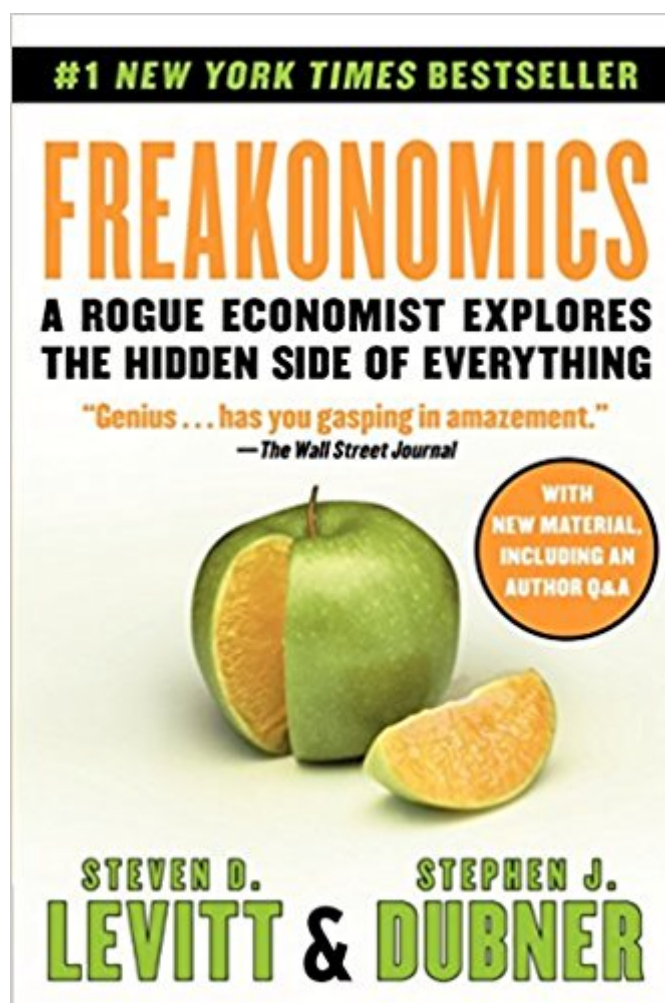


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Freakonomics: A Rogue Economist Explores The Hidden Side Of Everything



Synopsis

Which is more dangerous, a gun or a swimming pool? What do schoolteachers and sumo wrestlers have in common? How much do parents really matter? These may not sound like typical questions for an economist to ask. But Steven D. Levitt is not a typical economist. He studies the riddles of everyday life—from cheating and crime to parenting and sports—and reaches conclusions that turn conventional wisdom on its head. *Freakonomics* is a groundbreaking collaboration between Levitt and Stephen J. Dubner, an award-winning author and journalist. They set out to explore the inner workings of a crack gang, the truth about real estate agents, the secrets of the Ku Klux Klan, and much more. Through forceful storytelling and wry insight, they show that economics is, at root, the study of incentives—how people get what they want or need, especially when other people want or need the same thing.

Book Information

Paperback: 315 pages

Publisher: William Morrow Paperbacks; 1 Original edition (August 25, 2009)

Language: English

ISBN-10: 0060731338

ISBN-13: 978-0060731335

Product Dimensions: 5.3 x 0.8 x 8 inches

Shipping Weight: 1.1 pounds (View shipping rates and policies)

Average Customer Review: 4.4 out of 5 stars 3,268 customer reviews

Best Sellers Rank: #730 in Books (See Top 100 in Books) #1 in [Books > Business & Money > Economics > Theory](#) #6 in [Books > Humor & Entertainment > Pop Culture > General](#) #36 in [Books > Politics & Social Sciences > Sociology](#)

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“If Indiana Jones were an economist, he’d be Steven Levitt” | Criticizing *Freakonomics* would be like criticizing a hot fudge sundae. (Wall Street Journal) “Provocative | eye-popping.” (New York Times Book Review: Inside the List) “The guy is interesting!” (Washington Post Book World) “The funkiest study of statistical mechanics ever by a world-renowned economist... Eye-opening and sometimes eye-popping.” (Entertainment Weekly) “Steven Levitt has the most interesting mind in America... Prepare to be dazzled.” (Malcolm Gladwell, author of *Blink* and *The Tipping Point*) “Principles of economics are used to examine daily life in this fun read.”

