



Freedomnomics: Why the Free Market Works and Other Half-baked Theories Don't

John R. Lott Jr.

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How free-market economies really work
(and why they work so well)

Are free market economies really based on fleecing the consumer? Is the U.S. economy truly just a giant free-for-all that encourages duplicity in our everyday transactions? Is everyone from corporate CEOs to your local car salesman really looking to make a buck at your expense?

In Freedomnomics: Why the Free Market Works and Other Half-Baked Theories Don't,

economist and bestselling author John R. Lott, Jr., answers these and other common economic questions, bravely confronting the profound distrust of the market that the bestselling book *Freakonomics* has helped to popularize. Using clear and hard-hitting examples, Lott shows how free markets liberate the best, most creative, and most generous aspects of our society--while efforts to constrain economic liberty, no matter

how well-intentioned, invariably lead to increased poverty and injustice. Extending its rigorous economic analysis even further to our political and criminal justice systems, *Freedomnomics* reveals:

- ? How the free market creates incentives for people to behave honestly
- ? How political campaign restrictions keep incumbents in power
- ? Why legalized abortion leads to family breakdown, which creates more crime
- ? Why affirmative action in police departments leads to higher crime rates
- ? How women's suffrage led to a massive increase in the size of government
 - Why women become more conservative when they get married and more liberal when they get divorced
- ? How secret ballots reduce voter participation
- ? Why state-owned companies and government agencies are much more likely to engage in unfair predation than are private firms
- ? Why the controversial assertions made in the trendy book *Freakonomics* are almost entirely wrong

Entertaining, persuasive, and based on dozens of economic studies spanning decades, *Freedomnomics* not

only shows how free markets really work--but proves that, when it comes to promoting prosperity and economic justice, nothing works better.

Freedomnomics: Why the Free Market Works and Other Half-baked Theories Don't Details

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From Reader Review Freedomnomics: Why the Free Market Works and Other Half-baked Theories Don't for online ebook

Rachel says

While I am conservative and do agree with many of the author's views, I found the book to be bias for the sake of being bias. In one instance he claims lack of regulation is good for society and then a few chapters later he seems to claim regulation is better for society. I almost quit reading it, but dragged on to the end.

Michael Tarpinian says

Capitalism works. Freakonomics is flawed. The Stephen's blame the capitalist for every ill.

Wendi says

Unexpected. I've read Freakonomics several times so this is an interesting alternative. The author believes politicians are mostly honest based on behavior in the second term and campaign contributions. Not sure I agree with that conclusion but it is different.

Toe says

Informative, well-written, short.

I like this guy. He tackles seemingly complex yet interesting social questions and analyzes them. He discusses the theory, then provides the numbers, then discusses why the theory does or does not jibe with the numbers.

The process involves applying simple, true concepts to reality. All the concepts boil down to cost-benefit analysis. People will do things more when those things have lower costs and higher benefits. They will do things less as the costs rise and the benefits fall. Being able to anticipate and tease out all of the costs and benefits is where the magic lies. Sometimes this process puts John Lott's book in direct conflict with another interesting pop-econ book, Freakonomics.

For example, Freakonomics argued that legalized abortion in the United States, with the passage of the Supreme Court decision, Roe v. Wade, 410 U.S. 113 (1973), contributed to the decline in crime experienced in the 1990's. Their reasoning was that people who had abortions were typically poor, uneducated, unemployed mothers. These women created environments that bred more criminals. But, by having abortions, these criminals were never born to grow up and commit their crimes. It's basically like John Claude Van Damme in Timecop going back to off bad guys before they become bad guys. Sounded plausible to me when I read Freakonomics, which admittedly was long ago and prior to writing book reviews to remember the books I've read. It also was not a new argument. There was study by Hans Forssman and Inga Thuwe published in 1966, Daniel Callahan's 1970 book "Abortion, Law, Choice, and Morality," and the

