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FROM ANECDOTES TO NOVELS:
REFLECTIVE INPUTS FOR
BEHAVIOURAL ECONOMICS

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ABSTRACT

Thaler's deployment of anomalous anecdotes has helped raise the profile of behavioural economics. This paper explores possible uses of other narrative materials as aids to economic research. After examining the use of anecdotes in economics, the paper reviews opportunities to use a wide range of more extensive reflective materials. Two text-based applications are then presented: the first uses material from consumer magazines, the second draws from novels by David Lodge. Both applications call into question conventional thinking regarding the degree of substitution between product characteristics, while the second is also instructive regarding the processes by which economic activities are coordinated.

1. INTRODUCTION

The significance of the kind of behavioural economics developed in the 1950s and 1960s at what is now Carnegie-Mellon University was

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recognized with the award of the 1978 Alfred Nobel Memorial Prize in Economic Sciences to Herbert Simon. Despite this, the Carnegie approach failed to win widespread acceptance. By contrast, there has been an explosion of interest in recent years in a new kind of behavioural economics. Sent (2004) explains this on the basis that ‘new behavioural economics’ incorporates empirically grounded knowledge of a large variety of ‘heuristics and biases’ without abandoning the mainstream core concepts of preference orderings and constrained optimization. The ‘old behavioural economics’, by contrast, was much more radical and sought to replace these concepts with, respectively, hierarchical systems of decision rules and satisficing. However, in trying to understand why the new approach has taken off and won widespread appeal, historians of economic thought would probably be unwise to neglect another factor, namely, Richard Thaler’s skilful use of anecdotes about everyday behaviour at odds with the predictions of traditional economics.

Thaler’s use of anecdotes to motivate his behavioural analysis (e.g. Thaler, 1992; Thaler and Sunstein, 2008) has been persuasive both with those who study his work at first hand and with readers of newspapers articles about his research (most notably Lowenstein’s (2001) influential *New York Times* report). Other leading behavioural economists have also been introducing their contributions via quite detailed characterisations of aspects of everyday life. A typical case is the paper on ‘shrouded attributes’ by Gabaix and Laibson (2006). It discusses how consumers end up wasting money as a result of buying cheap printers that require unexpectedly expensive ink cartridges, and then goes on to consider different strategies that hotels may use when specifying and pricing their services and ways in which more savvy consumers respond to these ruses. The trend, in other words, is to try to win an audience by ‘motivating’ economic contributions with something that the wider public might find of interest and that the media might pick up and report.

If behavioural economics is economics that is informed by what economists know about actual behaviour, there is a potential role for anecdotes and real-world vignettes alongside experimental studies in the laboratory and/or the field and research of more conventional kinds. However, if anecdotes are indeed accorded a role in shaping how economics evolves, rather than being dismissed as ‘mere anecdotes’, behavioural economists might also consider using other kinds of qualitative sources of evidence and theoretical inspiration. This paper therefore attempts to examine the potential of what, for want of a better term, I am going to call ‘reflective inputs’, including accounts of behaviour derived from introspection or from flows of

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information created for other purposes, such as novels, movies and television programmes.

In advocating the use of such reflective inputs, I am following the lead of researchers in marketing but not, perhaps surprisingly, psychology. Marketing has become highly formalized and quantitative in recent decades with the rise of ‘marketing science’. However, there has also occurred the rise of ‘critical marketing’ that has imported ‘Post Modern’ analytical tools from other fields such as literary studies. By contrast, economists will find little use of reflective inputs in modern psychology despite its widespread use of introspective techniques in the late nineteenth century. Early psychologists such as Wundt went beyond just asking untrained subjects to report on how they had made choices. Instead, they worked in a controlled laboratory setting with subjects whom they had trained to become expert self-observers. This research method gave way to observation-driven behaviourism due to arguments about the worth of studying what subjects could recall about their choices if, as Freudians were arguing, unconscious processes drive much of the behaviour that is observed. (This was despite the fact that Freud himself saw introspection as a means of digging into the unconscious.) The case for reviving introspection (of the trained rather than casual kind) as a research tool within psychology has been made by writers such as Howe (1991) and Lieberman (1979) but there, as in economics, it remains a heterodox approach.

The paper proceeds as follows. Section 2 is a discussion of the success of anecdotes and vignettes in modern economics in contrast to how they tended to be viewed in the past. In section 3 I present a survey of different kinds of qualitative inputs that have potential for use in economics. Sections 4 and 5 provide case studies of two of these approaches. The first explores how material from consumer magazines can be employed when one is considering the relative merits of alternative theoretical perspectives on decision-making in characteristics space. The second concerns the use within economics of text from literature and other creative arts, with a case study based around two of David Lodge’s novels. This is followed in section 6 by a concluding discussion.

2. THE ROLES AND CHANGING STATUS OF ANECDOTES AND VIGNETTES IN ECONOMICS

The success of the use of anecdotes and realistic-looking vignettes as motivators of interest in new theoretical contributions may itself be an example of the impact of heuristics and biases on economists and the

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general public: dry, systematic empirical studies that reveal anomalous behaviour may fail to grab attention with anything like the effectiveness of a well-chosen anecdote or a carefully crafted and plausible looking vignette.

