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There was a time, until quite recently, that the majority of discussions, concerning economics, seemed to be only about the merits or deficiencies of central planning/collectivism versus small government/individualism. However, in *Freakonomics* Chicago University economist Steven Levitt and journalist Stephen Dubner take a more fragmented and microeconomic approach to the world around them. Levitt's subject matter ranges across teachers who cheat in the education system, the arcane workings of the Ku Klux Klan, real estate agents, unintended consequences of a judicial decision (Roe v Wade, 1973), drug dealers who live with their mothers, parenting, and even sumo wrestlers that cheat. The themes of the book, such as they are, seem to be how we deal with incentives on an everyday basis and that we should treat experts with caution. Although occasionally superficial and sometimes lacking in intellectual rigour (perhaps overly speculative might be more accurate), *Freakonomics* is a well written, at times amusing, and generally interesting book.

Chapter one, concerning teachers, might be the most relevant to the current debate, in Australia, over standardised national testing in the education system, and the concept of merit-based-pay (including bonuses) where the best teachers rather than the most senior can receive the highest pay. The introduction of these ideas seems almost inevitable given the recent study by ANU economist Andrew Leigh which links better teachers with higher student results (Ferrari, 2007, p. 1). Levitt lays out some of the traps that he sees as capable of ensnaring some teachers. For example, in California, a large bonus ($25,000) was given for high quality teaching and this incentive, as in other regions, proved to be the tipping point, for those so inclined, and led to grade inflation as well as students who were mainly taught what was thought to be the answers to the tests (Levitt & Dubner, 2005, pp. 22-23). So it would seem that caution and careful thought, about checks and balances, may be in order if this type of incentive is to be introduced.

When it comes to real estate agents Levitt, in chapter two, advises us, of the obvious, to be cautious when selling a home. Real estate agents receive a percentage of the sale as their commission. So, the tiny amount extra that an agent can make, if the sale price goes up a few thousand dollars, offers them little incentive to get a better deal for you after an offer reaches a certain level (Levitt & Dubner, 2005, pp. 65-66). Once more, *caveat emptor* when it comes to experts. This chapter also contains some amusing comments about the Ku Klux Klan. However Levitt's assumptions and conclusions do not necessarily follow from the data that he makes available. His scepticism towards experts does not seem to apply to himself.

Why do so many drug dealers live at home with their mothers? This is the unusual question Levitt poses in chapter three. The answer becomes seemingly obvious when Levitt unveils his data: wages are lower than or close to minimum-wage; a one-in-four chance of being killed on the job; high injury rates; and a high arrest rate (Levitt & Dubner, 2005, p. 94). All this would seem to back up his assumption about drug dealers still living at home. Their only
incentive to do the drug dealing seems to be ego. As Pinker (2002, p. 329) notes about young men in ghettos: 'Their reputation on the streets is their only claim to status.' However, because, Levitt's information is limited to one small community, to extrapolate this to a generalisation about where drug dealers actually live may be an optimistic claim.

The most interesting query that Levitt poses in *Freakonomics*, for me, was in chapter four. The answer that he provides to his question, as to where the criminals have gone, is one that many people would not have thought proper. On the left he has been disparaged as proposing a type of racist eugenics, and the conservatives have seen his work as an argument for abortion: a holocaust as a way of solving high crime rates. However, Levitt's assumption that a large proportion of the drop in crime rates, in the early 1990s, was due to the Supreme Court's decision (*Roe v Wade*, 1973) to legitimise abortion is difficult to believe as such a major reason for a drop in crime. While it may be true that the majority of crimes are committed by the age group that would have reached the potential criminal age, within Levitt's time frame, there seems to be several other variables that are either underestimated or not mentioned.

Levitt (2005, p. 110) appears to drastically underestimate the increase in crime in the 1960s due what he describes as a more lenient justice system. As Sowell notes (1995, p. 24-27) that when the rights of criminals were dramatically expanded by the judiciary from the early 1960s, culminating in *Miranda v Arizona* [1966], this expansion was accompanied by a vast increase in violent crime, the murder rate more than doubled between 1961 and 1974. By the 1980s the cycle returned to greater punishment with a huge jump in incarceration rates that followed, including a fifteenfold increase of people sent to prison for drug crimes, and approximately 4 times the number of people in prison in 2000 compared to 1972. However, Levitt becomes conservative and notes that this increase was a causal factor in only one third of the drop in crime rates (Levitt & Dubner, 2005, pp. 111-112). Yet these figures using Levitt style assumptions would seem to indicate a responsibility for a far greater lowering of crime than one third.

Then there are the other factors that Levitt does not mention at all: the contraceptive pill became widely used by young women in the late 1960s and early 70s; plus the first cohort of baby boomers reaching the age of reproduction and deciding on smaller families than their parents. These two factors alone would surely have drastically decreased the number of children born, and diminished the numbers of those reaching Levitt's peak criminal years by the early 1990s. Although, as the divorce laws eased throughout the 1970s there was a greater breakdown in traditional family structures, leaving many more single mothers and an increased reliance on welfare. This may have partly rebalanced the equation back towards Levitt. But without taking all these factors into account, there is no possible way to validate an assumption, concerning *Roe v Wade*, such as Levitt makes. So, there would seem to be several possible factors that are not properly considered that could have contributed to a lessening of Levitt's claims concerning disappearing criminals.

Other topics that Levitt covers include the probability that under certain conditions Sumo wrestlers cheat, discrimination on a game show (*Weakest Link*), and the names parents give their children. Also, one topic that would have left ex- Australian Labor Party leader Mark Latham gasping (often seen, in pre-election-mode, reading to children as the answer to a perceived crisis in education): that it makes no difference to children in relation to test scores, if the child's parents frequently read to them (Levitt & Dubner, 2005, p. 158).
But, perhaps overall, Levitt should have heeded Waldrop's comments on economists (cited in Gaddis, 1995, pp. 87-88): 'It seemed as though they were dazzling themselves with fancy mathematics, until they really couldn't see the forest for the trees...[or] whether the underlying assumptions were any good.' However, despite this, *Freakonomics* is an entertaining and often informative read. There are moments of insight and the book contains an off-the-wall approach that, hopefully, might become more common while aspiring to greater rigour.

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REFERENCES


