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Canberra Times (Australia)

July 5, 2008 Saturday  
Final Edition

## How economists became the life and

**BYLINE:** The Canberra Times

**SECTION:** A; Pg. 16

**LENGTH:** 1479 words

Idon't have any hard data, but there appears to be a boom in the writing of popular books about economics. As an economist, I feel the presence of renewed interest. All of a sudden admitting that you are of that profession is not greeted with the awkwardness that still plagues our peer disciplines such as accounting and financial management. Instead, there is an expectation that in conversation something interesting might come from your lips.

Economics is now in the air and it is much more pleasant and it is against this backdrop that I'm reviewing not one but three of the new books in the pop economics realm. But before doing, so I wanted to reflect on how this field has changed over the years.

When I started out in economics as a student 20 years ago, all of the popular economics books had a fairly common theme: economics as practised and preached by economists was misguided and harmful. It was based on obscure, out-of-date assumptions and technical models that bore no connection to reality. As a consequence, listening to an economist would lead us on a path to harmful social destruction. But if we listened to the author, we could save ourselves.

To be sure, some of the messages from pop economics of that day were useful. Going back to an earlier generation, the late John Kenneth Galbraith usefully pointed out that the textbook world of business did not look like many small operators competing in a dog-eat-dog world.

Indeed, the economy had bifurcated into the big and the small where the life of the big was the cushy one. As a student in Australia, I lapped these notions up.

At the time, Lester Thurow of the Massachusetts Institute of Technology pointed the finger squarely at academic economics. In *Dangerous Currents*, he argued that the reliance of economists on quantitative data and econometrics had taken public policy off course. Politics, social pressures and things that could not be readily quantified mattered more. Thurow argued that economists were like drunks looking for the house keys under a lamp because that was the only place they could see.

Those attacks provoked a reaction, and academic economists came into the public domain to defend the discipline. Pop economics then moved into another phase: economics can be useful. Milton Friedman led that charge but he was mainly promoting his own ideas of what might work. The job of explaining how economists think, and productively so, fell to others. In the 1980s, Paul Krugman opened up the world of macroeconomics while Alan Blinder usefully put economics in the context of politics by claiming that there was a place for policy-makers with hard heads (adherence to

the facts of human behaviour) but soft hearts (that market forces could be geared towards social ends). So for the better part of two decades, teachers of economics were delighted as clever and lucid writers translated the equations into the analogies that demonstrated the worth of economics.

But even that market was limited. And it was in 2005 that *Freakonomics*, written by a leading economist, Steve Levitt, and a journalist co-author Stephen Dubner, broke new ground. It sold millions; a market test that proved that economics was more than useful. By taking the quantitative tools that so incensed the original pop economics crowd, you could shed light on a world far removed from the usual stuff of economic attention. Forget about interest rates, supply and demand, and unemployment. *Freakonomics* framed and answered a new set of puzzles. Why do drug dealers live with their mothers?

Answer: it turns out they are poor. Is sumo wrestling a fair sport?

Answer: not if you look at betting behaviour.

And is all of that high-brow stuff that parents do, such as dragging kids to museums, useful?

Answer: not particularly. This was the stuff that made economists the lifeblood of cocktail parties rather than wallflowers. You could ask these questions: "So if your childcare centre charged you a fee if you were late, would that mean carers could go home on time?" And when they said, "Yes", you could say, "Well, you might think so but, no, that would be exactly wrong." And they would be hooked. Pop economics now demonstrated that economics could be interesting.

Levitt and Dubner mainly talked about Levitt's research. The three recent additions are written about broader ideas that were not the author's own. Let's start with the most extreme example of this, Robert Frank's *The Economic Naturalist*.

Frank is an economics professor at Cornell University and sets his students the challenge of posing a puzzle and writing a short but convincing economic explanation of it. And there is a book full of such puzzles written by his students, ranging from "Why do female models earn more than male ones?" to "Why are DVD packages larger than ones for CDs?" to "Why are Australian films so successful?" The answers sometimes satisfy but other times do not. But it is great food for thought, and you could pick one each time you attend a party and never be short of conversation. Indeed, the next time you are at a wedding ask: "Why do bridal gowns cost so much whereas grooms' dinner suits are usually cheap rentals?" The book's answer, by the way, has to do with the uniqueness of women's fashion at the time but I am not really convinced about that one. Those gowns are way too expensive to be explained by current fashion alone.

Steven Landsburg, a Rochester professor, is no stranger to pop economics. His *Armchair Economist* remains one of the more beautifully written "economics can be useful" tracts. But in *More Sex Is Safer Sex* he goes straight and unashamedly for the interesting market. Landsburg draws from some of the more interesting theories that economists have been developing of late. The title is based on one by Harvard's Michael Kremer who demonstrated that promiscuity might actually slow the spread of sexually transmitted diseases. This is because when someone becomes sexually inactive, the smaller pool of more promiscuous types hook up with one another more often and diseases spread through the population more rapidly.

This is definitely cocktail-party fodder and each of Landsburg's examples has a twist worthy of an M. Night Shyamalan flick. He talks about politics and even how you should pay your dentist. It is a book brimming with ideas but unlike *Freakonomics*, it is high on theory and counter-intuition but not strong on whether the facts support those theories. Nonetheless, it prods your thoughts in a very amusing manner.

Which brings me to the last of the recent trio, *The Logic of Life*, by Tim Harford. Two years ago Harford entered the world as an Undercover Economist and showed how economics could shed light on everything from coffee prices to global poverty. But his new book really moves into the interesting pop economics world and is a worthy successor to

Freakonomics. This time around, Harford's breadth of coverage is impressive and the topics are gripping.

Consider his chapter about relationships.

Harford reports on research carried out by two New York economists who secured themselves data from a speed-dating company. From that data, they could look at how the dating market really worked. To take one interesting finding: "Do your standards as to who you will go out with change depending upon the quality of available partners?" Most people like to think not but the study confirmed otherwise. As less "attractive" (say in terms of career, income and other factors) men were available, women chose to get the phone numbers of roughly the same number of men. Their standards changed according to "market conditions".

And here is another one based on research by an Australian, Justin Wolfers, who, with his partner, Betsy Stevenson, studied what happened to domestic violence as divorce laws changed to favour women. Answer: it went way down. The threat to "walk out that door" improved the harmony of marriage.

From a look at the index, Harford's book looks drier than the other two but in my mind it is the pick of the bunch. It is written with journalistic flair, historical context but more critically, a careful attempt to make theories however, counter-intuitive with real studies using hard data. It is this work that has proven that economics in all its quantitative glory can be relevant and fascinating. I commend it to everyone. It will only help expand the market for interesting pop economics.

Hmm, perhaps I should think about getting into that lucrative game, too.

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**LOAD-DATE:** July 4, 2008

**LANGUAGE:** ENGLISH

**PUBLICATION-TYPE:** Papers