



“Summary of article by George A. Akerlof: Procrastination and Obedience” in Frontier Issues in Economic Thought, Volume 2: The Consumer Society. Island Press: Washington DC, 1997. pp. 225-228

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The rational, utility-maximizing consumer in economic theory would never procrastinate, develop self-destructive habits, or be pressured into unquestioning acceptance of authority. Yet such behaviors occur, and an adequate behavioral theory must be able to account for them. It turns out that repeated small decisions, each of them differing only slightly from utility-maximizing behavior, can cumulatively lead to large deviations from the outcomes predicted by standard textbook economics. This article presents “nearly neoclassical” models of procrastination and of undue obedience to authority and suggests that such models can explain many important types of behavior, including substance abuse, inadequate savings rates, and membership in cults and gangs, among others.¹

SALIENCE, DECISIONS AND PROCRASTINATION

Psychologists have found that individuals attach too much weight to salient, vivid, or recent events, and too little weight to nonsalient events and background knowledge. Even after carefully researching different makes of cars in *Consumer Reports*, a potential buyer may be unduly influenced by an acquaintance's individual experience -- although the new information only increases the *Consumer Reports* sample by one, likely a statistically insignificant change.

Procrastination may be understood as a tendency to slightly exaggerate the costs of salient, immediate effort in comparison to future effort. If a given task must be done either today or in the future, and salience leads to a slight increase in the perceived cost of performing the task today, then it is easy to construct a model in which it always appears optimal to perform the task tomorrow. In the absence of deadlines, doing the task tomorrow can remain attractive indefinitely.

This model of procrastination may help us understand substance abuse. Interviews and ethnographies of drug abusers make it clear that the majority intend to stop -- tomorrow. Many addicts recognize that the long-run costs of addiction exceed the benefits. Yet the immediate costs of quitting are exaggerated by salience, as are the immediate benefits of one more high. This is more plausible than the theory offered by Gary Becker and his coworkers, in which addicts are rational, forward-looking consumers who know that their consumption today will increase their future enjoyment of their chosen drugs, and plan accordingly.²

Likewise, procrastination is relevant to lifetime savings behavior. Many households save little or nothing for their retirement. In the absence of procrastination, the life cycle model implies that an additional dollar of pension savings should lead to a one dollar reduction in other savings (since

households presumably had already selected the optimum level of lifetime savings). However, empirical studies find that this is not the case: one study found no relationship between pensions and private savings, while another found that \$1.00 of pension contribution led to only 62 cents of reduction in other savings among men approaching retirement.

INDOCTRINATION AND OBEDIENCE

A similar model can be developed of irrational obedience to authority. First assume that there is some cost to disobedience; then we might expect individuals to procrastinate, planning to express their disobedience later rather than at once. Then assume as well that once people have taken an action, especially for reasons they do not fully understand, they find reasons to justify the action after the fact. The latter assumption is consistent with the psychological theory of cognitive dissonance. With these two assumptions it is easy to show that a gradual escalation of unreasonable demands from an authority may be obeyed, overcoming initial resistance and developing commitment to the authority's actions after the fact.

This can explain the classic Milgram experiment in psychology, in which participants believed that they were teachers administering electric shocks to subjects in a learning experiment. Not realizing that the setup was faked and that the "subjects" were actors, most participants followed orders and gave shocks of increasing voltage even when the subjects screamed in pain and begged to be released from the experiment. Other experiments have shown that group pressure is extremely effective in enforcing such irrational obedience, but that the presence of even one or a few dissenters greatly raises the likelihood of disobedience.

CULTS, CRIME AND DRUGS

Membership in cults involves isolation from outsiders combined with escalating sequences of unreasonable demands by authority figures. Those who most strongly disagree tend to drop out, so that at each stage of increasing commitment there is a consensus supporting the leaders.

Crime, like drug addiction, has been described by Becker and his associates as a matter of rational, forward-looking calculation. But not everyone is "rational" in the economists' sense of the term. It is inconceivable that the participants in the Milgram experiment were forward-looking. Nor does it seem likely that new recruits to cult groups always anticipate the personal transformations in their future.

A better explanation of crime is that it is encouraged and supported by group pressure within teenage gangs. That is, street gangs operate like cult groups, enforcing obedience to the leadership and the prevailing group norms -- including crime in this case. Ethnographies of gangs describe recurrent internal criticism of deviant individual behavior, parallel to the practices of cult groups. "Such gangs provide a perfect social environment for regrettable decisions. Gang members find the costs of nonacquiescence especially salient, since such nonacquiescence leads to isolation from the social group to which they are committed." (13) Reducing crime, then, requires alternative social networks that can engage actual or potential gang members.

In all of the areas examined here, standard economic theory assumes that individual preferences do not change in any systematic or predictable manner. Becker et al. suggest that preferences do change but that individuals are forward looking and foresee the changes that will occur. This article has proposed an alternative view based on twentieth-century psychology and sociology: individual preferences do change in ways that are not fully anticipated or even sometimes recognized after the fact. The theory of procrastination and obedience has applications to numerous important areas of behavior which cannot be explained by conventional economic theory.

Notes

1. The author's applications of the same models to bureaucratic indecision and antidemocratic politics are omitted from this summary.
2. Gary Becker and Kevin Murphy, "A Theory of Rational Addiction," Journal of Political Economy 96 (August 1988), 675-700; George Stigler and Gary Becker, "De Gustibus Non Est Disputandum," American Economic Review 67 (March 1977), 76-90.