(People: Great Reads) “Levitt dissects complex real-world phenomena, e.g. baby-naming patterns and Sumo wrestling, with an economist’s laser.” (San Diego Union-Tribune) “Levitt is a number cruncher extraordinaire.” (Philadelphia Daily News) “Levitt is one of the most notorious economists of our age.” (Financial Times) “Hard to resist.” (Publishers Weekly (starred review)) “Freakonomics is politically incorrect in the best, most essential way.... This is bracing fun of the highest order.” (Kurt Andersen, host of public radio’s Studio 360 and author of Turn of the Century) “Freakonomics was the best book of 2005.” (Fort Worth Star-Telegram) “An eye-opening, and most interesting, approach to the world.” (Kirkus Reviews) “An unconventional economist defies conventional wisdom.” (Associated Press) “A showcase for Levitt’s intriguing explorations into a number of disparate topics. There’s plenty of fun to be had.” (Salon.com) “One of the decade’s most intelligent and provocative books.” (The Daily Standard) “Freakonomics challenges conventional wisdom and makes for fun reading.” (Book Sense Picks and Notables) “The trivia alone is worth the cover price.” (New York Times Book Review) “An easy, funny read. Many unsolvable problems the Americans have could be solved with simple means.” (Business World) “Economics is not widely considered to be one of the sexier sciences.... Steven D. Levitt will change some minds.” (.com)

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Which is more dangerous, a gun or a swimming pool? What do schoolteachers and sumo wrestlers have in common? How much do parents really matter? These may not sound like typical questions for an economist to ask. But Steven D. Levitt is not a typical economist. He studies the riddles of everyday life—from cheating and crime to parenting and sports—and reaches conclusions that turn conventional wisdom on its head. Freakonomics is a groundbreaking collaboration between Levitt and Stephen J. Dubner, an award-winning author and journalist. They set out to explore the inner workings of a crack gang, the truth about real estate agents, the secrets of the Ku Klux Klan, and much more. Through forceful storytelling and wry insight, they show that economics is, at root, the study of incentives—how people get what they want or need, especially when other people want or need the same thing.

I’ve heard of this book for years, but never bothered to read it because I was

already an economist and didn't think I needed to read a popular summary of Steven Levitt's work.[1] My impression was that the book summarized his work in a popular (non-academic) style that helped people understand what economists do. I thought that the book was useful in this respect in helping people understand what I do. Indeed, the most common reaction I get from people when telling them that I am an economist is that they have read *Freakonomics*, which implies that they have at least seen some work similar to what I do at aguanomics.[2] It turns out that I was mistaken in my initial beliefs. I just read this 2004 book 2006 revision, and it's made me think a bit more about how we (economists) communicate with the general public, and I think that some ways are better than others. First, there are textbooks, which describe the tools that economists use to put their theories into practice. Many many people have told me "I didn't learn anything in economics. All I remember was a lot of math and curves." This depressing outcome results from lecturers who merely reproduce problems and equations on the blackboard, without helping students understand either why those theories are used or how they came to be so popular with economists.[3] Second, there are books that explain how economists think or how their thinking has evolved as they have tried to understand and summarize the people's behaviour. These books, in my opinion, are the most interesting and challenging because they push people to revisit their assumptions and perspectives.[4] These are the books that I would recommend to people looking to "think like an economist" or, to be blunt, to think more accurately about how they and those around them actually behave. Third, there are books like mine [pdf] that try to explain how to improve failing policies using basic economic insights and incentives. Finally, there are books like *Freakonomics* that reproduce academic papers in a popular form. These books like *Economic Gangsters* give the public a limited vision of research without explaining the struggles of getting the right data or explaining the limitations of theories that are used (or not) in the final paper. *Freakonomics* is therefore NOT the book that I would recommend to anyone interested in (a) learning economic theory, (b) learning about how economists think, or (c) understanding the world or thinking of ways to improve it. This book with a memorable (but useless) name provides readers with just-so stories that are good for cocktail conversations but not for understanding economics.[5] For example, *Legalized abortion* explains the drop in crime in the US. Not only do Steve and Steve back off from the main claims of the original paper (they add other factors), but this theory has been falsified by others (see this and this). What struck me is their ongoing attempts to hold onto at least some elements in the original claim in later blog posts in what I'd call a

