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## Freakonomics chapter 3 quiz answers

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But when someone exaggerates their claims and faces the facts, problems arise. The subject of a person lying is not bad (i.e. homelessness, women's rights) but given false information interferes with the line they are trying to do.3. Considering the analysis of listerine conversions in this chapter from preservatives to halistosis therapeutics, what can we conclude about the impact of advertising on market demand? Why would people want to use listeritin as a mouthwash because it was sold for anything from the bottom to preservatives (something that didn't exist at the time). The ad was completely bad breath to sell the product, showing a couple who weren't too happy because of one of them. Until then, bad breath was not considered a problem, but listeritin made it look like one and earned \$8 million from it.4. Describe how incentives from the police and mass media resulted in an explanation for the increasing crime rates of the 1980s that were completely wrong. Running for the 1996 Olympics, the Atlanta Police Department will throw out nearly 2000 police reports to lower crime rates. However, it was not a problem because the crime rate was still rising. The media also talked of crack cocaine and that it was a power industry and had a lot of money in it, but the people selling the drugs still lived in the projects that started selling them.5. In general, black disciples explain the organizational structure of street gangs. How does it resemble the organizational structure of most businesses? Black disciples were set up like almost any business. The top man called the board and then took the executors and bosses with three men under himself in an individual city/district, the treasurer who managed the gang's liquid assets, a runner for transporting drugs from suppliers. these four men sold drugs but one day you want to foot soldiers Bosses of their individual cities/districts. But there are more unpaid sellers who want to be foot soldiers. This business model (although not exactly the same) is very simple in how many legitimate legitimate businesses operate.6. Describe how the four-year financial records of a black student street gang got into the hands of a University of Chicago graduate student. As the gang is indicted, one of the gang's inner members (who was being blamed for new legal interests) gives the gang's financial records to Vencathesi, hoping he can do a good job for fear of being killed by the gang's backlash.7 How did J.T., the branch leader of a black disciples street gang, acquire and maintain a local monopoly on crack cocaine within the gang's territory? How can any gang survive. escape the violence and take-off of rival gangs? J.T. was also a college graduate and business major. He knew what he was doing to manage and organize his part of the crack cocaine business.8. What are the monthly costs incurred by J.T.'s black disciples unit? What are the costs that are considered fixed costs? What variable costs will be considered? The money brought by J.T.'s unit was about \$25,000 in drug sales. Variable cost weapons (gangs would have done deals with local businesses for services) mercenary fighters (short-term hires to fight turf wars) and fixed-cost money needed to be paid to the board of directors for extortionate taxes 9. Explain how the tournament or the labor market, where winners occupy everything, works. Why would street-level drug dealers be willing to accept low wages and poor working conditions? Young eager workers started off the floor to get to higher wage jobs with small wages and more glazes for big commitments. Drug dealers have the same outlook. He wants to be one of the best sergeants but he should be a foot soldier first. That incentive would drive people to work for lower wages. 10. Give your own example of a tournament type in the labor market. Being a movie star or singer in Hollywood is a dream that will never come true. Doing extra work or finding a job is where you need to start. Most famous actors and actresses didn't start with blockbuster hits. 11. How are street-level drug sellers' incentives different for gang leaders/franchise owners? Are they all trying to maximize the interests of the gang? Why or why? Street-level drug salesmen and gang leaders/franchise owners are all looking out for themselves somewhat. The frontman pockets a lot of profits and the salesman tries to get by the money he can get. However, leaders also systematically keep it in business and destroy money for the better money of the gangs to grow. 12. How did the invention of crack cocaine change urban street gangs? City street gang before cocaine crack More on creating money, not mayhem. But as street gangs were introduced to the new booming business of crack, they began to make more and more money. 13. According to the data cited in this chapter, civil rights laws and changes in American attitudes toward race have helped improve the standing of the black community. How has crack cocaine changed that progress? Added to crack and gave it high, just temporary and users will come back more. That and the fact that the invention of the crack was so cheap it could easily be sold in poorer areas by urban gangs. 14. According to the example of this chapter, what does the invention of a better and cheaper production method do to the price and sale of good or service? The price is everything. In the example of cocaine it was just something the wealthy could afford, but after the invention of crack it was much cheaper and more people could afford to buy it. This chapter asks why drug dealers still live with their moms. It begins with explaining the conventional wisdom that economist John Kenneth Galbraith describes as information that reinforces the interests and well-being of individuals. That means that conventional wisdom should be comforting and convenient, but not necessarily true. Nevertheless, it is often difficult to get people to doubt conventional wisdom. Levitt then spends the rest of the chapter disputing one particular point of conventional wisdom: the drug trade, especially the crack trade, one of the most lucrative jobs in the United States. During a survey throughout a housing project in Chicago in 1989, University of Chicago PhD student Sudir Vencatesi became aware of members of the Black Gangster Student Nation and was intrigued by their operation. The leader of a gang called J.T. was also a college graduate, and his business background made him a perfect fit to be a boss. Vencathesi became aware of the gang and their operations for six years and was effectively involved in the project with them. Venkatesh was given access to a laptop full of the gang's financial dealings, which proved to be valuable knowledge to him. After Vencathesi lived with the gang, he stayed at the Harvard Fellows Association for three years, where he met Steven Levitt, and