Peter T. Leeson. 2017. *WTF?! An Economic Tour of the Weird*, CA: Stanford University Press, 2017, xiv + 246 pages. $27.95 (hardcover).

Review by David Skarbek, Brown University, (requested by *Public Choice*)

Behavioral economics is mainstream, even fashionable. Its biggest proponents – Daniel Kahneman, Robert Shiller, and Robert Thaler – have been honored for their contributions with Nobel prizes. A graduate student at any of the top economics departments would face little opposition in suggesting a dissertation on some variant of incorporating psychology and cognitive biases into understanding individual's choices and market outcomes. While many of these behavioral biases have found empirical support in the laboratory, field experiments, and observational studies, one wonders if there is a proliferation of *too many* biases.

A recent summary article published for a popular audience describes four main types of cognitive biases, arising from 1) too much information, 2) not enough meaning or context, 3) the need to act fast, and 4) difficulty in determine what to remember.[1] Captured in an aesthetically pleasing "Cognitive Bias Codex," the graphic displays a whopping 189 cognitive biases that distort individual decision-making. Inspecting any particular bias is fairly harmless, and one might recall a relevant study or an example from one's own life that offers empirical support. However, the sheer vastness of ways in which an individual's decision-making might go awry is scientifically unnerving. Whither parsimony?

Critics of behavioral economics argue that it nudges economics away from accepted standards of science. First, these biases often do not yield robust empirical predictions and veer dangerously close to post-hoc descriptions. Second, and related, is the concern that this collection of biases lack a systematic framework by which to make sense of these biases. Is it just a collection of ad-hoc observations? Finally, evidence of cognitive bias sometimes tells us little about its importance in the real world.[2] Multiple biases operating in a particular setting may operate to counteract each other in ways that are difficult to discern. Alternatively, people can learn of their own biases and construct solutions to counteract them. For example, auction participants sometimes discount their highest bid to counteract the harmful effects of the Winner's Curse.

While there is little chance that these concerns will undermine the prominence of behavioral economics, a new book has arrived that seeks to provide a testament to the power of a simple proposition of rational choice – that incentives matter – and that it can explain a wide range of astonishingly bizarre behavior. Peter Leeson's *WTF?! An Economic Tour of the Weird* is a brilliant and witty expedition into some of history's most unusual social institutions.

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[1] Buster Benson's article "Cognitive bias cheat sheet: Because thinking is hard." Available at: https://betterhumans.coach.me/cognitive-bias-cheat-sheet-55a472476b18

[2] In addition, these results sometimes do not replicate or are not robust to extended or new data. See "Replicating Anomalies" by Hou, Xue, Zhang. *NBER Working Paper* No. 23394, 2017.

The book is organized around a tour, with each chapter being a stop at one of the tour's exhibits – an odd social institution from distant times and places. The tour leader, none other than Leeson himself, interacts with visitors at each stop. The tour provides an intuitive and accessible explanation about how rational choice economics can explain unusual and unexpected practices. Leeson makes his arguments clear in words (the mathematical models are tucked away in an appendix) and uses little professional jargon. The result is a page-turning and engaging display of a skilled economist wielding his tools. It will educate and entertain professional economists and undergraduates alike.

Consider, briefly, some of the exhibits that museum visitors will learn about. The tour explains why medieval ordeals – determining guilt or innocence by forcing a suspect to plunge his hand into boiling water – helps to adjudicate crimes at a time when a reliable legal system was absent. The ordeal was an effective sorting mechanism that revealed the unobservable knowledge of a person's guilt (aided by subtle manipulation of the water's temperature by the ritual leader). The next tour stop is 18^{th} century England, where it was common for men to sell their wives at auction. Leeson provides theory and evidence for why this was actually often done at the behest (and to the delight of) the woman being sold, rather than mere exploitation. With no right of divorce for women, "wife sales" were a way to liberate a woman from a bad marriage. In one chapter, our tour guide explains why priests and other holy men would threaten and condemn other people, often with the most extreme and threatening language. He argues that, conditional on the threatened parties holding certain beliefs about religious power, monastic maledictions provided safety in times when church officials had few people other than God to turn to for security. At another fascinating stop on the tour of the weird, Leeson reveals the economic logic of the bizarre (but apparently) rational practice of prosecuting animals and insects for committing crimes. The tour houses many other interesting exhibits.

This book is not merely a collection of oddities. The tour has three important lessons to teach its visitors. First, social institutions that first appear irrational often make sense once one understands the beliefs and constraints faced by the people on the ground. It is too easy (and unhelpful) to jump to the conclusion that people or practices are simply irrational. Instead, by consistently applying the principle that people respond to incentives and by actually learning about the context with rich, qualitative historical evidence, economists can find answers to puzzling institutions. It does not require appeals to the irrationality of primitive peoples. Leeson's delightful book is a subtle but powerful response to the rise of behavioral economics and a defense of the analytical power of parsimony.

Second, Leeson is able to raise questions and provide answers that the vast majority of economists could never grapple with. He is able to do so because he is not handicapped by the belief that the only type of evidence and research method that provide scientific knowledge are quantitative evidence and statistical methods of causal inference. I love a good identification strategy as much as the next person, but too often economists sneer at qualitative and historical evidence. As a result, some economists spend too much time finding precise statistical estimates to answer questions of little relevance (citations withheld to protect the guilty). These methodological blinders prevent many economists from addressing important and interesting questions simply because it would require handling different types of sources. In this book, however, Leeson shows us what scholars in other fields have long known: there is a unified logic of causal inference that applies both to quantitative and qualitative evidentiary sources (See, for example, the highly-cited book *Designing Social Inquiry: Scientific Inference in Qualitative Research*, by Gary King, Robert O. Keohane, and Sidney Verba, 1994. More recently, Jason Seawright (2016) provides a framework for integrating qualitative and historical approaches into a potential outcomes framework). Leeson's book shows the value of combining economic theory and historical evidence to explain social institutions.

Finally, this book provides an important theoretical and empirical contribution in showing how people who cannot rely on strong and effective legal systems find alternatives. Each social practice exists because of the absence or unavailability of credible and effective state-based legal institutions. This has two broader implications. The first is that people are ingenious in finding innovations in the absence of good government. A Hobbesian jungle is not a pre-determined or unavoidable fate. The second implication is that a well-functioning state is a nice thing to have around. I suspect that few of these unusual practices would persist in the face of high-quality governments and well-administered legal systems.

In summary, *WTF?!* is a rare and wonderful contribution to social science. It shows us the power of parsimonious thinking. It demonstrates the value of bringing rich, historical knowledge to the foreground. It is lively and accessible, and by the end of the book, readers will have learned much about social institutions, and more generally, how to analyze them. Highly recommended.

King, G., Keohane, R. O., & Verba, S. (1994). *Designing social inquiry: Scientific inference in qualitative research*. Princeton University Press.

Seawright, J. (2016). *Multi-method social science: Combining qualitative and quantitative tools*. Cambridge University Press.