

Luxury Mountaineering, Great Dim Sum, Juliette Lewis

US AIRWAYS

magazine

WHAT A CATCH

Eating Fresh in Hawaii

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A MOST CURIOUS MIND

"It's not fun to fight conventional wisdom," says Steven Levitt, reaching for the ketchup. "It makes people angry." We're sitting in a hotel restaurant not far from Chicago's O'Hare airport, workmen pounding an intermittent rhythm on a plywood wall nearby, a few late lunchers examining their menus. Levitt's next appointment, a journalist from Venezuela, is waiting patiently in the lobby; after that interview Levitt has another at the local NPR station. Back at the University of Chicago, a new semester is about to begin;



Steven Levitt says
he's really a
detective: "What
I'm best at is taking
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and figuring out
what it has to say."

Levitt is teaching Introduction to Doing Empirical Research (the course description includes the statement "For most of you, there is absolutely no reason to take this course for credit").

Handsome than the photograph on his University of Chicago Web site, tall, beaky, with the kind of lopsided smile mothers love to see on their daughters' prom dates, the 38-year-old Levitt is a rock star among economists. In a career that is still pretty young by academic standards, Levitt has raced through a double-handful of superlatives: summa cum laude and Phi Beta Kappa at Harvard, Ph.D. from M.I.T., full professorship (tenured after just two years of teaching) in one of the country's leading economics departments, fellowships at Harvard and Stanford, and a long list of awards. His broad and unconventional fields of study include the finances of a drug-dealing street gang, cheating among sumo wrestlers, and patterns of discrimination among *The Weakest Link* contestants. "I love the kinds of questions that I think everyone is getting the wrong answer to," he says. "I like questions that look hard but are actually easy."

Then there is *Freakonomics*. Co-authored with Stephen Dubner, who profiled Levitt a couple of years back for the *New York Times Magazine*, *Freakonomics* — subtitled *A Rogue Economist Explores the Hidden Side of Everything* — lays out the kinds of questions Levitt loves (Do police actually lower crime rates? Which is more dangerous: a gun or a swimming pool? Why is a new car worth so much less the moment it leaves the lot?). Last year, *Freakonomics* entered Amazon's bestseller list at No. 2, topped only by the new Harry Potter. *Freakonomics* the book mushroomed into a *Freakonomics* column for the *New York Times Magazine*, a *Freakonomics* Web site and blog, and even a *Freakonomics* T-shirt.

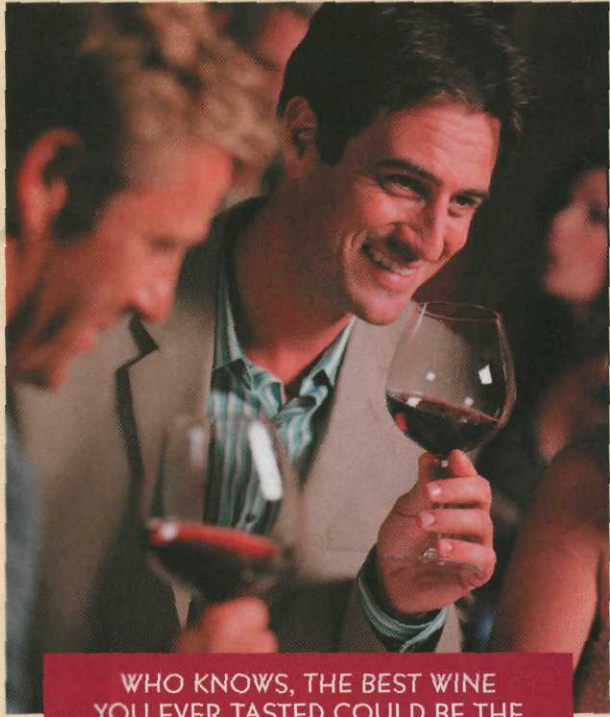
For a reluctant conventional-wisdom fighter, Levitt seems to be having an awful lot of fun. As an economist, of course, Levitt knows better than most that everything comes at a price, and the surprise success of *Freakonomics* is no exception. "In the short run it has robbed me of time," he says. "On the other hand, so much of what I do depends on finding just the right data to answer a question that seems impossible to answer. Now a whole lot more people feel like sharing their data with me."

