

Freakonomics

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INTRODUCTION: The Hidden Side of Everything.

- As far as crime is concerned, it turns out that not all children are born equal. Not even close. Decades of studies have shown that a child born into an adverse family environment is far more likely than other children to become a criminal. And the millions of women most likely to have an abortion in the wake of *Roe v. Wade*—poor, unmarried, and teenage mothers for whom illegal abortions had been too expensive or too hard to get—were often models of adversity. They were the very women whose children, if born, would have been much more likely than average to become criminals. But because of *Roe v. Wade*, these children weren't being born. This powerful cause would have a drastic, distant effect: years later, just as these unborn children would have entered their criminal primes, the rate of crime began to plummet.
- What if, with a little more effort and patience and a few more newspaper ads, she could have sold it for \$310,000? After the commission, that puts an additional \$9,400 in your pocket. But the agent's additional share—her personal 1.5 percent of the extra \$10,000—is a mere \$150. If you earn \$9,400 while she earns only \$150, maybe your incentives aren't aligned after all. (Especially when she's the one paying for the ads and doing all the work.) Is the agent willing to put out all that extra time, money, and energy for just \$150?
- And what about the other half of the election truism—that the amount of money spent on campaign finance is obscenely huge? In a typical election period that includes campaigns for the presidency, the Senate, and the House of Representatives, about \$ 1 billion is spent per year—which sounds like a lot of money, unless you care to measure it against something seemingly less important than democratic elections. It is the same amount, for instance, that Americans spend every year on chewing gum.

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

- There are three basic flavors of incentive: economic, social, and moral. Very often a single incentive scheme will include all three varieties.
- Some cheating leaves barely a shadow of evidence. In other cases, the evidence is massive. Consider what happened one spring evening at midnight in 1987: seven million American children suddenly disappeared. The worst kidnapping wave in history? Hardly. It was the night of April 15, and the Internal Revenue Service had just changed a rule. Instead of merely listing each dependent child, tax filers were now required to provide a Social Security number for each child. Suddenly, seven million children—children who had existed only as phantom exemptions on the previous year's 1040 forms—vanished. Representing about one in ten of all dependent children in the United States.
- The incentive scheme that rules sumo is intricate and extraordinarily powerful. Each wrestler maintains a ranking that affects every slice of his life: how much money he makes, how large an entourage he carries, how much he gets to eat, sleep, and otherwise take advantage of his success. The sixty-six highest-ranked wrestlers in Japan, comprising the *makuuchi* and *juryo* divisions,

make up the sumo elite. The seventieth-ranked wrestler in Japan, meanwhile, earns only \$ 15,000 a year. Life isn't very sweet outside the elite.

- A broad swath of psychological and economic research has shown that people will pay different amounts for the same item depending on who is providing it. A study showed that a thirsty sunbather would pay \$2.65 for a beer delivered from a resort hotel but only \$1.50 for the same beer if it came from a shabby grocery store.

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

- After that night's meeting, Kennedy phoned in the new password to the Superman producers, who promised to write it into the next show. At the following week's Klan meeting, the room was nearly empty; applications for new membership had fallen to zero. Of all the ideas that Kennedy had thought up—and would think up in the future—to fight bigotry, his Superman campaign was easily the cleverest and probably the most productive. It had the precise effect he hoped: turning the Klan's secrecy against itself, converting precious knowledge into ammunition for mockery. Instead of roping in millions of members as it had just a generation earlier, the Klan lost. Momentum and began to founder.
- **This did not happen** because Kennedy was courageous or resolute or unflappable, even though he was all of these. It happened because Kennedy understood the raw power of information. The Ku Klux Klan was a group whose power—much like that of politicians or real estate agents or stockbrokers—was derived in large part from the fact that it hoarded information. Once that information falls into the wrong hands (or, depending on your point of view, the right hands); much of the group's advantage disappears.
- Or you might just log on to www.TributeDirect.com and buy that mahogany casket yourself for just \$3,200, delivered overnight. Unless you decide to spend \$2,995 for "The Last Hole" (a casket with golf scenes).
- At least two pressing fears: that you will sell the house for far less than it is worth and that you will not be able to sell it at all.
- An analysis of the language used in real-estate ads shows that certain words are powerfully correlated with the final sale price of a house
- Five Terms Correlated to a Higher Sales Price
 - Granite, State-of-the-Art, Corian, Maple, Gourmet
- Five Terms Correlated to a Lower Sales Price
 - Fantastic, Spacious, Charming, Great Neighborhood, "!"
- Three of the five terms correlated with a higher sales price are physical descriptions of the house itself: granite, Corian, and maple. As information goes, such terms are specific and straightforward—and therefore pretty useful. If you like granite, you might like the house; but even if you don't, "granite" certainly doesn't connote a fixer upper. Nor does "gourmet" or "state-of-the-art," both of which seem to tell a buyer that a house is, on some level, truly fantastic.
- If you study the words in the ad for a real-estate agent's own home. Meanwhile, you see that she indeed emphasizes descriptive terms (especially "new," "granite," "maple," and "move-in condition") and avoids empty adjectives (including "wonderful," "immaculate," and the telltale "!").

