



Freaky...

The Twelfth in the series: ***An Executive Summary for Busy Managers.***

Viewing an activity from a different perspective can actually change what you think you are experiencing. Sad things become funny and good things become bad.

Ni zao (Chinese for good morning). The average 3 person household in China has a monthly income of \$143 US. Still, Starbucks charges \$3 for a cup of coffee and they are doing great. It might have something to do with the new storefront at the Great Wall and the tourist money... in Florida we know there is nothing wrong with tourist money!

Is there more than one way to evaluate a scenario? Are things different than what they seem?

The title of Steve Levitt's book is a little odd to say the least; Freakonomics – A Rogue Economist Explores the Hidden Side of Everything. What exactly is a "rogue" economist? I thought all economists had glasses, beards and weird personalities. So, to be "rogue" I guess you have to be straight-laced, no facial hair and 20/20 vision. From what I can tell, Levitt appears to be all these things (although he might be wearing contact lenses in his photograph).

It is not too often that I get excited about reading a book. I had a few very positive recommendations for reading this book. I was not sure if it would fit into a management discussion topic but I figured I would give it a try. After the first 20 pages I was sure it would fit into

a management discussion and I was looking forward to learning everything this author had to offer. Then something bad happened... the book got really dull, really boring and really pointless. If Levitt had stopped about one hundred pages short of where he chose to end the book, it would have been one of the best discussions I have read. The problem is unfortunately with the second half of the book.

The first half of Freakonomics is outstanding. **The ability to look at different issues and observe the cause and effect from a completely foreign perspective offers insight that we as businesspeople can only hope to bring to the table.** As an example contained within the book (just the facts ma'am, just the facts)... who would have thought that Roe vs. Wade was one of the primary drivers for the reduction in crime during the 1990s? In 1973 no one could have ever thought that a reduction in crime would become so clear roughly twenty years after the legalization of abortion. Levitt presents factual information that does not delve into religious or political territory. The data merely shows the facts between one country that forced population increase (the dictator thought that more births would increase the country's capacity to produce goods) and a country that implemented legalized abortion (It is important to note that this discovery and the resulting inflammatory papers are what Levitt was most known for prior to authoring Freakonomics).

Regardless of your stance on abortion, there is one thing that none of us will argue with... we would all like to know how we can make more money on the



sale of our homes. Levitt provides factual information that compares and contrasts the prices that real estate agents negotiated whether it was for their personal real estate or simply a clients home. Surprise, surprise... on average, the agent sold his or her own personal piece of real estate for roughly \$10,000 more than a similar client owned home. The reason? Well the math is a little complicated for a short review but basically by selling a client home for an additional \$10,000 the agent only puts \$150 in their own pocket. The sale on personal real estate lets them receive the entire selling price difference. Seriously, how hard are you going to work for \$150? Some business people will do what it takes as long as there is one additional dollar of profit to be had... but, there is the law of diminishing returns and with a real estate commission of \$6,000, the \$150 will often be left on the table. But, for poor old ma and pa retiree, that means an extra \$10,000 will not go towards the down payment on the new Boca condo.

I bet you are sitting in your chair right now trying to figure out how we got from abortion to real estate sales in less than a quarter of a page!!! Me too... at least I would have been before I read Freakonomics. The book jumps from the Ku Klux Klan to Primary School teachers and why they cheat for their students. Talk about a tough act to follow. The first half of the book is made up of discussions of different topics in society and the proposal of alternate reasons for why something occurred. All of this is very thought provoking and intellectually stimulating. Then it happens - Levitt falls into the same trap

that every Economist I have ever known falls into... they start out with an intriguing conversation and then end up drowning you in the details, facts and figures. Of course a certain amount of the discussion needs to be devoted to validation of the data; but do you really need fifty pages explaining how data was collected and reviewed with regard to the names that people give to their children?

The real value in Freakonomics is the way in which the author challenges the reader to look for alternate cause / effect relationships.

Keep an eye out for a 50% off the cover price sale. At half-price this book is well worth the investment. Once you buy the book I recommend that you turn to page 115 (roughly half way) and tear out the remaining pages.

The book in a nutshell:

- The obvious answer is not always the correct answer

This is a good book to read before you sign off on a long-term strategic planning document. It will make you think twice about your pre-determined outcome.

Just my opinion and we all know what "they" say about opinions...

Thanks
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