
Freakonomics

Chapter 1

What Do Schoolteachers and Sumo Wrestlers Have in Common?



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Today

- **Today: Freakonomics Chapter 1**
 - » Highlights
 - » Conclude With Discussion & Questions
 - » Quiz (warm-up for midterm)
- **Turn back HW & Summary**
- **Final reflections on the coin toss:**
 - » Who manufactured data?
 - » Who tossed 200 tosses?
- **HW: Summary Due next week on Chapter 2**
 - » Hardcopy due: Friday before class (softcopy midnight before class Friday).
- **HW: New Data set next week HW next week**

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General Freakonomics Themes

- **Challenge the conventional wisdom, and that it is often wrong**
- **Looking at Data at different vantage points:**
 - » Moralistic point of view
 - » Scientist point of view
- **Quantify both social and economic issues**
 - » Formulating hypothesis
 - » Gathering data (what to gather?), unconventional methods
- **Understand how incentives work**
- **And sometimes there are subtle causes**

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Professor Clayton Palmer (Weber State)
Professor Lon Carlson (Illinois State U)

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Chapter 1: What do Schoolteachers and Sumo Wrestlers have in Common?

- **Economic Incentives**
 - » Financial interest
 - » How you respond to incentives in the market space (broadly)
- **Social Incentives**
 - » Shame or Glory
 - » Because you care, or you care what other people think (Scarlet Letter?)
- **Moral Incentives**
 - » Conscience or conviction
 - » Doing the right thing? (or doing the wrong thing)

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Example why Incentive is important (or not)

- **What happened in the case of the day care center in Haifa that imposing a fine on late pickup?**

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Example why Incentive is important (or not)

- **What happened in the case of the day care center in Haifa that imposing a fine on late pickup?**
 - » Parents showed up later more often!

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Example why Incentive is important (or not)

- What happened in the case of the day care center in Haifa that imposing a fine on late pickup?
 - » Parents showed up later more often!
- Hypothesis:
 - » Before the fine, parents picket up kids on time because of sense of guilt:
 - Moral, or Social Incentive
 - » Trading the Social/Moral Incentive with a financial incentive back fired:
 - It made it worth being late (and worth the extra fee time)

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Incentives apply in unexpected ways (and can lead to cheating)

- School Teachers in Chicago
- Sumo Wrestling
- Bagel Business

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Questions about the Chapter?

- School Teachers:
 - » Why did they cheat?
 - » How did they detect the cheating teachers?

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Questions about the Chapter?

- Sumo Wrestlers
 - » Why did they cheat?
 - » How did they detect the cheating wrestlers?

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Questions about the Chapter?

- Bagel Business
 - » Honor System runs the business?
 - Did it work?
 - » What were some of the observations?
 - How did weather impact bagel stealing?

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Quiz (yes we will have lots of these)

- Hand out Quiz

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