

Freakonomics book summary

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An Incentive is something that is used to motivate or use as an encouragement to improve whatever the person is doing. In studying economics, incentives are used as a form of payments, to encourage businesses to succeed in whatever they are doing.

The United States government puts a tax on foreign car companies to help United States citizens encourage to buy the American made cars. This acts as an incentive for the citizens to buy American made cars to support the United States economy. The government's plan to raise test scores actually worked because in public schools, teachers are awarded or punished based on their kids' performance on standardized tests.

When a Japanese sumo wrestler is on the bubble, it means that if one sumo wrestler which is almost out of the competition faces a sumo wrestler that has a lot of wins, the wrestler with a lot of wins will let the one that is almost out of the competition win. The authors from Freakonomics are concluding that people are just dishonest. When Paul Feldman left the basket and bagels, he noticed that all of the money was vanishing.

This plays into economics because it shows us that small offices run more honestly and more efficiently.

Why do drug dealers still live with their moms?

- Conventional wisdom is something that is generally believed in. It is ideas that are generally accepted by the public. Conventional wisdom is used to encourage people to get more support and pay a closer attention to detail.

- Although the police departments got rid of at least two thousand police reports in efforts to lower the crime rate, the crime rate still managed to rise because of the media's coverage on crack cocaine.
- The Black Disciples street gang was set up just like a common business is set up. The top people in charge of both were called the board of directors. Under them, there were bosses in different cities which controlled another three individuals. There was a treasurer just like in a business who manages the money and the "foot soldier" who sold the gang's drugs acted as sales people in large businesses.
- A street-level drug dealer is willing to accept low pay and poor working conditions so that he has a drive and something to work up to in order to come a bigger boss to eventually make more money. Like in small business, sales people act as lower earning individuals who eventually want to work their way up to becoming something bigger and making more in a company.
- A street level drug salesman is different from a franchise owner because the drug dealer is mostly looking out for himself and trying to make enough money to get by from month to month. However, they are both attempting to maximize their profits because they both want to see the company or their personal lives grow better.