

Shyam Sunder

Stamping out Spam

One would hardly expect Shyam Sunder, James L. Frank Professor of Accounting, Economics, and Finance to be categorized as a freakonomist; he is more likely to write about accounting practices and financial markets than criminal practices or illegal drug markets. But in a certain respect, he thinks that all economic research is a bit freakish.

"It would seem to me that what you would regard as real research will always be an outlier, because there cannot be a formula for interesting research," he said. "Research has to have the spark of innovation."

For Professor Sunder, this innovation has taken a variety of forms. One telling example is his work evaluating the possibility of using pricing systems to reduce

postage and thus does not benefit from the non-cost functions of postage. Taking advantage of this, spam illustrates a more general economic truth: Any resource that is free is going to be wasted. Economics applies an intuitive rationale, yet emerges with a radical idea – a pricing system for email. So radical, in fact, that Sunder has received hate mail in response to his research. For some letter-writing enthusiasts, it seems, chastising a reform-minded Yale professor is well worth the 37 cents.

This kind of negative response to economic ideas is part of why Sunder remains skeptical about a popular embrace of economic ideas, despite the popularity of books like *Freakonomics*. "I doubt if economics will acquire that status where economic solutions or economic explanations for what happens in the world will become popular explanations," he said.

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e-mail spam. He begins with the intuition that postage for ordinary mail has functions beyond 'paying the postman' and covering the costs of delivery.

"As is true of society in general, the pricing system is used to allocate resources efficiently," he said.

Postage has a screening function that occurs on the sender's end – she won't send a letter unless it is worth the cost of postage.

Postage also has a signaling function for the recipient – she will not open a letter unless its postage signals adequate importance to the sender. Free from delivery costs, e-mail requires no

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That said, Sunder is anything but pessimistic about the kind of work Levitt does in *Freakonomics*, applying economic thinking to previously untouched problems. In *Experimental Economics*, a senior seminar Sunder teaches, this is something he emphasizes to the students. "Problems, interesting, fascinating problems, are all around us," he said. "Once we open our minds to those problems, economics becomes fascinating. It's just a matter of thinking about it."

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