is correct when he says: "Information asymmetries everywhere have in fact been mortally wounded by the Internet." (68) The curious reader can roam the Net and discover, for example, that there are some who harbor doubts regarding the (superfluous) story about the fellow who claimed to have defeated the Ku Klux Klan using a trivial tactic. It is also easy to find doubts raised about the validity of Levitt's two important studies (including the famous and surprising study in which Levitt (and Donahue) argued that the legalization of abortion in the 1970s had a drastic impact on the decline in crime in the U.S. in the 1990s). The two studies were the subject of critiques published in the same academic journals in which Levitt gained recognition. In response Levitt acknowledged "insignificant" errors. There is no trace of the criticism in the book.

Chapter 5: What do grocers and economists have in common?

The title of this chapter competes with "What Do Schoolteachers and Sumo Wrestlers Have in Common?" (19) The chapter will begin with the findings of the study I will conduct on my grocer's invoices. Eight out of fifty will be erroneous, including seven in the grocer's favor and one (with a trivial error) in my favor.

I do not agree with Levitt, who asks "Who cheats?" and responds: "Well, just about anyone, if the stakes are right" (24). My grocer is not a cheater. But grocers, like economists, make mistakes, even without being aware of them, with a tendency to favor their own interests. The grocer wages a struggle for survival against the big supermarket chains and hopes for a large bill. The economist struggles for his professional advancement and wants his findings to confirm his hypothesis. In economics, there is no tradition of checking data and repeating experiments. In the few cases in which I conducted experimental research, I myself felt the pressure not to search further at a stage in which the experimental results went in my favor and to check findings seven times when they appeared not to support the assumptions I was sure were correct. All this should convince me to place no greater faith in an economist's findings than in my grocer's tally.

Chapter 6: Do numbers lie?

"Teachers and criminals and real estate agents may lie, and politicians, and even CIA analysts. But numbers don't." (17) The reader wonders: "How can ... data be made to tell a reliable story?" (161) And Levitt responds: "By subjecting it to the economist's favorite trick: regression analysis. No, regression analysis is not some forgotten form of psychiatric treatment. It is a powerful – if limited – tool that uses statistical techniques to identify otherwise elusive correlations." (161) This is a curious statement in light of the fact that Levitt is aware of the problematic nature of statistical analysis, acknowledging: "I just don't know very much about the field of econometrics" (x) and in general thinks that "regression analysis is more art than science." (163). This is perhaps the central contradiction in the book: On one hand, a recognition of the limitations of statistics, and on the other hand, using it as a magician's box.

Chapter 7: Why does the "perfect prophet" make mistakes?

Not all of the observations in the book are original. For example, a lot of buyers and sellers of apartments are aware that real estate agents are interested in forging a deal and, therefore, persuade each side that the other side's offer is "a real bargain." You do not need to be as clever as Levitt to discern the "cyclicity of names" – a new name takes root among successful people, moves on from there to the masses and years after becomes so prevalent that "even lower-end parents may not want it, whereby it falls out of the rotation entirely." (202) The book forecasts that in 2015 Asher and Aviva will be common names in the United States. I believe that Levitt is wrong and that already in 2008 the country will be full of Ashers and Avivas, the offsprings of the millions of readers of the book. That is the way it is in the social sciences. We are not physicists: Our prophecies can (almost) be self-fulfilling.

Chapter 8: Will Steve Levitt be recruited for the Mossad?

I learned from the book that "The Central Intelligence Agency wanted to know how Levitt might use data to catch money launderers and terrorists." (xii) This reminded me of the effort of the American defense establishment in the 1950s to hire game theorists to develop Cold War strategy. The effort produced some studies in game theory and no real benefit to the Defense Department. Who knows, maybe Levitt, who exposed cheating teachers in Chicago, will succeed in catching terrorists through the databases of rental car companies. But if he does, it will not be due to his professional skill as an economist but due to his personal talent.

The FBI is caught up in the widespread confusion between professional knowledge and brilliance. There are many economists who are very intelligent and also have two legs on the ground. Assign one Levitt to advise the educational system in Chicago, the tax authorities in Washington or the Mossad in Tel Aviv, and he will produce many unexpected ideas. It is good for a tired organization to occasionally invite a Levitt to sit in on their brainstorming sessions. One good idea out of a hundred is worth the investment. But this has no connection to economics. An original and brilliant thinker like Levitt produces interesting ideas. The Israeli defense forces apparently understood this decades ago and hired Levitts in various consulting roles. They certainly bring more benefit there than at the guard post at Rachel's Tomb.

Afterword: Levitt writes: "The typical expert ... is prone to sound exceedingly sure of himself. An expert doesn't so much argue the various sides of an issue ... That's because an expert whose argument reeks of restraint or nuance often doesn't get much attention. An expert must be bold if he hopes to alchemize his homespun theory into conventional wisdom." (148) It is possible to suspect that this paragraph refers to Levitt: an expert, who is sure of himself, who presents a different view only to disprove it, and is brave enough to touch upon a subject like the right to abortion. But this paragraph is written in the book in disparagement of other experts (in "parental sciences").

Freakonomics aspires to "thinking sensibly about how people behave in the real world. All it requires is a novel way of looking, of discerning, of measuring. This isn't necessarily a difficult task, nor does it require super-sophisticated thinking." (205) The authors believe that "The most likely result of having read this book is a simple one: you may find yourself asking a lot of questions." (206)

I do not believe in magicians who know how to teach people to think, to feel and to invent. Levitt claims: "A long line of studies ... had already concluded that genes alone are responsible for perhaps 50 percent of a child's personality and abilities." (154). I dare to attribute (without research) 49% to the mother, father and kindergarten teacher. These numbers do not leave much room for Freakonomics.

And another afterword: Am I envious of Steve Levitt?

In the concluding chapter, I turn to introspection. There is no parallel chapter in *Freakonomics*. Perhaps I am a bit envious of Levitt? I like the fact that "he is unafraid of using personal observations and curiosities; he is also unafraid of anecdote and storytelling."(xi) I am impressed by the way he challenges conventions. *Freak-Freakonomics* will sell fewer copies but will "of course" be a better book...