

## Economist Steven Levitt On Why Data Needs Stories

By: Anne Cassidy

Economist and *Freakonomics* author Steven Levitt talks about finding the story in data, the importance of authenticity, and his top secret new project.

Steven Levitt, an economist hailed as one of the finest minds of his generation, says he's never been good at math and finds much of his life's work "embarrassing." The University of Chicago professor is not just being unfeasibly modest. He's in the habit of confounding expectations.

Speaking to us backstage at SapientNitro's iEX conference in London last week, the author of the best-selling *Freakonomics* and *SuperFreakonomics*, abandons his fine line in self-deprecation for a moment to enthuse about the power of a good story. "I think storytelling is the heart of everything. People have this false impression that science is science, and it isn't. There is so much art, even in science," he says.



Steven Levitt

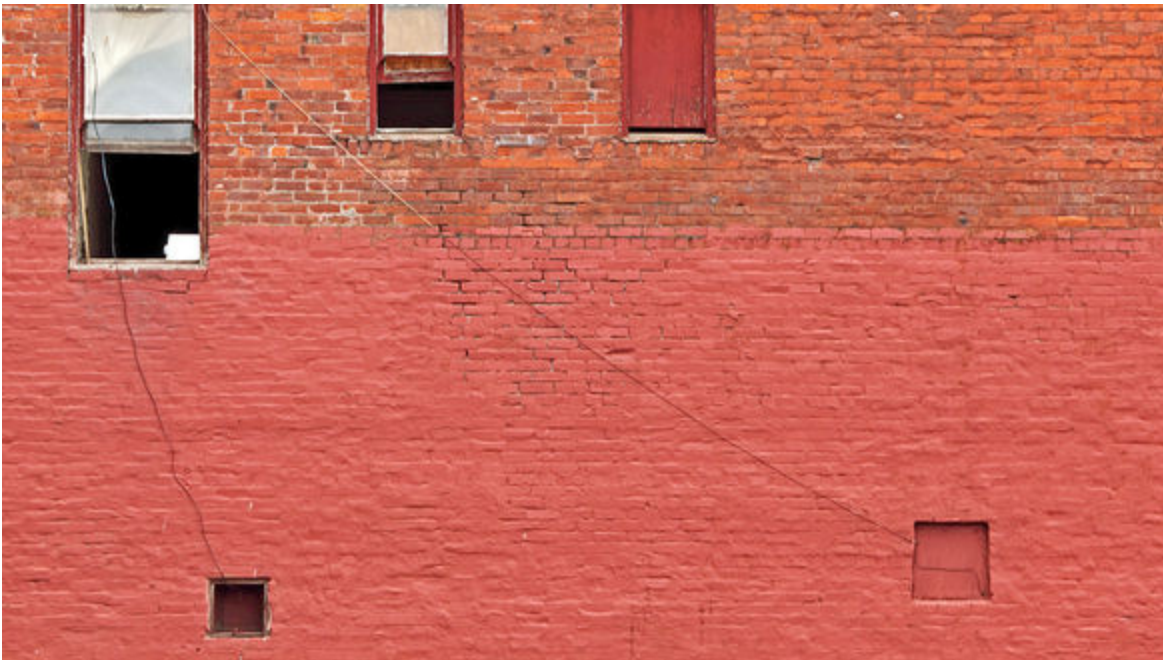
His stories, revealing how sumo wrestlers rig matches, why drug dealers live with their mothers, or how teachers cheat on tests on behalf of their students, won him one of the most prestigious awards in economic science, the John Bates Clark Medal, and prompted *Time* magazine to name him one of its 100 People Who Shaped Our World.

The discovery that made him famous was a paper he wrote in 1999, which asserted that a drop in crime rates in the United States in the 1990s was because the potential criminals of that time had been aborted in the 1970s after abortion was legalized. The paper, which he cowrote with Stanford law professor John Donahue, ignited both ends of the political spectrum. His research on estate agents cheating their clients was considerably less polarizing. But what unites his intriguingly offbeat findings is that they are all

informed and underpinned by data. “Data, I think, is one of the most powerful mechanisms for telling stories,” Levitt says. “I take a huge pile of data and I try to get it to tell stories.”

Levitt notes with some frustration, that companies rarely do anything exciting with the data at their disposal. He puts this down to a lack of training in the subject and the fact that, unlike academics, businesspeople are afraid to admit when they don’t know the answer. He advises: “Go out and collect data and, instead of having the answer, just look at the data and see if the data tells you anything. When we’re allowed to do this with companies, it’s almost magical.”

To come up with that big, problem-solving idea, according to Levitt, you need to question every basic belief you have about your company and think about why you have it and whether it is still true. “The most obvious things are often right there, but you don’t think about them because you’ve narrowed your vision,” he says.



Brands should stop relying so much on focus groups, he argues, because people in them talk about the past rather than the future, and, more to the point, “people are dumb--they don’t know why they do thing.” He also maintains that brands that spin an inauthentic story simply will not survive. “In the long run, trickery is a poor cousin to actually having a product that authentically meets the needs of customers,” he explains. And here’s another tip, if you’ve got nothing interesting to say keep your channels of communication shut. “Good social media is authentic,” he says. “What makes social media work is actually having something to say.”

Levitt’s own story is certainly worth the telling. He originally wanted to be a serious economist “like Alan Greenspan.” But his weakness at mathematics, coupled with an unconventional pep talk from his father, led him to concentrate on the arguably more colorful peripheries of the subject. In his student days, when Levitt confessed to his parents that he was struggling with his economics course, his father, a doctor in

medical research, had these words of comfort: "I have no talent. You have no talent." Levitt Sr. went on to reveal that when he was starting out he wasn't considered talented enough to be a medical researcher. So he chose to focus on an area of research that "no self-respecting person" would take on--intestinal gas.



Levitt's father, now the foremost expert in the field of intestinal gas and even dubbed "the king of farts" by one medical publication, proved an inspiration. Levitt apparently considers himself "the economics equivalent of the king of farts."

As self-effacing as he is, even Levitt will find it hard to downplay his latest project when it comes to light. He has spent several years analyzing data from a British bank and has been working with MI5 as part of a covert antiterrorism operation. To add to the intrigue, the operation is said to have involved a secret rouse conducted in collusion with the British press. All will be revealed in Levitt's next book, due out in November. For now, all he will say is that it was "a tremendous trick" that will "hopefully lead to catching some terrorists." If that doesn't get you preordering on Amazon, nothing will.