“my-ladydoth-protest-too-much” manner. Real estate agents serve themselves better than they serve clients when selling their own homes. As a former real estate agent, I had to agree with their basic premise, but I thought their explanation too simplistic.[6] The most obvious problem is that agents have an entirely different understanding of themselves as sellers as well as of the markets. Surely that different information (and the resulting “patience” that gets them a higher price as sellers) matters? Looking over their other chapters (on cheating sumo wrestlers, drug dealers who live with their moms, the KKK as a multilevel marketing organization, etc.), I agree that the chapters are interesting and thought provoking, but they do not provide “lessons on the hidden side of everything.” Instead, they read like a series of magazine articles whose quirky “insights” might contribute to your next cocktail conversation. The authors say that they want you to ask more questions and see the world differently, but what tools have they given to you in this book?[7] I didn’t detect any reliable technique (except perhaps to collect a neat dataset and call Steve Levitt), and that’s where I was disappointed. Freakonomics does not really reveal the hidden side of everything. Indeed, it’s more likely to mislead you into thinking you’ve learned something, when you’ve only learned an interesting angle on a complex topic on which you may lack either the experience or methods needed to put it into a useful context.[8] Take their example of the “underpaid” drug dealer who they say faces a higher risk of death than someone on Death Row in Texas (and thus must be overestimating the gains from their job). Does this statistical analysis mean that those street dealers are irrational? I don’t think so. As all economics students learn, you need to look at their opportunity cost (i.e., the costs and benefits of their potential other choices). In this case, street dealers are (a) NOT condemned to death, (b) not able to find other work with their experience, and (c) not aware of their statistical mortality as much as their potential wealth. Those street runners are “taking their chances” in the same way as Americans are “living the dream,” i.e., in ignorance of reality.[9] Bottom Line: I give this book THREE STARS. Dubner and Levitt present interesting puzzles worthy of cocktail conversation, but they overstate their contributions and accuracy (“numbers don’t lie” but theory can be incomplete or just wrong). I suggest that anyone interested in understanding how economics works and applying those lessons to “the hidden side of everything” read Economics in One Lesson by Henry Hazlitt. It’s free to download and provides a really useful perspective that

anyone can apply to any topic they care about.[10](1) I've met Steven Levitt. He's a fine person and excellent economist, but this book is too "pop" in its oversimplification of his work and hagiographic treatment of his insights. Yes, he brings interesting statistical tools to "freaky" questions, but he's not a "rogue economist exploring the hidden side of everything." He's just a guy with a dataset and empirical theory who finds some strong correlations. As I explain later on, he does not deliver the last word on pretty much any topic in this book. (It's interesting to see the two authors pooh-poohing people's objections to their claims in this revised edition. I get the impression that their answer is "bestseller, bitch!" more than "hmmm..., maybe we claimed too much.") Also see note 8.(2) I wrote on the human right to water and oil and water for their Freakonomics blog.(3) I published an article [pdf] on how students don't really understand the "downward sloping demand curve" because its form is based on advanced techniques they won't see for a few more classes (meaning "never" for those who take one class or drop the major).(4) Of those I have reviewed, I recommend *Small is Beautiful*, *the Calculus of Consent*, *the Company of Strangers*, *Predictably Irrational*, etc.(5) "Freaky" anything sounds bad to me, and "freaky" economics -- unlike most economics -- isn't useful to most people. Even worse, there's nothing freaky to the stories in terms of the economics. I wish the authors had spent more time on the basic economics (making the book a useful learning experience) and less time defending empirical research that is interesting and provocative but not really wise.(6) I corresponded with Levitt's co-author on my objections to their working paper back in 2005. The main one was that their analysis missed the most important point: it's better to have an agent than not to have an agent • an obvious insight that saved me about \$10,000 when I bought a flat in Amsterdam. Going further, would an agent work harder for you if their commission was a flat rate rather than a percentage of the sales price? They harp about commissions as detrimental to the client's interest due to the small share of the additional profits an agent gains from working harder on your behalf • e.g., 3% of another \$10,000 is only \$300, but why would an agent work any harder on a flat-rate commission? In my experience, agents love on referrals from old clients, which may explain why they work hard "despite the weak incentives."(7) My definition of an expert is "someone who knows what's missing." As an example of this, I give a fourth reason why it's NOT irrational to vote (they give three weak reasons in the blog post included in their revised edition), i.e., the benefits to an