When Levitt talks about the people who share data, he's not necessarily talking about market watchers and professional researchers. He's talking about people like the bagel guy. Paul Feldman — the bagel guy — has been delivering bagels to Washington, D.C., office buildings for 20 years. He operates on the honor system: a tray of bagels and a wooden cash box. Over the years, Feldman has kept careful records of who paid and who didn't. After he read about Levitt in the *Times* article, he offered up his findings (several other economists had already turned Feldman down). Levitt jumped at the chance to analyze Feldman's data and discovered, among other things, that

small offices are more honest than large ones; that people are more honest on sunny days than on cold, rainy ones; and that honesty slips during Christmas and the week of April 15. What Feldman had plunked down on Levitt's desk was a bite-sized report on white-collar crime (or its complement: Levitt points

out that in even the least-honest offices, more than 80 percent of the people were voluntarily paying up).

"I'm more of a detective than I am an economist," Levitt says. "What I'm best at is taking a big pile of data and figuring out what it has to say. Many of the best problems go ignored because there



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is no good way to get at the answer." Levitt finds a way.

Questions that start out as Levitt's oddball musings often yield helpful real-world answers. When he and his wife, Jeannette, joined a support group for grieving parents after losing their infant son to pneumococcal meningitis,

Levitt noted how many children had died in swimming pool accidents. He did some simple number crunching and discovered that one child drowns for roughly every 11,000 residential pools in the U.S., but that one child dies of a gunshot wound for every million guns.

In other words, any given swimming pool is 100 times more risky to a child than any given gun. (Levitt is quick to point out that both risks are relatively remote: There's only a one in 15,000 chance that a swimming pool will kill a child in a year.) In another study, Levitt and another economist analyzed standardized-test results from the Chicago Public Schools system in order to look for teachers who altered their students' test sheets in order to gain better test scores. The early results were so startling that the head of the school system asked Levitt and his partner to conduct a further study; retests were administered, a dozen teachers were fired, and cheating by teachers dropped 30 percent the next year.

To hear Levitt tell it, his career in economics was an almost accidental choice. "It's the way my brain works," he says. "I've never loved markets and money, but I've always loved to ask questions, and I've always loved data." Nothing else seemed to suit him the way economics does. He worked for two years as a management consultant after college but "had the wrong mind-set to be an employee." He spent two summers at the track betting on horses (and wrote his senior thesis in college on thoroughbred breeding) but didn't see himself as a full-time professional gambler. Much of his research has explored cheating, corruption, and crime, but "I don't think I would have been very good as a criminal," he says. "Too much of a sissy."

So economics it is. "I love it," says Levitt. "I'm like one of those baseball players from the 1950s who says he'd play for free. For me it's like a hobby. I do it for fun."

If nothing else, *Freakonomics* has brought a kind of sex appeal to the dry field of economics. After a conversation with Levitt, it's hard to see anything dismal about the so-called dismal science — he takes such pleasure walking around, looking at life and wondering

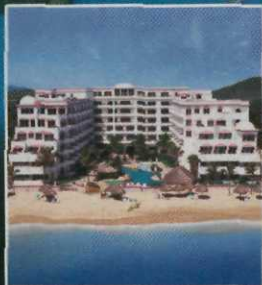
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why things are the way they are. You might say that he's an economist who has built his own private growth economy: No matter what the stock market does, no matter whether the economy grows or shrinks, there will never be a shortage of "why?"