1972 Rockefeller Commission on Population and the American Future, which all said the same thing: abortion lowers crime.

John Lott says hold on. When abortion is legal, the costs of premarital and unprotected sex go down because it's easier to rectify unwanted pregnancies. Precautions aren't as necessary. Consequently, people will be more likely to have pre- and extramarital unprotected sex, which leads to more pregnancies. It also makes men feel more entitled to not care for their offspring since they may expect the woman to have an abortion. Hey, I wanted her to have an abortion, she didn't, so she should have to take care of it. The question then becomes which occurs more frequently and thus has a bigger impact on crime: 1. people having abortions of potential future criminals or 2. women getting pregnant when they otherwise would not because of the abortion escape hatch, ultimately deciding against abortions, and placing children in the very environment that is more likely to result in criminal behavior? Lott says the latter occurs more frequently based on his and other studies. In fact, according to Lott, abortion increases the murder rate by about 7%. The two main pieces of evidence cited by Lott are that those born the four years after Roe were much more likely to commit murder than those born in the four years prior to Roe; and Canada, which didn't legalize abortion nationwide until 1988, also had a similar decline in crime in the 1990's.

This book is filled with such questions. Lott reaches conclusions based on the data as he interprets and analyzes it. His conclusions seem plausible to me. But so did those of the "Freakonomics" authors when I read that. So shit, I don't know. Decide for yourself.

The following is a random list of Lott's conclusions drawn from the data and based on the idea people respond to incentives.

- Very few, if any, people who draw their income from taxes will be inclined to support a reduction in taxes. Lott discusses a proposed reduction in Montana property taxes and how nearly all educators, from pre-K through university were against the proposal.
- In baseball, the American League has more hit batsmen than the National League, but this difference only appeared in 1973 when the American League removed its pitches from the batting lineup in favor of designated hitters. American League pitchers are less concerned about being directly retaliated against by the opposing team's pitchers, so they throw more beanballs.
- In addition to legalized abortion, affirmative action hiring in the police force increased crime. Affirmative action hiring reduced the number of police officers capable of performing the essential job functions, which require a minimum level of cognitive and physical ability. Female police officers are more frequently incapable of pursuing and subduing male criminals. For example, Brian Nichols was 33-years-old, 196 pounds, and a rape defendant. In a courtroom, he was guarded by a 51-year-old, 5'2 woman. Nichols overpowered his guard; took her gun; and killed the judge, court reporter, a police officer, and a federal agent. But hey, at least there was increased diversity on the Atlanta police force.
- Lott attributes the decreased crime in the 1990's to the death penalty, increased law enforcement (which is to say longer prison sentences and more arrests), and expanded right-to-carry laws. A study on the death penalty by Isaac Ehrlich in 1976 found that each execution deterred between 20-24 murders; later studies put the number at 15-18; but Lott says most of the studies agree that it is a deterrent. Lott says that during the 1990's assault victims who used a gun for self-protection were injured 3.6% of the time, as opposed to 5.4% who ran or drove away, 12.6% who screamed, 13.6% of those who threatened the attacker without a weapon, and 55.2% of those who took no self-protective action at all!
- Demographic changes, gun control, and broken window policing did not really decrease crime in the 1990's.
- There is a federal minimum wage law. If employers break it, they have to pay large fines. Employees have a large incentive to report employers who pay them less than the mandated minimum because employers are often forced to pay them double the amount of the underpayment. The longer the time goes on that an

employee is paid less than required, the more the incentive builds for them to report their employer. This incentive does not apply, however, to illegal immigrants who risk deportation for bringing suit. Thus, in addition to pricing out unskilled labor, the federal minimum wage also encourages the hiring of illegal immigrants by employers.

