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### Economics focus

#### Sumo cum laude

Jan 8th 2004

From The Economist print edition

#### You have to respect a research programme that extends from Japanese wrestling to "The Weakest Link"

EVERY two years the American Economic Association (AEA) awards the John Bates Clark medal to the economist under 40 who has made the greatest contribution to the discipline. Paul Krugman, the Princeton professor, *New York Times* columnist, and Clark medallist in 1991, has rightly, if immodestly, pointed out that this award says more about the winner's excellence as an economist than does the better known, but rather less exclusive, Nobel prize. That honour, after all, is sprayed out every single year, often to more than one winner, and decades after the laureates have done their best work. Look to the Clark medal to see who is really at the top of the field, here and now.



At the AEA's annual meeting in San Diego this week, the award was given to Steven Levitt, of the University of Chicago. Mr Levitt is a worthy and unusually interesting winner. He has distinguished himself not with fancy theory or one or two particularly important breakthroughs, but with a series of remarkably wide-ranging and ingenious empirical investigations.

It is clear from Mr Levitt's research that he practises his discipline not as an end in itself but because he is interested in the world. Also, if he does not actually relish a politically incorrect finding, he certainly never shies away from one. Sadly, both traits set him apart.

#### Publish and be damned

If you browse through the working papers circulated by the National Bureau of Economic Research (at [www.nber.org](http://www.nber.org)) you will find that in 2003 alone Mr Levitt wrote or co-wrote seven. His topics included the effect of school choice on educational results; the causes and consequences of distinctively black names; the effect of legalised abortion on crime; how to test theories of discrimination using evidence from the television programme, "The Weakest Link"; the gap in test results between blacks and whites in the first two years of schooling; gambling and the National Football League; and teachers who cheat in appraisals of their students' performance. Among the work he has published in prestigious peer-reviewed journals are a series of papers on crime and punishment, drug-gang finance, penalty kicks in soccer, money and elections, drunken driving, and the effect of ideology as opposed to voter preferences on the policies supported by politicians. In 2002 the impeccably sober *American Economic Review* published a paper co-written by Mr Levitt on corruption and sumo wrestling. You get the idea.

There is always a serious point—usually about empirical methodology—even in Mr Levitt's seemingly frivolous projects. The paper on sumo wrestling is interesting not just for its persuasive demonstration that contests are often rigged, but also for the way Mr Levitt and his co-author, Mark Duggan, set about showing this. The incentive structure in the sport means that wrestlers on the margin of achieving a winning record have far more to gain from winning than opponents, not on the margin, stand to lose if defeated. That opens the window to corruption. Wrestlers on the margin duly win more often than their record would lead you to expect—and the authors show that increased effort cannot be the explanation. Also, wrestlers who win under these conditions lose more than they should when they later face the same opponents, suggesting "repayment in kind". At times of intense media scrutiny, evidence of fixing disappears. The research is instructive for economists sceptical that

clear-cut evidence of corruption can ever be found. Imaginative prospecting for data, together with great ingenuity in drawing warranted inferences from them—the Levitt hallmarks—can reveal far more than you might suppose.

Mr Levitt's research on crime has earned him occasional spells of petty notoriety in the wider world. The paper on legalised abortion and crime is a case in point. Mr Levitt, along with co-author John Donahue, boldly surmised that legalised abortion might have reduced the number of unwanted children born to parents likely to raise criminal offspring. The evidence, as it turned out, strongly supported that guess. The states that first allowed legal abortion in 1970 (three years before *Roe v Wade*) were the first to experience the subsequent downturn in crime; states with high abortion rates experienced bigger reductions in crime. The data are tested this way and that, and the conclusion stands up. The authors reckon that legalised abortion may account for half of the fall in crime of the 1990s.

Mr Levitt has also ruffled some feathers with his work on imprisonment. A chief finding is that prison works. It reduces crime, and not just because it keeps people who would otherwise be committing crimes off the streets. It also deters, something which many right-thinking people wish not to believe. Technically speaking, a big challenge in this area of research was to deal with a classic instance of the so-called simultaneity problem: incarceration rates affect crime rates, but the converse is also true. Disentangling the two relationships is impossible unless a third variable with the right statistical properties, a so-called instrument, can be found and exploited.

In one strand of investigation, Mr Levitt used prison-overcrowding litigation—an improbable but statistically effective instrument—to do the job. Properly analysed, the data then show that reducing the prison population by one (saving roughly \$30,000 a year) increases the number of crimes committed by 15 a year (costing roughly \$45,000 a year). In separate work, equally unpalatable to many people, Mr Levitt shows that juveniles respond to the disincentive effects of punishment in much the same way that adults do. Kinder regimes, in other words, promote juvenile crime.

Despite such provocative and uncomfortable findings, few if any of Mr Levitt's peers will deny he deserves the Clark medal. That may say as much as the award itself.

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