"If we knew all the answers," says Levitt, "it wouldn't be any fun." To approach the world with an economist's curiosity, Levitt suggests the following considerations:

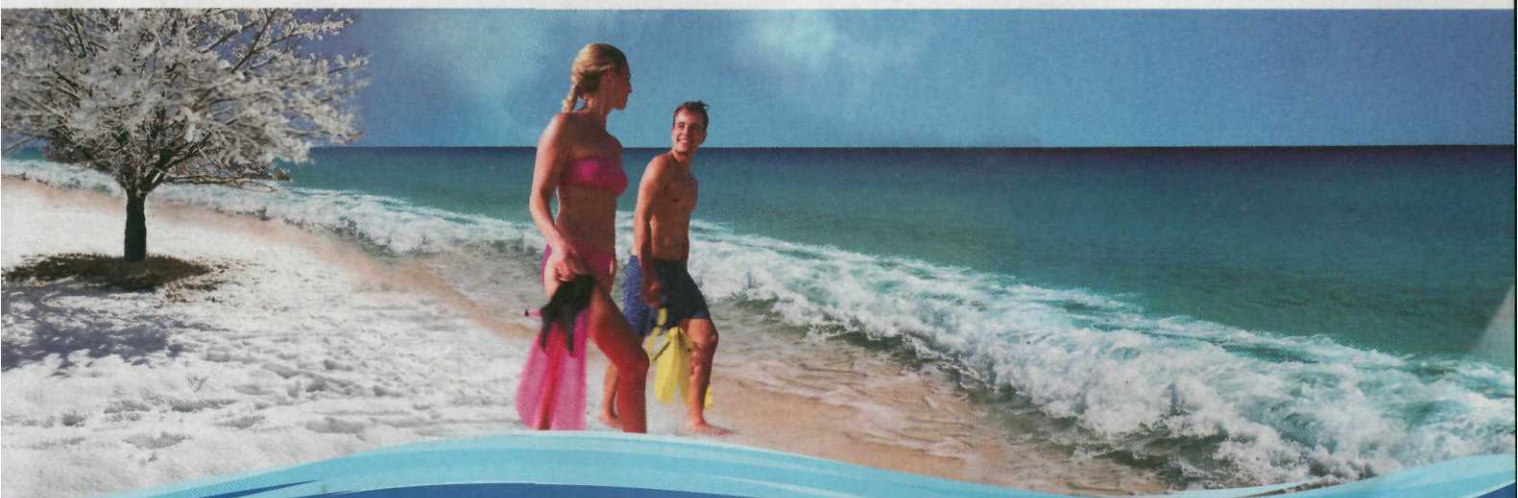
1. Question everything. "We live in a complex world. Any one individual doesn't have the time to sort out the answers to every question, so we tend to believe what everyone else believes," says Levitt. "The difficulty is that there are people who have a strong self-interest in creating conventional wisdom, and they don't necessarily have

your best interest at heart." Take real-estate agents. When Levitt bought and rehabbed some old houses for resale, he was puzzled by the behavior of some of the agents he encountered.

Although they represented the seller — and their own commissions were based on the sales price of a house — they often would subtly encourage homeowners to accept a low bid. By analyzing the data on 100,000 homes sold in suburban Chicago and comparing the sales of the 3,000 homes owned by real-estate agents with the rest of the homes, Levitt discovered that real-estate agents' homes stayed on the market an average of ten days longer and sold for an average of 3 percent more than other people's homes. Conventional wisdom says that the real-estate agent is on your side. The data, says Levitt, begs to differ.

2. Money is not enough. Contrary to popular economic wisdom, financial incentives are only part of the story. "Most economists don't pay enough attention to humans as social or moral creatures," says Levitt. Much of Levitt's research explores the deeper motives that make people tick. "I'm no expert on employee compensation," he says, "but I think money is overrated as an incentive. It's easy for a CEO to pay his or her employees more or increase the size of the bonus pool. It's harder to change an organization so people will feel pride in what they do, but the most successful CEOs are the ones who instill that pride."