It is not just behavioural economists who have realized this, though perhaps only they did so by applying their knowledge of heuristics and biases. Modern textbook writers have been implicitly exploiting these cognitive biases by building anecdotes and vignettes into their packages rather than presuming that brief discussions of formal empirical work will stick in students' minds. For example, in the 'What's New and Improved' section of the 'Information Center' website for the 15th edition of McConnell and Brue's (2001) best-selling *Macroeconomics* it was pointed out that the book signposts web-links to 'Analogies, Anecdotes, and Insights [that] help students understand and remember economic ideas by connecting them to other better-known ideas or easy-to-remember stories and examples.'

In the past, by contrast, anecdotal evidence at odds with established thinking would have been greeted with scepticism even (or particularly) if it was presented as being consistent with a heterodox theory. Suppose I were arguing the case for anxiety to be taken seriously as a driver of choice that could in extreme cases produce pathological aversions to particular products. Suppose, further, that I proposed that such anxieties could have deep-seated historical roots which I then illustrated by reporting the case of an elderly member of my family whose long-standing aversion to eating in restaurants had nothing to do with the price of eating out but everything to do with fears about restaurant hygiene triggered a half a century previously by an incident involving the discovery of cigarette ash in a café sandwich. Despite it being a true story, not a fabricated vignette, mainstream theorists in the past would have dismissed it as an outlier if they preferred to keep clear of psychology. They would not have seen it as a case for undertaking a systematic study of the preference structures of those who dine out versus those who do not, in order to find out how important a role anxiety about kitchen hygiene plays relative to familiar 'economic' variables in explaining who dines out, and where they dine, versus who only eats at home.

The growing acceptance of anecdotes as evidence of what happens in the real-world economy, that economists ought to be able to explain, may partly reflect attempts by academic economists to increase the media appeal of their work because of pressure from their managers for more contributions towards 'engagement'. But it may also be that the tireless work of Thaler and his disciples in gathering and deploying anecdotes has meant that their sheer weight as evidence has

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had an impact. A single anecdotal report of an anomaly may be rationally dismissed, given the costs of constructing an alternative framework and undertaking systematic empirical studies. However, at some point a collection of anomalous anecdotes starts to function more like a body of statistical evidence that makes it seem worthwhile to consider new theoretical perspectives and undertake systematic empirical work, rather than rejecting the anecdotes as a set of outliers.

In the process just outlined, the role of anecdotes, like that of other ‘reflective inputs’ canvassed later in this paper, is emphatically *not* as substitutes for systematic data gathering for hypothesis-testing purposes but in:

- Providing a means of checking the extent to which subjects’ past experiences affect their behaviour in a supposedly controlled experimental environment (as in Gould and Kramer, 2009).
- Alerting economists to limitations of the domains of particular existing theories;
- Pointing towards the essence of new theories for making sense of/predicting particular phenomena;
- Adding weight to cases for devoting resources to the systematic investigation of particular theories.

This should be kept in mind as we now turn our attention to the wider range of reflective inputs that economists might use: even fiction might be useful in similar ways.

3. REFLECTIVE INPUTS THAT ECONOMISTS MIGHT USE

The potential inputs surveyed in this section are labelled as ‘reflective’ rather than ‘qualitative’ in order to emphasize that they are neither generated nor put to use without serious mental effort. A mainstream economist who is acting in a professional manner does not simply reject an anecdote ‘out of hand’ but tends to explore how it can be argued to be consistent with established doctrine. Behavioural economics seems essentially to entail a more pluralistic approach: the rule is, do not rest comfortably if you can force-fit a fact into your established framework, but consider other ways that it might be interpreted. An ability and tendency to try to examine situations, or accounts of situations, from multiple perspectives is essential when using the reflective inputs considered here. This can include applying the literary technique of deconstruction—in other words, looking for

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Table 1: A catalogue of reflective inputs that economists could use

Type of reflective input	'How to' guides and/or exemplars	Comments
Introspection by analysts regarding their own decision-making processes and/or experiences	In marketing: Holbrook (1995) and Gould (1995); in economics: Earl (1986, pp. 176-7; 2001, 2010)	Honesty may prove embarrassing due to the inherent lack of anonymity with this technique.
Post-decision reflection to analyst by subjects	Thompson (1996), Allen (2002); Gould and Kremer (2009); the Oxford Economists' Research Groups in the 1930s/1940s (Young and Lee, 1993)	Can include material from informal interviews, questionnaires and transcripts of focus groups. Blogs and consumer discussion board postings may also provide insights about decision-making.
'Think aloud protocols': reports to analysts by subjects whilst they are in the process of taking a decision or solving a problem	Ericsson and Simon (1993) is the standard source on how to obtain and employ this kind of input.	After analysing data obtained in this way, Newell and Simon (1972) were able to construct computer programmes that would simulate subjects' problem-solving methods.
Detailed case histories	Herbert Simon's (1991) autobiography is revealing not merely about his academic career but also his everyday problem-solving strategies (e.g. on pp. 136-7 he describes how he chose his house in Pittsburgh). Earl (1998) uses text from the autobiography of New Zealand property guru, Olly Newland (1994).	When studying the behaviour of firms and decision-making by public sector bodies, internal documents and memoranda of such agencies (for example, minutes of meetings of the board of the US Federal Reserve) may be useful. Deconstruction of press releases on corporate websites may also prove fruitful.
Ethnographic studies in which the analyst mingles extensively with particular kinds of decision makers	On the method, see Hammersley, and Atkinson, P. (2007), Cefkin, M. (ed.) (2009) and Mariampolski, (2006). For exemplars, see Abolafia (1996) on Wall Street traders and Underhill (2004) on shopping mall behaviour.	One potential application is by housing economists to study home maintenance and improvement choices within a neighbourhood (cf. Thompson, 1979).

