

Is mainstream economics against common sense? Problems of scale and transitivity too

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Abstract. Mainstream economics, with its rational actor models, appears to be against common sense. For example, it does not take into account how tribal people are. They have a group identity and they are largely concerned with perpetuating that identity. I propose that mainstream economics is not more opposed to common sense than alternative frameworks. The appendix introduces a counterexample to transitivity of preferences, which I assume is where the chief value of the paper is.

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Imagine an economic model, with its rational actors. Is this model not against common sense? Does it not fail to take into account what “everyone” knows, such as the tribalism of people?

“What model? Can you give an example? Can you give some details?” I anticipate someone saying. Well, consider what life would be like without a government and a legal system to resolve disputes. A well-known answer, from Hobbes, is that it would be a war of all against all. And there is a neat model to justify this answer. Two individuals are approaching each other in the state of nature, as it is called. There are two options: proceed peacefully or attack. If individual 1 attacks and individual 2 does not, then individual 1 will gain all of individual 2’s property. If individual 2 attacks and individual 1 does not, then individual 2 will gain all of

individual 1's property. Of course, both could proceed peacefully. But given the risks, the rational thing to do is both attack. Thus we get a war of all against all.

Who devised this model? Anyway, "What a ridiculous argument," you might say. "People are not just individuals. They are social beings. A person regards themselves as a member of a group and they care about perpetuating the identity of that group. That is human nature. What would actually happen in the state of nature is that there would be gangs or cults or tribes, with symbols used to demarcate members, and they would clash with each other. This model is a typical economics model. It overlooks what we all know: that people are very tribal."

But where I live at present, I encounter people from a variety of backgrounds. How did they get into the country? This is a puzzle:

- (1) People are very tribal – that is human nature.
- (2) If people are very tribal, people from many "tribes" would not be let into one country.
- (3) There are many "tribes" in one country.

The first and second propositions are supported by experiences of discrimination and exclusion. For example, the person chairing the seminar does not say your name at the seminar, despite the fact that you teach for them and politely follow all their rules. "Friedrich, it's your turn to ask a question"; "Adolf, it's your turn"; "Benito, it's your turn"; "And you, now it's your turn." Tears, tears, tears! The third proposition comes from stepping back from these intense interactions, for example examining a photograph showing an Italian restaurant next to a Chinese restaurant, with an Indian restaurant nearby, or a street full of people who have migrated here from different places. How did that happen? You know what very tribal people are like: they will think, "These people will take our jobs and live in nice houses that should be for us and dilute our identity. We

don't want them here!" If everyone is very tribal, a lot of people would never have been allowed in.

My worry is that alternatives to the rational actor framework of economics, put forward by people of average or slightly above average social intelligence, are just as much against common sense. One merely has to focus on other things to see that.

Appendix

I fear someone will say, "You made the same point yesterday. You are like these academics who write the same paper again and again." But I also fear they will say, "Yesterday's paper made the same point as an earlier paper of yours." But today's paper is not the same as that earlier paper! If they work with a certain rather dodgy criterion of sameness – gist-oriented? – then it is rational for them to be indifferent between A and B and between B and C, but not between A and C.

References

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