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BOOK REVIEW

John A. List: The voltage effect—how to make good ideas great and great ideas scale

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Can any idea be scaled? Is there something inherent in a business or public-policy proposal that makes it a priori winning or does everything depend on the implementation? A new book—*The Voltage Effect: How to Make Good Ideas Great and Great Ideas Scale*—by John List, the Kenneth C. Griffin Distinguished Service Professor in Economics and the College at the University of Chicago and a Member of the American Academy of Arts and Sciences, addresses these questions.

In the first part, List discusses the five crucial elements of scaling, the so-called Five Vital Signs. Starting with false positives, the first key ingredient of scaling, the author presents the concept in a very reader-friendly way, so even a reader without any prior knowledge of statistics is able to understand it. List artfully introduces several insights from Behavioural Economics (e.g., confirmation bias, bandwagon effect, the winner's curve) that make the story more vivid and attention-capturing, while acquainting the reader with the cornerstones of decision-making.

In the second chapter, List presents another challenge to scaling an idea—the problem of audience representativeness. Discussing the concept of selection bias, the author reaches a much more general point: most people are not WEIRD—i.e., most people do not belong to the Western, educated, industrialised, rich, and democratic societies. Obviously, at first glance, an underestimation of these facts has, partly, led to the replicability crises that Behavioural Economics faces.

Chapter three looks at, perhaps, the most fragile part of the Five Vital Signs component—the scalability of the idea per se. The idea of opening another bookstore, a copy of an originally very successful one, is quite different from a decision to copy a very successful restaurant. Though conceptually both are examples of business's market expansion, the technical part — a comparative advantage — is completely different (to distinguish, List uses the terms "negotiables" and "non-negotiables." In chapter four the concept of General Equilibrium is introduced, through its applications—social-side behavioural spillovers (i.e., phenomena that "… occur when others affect your behaviour, either through observation or through direct

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impact; observing others causes people (consciously or unconsciously) to change their behaviour in ways that can be either positive or negative" (p. 105)) and network effect spillovers (i.e., phenomena that "… occur when the use of some product or adoption of some policy amplifies the benefits or costs for all users/adopters; these may be built in intentionally or emerge organically as you scale" (p. 106)). In the fifth chapter, which concludes the first part of the book, List discusses the economics of costs. Starting with different types of costs and the basics of economies of scale, he makes a coherent interweaving of seemingly quite remote concepts very popular in economics (e.g., backward induction).

In contrast to the first part of *The Voltage Effect*, the second part deals with several practices that enable one to maximize the impact of scaling. Here List starts with several crucial ideas from Behavioural Economics, including loss-aversion, framing effects, and nudging. A reader interested in topics such as the most efficient way to apply bonuses will appreciate the discussion in Chapter Six.

The next chapter discusses an evolutionary idea of diminishing marginal utility, from both academic and business points of view. List describes the case of Lyft which shows the very practical application of this phenomenon—not only the total costs of a given policy matter, but also how efficiently the very last dollar is spent. In Chapter Eight, List argues how critical quitting can be, and how difficult it is to estimate the particular moment when it is still possible to stay and when it is already too late.

The closing chapter focuses on organisational culture, the benefits of which cannot, and should not, be underestimated by managers. Starting from two coastal villages in the eastern part of Brazil, List describes two opposing strategies used by fishermen—one could be called collectivistic and the other one individualistic. Diving into contemporary business cases, the author often refers to this introductory example to articulate an important idea—corporate culture has a very powerful impact not only within the professional community, but also outside the workplace.

The main benefit of the book is three-fold. First, it clearly presents some key achievements of Behavioural Economics in a way that the practical side of this field becomes vivid and explicit for a general audience. While the first part of the book is mostly focused on scaling (though with a much broader perspective), the second part of the book will fascinate everyone who has any interest in behavioural or experimental research. Second, List masterfully introduces new economic concepts that will be clear even to those readers who do not have any economic background. Finally, *The Voltage Effect* is written in a very smooth way such that each chapter grasps the reader's attention until the very end.

Nevertheless, there are some minor critical concerns. For instance, are there only five key elements for scaling existing ideas or could maximizing the scaling forces be among the Five Vital Signs? This is, of course, a natural argument which aims to doubt not the factors themselves, but the definitions (or, to be more precise, the preferences on how to disentangle sets of Five Vital Signs and Scaling-Maximizing Forces). However, there are obviously multiple ways of structuring the narrative around the key ingredients and factors that maximizes scaling.

Overall, *The Voltage Effect* is a great example of a book that will be of interest to both experienced professionals and amateurs interested in the practical application of Behavioural Economics.

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