- The U.S. federal government consumed about 2-3% of GDP up until WW1. The 19th Amendment, passed in 1920, gave women the vote. Spending by the federal government has grown ever since. Women are more risk averse and consequently more supportive of government programs to ensure against risks in life, such as Medicare, Social Security, education expenditures. Women typically have lower incomes. Single women are more supportive of progressive income taxes. Married women are less supportive of progressive income taxes.
- As you'll recall, there was a big scandal during the 2000 presidential election in Florida because many ballots were cast as non-voted, i.e., the votes were not counted. Some attributed the cause to mechanical malfunctions (hanging chads). Others claimed it was racism against blacks who would have voted for Al Gore. The problem, according to Lott, is not that black voters were more likely to have cast non-voted ballots. It's that Republicans of all races were more likely to have cast non-voted ballots. Black Republicans were 54-66 times more likely to have cast a non-voted ballot than a black Democrat. In other words, for every 2 additional votes cast by black Republicans, 1 did not register a vote for president. With over 22,000 registered black Republicans in Florida, and an election decided by fewer than 1,000 votes, George W. Bush was hurt more by the loss of black votes than Al Gore was. The overall rate of non-voted ballots was 14% higher when the county election supervisor was a Democrat, and 31 percent higher when the supervisor was an African American Democrat.
- There is a bias in the media favorable to Democrats. Lott analyzed news stories of objective economic data, such as unemployment rates, GDP, retail sales, and durable goods. The facts are numerical, but the surrounding news story could be classified as things getting better, worse, or mixed. Given the same underlying economic news, paper headlines are 10-20% more positive during a Democratic presidency, relatively more positive when Democrats control Congress, and reach their most negative when Republicans control both the presidency and the legislature. Again, this variation surrounds the reporting of objective economic data such as the unemployment rate.
- In 1821, 93% of New York's school age youths attended private schools, almost all of which were openly religious. The Protestant state legislature worried that students educated at Catholic schools were learning the wrong values and would grow up criminals. They wanted to make Protestant schools less expensive in the hopes that some Catholic students would transfer to Protestant schools and learn the correct values. The early system was a voucher program. Catholic students used the government subsidized vouchers to get into more expensive Protestant schools. But then Protestant schools started competing to attract Catholic schoolchildren by teaching Catholic values, which defeated the original intent of the vouchers. The legislature responded by limiting vouchers to the approved Protestant school nearest a student's home. The subsidy grew until the subsidized schools were getting most of their money from the government while being protected from competition. With the Free Schools Act of 1867, the state simply took over the subsidized schools, which then became public institutions. Today, of course, public schools strongly support government expansion and involvement in American society.

The facts are more or less the facts. To be fair, other studies interpret them differently or use other facts to reach different results. Decide for yourself. While you're doing that, be sure to grab a gun to lower the likelihood you're injured if assaulted.

Donald Plugge says

I am going to cheat here and use one review for two books.

I'm not quite sure why Freedomnomics is so contentious with Freakonomics. The underlying theme in each is more or less the same. Analysis of facts can uncover non-intuitive correlations. Incentives drive many rational decisions. And unintended consequences are more often the culprit in failed systems.

In fact, Lott itemizes only three areas of disagreement with Levitt's writing. Levitt's claim that crime rates went down due to increased abortion rates is scoffed at in Freedomnomics. The theme of corporate greed being rampant is also frowned upon by Lott. And finally, Lott and Levitt differ on the influence of political donations.

Freakonomics was written before Freedomnomics, so any personality battles are one sided. Lott appears to have an ax to grind with a number of groups, not just the authors of Freakonomics. Lott's underlying contempt for specific groups certainly bleeds through and to me it is unbecoming. That said, I go back to the fact that both books use statistics and analytical review to tease out subtle influences.

Any economist will tell you that correlation does not imply causation, so both author's must be held up for review and critique. Yet they are both willing to step out of the box and look deeply into the root cause without artificial restraints and political correctness.

The same concept of number crunching was used in professional baseball to find hidden talent and uncover obscure attributes. Many of the discoveries make sense after they are exposed. Lott points out the benefits of higher fuel prices, along with other commodities, during a natural disaster. The pricing system is used as a throttle on limited resources and scarcity.

They both see self interest as a human condition to be dealt with rather than ignored and blamed. The free market acknowledges greed and works to direct it, rather than ignoring it or blaming it for social problems. Both seem to point out that conventional wisdom can be very off. They also state that experts in all fields work toward an agenda of self interest, it is inherent in man.

Please read both books before siding with one author over the other. I had my mind put to thinking after each chapter of each book. The 3 stars for each is due to the fact that I may not go back to either as a reference book and many of the ideas were not original.

Paul says

Big donors "allegedly" buy influence through campaign contribution? Allegedly?! What a crock of shite.

Does raise some interesting issues about unintended consequences of regulation that others fear to discuss.

Jay says

"Freedomnomics" concludes with the point that there are biases all over, and makes that point referencing statistics and history, such as the percentage of political donations for major parties of workers in media, and

the early history of public and private education in the US. This book waves its biases around. Books like "Freakonomics" worked by cherry picking issues that would have interesting conclusions and would reflect the biases of the authors. And that have the statistics to back up the interesting causality stories.

