This course gets its name and purpose from the best-selling book *Freakonomics*, and the books, blogs, podcasts, and movies that followed it. Like the *Freakonomics* phenomenon, the purpose of this course is to show how one can apply the most standard principles, methods and tools of economics to non-standard settings.

Through these real-life examples, students will gain a better understanding of supply and demand, costs, and how to optimize under imperfect information. The course is also designed to make students more analytical consumers of popular science. We will spend a lot of time on understanding the difference between correlation and causation, and measurement issues such as small sample problems and selection bias.

By the end of the course, students will:
1. have gained a better understanding of economic principles
2. have sharpened analytical skills in order to be more critical of data and research

**Themes**
1. Economic principles are applicable in all areas of life.
2. People respond to incentives.
3. Correlation is not the same as causality.
4. We can analyze the economic problem at stake, while momentarily tabling any questions of morals and ethics.

**Readings:**
There is no assigned text for this class. All readings will be posted on Classes V2. We will draw on newspaper stories and academic articles. Most academic articles are optional. However, we encourage you to try to read them and cross-check in class whether you gleaned the main points of the article on your own. This will be excellent practice for your group presentation (see below). Pay close attention to the instructions listed in the syllabus under each session, where we point out the most relevant sections of papers for you to read (many academic articles have highly technical sections that are not relevant to this course).

**Course Requirements**
- Two in-class exams: 25% of grade
- Group Presentation: 25% of grade
- Group Project: 20% of grade
- Participation: 20% of grade
- 2 Article Submissions: 10% of grade

**Class Participation**
Class participation grades will reflect our assessment of your total contribution to the learning environment. This reflects both quantity, but more important, quality of your class contributions. Note that simply showing up to class is rewarded with participation points.

**In-Class Exams**
There will be two in-class exams meant to illicit whether you have a basic understanding of the principles covered in the course. No memorization is required, but students do need to understand the concepts well enough to apply them to new settings.

1. **Test #1:** Feb 24, 2015 in class. Covers supply, demand, costs, information and incentives. (15%)
2. **Test #2:** April 16, 2015 in class. Covers causality and interpreting popular press reporting on research. (10%)

**Group Presentation**

In a team of roughly 4 students, put together a 20-minute presentation (including Q&A) on a research paper. There will be 4 presentation days throughout the semester corresponding to the 4 subunits in the class: (1) supply, demand, costs \((1/29/15)\), (2) information and incentives \((2/17/15)\), (3) causality \((4/7/15)\), and (4) measurement \((4/23/15)\).

Once you have formed a group, submit a ranking of papers you would like to present. Each group must rank at least 5 and we will accept up to 10 rankings. Articles will be assigned on a first-come-first-serve basis. If all of your choices have been taken, we will assign you at random.

Article bidding begins on **January 20 at 8am**, by emailing susan.zhou@yale.edu your ranking. Rankings **must be submitted by Friday, January 23 at 11:59pm**, or you will be randomly assigned to a group and a topic.

Presentations should follow a very specific structure, as outlined in Professor Kahn’s presentation on the first day of class (slides are posted on Classes V2). Students must address the following areas:

1. What is the question this paper is trying to answer?
2. Why is this question important and how does it relate to the class subunit?
3. How does the paper answer this question?
4. Do you believe they have answered the question, why or why not, are there alternative explanations for their findings?
5. Give an example of how the findings in this paper could influence another area of your life.

**Team Project**

In a group of roughly 4 students, design an experiment to answer a question that was important for your last firm. At the beginning of spring II, we will discuss a number of examples of experiments inside firms, and also have an expert guest speaker in this area.

You will not run this experiment, nor are you required to have a continuing relationship with the firm. You must, however, have enough inside knowledge about goings on at the firm to be able to motivate why your project would be interesting and important to them.

The deliverable will be a slide deck for a 20-minute presentation (including Q&A). We will choose the **top 4 projects to be presented on April 28** in class.

**Article Submissions**

A primary goal of this course is to convince you that economics is everywhere, and that it brings new insights into your daily life. To help show you the prevalence of economics in your daily lives, we ask you to submit 2 articles drawn from the popular press (other than those listed on the syllabus).