the two decided to cooperate on a paper on the gang. The rest of the chapter explains how gangs operate. The gang's organization is very similar to any business, especially McDonald's. Vencathesi was living with one of about 100 branches of the Black Parent Organization. J.T. led the branch and reported to the central leadership called the Board of Directors. He pays nearly 20% of his revenue to these people for the right to sell cracks in his area, and the rest he distributes at his discretion. He had three officers under him, and underneath him was a street-level salesman called Val. At the bottom of the organization were rank-and-file members of the gang who were not employees but paid dues to the gang, hoping to eventually become foot soldiers. During the crack boom, J.T.'s branch of the gang brought in \$32,000 in monthly revenue, but the cost of bringing all this was \$14,000. J.T. himself received \$8,500 a month, and his salary is tax-free of about \$100,000. The board's top boss earned about \$500,000 a year. People like J.T. and other bosses could afford to buy big, but very few people under them did. J.T. pays his three officers and about 50-foot soldiers just \$9,500 a month, his officers leave home \$700 a month and his foot soldiers only \$3.30 an hour, less than the minimum wage. This dispels the conventional wisdom that all drug dealers are making a lot of money and explains while still living with their mom. Like all capitalist corporations, you have to be near the top of the pyramid to make big wages. According to J.T., he kept foot soldiers' wages low to show who his boss was. But for foot soldiers who risk daily arrest and violence, they had a 1-4 chance of death. Despite this risk, dealers were still moving out of the ranks and doing things in the hope that it could make it big, especially since these are people who often grow below the poverty line and don't have many prospects for other careers. The dynamics of crack trading are consistent with the notion that many people generally don't pay well when they're willing to work. The foot soldiers remained foot soldiers because they were guarding their feet, and often quit their dangerous jobs when they realized they were not advancing. This brings to the discussion of the things that determine wages: first, the number of people who can work; Next, the necessary expertise; Then the malaise of the profession and the demands on the services the work performs. The last part of the chapter moves on to another strange question: crack cocaine has something in common with nylon stockings. The invention of nylon stockings made the product normally reserved for high class-priced silk stockings - cheap enough for the public. The creation of crack cocaine did the same thing: people took cocaine, rick and famous for advanced drugs, and found a cheaper way to produce a small rock of smoke cocaine called crack. This started a crack boom that led to the appearance of crack gangs like black disciples. The emergence of cracks has also hit neighborhoods that are far more black than white neighborhoods, causing addiction, leading to infant mortality, incarceration, violence and widening education gaps between black and white students. Everyone expected youth crime rates to skyrocket, but instead it was time to pave the way for an in-depth discussion of abortion. Suggestions from the introduction that will take place in the next chapter. Analysis One of the book's main goals is to encourage readers to question their daily lives, dig deep and deep beneath the structure of their daily lives, and discover new truths. Then it makes sense that Levitt should not always trust in challenging conventional wisdom. The word wisdom of phrase may suggest that conventional wisdom is always true, but Levitt dispels this myth with his analysis of a gang of black students fighting a piece of conventional wisdom that draws all drug dealers to make huge amounts of money. The biggest takeaway from this chapter is the similarities between the crack trading empire and corporate America. Levitt uses this unconventional example to educate readers that a few high-level individuals at the top of the pyramid make up the majority of their money, leaving behind hundreds of low-level workers who are leaving behind a handful of profits. This is how most companies in corporate America are structured, everything between McDonald's and everything in between in Wall Street companies. One of the main ideals driving American capitalism is a belief in abilityism, or the idea that a hard-working person can rise and succeed. This spirit attracts low-level workers such as foot soldiers into the organization, assuming they will be able to reach that coveted position as long as they work hard. Organizations like Black The Black One are a winner-take-all labor market where many workers compete for nearly high-level jobs. Most don't succeed in reaching these positions, but when they do, they have a huge amount on their own, like the board of black students. The other winner-take-all labor market levitt describes is the entertainment and tourism industries, where talented individuals compete to become one of the elit minority who make it in this industry. As in the previous section, this chapter also includes a discussion of incentives, which shows how they play out in all aspects of economics. Low-level workers, such as foot soldiers, are encouraged to stay in business with exhilarating promises to rise from the ranks and reach greater positions of power. But their incentives don't always match those in charge: to encourage foot soldiers to start turf wars so they can notice for themselves, bosses like J.T. want to avoid this, and they can slowly pay off as foot soldiers are subordinate to him, and keep the remaining profits for themselves. Another important discussion in this chapter is the various factors that contribute to wage decisions. While the jobs that many people can use are usually low-paying, professionally needed jobs Generally undetected pays higher. Obviously, less desirable or even risky jobs must pay higher, to give workers ample incentive to remain in the position. Finally, higher demand for certain services means that more consumers are looking for services, so jobs in that service industry will earn higher wages. The chapter ends with a discussion combining economics and sociology, taking into account the impact of certain products, such as crack cocaine, on the community. The advent of crack cocaine certainly created not only a booming economy, but also an opportunity for people to earn a livable wage in an unconventional way, but it has reestablished many impoverished communities because of the devastating effects of addiction or incarceration. It also affected far more black communities than white communities, and contributed greatly to the widening gap in racial achievement. This presents a nuanced view of the social impact of certain products entering the market. Market.