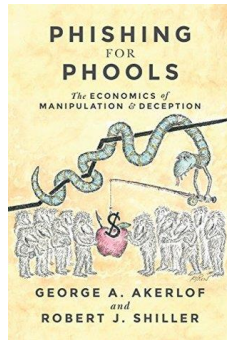


BOOK REVIEW



PHISHING FOR PHOOLS: THE ECONOMICS OF MANIPULATION AND DECEPTION

George A. Akerlof, Robert J. Shiller

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Phishing for Phools: The Economics of Manipulation and Deception was first published in 2015 by Princeton University Press. Since then it had numerous editions published all over the world. The authors are two Nobel prize awarded economists – George A. Akerlof is University Professor at Georgetown University and the winner of the 2001 Nobel Prize and Robert J. Shiller is Sterling Professor of Economics at Yale University and the winner of the 2013 Nobel Prize.

The book contains 288 pages and has been translated to over 10 languages. It comes in both hardcover, paperback and ebook version. It starts with the *Foreword* with six subtitles that give readers a clue what the book is about, how did the authors get the name for it, the foundations on which its content was built upon and the purpose of the book as the authors see it. The book continues to *Introduction*, and then is divided into three parts – the first part consists of two chapters, the second of nine, and the last part consists of *Conclusion* and *Afterword*. The last 50 pages of the book are *Acknowledgements*, *Notes*, *Bibliography*, *Index* and *Table of Contents*.

Modern economic theory lies on the foundations that presume the free markets are in the perfect equilibrium if through their mechanisms they manage to encourage the production of the goods that people want in order to gain a profit. But the authors argue that free markets do not only offer those goods but create the environment for economic stunts that make it easy to ‘phish’ for ‘phools’. The word ‘phishing’ is a neologism that implies cheating on the Internet, but its meaning is broadened in this book to the real-life world scams. ‘Phool’ in the context of this book is anyone who bites the bait thrown by those trying to make higher profits. Throughout the book there are all kinds of examples that took place mostly in the single market of the U.S., from the 19th century until present, but this time those situations are being put into different perspective. This perspective shows that the economic theory as we know it constantly neglects the uprising number of various types of ‘phishing’, and enables history to repeat itself, e.g. the big economic crises. The presumption that people buy only the goods they actually need and therefore

promote what is best for them and the society as a whole is the base for achieving the well-known equilibrium of the free market, but this book raises a question – what happens on the market if that presumption is wrong?

The *Introduction* titled *Expect to Be Manipulated: Phishing Equilibrium* meets the reader with the problem, terms and concepts that are about to be processed, starting symbolically with the Adam and Eve story. Then an interesting metaphor, that will be mentioned numerous times in the book, is presented. Single market opportunities are compared to the lines in the supermarkets – everyone takes the one that would benefit them most. Three finger exercises follow to give a more concrete hint of the content that is about to be exposed. Introduction leaves us with the idea that there are so called ‘monkeys’ on our shoulders that drive people to act on the market not according to their own wishes but the needs and wishes of the monkey who can be easily manipulated.

Part 1. *Unpaid Bills and Financial Crash* consists of the first two Chapters. In the Chapter 1. *Temptation Strews Our Path* authors argue that single markets do not produce only the goods that people on that market need, but that they create those needs just to justify the production and it makes it impossible to achieve balance that benefits everyone. The second Chapter, *Reputation Mining and Financial Crisis*, is organized in seven question and answer parts about the 2008./2009. financial crisis, finishing with an appendix comparing the situation that preceded the crisis to the circus show.

