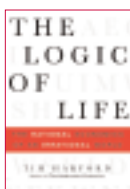


Examining Why We Do What We Do

By Susan Webber



The Logic of Life
The Rational Economics
Of an Irrational World
By Tim Harford
Random House, \$25.00

Pop economics books are clearly good for those who write them; it is less clear that they are a plus for the discipline.

In *The Logic of Life*, Tim Harford looks at a range of phenomena—voter apathy, teenage oral sex, skyrocketing CEO pay, high divorce rates, workplace discrimination, racial segregation—and argues that all reflect responses to incentives. He makes a bold claim: “People are motivated by all kinds of normal human emotions . . . but our responses to them are rational.”

Harford, a London-based economist and columnist for *Slate* and the *Financial Times*, is upbeat and appealing, and an easy read. But in the end, his efforts to support such a sweeping thesis rest on one-sided, questionable interpretations that seriously undermine the integrity of his work.

That isn't to say that *The Logic of Life* won't be popular with lay readers—perhaps to the degree of the author's bestselling debut, *The Underground Economist*. It has the fit and finish of a good book—lively writing, with a breezy mix of anecdote, historical reference, and research. It provides an engaging introduction to quite a

few concepts, including game theory, Giffen goods, Thomas Schelling's work on neighborhood composition, and tournament theory.

But although Harford adds color to his subjects, the economically literate will find relatively little that's novel—and much that's annoying. Too often, the author's stories and factoids take the fore and, as in his chapter on the importance of cities in the information economy, get in the way of reaching a conclusion. His style, well suited to a blog or column, proves less successful in a longer format.

At times, Harford expends considerable energy to prove the obvious. After putting marriage under the microscope, he concludes that the divorce rate has risen because better access to employment allows women to exit bad marriages—hardly a fresh insight. Elsewhere, he is overly simplistic. For instance, he repeatedly asserts—mostly with tongue *not* in cheek—that a single vote is worthless and therefore that voter apathy and ignorance are sensible and even lauda-



tory. Yet in a book arguing that behavior is fundamentally rational, how does he explain places such as Australia, where, overwhelmingly, citizens are knowledgeable and engaged about politics near and far? Yes, voting there is mandatory, but that shouldn't matter—more votes make any one person's choice even less valuable. By Harford's construct, it simply makes no sense that, for instance, over 6 percent of Sydney's population—a significant number of people—took the time to publicly demonstrate against the war in Iraq, thousands of miles away.

But what is more troubling is Harford's insistence that the only lens for viewing human behavior is that of rational economics. It's an odd and crippling choice. Harford could have written much the same book and merely argued that rational economics provides an illuminating perspective. His dogmatic stance is contradicted by the vast literature on cognitive bias, well-documented findings of

The Go-Giver A Little Story About a Powerful Business Idea

By Bob Burg and John David Mann
Portfolio, \$19.95

Have you always meant to pick up one of those business parables—you know, the kind of story in which a stalled executive learns valuable lessons and breaks through to the next level—but couldn't bring yourself to do it? Perhaps it's just me—after all, *The Go-Giver* has turned out to be a big bestseller, one that even those embarrassed to be seen with a copy of *Who Moved My Cheese?* can carry around without shame.

Not that anyone should need to carry *The Go-Giver* for long: At 133 brief pages, it shouldn't take more than an hour to read, and not much longer to process. Burg and Mann tell the story of Joe, a frustrated young go-getter for whom key accounts and sales goals remain just out of reach. With a deadline looming, Joe seeks out a fabled consultant dubbed the Chairman, who magnanimously introduces his new charge to a series of successful people—all generous types who have focused their energies on helping others. The reader will hardly be startled when the Chairman's "Five Laws of Stratospheric Success" bear fruit just in time to meet Joe's deadline.

The book is a brisk read, with competently written prose and dialogue, and unlike your typical mice-in-a-maze fable, it never makes the reader feel as though he's picked up his first-grader's favorite storybook by mistake. No reader could be so hardhearted as to gainsay the to-give-is-divine message, and in the long run that is surely a winning philosophy for the individual, the organization, and for society at large. But even the most credulous reader will have to suppress a snicker at how quickly the karmic wheel turns in Joe's favor, with what seems like remarkably little effort. Can it really be that easy? Generosity is well and good, but how many successful real-life businesspeople truly share the attitude

behavioral economics, and brain research, which shows that the limbic brain, the emotional center, often trumps the cerebral cortex, the seat of reason.

To support an overreaching thesis, Harford overstates or misreads his data and rides roughshod over other interpretations. For example, his only reference to behavioral economics is when he cautions against giving too much credence to experimental findings, such as those of psychologists Daniel Kahneman and Amos Tversky, who developed prospect theory to explain how people manage risk and uncertainty. As an alternative, he holds up the work of John List, a University of Chicago professor who has conducted experiments in real-world settings. In one, List examined the endowment effect, which posits that people quickly become attached to possessions beyond their monetary value. List set up a booth at a convention devoted to buying, selling, and trading collectible pins and, as compensation for completing a survey about their hobby, promised fairgoers a pin of minor value. List then offered to swap the pin for another one of similar value—and found established pin collectors more likely to switch, relinquishing their just-acquired prize, than novices. Harford's comment: "The endowment effect is irrational, and it's real, but it does not influence experienced people in realistic situations."

Apart from the author's selection of one researcher's problematic work to counter entire fields of economics, List's studies don't make their case as firmly as Harford supposes: His pin-convention subjects, being enthusiasts, were surely far more likely to enjoy buying and selling than the general public, making them unrepresentative; his interpretation of his subjects' survey results is surprisingly arbitrary; the surveys themselves do

not appear to have been properly pre-tested; and worst, List conducted the experiments himself, in person. Researcher bias often influences outcomes; that's why clinical trials are double-blind and placebo-controlled. No such precautions were taken in these studies.