"Freedomnomics" cherry pick rebuttals to arguments presented in "Freakonomics" and elsewhere. They in effect peel back a layer of the onion. For instance, instead of basing an argument on racial voting statistics, as apparently done in "Freakonomics", by further subdividing the data into racial and party affiliation you get the opposite conclusion. This book really is about doing further research to get different conclusions. There is a Republican bias in the problems chosen to review and in the results presented. I say Republican instead of Conservative because, I believe, it's easier to get party-related stats, and that's what's used quite a lot throughout the book. I listened on audio and found myself wanting to know if the statements presented had footnotes. There was no indication on audio. There are very many "factoids" stated to base arguments on, but the audio listener had no idea if they were presented as facts or as opinions. This distinction really matters in this kind of book, and for that reason I wouldn't recommend the audio over the paper book. Sorry trees.

Tadas Talaikis says

I don't love authorities, but where to find a book that honestly examines the real, instead of promoting biases of either side?

Some points of this one:

- 1) Monopoly is beneficial (then goes contradictory against gov monopolies).
- 2) When public universities or health clinics charge (you) less, it's predatory.

Etc., as always, unrealistic nonsense. I had noticed very long ago one paradox - people, who declare X, actually are prone to -X, e.g., people who declare "god's love" are usually bastards full of hate. As I read much later, this is how human psychology works.

Kiri says

The author does an admirable job of explaining the incentives built in to the free market, and why they work so well. I would have given it four stars were it not for the "Rebuttal to Freakonomics" subtitle; while the author does rebut the "Freakonomics" theory that the legalization of abortion was the cause of the drop in crime during the '90s, most of the book is not a rebuttal but rather addressing different issues.

While in some instances Levitt (the author of "Freakonomics") did not apply his own concepts to the examples he was analyzing, the central concepts of his book have merit - that there are often hidden factors behind and unanticipated reactions to human behaviors. While Lott does quote from "Freakonomics" to support his view that Levitt is promoting suspicion of corporations and of professionals from doctors to real estate agents, I gotta say I did not come away from the book thinking that that was the central message.

Re: Lott's rebuttal of the "abortion lessens crime" theory; he makes a good case, although I can't help but think that in the stats on single vs. married vs. cohabiting parents there is a generational shift that will in time change these factors. Cohabitation used to be frowned upon, has become endemic and has lost much of its stigma.

In his analysis of why Ph.D. candidates do not need a time limit set to attain their degree he suggests that there is an incentive for such candidates to finish in a shorter period of time, as they then appear smart and assertive and focused. It seems to me that there is also the possibility for the candidate who pushes through in the minimum time to be rushing his research specifically in order to appear focused and get a job faster. Not that there's anything wrong with that, but it's not quite as simple as Lott presents it.

Aaron says

I liked this book and read it before I read Freakonomics. I thought it was written well, but retrospectively, not quite as well as Freakonomics. It seemed as though it was a little rushed to press as a rebuttal. While it was good, I think the editing and focus could have been better. I like the arguments presented in both books and compare and contrast.

Evan says

Nice book, but I feel kinda biased because I agree almost entirely with the author. He is correct, however, and he gave some amazing insights in stuff like voting issues and "election contribution corruption". On campaign contributions, the problems would all be solved if the government weren't so mammoth sized. Good book to read! (this review was written by a heavily biased believer in free market economics and personal freedom)

Seth says

I think this book probably only deserves two stars. I was quickly bored. I gave this book a full read, however, because I attended his lecture on how gun ownership is a proven crime deterrent. His section on guns in the book was good. I also liked the criticism of affirmative action within the police force. His research was far more interesting the last quarter of the book than the more generic free market arguments articulated the first three quarters.

There are more interesting introductions to free market arguments that replace the majority of the value of this book. However, the last quarter is far more original and interesting than the rest. There, the research and conclusions parallel the creative flair found throughout Freakonomics (the book he is responding to). If you liked Freakonomics but disliked some of the axiomatic distrustfulness of corporations and markets, then, Freedonomics provides somewhat satisfying responses to those elements found in Leavitt's writing. Otherwise, the book is probably not interesting enough to read unless you skip to the last quarter and treat the read as an essay only reading the last three or four research vignettes.