Part 2. *Phishing in Many Contexts* contains chapters three to eleven. In Chapter 3. *Advertisers Discover How to Zoom In on Our Weak Spots* authors explain that for decades advertisers used stories to make people buy things they don’t need with money they don’t have. Examples of unethical advertising, political advertising and selective information sharing are presented. Chapter 4. *Rip-offs Regarding Cars, Houses, and Credit Cards* gives a closer look at phishing techniques when it comes to the big purchases – buying cars and houses – and emphasizes the high price consumers pay when paying with credit cards. Chapter 5. *Phishing in Politics* compares the theory of democratic politics to the free market theory. It is hard to achieve the equilibrium that benefits to those who vote, and authors explain why. Chapter 6. *Phood, Pharma, and Phishing* is an intriguing chapter that proposes actors on these markets have learned long time ago to ‘phish’ for their consumers, so we live in the era in which they ‘phish’ for those trying to regulate it – the lawmakers. Chapter 7. *Innovation: The Good, the Bad, and the Ugly* puts innovations into the new perspective since people usually think of them as necessary for growth and development. In this chapter, authors reveal the other side of the story and that is easier phishing with the use of new technologies. Chapter 8. *Tobacco and Alcohol* is the chapter dedicated to well known problem all over the world and that is addiction. The example is given of how tobacco industry stayed immune to all the proven health hazards of their product for hundreds of years. Chapter 9. *Bankruptcy for Profit* brings the plot back to financial sector and its regulatory system. The example of saving banks is given. Although it is over 20 years old authors considered it necessary to mention because ‘phishing’ techniques used back then could harm the sector any time given. Chapter 10. *Michael Milken Phishes with Junk Bonds as Bait* is connected tightly to the previous chapter, only this time the example is a person that changed the game in financial sector for good when came up with the idea of junk bonds. The chapter finishes with six notes explaining the legal and economic environment at the

time, and stresses that what Milken did was only accelerating the process on the market that broadened the gap between those that own most of the world's wealth and everyone else. Chapter 11. *The Resistance and Its Heroes* brings hope back for the free markets. The authors want readers to take note that there are people, managers, owners, regulatory organs and CEOs that do give their best to do what is good for the society in general when doing business. However, these heroes are unable to do much for people that are the victims of psychological 'phishing' like gambling, but their contribution is huge in preventing information and regulatory manipulation. Other heroes mentioned are certification bureaus that enable quality standards for consumers in a variety of products and services and disable those that want to oversell their goods.

Part 3. *Conclusion* and *Afterword* wraps up the content by linking the beginning of the book with its most important findings. All the examples, no matter how different they may seem, have in common the storytelling part. If the story has the purpose to deceive the equilibrium on the market won't be achieved. At the end of the *Conclusion* there are three examples of legislative that did not include the 'phishing' possibilities business entities and governments have, and authors try to explain why they think it is a bad idea to implement such legislative. *Afterword* is the long answer to those that question the contribution of the book. Other books of similar content are mentioned and the specific contribution of this book is presented.

This book does have many subtitles, notes, digressions etc. but is not hard to follow. It has a flow with digressions on the parts that need to be further explained or to give the reader the closer look into the time some story takes part in. For that reason, the reader does not necessarily have to have deeper knowledge in economics to be able to understand the main message of the book. The content of the three parts, divided into 11 chapters, takes up to 189 pages, followed by 6 pages of Acknowledgements, and 34 pages of Bibliography. Bibliography includes many additional stories and sources that broaden the sights regarding this theme, and it is very useful to follow them when reading the book, especially for non-economist readers. Almost every example mentioned is from the U.S. and broad time frame provided authors with examples that suited best to prove their point, i.e. that people on free markets act according to the taste of their monkey on the shoulder, and that same market is full of people ready to take advantage of that by pleasing the monkey's needs regardless of the real needs of the person wearing them. That is why they proposed a new variable in the economic theory, a variable of the story people depend on to make a decision. Those stories are easy to be manipulated, the only important thing is to focus the attention of the target audience the right way.

Written by two top class economists, *Phishing for phools* is a book that will provide students and broader audience with an interesting, new perspective on the economy that we know. It would probably be most exciting for finance, psychology, marketing and management students since it combines all those areas. However, anyone who lays hands on it will meet a whole new idea of the world around us from everyday decision-making process to the lawmaking practice. And although comprehensive it leaves plenty of room for upgrading, i.e. elaborating each chapter further, until it is finalized and the new equilibrium can be achieved.

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