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Reports of lay beliefs about the functioning of the economy	Routh (1999)	Potentially of interest in relation to the phenomenological approach to economics pioneered by Alfred Schutz, in which the core idea 'is that economic agents are like social scientists because they are trying to understand and, sometimes, predict events by means of theories about the world' (Koppl and Whitman 2004: 312).
Text covering product reviews, by professional reviewers or by consumers	Earl (1986, pp. 271-280; 1995, pp. 81-84)	Amazon.com and other retailer websites provide a vast potential source of consumer reviews
Advertisements	Ozanne (1999) Stern (1999)	May offer clues of how advertisers see buyer behaviour. Studies in marketing use 'deconstruction', focusing on what is not being said.
Text from the literary and creative arts	Watts (2002)	Could include material from novels and plays, television and movie screenplays, lyrics of songs, librettos of musicals and operas, and even works of comedy that involve reflections on the nature of decisions that people take (for example, perhaps, the BBC's <i>Grumpy Old Men</i>).

what the material is *not* saying as well as trying to glean insight from what it explicitly says (in much the same way that a cynical would-be house-buyer seeks to learn from a real estate advertisement by focusing on what it does not say as well as on what it does). Table 1 outlines a set of reflective inputs that behavioural economists might consider using, with references for guides to particular techniques and for works that have employed them, along with comments about their potential.

Except for the first category, all of the sources of reflective inputs considered in Table 1 entail what might be labelled 'outsourced introspection'. It is easy to see why economist might tend to prefer the outsourcing strategy even though many of them probably employ introspection to a limited degree when deciding which situations can be modelled in particular ways and whether their models pass their own

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internal reality checks. Internalization requires them to cultivate skills in, so to speak, stepping outside of their own minds and making fine-grained observations of their own behaviour as they engage in choice, or that they try to recall in minute detail some of their past acts of choice and the experiences associated with them. This may require some training in psychology—for example, an awareness of what one's mind is likely to try to do when faced with cognitive dissonance and hence a readiness to spot dissonance-reducing processes at work that otherwise might conceal the 'real reason' for one's choice. (This might necessitate a willingness to try to dig, rather as Freud tried to do, into one's own subconscious and ask 'what is there that could be driving my actions that I am unwilling to admit to myself?') Furthermore, it requires an ability to distance oneself from what any bodies of economic thought expect people to do in the context in question, so that one can first find out what one is doing/did do, regardless of how well it fits in with any particular theory. It may also require the economist to make embarrassing confessions regarding his or her shortcomings as a decision maker.

Obviously, an economist who has a particular theoretical agenda could seek to promote that agenda by presenting a supposedly introspective account that contained a large degree of fiction. Given this possibility, economists who practice introspective methods need to be able to show why their accounts should be believed. Accounts offered by well-intentioned economists could be misleading, too, due to them suffering from selective memories that missed out key elements in their causal chains, with their brains twisting the stories to deal with the gaps. Even where observable actions figure in economists' accounts of their own past decision processes, it may be difficult to verify them by calling witnesses.

The most persuasive cases for the credibility of introspection by economists are likely to be those that refer to the economic incentives faced by their authors. The more extensive the account, the less reason there is to suspect that key factors have been forgotten and the bigger its opportunity cost in foregone output of a conventional kind, while the more that the account reveals behaviour that it is embarrassing for an economist to admit to having engaged in, the more the audience might feel there is a case for believing it to be true. It is the accounts that reveal nothing of human fallibility and display no departures from what traditional economics calls 'rational' behaviour that should be the ones to occasion suspicion.