Lisa says

The subtitle of this book indicated it would rebut the ideas in Freakonomics, a book I found very interesting. This book did challenge some of Freakonomics, but the most interesting parts did not. The most important idea in this book had to do with campaign finance reform, a topic I find very frustrating.

I am in favor of term limits for Congress for several reasons--one of the reasons is that the incumbent wins about 95% of the time because of the great financial advantage they have. It seems that the guy with the most money wins. There seems to be a vicious cycle of special interests donating campaign money, then the Congressman funnels money and/or considerations to that special interest group. McCain/Feingold was supposed to limit the amount of campaign donations, but it doesn't work because people just donate to PAC's. Lott pointed out the problem, its cause, and its solution. The problem is that government spending has sharply increased, drawing those special interest groups hoping for a piece of the pie. The answer--decrease government spending and all that goes with it. As our national debt just topped \$12 trillion, I love that solution!!

I am an independent, and I found Lott's ideas on voting and felons gave me a really good laugh. First Lott said that people tend to vote for people like themselves. For instance, a black voter would identify with a black candidate and be more likely to vote for him. Later Lott discusses felons and the drive to reinstate their voting rights by Democrats. Lott said that he found that virtually all felons are Democrats. Here is the funny part, I concluded that felons look for the candidates most like themselves, and they chose Democrats. While the Republicans have corruption problems, the Democrats really need to clean up!

There's lots more interesting ideas in this book that supports free markets. Right now most people are spending more than they would like for gasoline, but we can always find it, fill up, pay, and move on. Those of you that remember the 1970's can picture the long lines at the pump and many gas stations posting signs that they were out of gas. Why? Because of price controls, gasoline prices were kept artificially low--but the shortages were severe!

Shane says

Great rebuttal of Freakonomics

Jacob says

While I like the way this author writes and agree with some of his arguments, I don't agree with all of his arguments and furthermore I don't agree wholeheartedly with most. It is interesting and helpful to hear the claims of the *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything* authors argued against, especially those that aren't backed up. However, indicating that real estate agents probably don't cheat their clients as much as claimed in the other book does not go a long way towards showing that insurance agents and sumo wrestlers are honest. Especially when, since *Freakonomics* was published, there have been at least two major scandals exposing corruption in Japanese sumo wrestling. And the arguments aren't strong enough to convince me that real estate agents don't abuse their greater information. Just that the field isn't as one-sided as either book claims.

This book also has a shortcoming in that it doesn't spend very much time demonstrating how government "solutions" are worse than free market ones. I'd like to see a bunch more real-life examples, especially when the subtitle of the book is "why the free market works and other half-baked theories don't". This could lead to a much more educating section on how the incentives and consequences that are built into the free market actually do a good job if they aren't hamstrung by harebrained government policies before they are able to work.

Given all this, the book is still interesting and easy to read, as well as thought-provoking.

Atchisson says

While "Freakonomics" gets all the press, this book by John Lott spells out what REALLY goes on. If you want a fun take on the skewed perspective of "Freakonomics", this book offers it.

Angie says

Scary! It's actually making me question or at least rethink my liberal views.

Anastassia says

A book aimed to dismiss half-baked theories is full of half-baked theories itself... disappointing

Ram says

Why would this be a good book for those just learning to read? For one, the font is huge. Nothing, by the way, screams, "look at me! I'm a big, important work of academic mastery!" more than enormous font in a very short book. Those struggling to overcome illiteracy will also find this book agreeable because they won't have to take the time to comprehend as they decipher the big (I mean in height, not difficulty) words. Simply put, John Lott's arguments don't make much sense and he seems confused much of the time about this "free market" thing.

You'll love this book if you're a "bootstrap" conservative, though. Intellectually lazy, addle-brained ideologues will find nothing challenging here.

Meg - A Bookish Affair says

This book was supposed to be a counter to "Freakonomics," a book which shows economics of various things other than the traditional monetary view that we usually pin economics to. To me, some of Lott's arguments seem half baked. He tries to put together things like abortion rate and crime rate later on in life. One thing to remember when reading this book is that coincidence does not breed causality.