**The first article is due by February 24** and must be relevant to the concepts covered in spring I. **The second article is due by May 5** and must pertain to the concepts covered in spring II. The connections can be based on the specific subject matter covered or the broader concepts covered.
For each article, email the link and a short write-up answering the following questions. Each article is worth 5 points. The top 1-2 articles will be selected as questions on the subsequent test.

1. What is the thesis of this article? How does it support its claims? Do you find it believable?
2. How does this article relate to the topics covered in class?
3. How does an aspect of this article apply more broadly to your life? I.e., why might one care about the piece?

Note that the article can be an example of a thesis that is convincing, or a thesis that is unconvincing for a reason covered in class.

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# Important Dates to Remember

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
<td>January 13 (Tuesday, 1 – 2:20 p.m.)</td>
<td>First class meeting, room 4420</td>
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<td>January 20 (Tuesday, 8am)</td>
<td>Bidding for group presentation topics begins</td>
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<td>January 23 (Friday, 11:59pm)</td>
<td>Bidding ends</td>
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<td>January 29 (Thursday)</td>
<td>Student Presentations #1: supply, demand, costs</td>
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<td>February 5 (Thursday, 11:30 – 1)</td>
<td>Special class meeting time/place, room 2400</td>
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<td>February 17 (Tuesday)</td>
<td>Student Presentations #2, information, incentives</td>
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<td>February 24 (Tuesday)</td>
<td>In-class written exam #1</td>
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<td>February 26 (Thursday) – March 20</td>
<td>SPRING RECESS (no class)</td>
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<td>April 7 (Tuesday)</td>
<td>Student Presentations #3: causality</td>
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<td>April 16 (Thursday)</td>
<td>In-class written exam #2</td>
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<td>April 23 (Thursday)</td>
<td>Student Presentations #4, measurement</td>
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<td>April 24 (Friday, 11:59pm)</td>
<td>Group Projects Due</td>
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<td>April 28 (Tuesday)</td>
<td>Group Project Winner Presentations</td>
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<td>April 30 (Thursday)</td>
<td>NO CLASS</td>
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<td>May 5 (Tuesday)</td>
<td>Last day of class.</td>
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OUTLINE AND SCHEDULE OF SESSIONS

Session 1:  Introduction  
(January 13)

Readings:

Popular Press:

2. “The Secret to Living a Long and Happier Life: Not trusting observational studies that make claims they can’t possibly prove,” Ray Fisman, Slate, August 1, 2014

Academic Article:


Preparation Questions:

1. Why does article #1 claim running 5 minutes a day as lasting benefits? According to article #2, why should you be skeptical of that finding?
2. Answer the following questions about “$320,000 Kindergarten Teachers” using any of readings 3-5.
   a. Why is it important to understand whether and how much kindergarten teachers impact adult outcomes?
   b. How does the study establish a causal relationship between the quality of one’s kindergarten teacher and earnings as an adult?
   c. Do you believe the relationship established was truly causal?
   d. How could the answer to this question influence your life in another setting?

Session 2:  Why you can’t find a cab in the rain  
(January 15)

Readings:

Popular Press:


Academic Article:

**Preparation Questions:**
1. From the perspective of standard economic theory, why is it a puzzle that you can’t find a cab in the rain?
2. The conventional wisdom for why you can’t find a taxi in the rain is that taxi drivers are “target earners”. What does that mean and why can it explain a lack of available taxis in the rain?
3. What alternative explanation does standard economic theory offer for why you can’t find a cab in the rain?

**Session 3:** **Uberonomics** with Dr. Jonathan Hall, Head of Policy Research, Uber (January 20)

**Readings:**

**Popular Press:**

**Academic Article:**

**Preparation Questions:**
1. How have the quantity of self-employed workers, the nature of self-employment, and the nature of contract employment changed over the last 20 years in the U.S.?
2. Where does Uber come down on the “target earner” debate?

**Session 4:** **How Much is LeBron Worth to Cleveland…** and the economics of sports (January 22)

**Readings:**

**Popular Press Articles:**

**Academic Article:**
Preparation Questions:

1. Why is LeBron James worth a different amount to the Cavaliers, than to the city of Cleveland, than to the surrounding suburbs?
2. What are the substitution, leakage, and multiplier effects from article #4?
3. Based on article #1 and #4, what is wrong with the estimate in #2 that LeBron leaving Cleveland would cost downtown businesses $48 million?
4. What do eBay and Cleveland have in common?