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4. TEXT FROM THE TRADE PRESS

Modern consumers face rapidly changing menus of complex products but are often too busy to engage in extended search and evaluation of a wide variety of rival products. Consumer magazines thus have a potentially significant role as market institutions in what Earl and Potts (2004) call ‘the market for preferences’. However, such magazines also are interesting for what they reveal about how experts make choices. In this section, we focus on motoring magazines. When analysing their verdicts, it is worthwhile to keep in mind that:

- Magazines make money from their advertising space, so there is the risk that verdicts might be constructed as ‘advertorials’ to favour particular sponsors. However, some, such as *Car Magazine*, have cultivated reputations via their long records of printing what their journalists think about the cars they test, regardless of whether the manufacturers react by withdrawing advertising or refusing to supply further test vehicles, and they tend to report when this sort of thing has happened.
- The tests typically concern products of a similar genre and price; they do not compare ‘chalk and cheese’. This makes sense from the standpoint of ‘old behavioural’ consumer theories that see choice in a hierarchical filtering manner and deny that everything is a potential substitute for everything else.
- The magazines normally only test a handful of products at a time. This may partly reflect what the availability of test vehicles and the need to keep selling magazines, which could be compromised by reporting tests of entire genres of products. In any case, products keep being replaced by newer designs and it is these new designs that are typically contrasted with established products that have been rated highly in previous tests. The magazines are saving their readers’ time by not bothering with products that they know will be comprehensively dominated by some of the products in their class. In February 1991, *Car Magazine* did publish an integrated comparison test of no less than eleven executive sedans, but it has never repeated this approach to comparison tests: readers wrote in to complain that it was far less useful than a typical ‘giant test’ of merely three or four vehicles (see the May 1991 issue). Nowadays, wherever a motoring magazine tests a large number of vehicles, reports tend to use a one-vehicle-per-page format, in order of preference, with no attempt to write about them all at once. More so than mainstream consumer theorists, such magazines have been willing to recognize their readers’ limited cognitive capabilities.

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When critically examining such verdicts, the key point for the new behavioural economist to keep in mind is that while mainstream economists think generally in terms of consumers having additive or multiplicative utility functions which enable compensatory trade-offs, old behavioural economists and decision scientist (for example, Payne, Bettman and Johnson, 1993) expect consumers often to be employing non-compensatory checklists to select products, or at least to come up with a cognitively manageable shortlist that they might then appraise in a compensatory manner. In the latter view, products need to meet a set of aspiration levels to be deemed acceptable. If no products meet all the targets, they are assessed against a priority ranking of the targets, with those that fail the first priority test being eliminated from further consideration, and so on, until only one is left. If several products meet all of the required performance standards, a trade-off is one way to choose between them, but those that have failed to meet all the checklist requirements are disregarded.

Discussion of the strategies of manufacturers elsewhere in such magazines will also be worth considering in these terms, as whether consumers commonly choose with aspiration-based checklists or in a compensatory manner is of major significance for business: if checklists are commonly employed and tend to be similar amongst consumers that use them, firms that fail to ensure their products fit the templates implied by commonly-applied consumer tests will achieve poor market shares, even if what they offer is brilliant in other respects.

Sometimes, an 'overall verdict' will begin with a list of what the tester was looking for. For example, the verdict for a comparative test of four small hatchback cars in *Car Magazine*, December 2003 began by saying 'We're looking for driving pleasure, desirability and style – but also insurability, value and practicality. Not an easy balance.' Six characteristics is in keeping with 'Miller's 7 ± 2 Rule' (Miller, 1956) regarding the number of things a person can keep in mind at once, so what should we make of the tester's remark that this is 'not an easy balance'? Does it mean that the tester is having trouble working out a six-dimensional trade-off (mainstream view), or is it that it is not easy to find a car in this class which seems to match up to a set of targets for all of these dimensions (as in the old behavioural view)? The verdict goes on to say that 'These four cars take different approaches, and each has an area in which it excels. As always, we're looking for the most complete of the four.' This perhaps sounds like a 'see which car is good enough on the most characteristics' rule, but it is also consistent with trying to find a 'happy medium' in the form of a vehicle which is not badly compromised on any count.

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Where a verdict successively mentions different sets of characteristics in the course of explaining the ranking of the products, one might argue that this indicates a priority ranking of characteristics. Often, when explanations of the place of a runner-up are given in these test reports, no mention is made of characteristics that seemed crucial failings of last-placed or second-to-last-placed products. Instead, other shortcomings are mentioned, sometimes even described as the product's 'Achilles' Heel'. For example, the verdict in *Car Magazine's* December 2003 test of four small hatchbacks seems amenable to reconstruction as follows:

- The Toyota Yaris was rated fourth because it failed to meet driving desirability targets, regardless of its strong points (cruising ability and low running costs). A mainstream economist might challenge this and say that in, weighing up the features, the product simply ends up with the lowest overall rating, but a behavioural economist will be left wondering why any particular feature is singled out as problematic if it is the overall score that counts.
- Further evidence of a non-trade-off checklist being employed comes with the third-place ranking of the Ford Sportka. The tester emphasizes that it is outstanding in a key area, its on road performance, yet derides it as not being 'complete'. Moreover, we also get a hint that insurance category is an intolerant part of the test: the Yaris may have failed a number-one priority in terms of driver appeal, but the Sportka fails in terms of comfort, safety features and insurance, all areas where the Yaris was better.
- Second-place went to the Citroen C2 and here there no sense of inadequate driver appeal, insurance problems or insufficient safety kit. It just has problems in being not so pleasant to drive when one tries to drive it in the style for which it begs to be driven, since it is 'let down by a hesitant gearbox, fidgety ride on uneven surfaces, uncommunicative steering and a lack of front-end grip.' From a mainstream trade-off standpoint, this sounds like more of a happy medium than either the Yaris or the Sportka.
- First place in this test was awarded to the Mini, which seemed to have no problems meeting all of the tester's basic requirements: nothing is listed as being too little or too much, though people other than the tester might have problems with it if they insisted on a larger boot or basic features (such as, from reading elsewhere in the test, a rev counter) that were not standard and would push the price beyond a particular target limit. But we could also tell a mainstream story in terms of it offering an even better happy medium than the C2 because it does not have the flaws that the C2