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

- Advertising too is a brilliant tool for creating conventional wisdom. Listerine, for instance, was invented in the nineteenth century as a powerful surgical antiseptic. It was later sold, in distilled form, as a floor cleaner and a cure for gonorrhea. But it wasn't a runaway success until the 1920s, when it was pitched as a solution for "chronic halitosis"—a then obscure medical term for bad breath.
- Listerine did not make mouthwash as much as it made halitosis." In just seven years, the company's revenues rose from \$ 115,000 to more than \$8 million.
- So how did the gang work? An awful lot like most American businesses, actually, though perhaps none more so than McDonald's. In fact, if you were to hold a McDonald's organizational chart and a Black Disciples org chart side by side, you could hardly tell the difference.
- J. T paid the board of directors nearly 20 percent of his revenues for the right to sell crack in a designated twelve-square-block area. The rest of the money was his to distribute as he saw fit.
- So J. T. paid his employees \$9,500, a combined monthly salary that was only \$1,000 more than his own official salary. J. T's hourly wage was \$66. His three officers, meanwhile, each took home \$700 a month, which works out to about \$7 an hour. And the foot soldiers earned just \$3.30 an hour, less than the minimum wage. So the answer to the original question—if drug dealers make so much money, why are they still living with their mothers?—is that, except for the top cats, they don't make much money. They had no choice but to live with their mothers. For every big earner, there were hundreds more just scraping along. The top 120 men in the Black Disciples gang represented just 2.2 percent of the full-fledged gang membership but took home well more than half the money.
- The delicate balance between these factors helps explain why, for instance, the typical prostitute earns more than the typical architect.
- Now for another unlikely question: what did crack cocaine have in common with nylon stockings?
- DuPont had pulled off the feat that every marketer dreams of: it brought class to the masses.
- While crack use was hardly a black-only phenomenon, it hit black neighborhoods much harder than most. The evidence can be seen by measuring the same indicators of societal progress cited above. After decades of decline, black infant mortality began to soar in the 1980s, as did the rate of low-birth weight babies and parent abandonment. The gap between black and white schoolchildren widened. The number of blacks sent to prison tripled. Crack was so dramatically destructive that if its effect is averaged for all black Americans, not just crack users and their families, you will see that the group's postwar progress was not only stopped cold but was often knocked as much as ten years backward. Black Americans were hurt more by crack cocaine than by any other single cause since Jim Crow.

Chapter 4: Where Have All the Criminals Gone?

- Compared to Romanian children born just a year earlier, the cohort of children born after the abortion ban would do worse in every measurable way: they would test lower in school, they would have less success in the labor market, and they would also prove much more likely to become criminals.

