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Open Peer Commentary

Folk-economic beliefs as “evidential fiction”: Putting the economic public discourse back on track

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Abstract: Folk-economic beliefs may be regarded as “evidential fictions” that exploit the natural tendency of human cognition to organize itself in narrative form. Narrative counter-arguments are likely more effective than logical debunking. The challenge is to convey sound economic reasoning in narratively conspicuous forms—an opportunity for economics to rethink its role and agency in public discourse, in the spirit of its old classics.

In their target article, Boyer & Petersen (B&P) offer a compelling explanation of the success and endurance of folk-economic beliefs, based on the influence of evolved, panhuman, cognitive modules. Folk-economic beliefs fit with our intuitions and expectations, and thus they have a cultural advantage with respect to other beliefs, independently of whether they are true. A question that emerges from the article is whether and how we can change these beliefs, given their intuitiveness.

Different approaches to cultural evolution (see Acerbi & Mesoudi 2015) propose that various factors can have a role in the cultural diffusion of beliefs. An important distinction in cultural evolution is made between content- and context-based biases. Content-based biases refer to intrinsic features of the cultural traits at stake, which is what B&P focus on. Context-based biases refer instead to contextual factors, independent of the content of the cultural traits, such as popularity (the majority of other individuals believe x) or prestige (experts, or famous individuals, believe x). It is an open question how content- and context-based factors interact in different domains, and whether context-based biases can overcome the intuitiveness of folk-economic beliefs.

Another framework, epistemic vigilance (Sperber et al. 2010), proposes that, under certain conditions, trust and argumentation can enable the spread of counter-intuitive beliefs against the intuitive ones—in this case, folk-economic beliefs. However, argumentation works better in long, face-to-face, interactions, and its strength is inversely proportional to the complexity of the topic. Moreover, trust in economic experts (Bookstaber 2017) and politicians (Torney 2015) is at historical lows. The situation presents some analogies with counteracting anti-vaccination beliefs (Miton & Mercier 2015).

To understand the success of folk-economic beliefs, we can also characterise them as examples of the “evidential fictions” studied in the cognitive science of narratives (Oatley 2016). The importance of narratives for the social dimension of economic interactions has recently been acknowledged by economists (Shiller 2017). However, economists have so far largely ignored these issues and their implications for cultural transmission—and this is all the more surprising in view of the role of beliefs and expectation-formation processes (Shiller 2015) and self-fulfilling prophecies (Farmer 1999) in the assessment of the allocative efficiency of markets and of the effectiveness of economic policy. Not incidentally, Adam Smith’s famous “invisible hand argument,” which is a cornerstone of modern economics, is essentially a powerful narrative rather than a rigorous theorem, and significantly draws upon a complex cultural and even theological tradition (Harrison 2011).

The characterisation of folk-economic beliefs in terms of narratives also suggests possible ways in which they can be counterbalanced. Humans tend to organise their mental models of social situations and contexts in narrative form, and this cognitive strategy need not be regarded as a form of bounded rationality or a source of bias (Mar & Oatley 2008; Oatley 1999). It has been suggested that engagement in fiction has substantial developmental implications for empathy and theory-of-mind (Oatley 2016), and increases the likelihood of engaging in prosocial behaviour (Johnson 2012). Narratives can prompt individual changes through involvement in the story, including emotional participation and identification with characters, and through the content of the story, by simulating events and situations that are unlikely to be experienced in real life. Narratives, moreover, enable individuals to perform complex social computations that they would be unable to carry out in non-narrative form (Boyd 2009). Therefore, contents that are presented in narrative form elicit judgmental self-confidence in individuals, are felt as less threatening than technical ones, and elicit (possibly biased) non-reflective decision-making (Winterbottom et al. 2008). Highly technical content that is not cast into narrative form calls on the contrary for an act of trust in the epistemic authority of the proponent—for example, the economic expert (Trinkausk Zagzebski 2012). If such authority is challenged by the very narrative that supports folk-economic beliefs, its credibility is fundamentally disqualified and it becomes hard to counteract in non-narrative terms (Smith 2017).

For these reasons, insisting on the falsification of folk-economic beliefs on the basis of factual evidence, or even stigmatising such beliefs for their foundation on conceptual fallacies and “fake news” might be a generally ineffective strategy, from the point of view of B&P and from ours. However, cognitive science of narratives and fiction and cultural evolution could suggest possible ways in which intuitive folk-economic beliefs could be addressed, by providing alternative narratives that cast highly technical processes and events in real and financial markets into an intelligible and meaningful form, while being at the same time suitably designed and tested to control for biases. The use of metaphorical arguments and rhetorical tropes is deeply ingrained in the economic discourse (McCloskey 1998), and economics has an inescapable, although poorly acknowledged, narrative dimension (McCloskey 1990). It is not just for self-irony that George Akerlof (1984) gives to the collection of some of his major theory papers the title: *An Economic Theorist’s Book of Tales*. In the book’s introduction, he explicitly equates the single economic idea presented in a theory paper with the powerful narrative proposition of a good short story. The issue posed by folk-economic beliefs may be a healthy challenge for economics to rethink its role and agency in the public discourse, looking back to the teachings of its own old classics. Is it possible to convey good economic reasoning through emotional involvement, identification with characters, and simulations of events, so as to crowd out the deceiving simplicity and intuitiveness of folk-economic beliefs? This is, in our opinion, a promising avenue for future research, at the crossroads of economics, social psychology, cultural evolution, and the humanities.