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has, whilst being comfortable, safe and an excellent drive—factors which offset the small boot and measly standard equipment.

The following month, January 2004, *Car Magazine* pitted the original Ford Focus (released in 1998 but at that time still the market leader) and 2nd-generation Renault Mégane (released in 2002) against the newly released Mazda3 and 5th-generation VW Golf. On this occasion the verdict is rather more of a puzzle to deconstruct. From the old behavioural perspective, a test of three new designs versus a previously dominant product is one in which the dominant product would tend to fail if the new designs improve the standards that the customer can get on some dimensions without having to compromise on any pre-existing targets—if, in other words, the new products enable customers to consider which areas are the ones in which they want to raise their aspirations. This was perhaps what the testers were trying to say in placing the Focus last with hints that things have moved on, but the verdict was short on references to any specific areas of emerging shortfall. It was necessary to read the body of the report to get a sense of this, such as all the other cars having side airbags.

In that test, the Mégane was ranked third with words that gave a sense of the product matching new standards set by the Mazda3 and Golf in some areas and yet falling behind in others. The wording of the text pointed in the ‘old behavioural’ direction by suggesting that it had a number of specific shortcomings: not enough performance in reality (unlike on paper), not sharp/precise enough in the way that it does things (‘bagginess’), brakes that were too strong and other areas of driver interaction that were not good enough. This sounds like a checklist/targets view, though a mainstream economist might note that at the end of this part of the verdict the tester seemed to reflect on the financial versus non-price aspects of the car, concluding that even in these terms it does not do so well overall because of ‘a dodgy return on the initial outlay’. An ‘old behavioural’ economist would read the tester’s phrases ‘far less rounded’ and ‘too many things that grate’ in terms of a checklist decision rule rather than overall scoring, with a subsidiary rule ‘if you can’t find a product that meets all targets, count the number of targets that aren’t met by the competing products and eliminate those that fall short on [an unspecified number of] dimensions’.

That left the Mazda3 versus the VW Golf and the final decision looked much more like a trade-off, a comparison of overall value: a points victory. Both seemed to meet all requirements, with what the VW lacked compared with the Mazda in driving excitement being made up for in classiness and peer appeal. What the Mazda lacks on

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one count ('refinement') it compensates for in another ('freshness'). Overall, one could say this particular verdict was based on an initial checklist approach with a trade-off approach being used to resolve a potential tie.

It needs to be emphasised that, like personal accounts by economists regarding their own choices, text of the kind just considered cannot come into the category of data that have been obtained by systematic scientific methods of the kind that one might employ when using protocol analysis to study how a large sample of consumers make up their minds in a particular context. This would still be so even if I had analysed, say, all of the comparison-test verdicts from not just two issues but two decades of *Car Magazine* and reached some conclusion about the frequency with which the decisions could be classed as conforming to checklist versus trade-off models. It would still only be an analysis of the choices of a few journalists and we would still have no evidence of just how influential they had been, whereas this might readily be apparent from a large sample of consumer reflections.

5. TEXT FROM LITERATURE, STAGE AND SCREEN

The literary and dramatic arts offer a vast reservoir of text in which writers provide commentary on acts of choice, or put words about choices into the mouths of their characters. The rise and fall of business dynasties or the ongoing competitive struggles of firms have been particularly popular themes across a wide variety of industries and eras. For example, the protagonist in I.G. Broat's (1978) economically-rich novel *The Entrepreneur* starts off as a back-street used-car trader and gravitates to the unstable world of property development in 1970s London, whereas the economics of the technological transition from sail to steam and the hazards of dealing with opportunistic clients are the focus of the classic, carefully researched BBC series *The Onedin Line*, about a fictional Liverpool-based shipping company in the 1860s. (This 91-episode series screened from 1971 to 1980 but is now available DVD format.) In some cases, the writer's insights reflect years of experience in the industry in question, as with former lawyer Peter Moffat's (2000) BBC series *North Square*, which focuses on a law firm's problems of keeping able staff from rivals, allocating them to the right cases and maintaining goodwill with clients despite sometimes being unable to keep them out of jail. Fiction about bureaucratic decision-making processes and public policy making has sometimes been similarly based on years of experience, as with the 'Strangers and

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Brothers' sequence of novels by erstwhile science administrator C.P. Snow. (This work opens in a different economic setting, namely, the failure of business set up by the father of the key character, who had attempted to become his own boss on the basis of knowledge picked up as an employee in a small Midlands firm.) However, one of the co-authors of *Yes, Minister* (Lynn and Jay 1984), probably the most famous work in that area, had previously written on management theory (for example, Jay 1970) and worked in public relations rather than serving as a public official.