- New York State, for instance, has not as of this writing executed a single criminal since reinstating its death penalty in 1995. Even among prisoners on death row, the annual execution rate is only 2 percent—compared with the 7 percent annual chance of dying faced by a member of the Black Gangster Disciple Nation crack gang.
- In the months leading up to Election Day, incumbent mayors routinely try to lock up the law-and-order vote by hiring more police—even when the crime rate is standing still. So by comparing the crime rate in one set of cities that have recently had an election (and which therefore hired extra police) with another set of cities that had no election (and therefore no extra police), it's possible to tease out the effect of the extra police on crime. The answer: yes indeed, additional police substantially lower the crime rate.
- **The most compelling** new idea that Bratton brought to life stemmed from the broken window theory, which was conceived by the criminologists James Q. Wilson and George Kelling. The broken window theory argues that minor nuisances, if left unchecked, turn into major nuisances: that is, if someone breaks a window and sees it isn't fixed immediately, he gets the signal that it's all right to break the rest of the windows and maybe set the building afire too. So with murder raging all around, Bill Bratton's cops began to police the sort of deeds that used to go un-policed: jumping a subway turnstile, panhandling too aggressively, urinating in the streets, swabbing a filthy squeegee across a car's windshield unless the driver made an appropriate "donation." Most New Yorkers loved this crackdown on its own merit. But they particularly loved the idea, as stoutly preached by Bratton and Giuliani that choking off these small crimes was like choking off the criminal element's oxygen supply. Today's turnstile jumper might easily be wanted for yesterday's murder. That junkie peeing in an alley might have been on his way to a robbery.
- As violent crime began to fall dramatically. New Yorkers were more than happy to heap laurels on their operative, Brooklyn-bred mayor and his hatchet-faced police chief with the big Boston accent. But the two strong-willed men weren't very good at sharing the glory. Soon after the city's crime turnaround landed Bratton—and not Giuliani—on the cover of Time, Bratton was pushed to resign. He had been police commissioner for just twenty-seven months.
- There are enough guns in the United States that if you gave one to every adult, you would run out of adults before you ran out of guns.
- But guns are not the whole story. In Switzerland, every adult male is issued an assault rifle for militia duty and is allowed to keep the gun at home.
- Given the number of handguns in the United States and the number of homicides each year, the likelihood that a particular gun was used to kill someone that year is 1 in 10,000.
- Nearly 5 percent of all arrests in the United States are still related to cocaine (as against 6 percent at crack's peak); nor have emergency room visits for crack users diminished all that much.
- In the first year after Roe v. Wade, some 750,000 women had abortions in the United States (representing one abortion for every 4 live births.)
- Growing up in a single-parent home roughly doubles a child's propensity to commit crime. So does having a teenage mother. Another study has shown that low maternal education is the single most powerful factor leading to criminality.
- He wrote up the results as an Op-Ed for the Chicago Sun-Times. It featured the sort of plangent counter intuition for which he has become famous: "If you both own a gun and have a swimming pool in the backyard, the swimming pool is about 100 times more likely to kill a child than the gun is.

Chapter 5: What Makes a Perfect Parent?

- Swimming pools versus guns, water is a lot more dangerous than most people think.) The per-hour death rate of driving versus flying, however, is about equal. The two contraptions are equally likely (or, in truth, unlikely) to lead to death.
- The likelihood of any given person being killed in a terrorist attack are infinitesimally smaller than the likelihood that the same person will clog up his arteries with fatty food and die of heart disease. But a terrorist attack happens now; death by heart disease is some distant, quiet catastrophe. Terrorist acts lie beyond our control; French fries do not. Just as important as the control factor is what Peter Sandman calls the dread factor.
- Compare the four hundred lives that a few swimming pool precautions might save to the number of lives saved by far noisier crusades: child-resistant packaging (an estimated fifty lives a year), flame-retardant pajamas (ten lives), keeping children away from airbags in cars (fewer than five young children a year have been killed by airbags since their introduction), and safety draw strings on children's clothing (two lives).
- A long line of studies, including research into twins who were separated at birth, had already concluded that genes alone are responsible for perhaps 50 percent of a child's personality and abilities.
- Here now are the eight factors that are strongly correlated with test scores:
 - The child has highly educated parents.
 - The child's parents have high socioeconomic status.
 - The child's mother was thirty or older at the time of her first child's birth.
 - The child had low birth weight.
 - The child's parents speak English in the home.
 - The child is adopted.
 - The child's parents are involved in the PTA.
 - The child has many books in his home.

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

- Afros today are rare, dashikis even rarer; Black Panther founder Bobby Scale is best known today for peddling a line of barbecue products.