

Steven D. Levitt and Stephen J. Dubner. *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. New York: William Morrow/Haper Collins. 2005. xii+242 pages. Paperback. \$17.00.

One should give full marks to the authors for coming up with a most unusual title for a book on economics—a title that grabs one’s attention. The book was most popular having reached the Number Two rank on the *New York Times* bestseller list for nonfiction. It consists of a number of articles (six to be precise) authored by Levitt and addressed to a largely lay audience. Although Levitt would like to see himself as a “rogue economist”, in this book he does apply “the basic microeconomic theory of rational utility-maximisation” to subjects that would not be covered in standard economic textbooks. In that sense, his rogue economist’s status becomes doubtful. This apart, the book makes for some interesting reading. Chapter 1 examines the issue of cheating. One would think that students taking their examinations normally cheat. This chapter introduces the notion that teachers also cheat, if the incentives are right. So do Sumo Wrestlers, as Levitt uses statistical analyses to prove how this is done. So one should not be too surprised when people cheat. Morality has no role to play in the decision to cheat.

Chapter 2 looks at the economics of information control. This is quite widespread in today’s world. To run the economy, for example, specialist personnel are required—economists, statistician, etc. Similarly, in a doctor-patient situation, the doctor’s knowledge is greater than that of the patient. To earn more money for himself, the doctor may prescribe expensive treatment which the patient may not really need. This is all due to the fact of asymmetric information—estate agents follow similar practices, particularly with respect to selling their own houses, which tend to be on the market longer and fetch a higher price. The incentive here is the higher prices they receive for their own houses as compared to a commission they would receive if they sold other people’s houses. In short, the effort they would make in selling houses other than their own would be less. Political and quasi-political organisations like the KKK (Ka Khax Klu) also operate using a system of information control.

Chapter 3 looks at the economics of drug dealing. Here, the organisational set-up is like that of any firm with a Chief Executive Officer at the top, middle management in the middle, and at the bottom, the foot soldiers who do all the “dirty work” for little or no wages. The only incentive is if they perform well, they will move up in the chain of command. As those working at the lower levels receive less pay and other pecuniary benefits, they are forced by economic circumstances to stay with their parents. This contrasts with the glorification of the lifestyles of drug-dealers shown on TV or in the movies. In real life, the reality is quite different from that of fiction. All those who deal in drugs do not lead glorious lives, nor for that matter earn thousands of dollars as income. Their lifestyle is quite transient and unsettled.

Chapter 4 of the book is the most interesting and, probably, the most controversial. It discusses the role played by legalised abortion in lowering the rate of crime in the USA. The famous case that legalised abortion was *Roe V Wade*. Levitt argues that by legalising abortion, the number of unwanted children automatically decreased. If abortion had not been legalised, it is these unwanted children, mostly from lower-income households, who would have grown up to lead criminal lives. I am not sure how far this is plausible—how can one predict that a particular unwanted child will turn out to be another Al Capone,

Dillinger, Billy the Kid, etc.? If the society as a whole takes responsibility, unwanted children can be nourished and nurtured properly and made productive members of society. The sub-text here is that abortion could be used as a tool of ethnic cleansing (racism) or a very aggressive population control policy, by getting rid of unwanted children. Other reasons could be explored as to why the crime rate fell in the US—for example, an economic upturn could have been responsible. Moreover, predicting the possible outcomes of human behaviour is extremely difficult, given the variables involved in any given social situation.

Chapter 5 discusses the points that make for good parenting, and Chapter 6 elaborates on how children are named keeping in view the socioeconomic status of their parents. Some names highlighted by the author give children a more successful start in life, whereas others do not. Both the White and African American communities naming practices are discussed.

Freakonomics is an interesting, thought-provoking, and stimulating read. It is written in a racy style which is clear and crisp; complex ideas are explained simply. Levitt and Dubner present everyday happenings in a package that can be understood by the layman, although behind all that simplicity there is a substantial amount of economics, in particular quite complex microeconomics. Levitt's assumption throughout is that of an individual who is rational and maximises his utility function, which is the essence of neoclassical economics. This assumption may hold for Western societies, which are quite materialistic; eastern societies may well have different value systems. Statistics are used at the appropriate places to support the arguments. Some results are revealing—for example, more children die drowning in swimming pools than from gunfire. Does this mean that one should prohibit the use of swimming pools for children? His other startling and controversial observation is about abortion and the reduction in crime brought about by it. This is what probably attracted most readers to the book. The chapter on naming children appears superfluous, because one can not generalise on the outcome of the research to non-western societies. However, overall, Levitt and Dubner challenge conventional wisdom looking at everyday events from a different perspective. This, I think, is probably the major strength of the book—to look at events differently.

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