Session 5: snow day

Session 6: Student Presentations #1
(January 29)


Session 7: Beware of Experts… (and people respond to incentives)
(February 3)

Readings:

Popular Press Articles:

2. “Yes, watching Fox does make you more conservative;” Max Ehrenfreund, Washington Post Wonkblog, January 5, 2015

Academic Article:


Preparation Questions:
1. Article #1 credits the “conservative echo chamber” for the more extreme views of conservatives. Why is that logic flawed? How does the research underlying article #2 avoid this problem?

2. What is the claim made in #4 (and the popular press coverage in #3)? How did they show it? What did they control for in their study and why is that important? Think of a couple critiques of the study and see whether the paper addresses these.

3. How does #4 show the special problem stemming from the power held by experts? In this case, how could the problem of expertise and special information be solved?

**Session 8: The Economics of Online Dating w/ Paul Oyer**
(February 5)

**Special time and place:** 11:30-1pm, Room 2400  
Lunch included!

**Readings:**

**Popular Press:**

   Freakonomics website, February 6, 2014  


**Recommended:**

4. “Dating Sites Offer a Chance at Love – And A Lesson in Economics,” NPR All Things Considered, February 12, 2014:  

5. [https://www.youtube.com/watch?v=B1wMPW5p4AU](https://www.youtube.com/watch?v=B1wMPW5p4AU)


**Session 9: The economics of fivethirtyeight.com**
(February 10)

**Readings:**

**Popular Press Articles:**

1. “Three Rules to Make Sure Economic Data Aren’t Bunk” Ben Casselman,  
   fivethirtyeight.com, March 17, 2014.


**Preparation Questions:**
1. Consider the “rules” as outlined in article #1 dictating how economic data should be interpreted. How do articles #2 and #3 reflect these concepts and how do these concepts help to overturn conventional wisdom?
2. Practice applying these rules to the findings in article #4.

Session 10: Externalities and Information
(February 12)

Readings:
Popular Press Articles:

Academic Article:

Preparation Questions:
1. How and why does information solve the power problem?
2. What is the methodology of the study? Why does it help answer the question of interest? Is it believable?

Session 11: Student Presentations #2
(February 17)


Session 12: Marijuana
(February 19th)

Readings:
Popular Press:
Academic Article:

Preparation Questions:
1. What does basic supply and demand economics have to say about the impact of marijuana legalization on the market for marijuana use?
2. Why is the expected tax revenue gain from marijuana legalization difficult to estimate?
3. Why would tobacco and alcohol lobbyist be against marijuana legalization?
4. What is the benefit of the “regression discontinuity” design in the academic article?

**Session 13: Midterm**
(February 26)

**Session 14: Causality: Introduction**
(March 24)

**Readings:**

**Popular Press:**

**Academic Article:**

Preparation Questions:
1. The 5 methods for identifying causality, as reported in the book, *Mastering Metrics*, are (1) experiment, (2) regression analysis, controlling for confounding factors, (3) instrumental variables, (4) regression discontinuity, (5) difference-in-differences. Why is #2, controlling for confounding factors often not enough? Think of a few examples and be prepared to share in class.
2. What were some of the most important and difficult decisions faced by your last firm? What pieces of information would help make these decisions and why was this information difficult to obtain? How could any of the 5 methods helped to gather the appropriate information that would help make these decisions?

**Session 15: Experiments in Firms w/ Guest Kirk Moore, SVP Consumer Experience, Craftsy**
(March 26)

**Readings:**
About Experiments in Firms:
1. **Why Businesses Don't Experiment** by Dan Ariely, Harvard Business Review, April 2010

About Craftsy:
3. **Craftsy, an E-Learning Site for Makers, Raises $50 Million** by Mike Isaac, New York Times, November, 13th, 2004

Preparation Questions:
1. Continue to consider the most important and difficult decisions faced by your last firm? Could you design an experiment that would help provide the necessary information to make decisions? Why do you think the firm was not already pursuing this angle?
2. Familiarize yourself with **Craftsy**. You may wish to explore the company website: [http://www.craftsy.com/about](http://www.craftsy.com/about)