There is a similarly wide range of text to draw upon regarding consumer lifestyles, preferences and dilemmas. For example, Alexander Payne's film *Sideways*, based on the novel by Rex Pickett (2004), has much to say about choices of wine and about how some of its main characters ended up as wine connoisseurs and what wine meant to them. The film may also have had a major impact in the relative demand for pinot noir wines (much praised in the film) relative to merlot during 2004 (see Harlow, 2005). The extraordinarily prolific novelist, Alexander McCall Smith, who is also Emeritus Professor of Medical Law at the University of Edinburgh, has taken his expertise in ethics into his 'Sunday Philosophy Club' series of novels (also known as the 'Isabel Dalhousie Mysteries'). These works demonstrate the frequency with which choices in everyday life have the kind of moral dimension to which socio-economists such as Etzioni (1988) have sought to draw attention. Whereas many institutional economists might see conspicuous consumption as an aspect of social competition, McCall Smith's key character, a woman with inherited wealth and a penchant for art, turns out often to be embarrassed and torn in her decision-making. She is not the sort of person who wants to flaunt her wealth. Instead, she tends to hold back when tempted by a painting that she could easily afford and desires for its aesthetic qualities but whose price she knows would horrify other people, such as her lover, a rather laid-back bassoonist.

A century or so earlier, novels such as those by Marcel Proust and E.M. Forster appear to have had as a major theme the idea that the choices their characters could make were seriously constrained by the social manners of the day, with any departure from them, mild though it might look to us in modern terms, being prone to have very major consequences. In reading their pictures of lives that were ordered in an extreme manner by routines, it is hard not to reflect that it was around this time that Veblen developed the institutional approach to economics. We might also see many of the characters in these works as coming close to the category of 'cultural dope' that Koppl and

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Whitman (2004) offer as the extreme opposite of agents in rational choice theory:¹

The pure cultural dope does not heed his incentives. He never uses guile and cunning to promote his own strategic ends. He cannot be understood as “maximizing” anything. The cultural dope can only do that which he has been programmed to do by the surrounding culture and his place in it. Thus, a change in the costs or benefits of an action will not alter his propensity to do it. The pure cultural dope called “consumer”, for example, wants his gas-guzzling automobile, no matter the cost of gasoline’ (Koppl and Whitman 2004: 309).

Koppl and Whitman’s (2004) paper is doubly relevant in the present context, as they (p. 313) use a famous literary case when discussing the problem of rationality—that of Sherlock Holmes trying to work out whether to try to escape from his enemy Moriarty by getting off the London to Dover train at Dover or at the one intermediate station, Canterbury. They do not mention who originally used it in economics and the significance of its original use. This was by Morgenstern (1928) in an early work on paradoxes of decision-making that made prediction difficult in situations involving interdependence amongst choosers. Sherlock Holmes’s dilemma seems to have had a clear role in motivating Morgenstern to develop the theory of games, and it resurfaces in his seminal work on that subject with John Von Neumann (1944).

The first economist to build an entire paper around literary text appears to be Phelps (1990), who examines the economic psychology of career choices via a case study of two characters in the late Arthur Miller’s (1972) play *The Price*. Phelps explores how Walter and Victor, the two sons at the centre of the play, differ in their occupational risk taking in ways that are shaped by the power structure of their family and how the latter prevented their father’s recovery from bankruptcy.

¹ Allen’s (2002) use of outsourced introspection to study tertiary education choices reveals the enduring significance of social conventions: lower-class students operated very much like cultural dopes but even middle-class students who tried to be more analytical in their choices also tended to end up selecting an institutions simply because it ‘fitted like a glove’ in terms of their socio-historically-formed expectations of what kind of college would be right for them.

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She uses Miller's text as a means of showing how people may resolve what seems to be an indeterminate outcome in Atkinson's (1966) theory of resultant achievement motivation, namely, 'the selection of level of aspiration when avoidance motivation is stronger than approach motivation'. Here, then, the text is an aid to theorizing.

Though the limitations of anecdotes apply with literary text, so may their potential. The rest of this section considers material from two novels by David Lodge. We begin by reflecting on pp. 34-6 from his (1995) work *Therapy*, in which the key character, 'Tubby' Passmore, a successful situation comedy scriptwriter, recalls how he eventually bought the 'Richmobile', a luxurious Japanese car that figures at various points in the story, after much agonizing and initially deciding not to do so.

