

Freakonomics by Levitt and Dubner

Study Guide

Economics — Gensheimer/Maner

Themes and Fundamental Ideas

Although, as the authors note, there is no single unifying theme the book is built around, we have identified a number of concepts that recur throughout the book.

Positive vs. Normative Analysis

Many of the tales in *Freakonomics* are intended to challenge the prior beliefs (i.e., the conventional wisdom) of the reader. The conclusions derived from various investigations described in each chapter will often surprise you. They may even irritate your sensitivities. The investigations in these chapters, perhaps like no other quantitatively-oriented book, bring home the differences between looking at the world from the point of view of a moralist and the world view of a scientist. If morality represents the way that people would like the world to work, economics represents how it actually does work. According to the authors: “it is well and good to opine or theorize about a subject, as humankind is wont to do, but when moral posturing is replaced by an honest assessment of the data, the result is often a new, surprising insight.”



The Nature of Scientific Inquiry

Freakonomics provides new insights into the scientific process. The investigations in *Freakonomics* address economic and social issues that are frequently difficult, but not impossible, to quantify. The means of formulating testable hypotheses, the difficulties involved in gathering useful data and the utilization of those data are testaments to the discipline and creative mental processes of true scientific inquiry. *Freakonomics* provides concrete illustrations of how unconventional methods of data gathering and “stand-on-your-head” ways of looking at data are often necessary to make sense of the world. Knowing what to measure and how to measure it makes a complicated world less so. Incentives are the cornerstone of modern life. Indeed, incentives have been the cornerstone of human existence. Economics is the study of human behavior as it manifests itself in the sometimes foggy mist of incentives. An understanding of incentives is the key to clearly understanding any human behavior.

The conventional wisdom is often wrong

Freakonomics takes pleasure in using the powerful quantitative tools of economic inquiry to turn conventional wisdom on its head. The authors do not argue that conventional wisdom is always wrong, but they do conclude that the conventional wisdom that is used as an explanation for many social issues is unexamined, unquestioned and often not correct. Dramatic effects often have distant, even subtle, causes. As the authors state: “the answer to a given riddle is not always right in front of you.” Of course, positive economic inquiry and gathering and interpreting the data that are necessary to solve a sticky social riddle is often hard. But it is the hard part that makes it worthwhile! If it were easy, everyone would do it.

Note: There is a movie version of *Freakonomics*. The movie is NOT the same as the book. You cannot rely on the movie to answer these questions or to be prepared for the summary test in August.

Instructions: Once you have read and carefully studied each chapter you should be able to complete the following questions which, taken together, answer the fundamental question at the heart of each chapter.

Chapter 1 What Do Schoolteachers and Sumo Wrestlers Have in Common?

1. Explain how the imposition of a fine for tardy parents at a day care center may have altered the motivations of these parents.
2. What is an incentive? How does it relate to the study of economics?
3. What do the authors of Freakonomics conclude from an analysis of the Paul Feldman's bagel sales data? Do these conclusions match with economists' expectations of human behavior?

Chapter 2 How Is the Ku Klux Klan Like a Group of Real-Estate Agents?

1. Explain what is meant by the term "information asymmetries" and give examples of information asymmetries we encounter in everyday life.
2. Explain how such innovations as the Internet have affected the prevalence of information asymmetries.
3. According to the voting data from the Weakest Link, which two groups of people are most likely to be discriminated against in that setting? What type of discrimination is being practiced in each case? Explain.

Chapter 3 Why Do Drug Dealers Still Live with Their Moms?

1. Explain why challenging the "conventional wisdom" with regard to a sticky social issue may be difficult to do.
2. Explain how a "tournament" or "winner take all" labor market works. Why would a street-level drug dealer be willing to accept low pay and poor working conditions?
3. How did the invention of crack cocaine transform the urban street gang?

Chapter 4 Where Have All the Criminals Gone?

1. In economic terms, what was Nicolai Ceausescu's rationale for banning abortion in Romania, i.e., how did he see banning abortion befitting the Romanian economy?
2. What does the available evidence have to say about whether increased reliance on capital punishment is a viable explanation for the drop in crime in the 1990s?
3. Summarize the findings of economist John R. Lott Jr. regarding the relationship between "right-to-carry" gun laws and crime. Have other scholars been able to produce similar findings? What does this say about the reliability of Lott's findings?

Chapter 5 What Makes a Perfect Parent?

1. Why are parents more susceptible to "fearmongering" than other people?
2. Describe the difference between normative and positive analysis. What can you learn about the utility of this distinction from this chapter on perfect parenting?
3. According to the data developed from the ECLS, what is more important regarding a child's success on standardized tests: what a parent does for a child or what a parent is? In your opinion, what might be an explanation for such a strange conclusion?

Chapter 6 Perfect Parenting, Part II; or: Would a Roshanda by Any Other Name Smell as Sweet?

1. What do the experiences of Winner Lane, Loser Lane, and Temptress tell us about the likely relationship between a child's name and his/her prospects for success in life? Are these examples sufficient for us to draw any definitive conclusions? Why or why not?
2. Is a low-income parent more likely to choose the name of a celebrity or the child of an upper-income family for his/her own child. Why?
3. According to the California names data, what are many parents trying to signal when they choose a particular name for their child?