Session 16: Can Your Friends Give You Acne?...and other lessons from the peer effects literature (March 31)

Readings:

Popular Press:

Academic Article:

Preparation Questions:
1. Read the Freakonomics blog piece, explore some of the links to popular press articles therein, and read academic article #2 if you wish. What is the problem with the happiness paper and what is the primary point being made by the Fletcher article? If you were interesting in understanding the role of peer influences on individual happiness, how could answer this question? Think about the 5 methods we discussed last week.
2. What is the main question the authors of academic article #1 are interested in answering? How does their experiment help to answer this question? How does their experiment help to distinguish among mechanisms via which peers might influence your consumption behavior?

Session 17: The Economic of Crime (April 2)

Readings:

Academic Articles:

Preparation Questions:
1. The thesis of article #1 is that the legalization of abortion caused a large reduction in crime 15-20 years later, when cohorts prone to the abortion change reach peak crime years. Their arguments are that crime decreased first in 5 states that were early legalizers of abortion, that crime decreased more in states where abortions were more plentiful, and that crime decreased more for young people than older people born before abortion legalization. Critique this article on the basis of internal and external validity.

Session 18: Student Presentations #3 (April 7)


Session 19: Inequality (April 9)

Readings:

Popular Press:
3. (optional, info on data) http://www.cbpp.org/cms/?fa=view&id=3629, explore some of the facts on this cite: http://www.reuters.com/subjects/income-inequality

Academic Article:

Preparation Questions:
1. What are the various measures used to understand income inequality? How have these been trending in the U.S. over the last 30 years?
2. What are the various measures used to understand intergenerational mobility? How have these been trending over the last 30 years?
3. Why should we care about inequality per se? Why should we care about intergenerational mobility?

Session 20: Gender with Catherine Rampell, Washington Post  
(April 14)

Readings:
Popular Press:
7. "From boardroom to ballgame to bedtime, dads are learning to juggle," Catherine Rampell http://www.washingtonpost.com/opinions/catherine-rampell-dads-are-learning-to-juggle-family-duties/2014/06/23/85a36682-fb0d-11e3-b1f4-8e77c632c07b_story.html
9. (skim) "Why Women Still Can't Have It All," Anne-Marie Slaughter
10. (skim) "Lean In," Sheryl Sandburg -- online excerpt:
    http://ideas.time.com/2013/03/07/why-i-want-women-to-lean-in/
11.

Academic Articles:

Preparation Questions:
4. What are the proposed reasons for the gender pay gap?
5. What stories and pieces of evidence do the articles give in support of various hypotheses?
6. How have your own experiences in the workplace informed this question?

Session 21: Midterm 2
(April 16)

Session 22: The Economics of Online Reviews w/ Judy Chevalier
(April 21)

Readings:
Popular Press:
6. http://insights.som.yale.edu/insights/can-online-reviews-be-trusted

Academic Article:

Preparation Questions:
4. What is the main finding of Judy Chevalier’s research on online reviews? How does she go about showing this result? Critique her result on the bases of internal validity.
5. Think about other settings to which her result is applicable. Consider whether her result could extrapolate to those new settings, i.e., critique her result on the basis of internal validity.

Session 23: Student Presentations #4

**Session 24: Final Project Winners**

(April 28)

**Session 25: No Class**

(April 3)

**Session 26: The Economics of Luck**

(May 5)

**Readings:**

*Popular Press:*


*Academic Article:*

   https://drive.google.com/file/d/0B3o_Y3MSsVJ3TXh1aW12cjF6TXc/view?usp=sharing

**Preparation Questions:**

6. What does research on timing of college graduation find about graduating in an economic downturn? What are possible mechanisms that might explain these findings? Critique academic article #1 on the basis of internal and external validity.
7. The key finding in paper #2 is that in Chile, students who attend elite colleges are more likely to serve on corporate boards as adults, but only if they also attended elite high schools. How does the paper attempt to make this a causal statement? Critique this paper on the basis of internal validity. Would these results extrapolate to a U.S. setting?
8. How do each of these academic articles help illuminate the role of luck in shaping career outcomes?