A mainstream theorist might argue that no alarm bells are sounded by Passmore's account: although it reveals he initially allowed his anti-Japanese sentiments and superstitious thoughts to get in the way of buying the car, ultimately he did end up purchasing it. Furthermore, in explaining how Passmore's hesitancy resulted in him having later to offer an above-list price to persuade the dealer not to let it go to another customer who had agreed to buy it in the interim, Lodge provides a nice examples of consumer surplus, of opportunism by a car salesperson, and, implicitly, of the importance of watertight contracts for ensuring that transactions take place in the manner that parties to them intended. To economic psychologists, by contrast, this part of Lodge's novel is likely to look like something with which to question the usefulness of mainstream theory in this sort of context. Lodge portrays Passmore as having allowed his initial decision not to buy the car to be determined either by a single criterion—the fact that the car is Japanese—or by a specific group of criteria—Japanese, flashy, energy-inefficient. Whereas in the mainstream model of choice in characteristics space, there is no basis for 'singling out' any characteristic as decisive, except where the products being compared are identical in all but one respect, Passmore was not comparing the car with any others, aside from his existing, vastly inferior one: he saw it, fell in love with it, and then ran into his conscience, not his budget, as a constraint. The sleepless nights he suffered seem very hard to reconcile with a convex preference ordering of the mainstream kind and seem more consistent with the case of a person with a hierarchical preference system stepping out of themselves, so to speak, and viewing that system from something akin to the mainstream standpoint. This is a clear case of what consumer behaviour researchers in marketing call a 'high involvement' decision (cf. Laaksonen, 1994).

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Passmore's preferences also depart from the mainstream 'all agents are islands unto themselves' perspective. However, this is not in the sense that he wishes to show off to others in a Veblenian manner; rather, his sense of achievement would have been greater if his parents could have shared his consumption of the car and revelled in what it symbolized about the success of their son. Finally, it is noteworthy that Passmore's behaviour is the reverse of the 'sour grapes' response that we might expect from Elster (1983). The apparent sale of the car to someone else did not cause him to tell himself that, on reflection, it would have been too bland or otherwise flawed. Instead, his preferences shifted in the opposite direction: he *had* to have it.

The decision described by Lodge rings true in terms of my own experience of sleepless nights before reaching decisions about major purchases, and of meeting real-life consumers who expressed similar sentiments about Japanese products. The description may be pure fiction, based on Lodge's own introspection, or based on an anecdote he had heard. Whatever its origins, it is something upon which more economists might profitably reflect, for Lodge captures much that mainstream economics ignores when dealing with the choice of expensive consumer durables.

In an earlier novel *Nice Work*, Lodge (1989) explored the town/gown relationship, acknowledging help from 'several executives in industry, and one in particular, who showed him around their factories and offices and answered his often naïve questions'. This is a particularly interesting text for pluralist economists in that one of its major messages is that for certain kinds of questions there are no right answers (p. 339); everything is a matter of interpretation and how one sees the world. Once again the issue of patriotism emerges as an issue in consumption, along with the emotional side of motoring. The lead male character, Vic Wilcox, Managing Director of Midlands engineering firm Pringle's, relishes driving to work in his Jaguar XJ12 (registration number VIC 100) and wishes the drive were longer than its usual twenty-four minutes. The drive gives him a break between workplace anxieties and domestic irritations, generating feelings of control and 'effortless superiority'. As managing director of a firm that made castings for the local car industry, 'It had to be a British car, of course ... —not that Vic had ever driven a foreign car: foreign cars are anathema to him, their sudden invasion of British roads in the 1970s marked the beginning of the region's economic ruin in his view ...' (Lodge 1989: 28).

Despite its local origins, the car is sometimes an embarrassment to Vic, such as when he collects his father from the run-down housing estate in which he lives, for there it seemed 'almost obscenely opulent'.

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Once again, Lodge gives us an alternative slant on conspicuous consumption: Vic Wilcox was not showing off the car for his own benefit (and would have preferred to come in his wife's Austin Metro), but because it enabled his father to send a message to his neighbours about his son's success and that fact that he was living there by choice, not because he was unable to get out of the estate—in short, he was not like his neighbours (Lodge 1989: 172).

By contrast, Lodge's lead female character, English lecturer Robyn Penrose, drives a Renault, handed down by her parents (her father, a professor, drives an Audi). When Vic discovers this, a heated discussion ensues about outdated perceptions of the unreliability of British cars and the impact they were having on the local economy (Lodge 1989: 148-9). Lodge also explores the differences in lifestyles and tastes of his protagonists, for example, in respect of housing (p. 245) and restaurants (p. 199) and characterizes the lifestyle of the emerging breed up yuppies (p. 180). This is all portrayed in terms of differences in world-views, rather than preferences as such, much as in Thompson's (1979) *Rubbish Theory*. Lodge's interest in how advertising works is evident via a lengthy discussion of the semiotics of a Silk Cut cigarette advertisement (pp. 220-4).