individual from study and engagement in a topic.(8) My years of experience traveling in 100+ countries leads me to respect the diversity of beliefs and institutions that result in a variety of outcomes. Most academics need to exit the Ivory Tower and hit the road more often.(9) On page 134, they write “The typical parenting expert, like experts in other fields, is prone to sound exceedingly sure of himself. An expert doesn’t so much argue the various sides of an issue as plant his flag firmly on one side. That’s because an expert whose argument reeks of restraint or nuance often doesn’t get much attention. They need to apply the same critique to themselves. (They cite themselves in later chapters p139 on abortion and crime as if their earlier claims were facts.) As another example, take Dubner on page 199, who writes “that paper [on police officer counts and crime] was later disputed by a graduate student found an obvious mathematical mistake in it but Levitt’s ingenuity was obvious. I’m not sure I’d say the same about someone whose claims rested on logic with “obvious mathematical mistakes!”(10) Hazlitt says “the art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups,” which he summarizes as “...and then what?” That’s a good question, and it’s how I can easily predict that cheap water prices will lead to failing infrastructure or water shortages, why climate change is arriving “too fast” (due to a lack of carbon taxes), and so on. I’d prefer people to ask “and then what?” more often and spend less time showing off their knowledge of cheating sumo wrestlers.

I’ve wanted to read this for quite a while and finally got around to it. As the title suggests, it’s a discussion on freaky economics. I know those two words tend to not be used together in the same sentence, and that’s what makes this book fun (which is another word not usually used to describe economics.) Creative and controversial, Levitt has the ability to take uninteresting statistical data and spin it in ways that can totally change the meaning usually assigned to it. It’s, among other things, a lesson on the fact that data can be interpreted (and manipulated) in many different ways, some biased, some not as much. Personally, I think all data is unavoidably subject to the bias of the interpreter. Generally, I don’t expect books about economics to be particularly entertaining, but Levitt and Dubner have taken a rather dry subject and made it very readable and interesting. Will you agree with them? Very possibly not. There’s discussion about very touchy topics (for example how

Roe v. Wade has affected crime rates), but if you're open to alternative interpretations of data, at the very least you'll be entertained. Can't wait to read the followup books. If I have one gripe about this book, it's that I wanted it to be longer.

While I am much older than the authors and disagree with many of their conclusions, I still found it interesting. As with any analysis of sets of data, where the truth is can become a subjective if not skewed "revelation" that no one seemingly has discovered before. I found that with their analysis of abortion lowering crime while denigrating Mayor Giuliani's success with "stop and frisk". The shooting rate is rising with its cessation yet that was not revealed. An interesting read, just be careful how much you swallow.

The book is interesting and handle the most common "conventional wisdom", like; circumstances and attribute results based on superficial analysis; analyse the system as a whole and based on unreliable data inputs; moving the people by incentives, positive or negative; names given to lead to success; management of gangs as a business. Beyond of that, shows that the color of skin is not a factor that differentiate the mankind intellectual, but the racism. The parenting can contribute partially to the children growing intellectual. In general the book deals with a wide range of topics which is supposed to be economically associated, according to the author, it tells histories of some personal, and in phase with data argues and debates the themes. I consider this book very rational and it brings the need of data analysis in order to take decisions. The "conventional wisdom" is a good basis but it must be comproved or dismissed by reliable data and accurate analysis.

I bought this book after seeing years of hype and publicity. It was a national best seller and would twist the way we think of modern day economics, they said. Well, at least the authors themselves say that the book has no conjoining theme...and that's exactly what I got out of this book. Pretty hard to follow, and I often found myself asking the "so what" of each chapter. While this book is good even for those who don't have a math or money mind, I really could've cared less about many of the topics covered. The only part I did find interesting was the chapter on names between the white and black communities. Information that much of society already acknowledges. There was certainly plenty of research shown throughout this chapter. An average book that I probably won't re-read.

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