In *Freakonomics*, Levitt cites a study that showed that blood donations actually went down when donors were offered money for a pint of blood. "We aren't just driven by money," he says.



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"There are plenty of things we do just because we think they're the right thing to do."

3. Observe what people do, not what they say they do. "Because we don't have the luxury of running laboratory experiments, economists have been forced to come up with tools using everything we see around us," says Levitt. "Our job is to tease out causality in a very complicated world." Levitt found an unlikely real-life laboratory in the television game show *The Weakest Link*. Since the contestants themselves voted on camera who should be eliminated from competition, Levitt theorized that they would be particularly conscientious about not exhibiting bigotry. By comparing voting results with playing ability Levitt discovered that indeed there was

very little distinction between the way white and African-American, or male and female, contestants were treated. Elderly and Hispanic contestants, however, were voted off the show out of proportion to their skills. Levitt concluded that the voters (the majority of whom were white and young) were careful not to exercise highly recognizable forms of prejudice but still exercised subtle and often unconscious forms of discrimination. "Our behavior when we're being watched and our behavior when we're not being watched is often very different," he says.

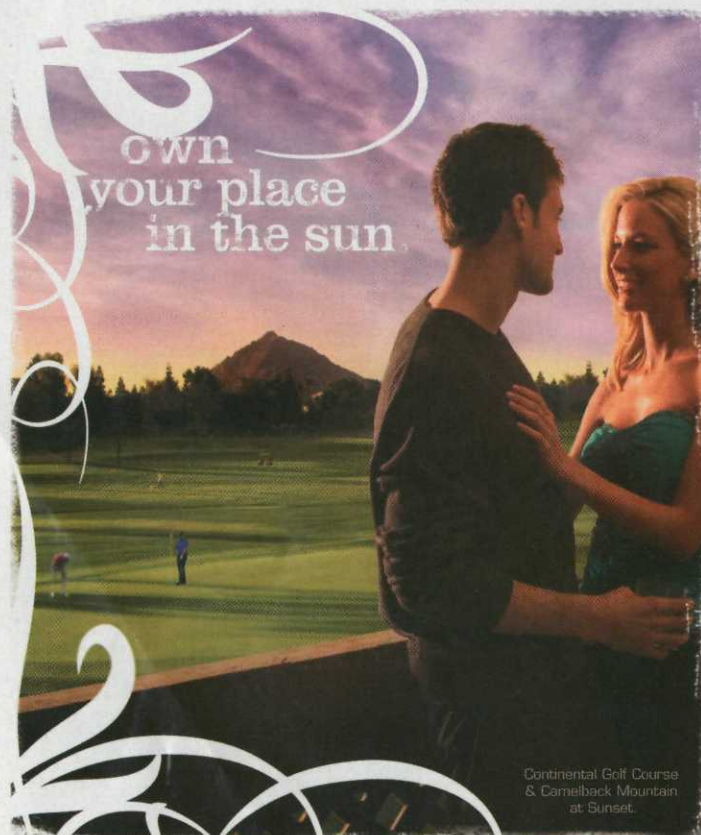
4. Risk being wrong. "I'm really interested in what makes people good at things," says Levitt. Being good at something also means being willing to make mistakes — a serious risk when the stakes of failure are too high. Levitt

cites research by another economist of the behavior of professional football coaches. His conclusion: Coaches are consistently too conservative with their calls because creative, risky calls can get them fired.

Levitt attributes part of his success to his willingness to take the unconventional path along with a fair number of dead ends.

"At any given time I've probably got 20 projects going," he says. "If I'm lucky, four out of those 20 will ever go anywhere, but I try to generate a lot of ideas, many of them bad and a few of them good, and hope I've got the sense to know the difference." ➤

LIZ SEYMOUR is a contributing editor to *US Airways Magazine*. She lives in Greensboro, North Carolina, and her work has appeared in the *New York Times*.



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