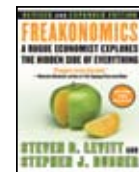


Superfreakonomics: An exclusive interview with Stephen J. Dubner

Is your initiative creating positive change or just “more rats in the sewers?” There’s no better person to ask than Stephen J. Dubner, the co-author, with Steven D. Levitt, of *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. A former editor of and writer for *The New York Times Magazine*, Dubner has also written for *The New Yorker*, *Time* and *The Washington Post*. Currently a regular contributor to ABC News, Dubner appears monthly on Good Morning America and a segment of World News Tonight called “Freakonomics Friday.”



On April 22 Dubner, was the special keynote speaker at IBM Cognos Government Forum. Here he corresponds with IBM Senior Writer Kelsey Howarth on creating the right incentives, good government, economic trends and why a shark attack is nothing to worry about.

KH: In *Freakonomics*, you clarify what economics is really about. I think it’s important to start with the definition of economics for the many people, myself included, who have forgotten that it isn’t just about the economy.

SD: There are about as many definitions of economics as there are economists. One broad way of thinking about it is the study of how people allocate resources. We’ve come up with a looser definition: the study of how people get what they want, or need, especially when other people want or need the same thing.

KH: You mention that the most powerful data comes from finding people’s revealed preference over their declared preference. Can you explain the difference? Is there really such a wide gap?

SD: Declared preferences are what people say they’ll do and revealed preferences are what they actually do. Yes, the gap can be very wide – depending, of course, on the situation. It’s not that we lie necessarily; it’s just that our behavior doesn’t always follow our stated intentions, especially when our behavior isn’t being observed.

KH: So where does the cleanest data come from?

SD: The worst data are generally self-reported data; the best are data that come from actual behavior and can be verified. When an investor talks about how much risk she wants in her portfolio, that’s one thing; when she sells everything she’s got after the market falls 15%, that’s another.

KH: In terms of data we seem a society that likes to make snap judgments, without looking at the data and sometimes out of unfounded fears.. As someone who seeks the facts behind the data, does this drive you crazy?

SD: Yes. In our upcoming book we write about several examples of this. Shark attacks, for instance: if you didn’t know better, you’d think hundreds or thousands of people die each year from shark attacks. In reality, the number is usually less than 10 worldwide.

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KH: You will be speaking at IBM Cognos Government Forum. What key messages would you like to impart?

SD: I'd like to talk about how incentives matter, and how they can backfire; how the conventional wisdom is often wrong; and how human behavior can be a stubborn thing to change.

KH: If you could point the new administration to look at certain data sets what would they be? Are there certain trends that you are seeing?

SD: Well, there are a lot of very, very smart people there, so they certainly don't need my help. One suggestion might be to really try to understand the impact of fear and other emotions on the stock market; also, it would be great if they could get people to understand that leading indicators and lagging indicators aren't the same thing.

KH: In terms of the economy, in your opinion are we in the midst of a recession, depression or neither?

SD: Well, I don't think there's any dispute we've been in a recession, and a steep one. Depression, meanwhile, is much less concretely defined. The legal scholar and all-around smart guy Richard Posner has posited that yes, we are in a depression, primarily because the level of fear and anxiety are so great and the potential for huge financial failures still exists. On the other hand, as a historical comparison the Great Depression isn't always so useful since the country and economy were so different then.

KH: In terms of incentives can you share any powerful or really terrible incentives that really stick out in your mind?

SD: How much time have you got? One of the most interesting – even comical – ones is charging for trash pickups, which different cities and states around the world have begun to do. The incentive is to consume and pollute less; but it often backfires in the strangest ways. Hospitals see an increase in burn victims – people who burn their own garbage. Roadside dumping goes up. One city in Germany had a terrible problem with rats in the sewers because people started flushing their food garbage down the toilet rather than pay for its disposal.

KH: You champion the value of asking unpopular questions. What was the most unpopular question you've ever asked?

SD: I guess that would be when I asked my wife to marry me. It was her father who had difficulty with the question; he wasn't quite ready to let his little girl go.

KH: Superfreakonomics comes out in 2009. Can you give us a sneak peek?

SD: I think it's better than the first book; we've certainly tried. The stories are similarly all-over-the-map. We talk about global warming, terrorism, altruism, and of course the similarities between a street prostitute and a department-store Santa.

For more information from Stephen Dubner and Steven Levitt visit their popular website, www.freakonomics.com, which has been called “the most readable economics blog in the universe.” For more information on how to get him at your next event please visit The Harry Walker Agency at <http://www.harrywalker.com/>.