And Harford—despite harboring reservations about laboratory experiments, which is why he highlights List's work—throws the careful reader for a loop by using a lab study as an organizing construct for his chapter on workplace discrimination. I guess experiments are OK as long as they aren't designed by behavioral economists.

Granted, this discussion—weighing different branches of economics—may seem like nitpicking, but this sort of inconsistency is pervasive in *The Logic of Life*; Harford is all too ready to jettison schools of thought that don't support his rational-choice thesis. In the chapter on divorce, Harford uses speed dating to generalize about marriage. Yet as Malcolm Gladwell tells us in *Blink*, making conclusions on initial impressions can work very well—or very badly. Advisers to the unmarried warn against pursuing one's "type," which speed dating encourages. Similarly, Harford points to research that found that high-rent cities have higher proportions of unskilled women than unskilled men, and concluded that the women are there to find rich men.

Yet the professions that Harford cites as unskilled (waitressing and secretarial work, which is hardly unskilled) are feminized; you don't find a lot of men waiting tables even in the boonies. And what about the fact that 10 percent of the population of the Philippines, almost entirely women, works overseas as *amahs*? That says that there is a large need for live-in domestic help in cities; men aren't candidates for

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those jobs. Put another way: My Dominican housekeeper is not in New York City to snag a rich man, as far as I know.

Similarly, Harford claims that people are fatter than in the past because it's hard to stay thin in contemporary society and modern medicine can ameliorate the diseases of the overweight, lowering their cost. But if medicine had anything to do with this equation, you'd see higher obesity rates among those with better access to care when, in fact, the fattest cohort is the poor, who can seldom afford treatment.

There are multiple ways to read surveys and data, and Harford generally ignores all but one.

The most bizarre misreading occurs where Harford reports that “self-reportedly heterosexual men” who had an HIV-positive relative were more likely to say that they were having anal sex with women. Harford speculates that they were gays who had switched to women. There is ample research confirming that preferences are deeply ingrained; it's vastly easier for gay men to use condoms than override their desires. Similarly, any sex therapist—or issue of *Cosmopolitan*—could tell Harford that plenty of straight men enjoy anal sex. Yet Harford chooses to discard the responses given to impose his own interpretation. That's simply bad practice.

Mind you, this is not to say that *my* interpretation of this—of any of these examples—is the correct one but, rather, that there are multiple ways to read surveys and data, and Harford generally ignores all but one. In fact, the only chapter that seems free of questionable interpretation is the one on poker and game theory, but that may reflect my ignorance of the game.

Why does this matter? Because economists are the only social scientists

with a seat at the policy table, and they need to be careful with their recommendations. Compared to the physical sciences, social sciences are woefully limited in the depth and certainty of their findings. Human beings are difficult and costly to study; research rests on relatively few data points gleaned in particular circumstances. Generalizations should be made with great care and humility. Yet Harford frequently and annoyingly asserts that economists enjoy superior powers of perception: “It takes an economist to realize that . . .” “The economist's way of thinking sug-

gests a deeper answer . . .”. Similarly, he claims that, “Tournament theory has stood the test of time and has been supported by many subsequent pieces of empirical research.” A friend who knows the literature disagrees, supplying citations.

It all reminds me of a recent argument over free trade, in which Harvard economist Dani Rodrik chided colleague Greg Mankiw, saying: “I want to take issue with the general philosophy behind Greg's argument, which is that a less than full (and possibly misleading) story in support of your argument is OK as long as it helps disarm your opponents. . . . I am not sure I like this stance very much. For one thing, it goes against the grain of what I think is the most important job of economists in public debate—to educate and not simply to be an advocate. Second, it is bound to backfire, and ultimately undercut the credibility of economists.”

Likewise, Harford has done a disservice to his book, and ultimately to his profession, by misusing evidence in the interest of telling a tidier—albeit more colorful—story. 🍷

of the (extremely fictional) Chairman?

Too bad that Burg and Mann didn't include a dark flip-side narrative, in which one of Joe's colleagues fails to heed the Five Laws, remains grasping and selfish, and discovers that karma can be a bitch. Maybe there'll be a sequel.

Megacommunities How Leaders of Government, Business and Non-Profits Can Tackle Today's Global Challenges Together

By Mark Gerencser, Christopher Kelly,
Fernando Napolitano, and Reginald
Van Lee

Palgrave Macmillan, \$27.95

Tomorrow's crises will be larger, more complex, and more severe than ever, and may seem hopelessly insoluble—especially in the throes of “a stultifying crisis in confidence” in leaders and institutions. But problems of any magnitude can be solved—it just takes a broader group of problem-solvers. Written by four Booz Allen Hamilton executives, *Megacommunities* urges leaders—from business and government and civil society—to come together to head off emergencies. In this “guide for leaders,” the authors insist that “communities of organizations, as vehicles for large-scale change, are both feasible and needed as they never have been before.” True, corporations and NGOs and government agencies have different objectives, but that's OK—it's those conflicting perspectives that can generate key ideas.

Readable and thought-provoking, *Megacommunities* offers examples of how the approach has worked in cases around the globe, usually in an ad-hoc fashion, and shows how leaders from all spheres can make common cause in the service of the global community. It makes a strong case for business leaders taking the first steps toward solving the most daunting predicaments—and toward solving that leadership crisis.

—MATTHEW BUDMAN