Lodge portrays Vic Wilcox as an advocate of 'no free lunch' element of neo-conservatism (pp.116, 218), working in a very hazardous business environment. Vic has to deal with opportunism on the part of German machine tool suppliers (pp. 276-81) and his hard-to-monitor Marketing Director (who is busy moonlighting with a sun-bed business) (pp. 336-9), with his firm acting opportunistically to remove a poorly performing employee (pp. 143-6). Lodge emphasizes the complexity of the economic system (pp. 269-70) and generally portrays business as operating in a problem-solving manner. In contrast to mainstream profit-maximizing theory, it is a failure to meet aspirations regarding wastage rates that leads Vic to start searching for ways of improving efficiency (p. 142): five per-cent wastage was 'far too high'. A similar problem-solving approach to costs is evident when one of Vic's customers switches to a rival after losses of sales to debt-ridden third-world nations led to a search for ways of cutting costs (pp. 204-5). In the face of the impossibility of monitoring everything his Marketing Director is doing, Vic is driven to use a rule of thumb (the Marketing Director's level of expenses and mileage being oddly low) to judge that he is not trying as hard as he ought to be (p. 72).

Lodge's depiction of the competitive dilemmas and problems of information that beset Wilcox's firm provides a vivid example of a hotly contested market. It is a market that includes coordination-facilitating institutions such as trade magazines (p. 203) and trade

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exhibitions (p. 274). Wilcox advocates a drastic rationalization of the firm's product line to get economies of scale and more rapid responses to customer orders, even though this will require customers to design their products around Pringle's standard parts in order to get the lower prices. His colleagues, by contrast, argue explicitly in terms of goodwill and implicitly in terms of economies of scope in marketing, saying that the firm should stick to its slogan 'If it can be made, Pringle's will make it' because producing small runs tailored to specific customer requirements brings in large orders in the long run (pp. 74-6). Much in line with Hirschman (1970), Lodge portrays the exit of customers as merely signalling something unspecified is wrong, rather than of precisely where a firm is failing to match its rivals. When Pringles ceases buying castings from a local foundry, the latter's MD rings up to find out why and, on being told Pringle's had improved its own foundry and could make more in-house, he seeks to arrange an appointment to see what has been done. Vic is not keen on this, wishing to keep the information from leaking out, but 'protocol demands a positive response', so he suggests their secretaries arrange a time and then asks his own to delay as long as possible (pp. 79-80) rather than go back on his promise.

When Pringle's itself loses a customer, the mystery of who got the deal instead is resolved by a combination of observing whose trucks were delivering to the former customer, and then using network contacts to find out whose products were being carried by the most likely looking of the trucking firms (p. 208). Prior to this, we see Vic pretending to the customer that he is doing fresh calculations, to see how far he can shave his price, as part of his efforts to establish whether a rival really has undercut him by as much as is being claimed and that the rival is indeed already supplying (p. 205).

Ultimately Vic's attempts to improve the firm's efficiency via new investment and rationalization fail to prevent it from being sold off to a rival concern that sees scope for improving profitability by cutting the overall capacity of the merger unit (pp. 361, 364). Vic loses his position and around the same time Robyn Penrose receives a substantial legacy. The story ends with Robyn using the legacy to help Vic set up his own business to implement an innovative idea he has long had but previously not acted upon in order not to have to mortgage the family home (pp. 201, 380-1).

All in all, the picture that *Nive Work* paints of the economics of running a business is redolent of that offered by post-Marshallian economists such as Andrews (1949) and Richardson (1990) or the behavioural theory of the firm (Cyert and March 1963). That an author not trained in economics can convey such a rich picture so succinctly

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stands in sharp contrast to how long mainstream industrial economics texts often take to say rather little about their subject matter.

6. CONCLUDING COMMENTS

This paper has examined a wide variety of reflective inputs that have potential to enrich research in economics, ranging from individual cases of internal or outsourced reflection, to the systematic gathering and analysis of text provided by large samples of subjects. The latter will probably have the most appeal as it is likely to be less controversial, especially if used alongside more conventional quantitative data. Introspection by economists will probably always be controversial because of the scope for text to be constructed strategically by those with particular theoretical axes to grind. However, economists who seek to use introspection to challenge rational choice models deserve to be taken seriously since they inherently need to present accounts that it would be embarrassing for a typical economist to offer. Novelists and other wordsmiths are unlikely to create their works with a view to what economists might make of them and hence their outputs may seem more acceptable than analysts' introspection as sources of text. Outsourcing of text for analysis may also be necessary where a young researcher wishes to explore the evolution of consumer choices over the long term but (unlike Earl, 2010) lacks the ability to call upon decades of personal experiences.

It has not been my intention to suggest that text that has been gathered in an unsystematic way can constitute 'data' for testing theories in any formal or decisive sense. Rather, the suggestion is that such inputs may play a useful role in the processes by which new theories are created and in alerting economists to the possible limitations of existing ways of looking at particular areas. Different kinds of reflective inputs may suggest quite different lessons for economists: the novels and consumer magazines deployed in this paper raise doubts about trade-off based views of choice relative to non-compensatory means of appraising products, whereas other reflective research, in a different context, such as Allen's (2002) study of tertiary education choices, casts doubt on cost/benefit views of choice in general. If behavioural economists do start making extensive use of the kinds of materials considered in this paper, they may find themselves drawn to a view of the role of context in choice that is much broader than that so far produced by focusing on heuristics and biases.

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