THE STIGLER OF De Gustibus

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Intellectual mentors

• I met George Stigler only once. I cannot claim him as a mentor.
• But Gary Becker was; and *De Gustibus* was fundamental in my intellectual development as an economist
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• But Gary Becker was; and *De Gustibus* was fundamental in my intellectual development as an economist
  • it saved me from a career as a general equilibrium theorist.
• Furthermore, the only time I met Stigler, he sent me deep in the italian countryside in a search for my soul as an economists ... and for a lost edition of Charles Babbage *On the Economy of Machinery and Manufacture*. 
Intellectual mentors

• Finally, Stigler had a profound aesthetic influence on me
Intellectual mentors

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• The impact in the small:
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  • on Social economics
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• The impact in the large:
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• Bad (non-classical) latin - now latinorum
• Source is Julius Ceasar, according to Plutarch:

When at the table of Valerius Leo, who entertained him at supper at Milan, a dish of asparagus was put before him on which his host instead of oil had poured sweet ointment, Caesar partook of it without any disgust, and reprimanded his friends for finding fault with it. "For it was enough," said he, "not to eat what you did not like; but he who reflects on another man’s want of breeding, shows he wants it as much himself." - Parallel lives: Caesar, The Internet Classics Archive, in Greek, end of 1st Century C.E., translated by John Dryden
De Gustibus - The title

First presented in Venice, 1754.

Il mondo e’ bel, perch’è di vari umori.  
Vari sono degli uomini i capricci:  
a chi piacciono l’armi, a chi gli amori,  
a chi piaccion le torte, a chi i pasticci.  
De’ gusti disputar cosa è’ fallace;  
non è’ bel quel ch’è’ bel, ma quel che piace.
De Gustibus - The methodological point

In Stigler-Becker words (but italics is mine):

• The establishment of the proposition that one may *usefully* treat tastes as stable over time and similar among people is the central task of this essay.
De Gustibus - The methodological point

In Stigler-Becker words (but italics is mine):

- The establishment of the proposition that one may usefully treat tastes as stable over time and similar among people is the central task of this essay.
- Tastes neither change capriciously nor differ importantly between people [...] one does not argue over tastes for the same reason that one does not argue over the Rocky Mountains - both are there, will be there next year, too, and are the same to all men.
De Gustibus - The methodological point

In Stigler-Becker words (but italics is mine):

• The establishment of the proposition that one may *usefully* treat
tastes as stable over time and similar among people is the central
task of this essay.

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between people [...] one does not argue over tastes for the same
reason that one does not argue over the Rocky Mountains - both
are there, will be there next year, too, and are the same to all men.

• An *explanation* of economic phenomena that reaches a difference
in tastes between people or times is [not] abandoned [...] to
whoever studies and explains tastes, [but rather] the economist
continues to search for differences in *prices or incomes* [...].
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- An *explanation* of economic phenomena that reaches a difference in tastes between people or times is [not] abandoned [...] to whoever studies and explains tastes, [but rather] the economist continues to search for differences in *prices or incomes* [...].
- The [methodological choice] in economic theory must ultimately be made on the basis of the[...] *comparative analytical productivities* [of different approaches].
De Gustibus - The methodological point

It should be clear that, though boldly expressed:

1 Though Stigler-Becker help them with the Rocky mountain metaphor and by claiming theirs is “an assertion about the world, not a proposition in logic”
De Gustibus - The methodological point

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- *De Gustibus* is a purely methodological point on explanatory power, not a statement about Stigler-Becker’s beliefs about an empirical fact;

\[\text{\textsuperscript{1}}\text{Though Stigler-Becker help them with the Rocky mountain metaphor and by claiming theirs is “an assertion about the world, not a proposition in logic”}\]
De Gustibus - The methodological point

It should be clear that, though boldly expressed:

- *De Gustibus* is a purely methodological point on explanatory power, not a statement about Stigler-Becker’s beliefs about an empirical fact;
- E. Fehr and K. Hoff *EJ* 2013’s critique against Stigler-Becker (and economics in general) [treated] preferences as exogenously given [...] influenced by neither beliefs nor the constraints people face.

is thrown to an obvious straw man

\[\text{[1] Though Stigler-Becker help them with the Rocky mountain metaphor and by claiming theirs is “an assertion about the world, not a proposition in logic”}\]
De Gustibus - The methodological point

Indeed, Stigler-Becker would subscribe completely to the following example in Fehr-Hoff:
It is not possible to properly measure preference change if one lacks a full understanding of the fundamental patterns of preferences. What appears as a change in preferences under the wrong theory may, in fact, reflect a stable preference.²

²The following example illustrates this. Suppose that a subject is motivated by negative reciprocity, i.e. he responds to hostile acts with hostility (Falk and Fischbacher 2006). In the ultimatum game this means that the subject â€˜if in the role of a responder â€˜rejects low, unfair, proposer offers [...] Suppose now [...] the same low offer is generated by a random mechanism, implying that the proposer is not responsible for the low offer. A responder motivated by negative reciprocity will not reject this offer [...] If one assumes a wrong social preference model [...] the change in behavior across conditions appears to reflect a change in preferences while in fact, the change in behavior is fully compatible with a stable preference for negative reciprocity.
Also, *De Gustibus* is
De Gustibus - The methodological point

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- not a statement about the role of endogenous preferences in the economics of social welfare
De Gustibus - The methodological point

Also, *De Gustibus* is

- not a statement about the role of endogenous preferences in the economics of social welfare
  - Frank Knight (via Ross B. Emmett) *J. Econ. Methodology* (2006)’s criticism
    - human action is simultaneously the attempt to satisfy a want and the search for better wants [...] economics must be supplemented with an ethical theory of value
- is interesting but off-center.
De Gustibus - The methodological point

De Gustibus is at the same time

• a version of Occam’s razor, an argument for “admit[ting] no more causes [...] than such as are both true and sufficient to explain their appearances,” (Isaac Newton)
  • it might have been better title (preserving the cool Latin, but losing latinorum) *Pluralitas non est ponenda sine neccesitate*
  • indeed a stronger version than standard; e.g., Stigler-Becker argue that “it is neither necessary *nor useful* to attribute to advertising the function of changing tastes”

• a bold statement for Economic imperialism
  • in Stigler-Becker ironic (sarcastic!) encouragement not to leave the study of preferences to “whoever studies and explains tastes (psychologists? anthropologists? *phrenologists*? sociobiologists?).”
De Gustibus - Intellectual context

A part from the obvious stab at economics as a whole, De Gustibus is also

• a reaction to Strotz’s Myopia and Inconsistency (1956)
• an outgrowth of Stigler Diet Problem (1945), Becker’s Time allocation (1965); and K. Lancaster’s New approach to consumer theory (1969).
**De Gustibus - The impact on Behavioral economics**

Time-inconsistent preferences

- Experimental evidence: from preference reversals

![Diagram](image)

*Figure 1. Exponential discount curves from two rewards of different sizes available at different times (A) and hyperbolic discount curves from two rewards of different sizes available at different times (B). For the exponentially discounted rewards there is no delay at which preference switches. For the hyperbolically discounted rewards, the smaller reward is more valued just in the period when its availability is relatively immediate.*
De Gustibus - The impact on Behavioral economics

Time-inconsistent preferences

• The theory: from (time-inconsistency) Quasi-hyperbolic discounting (D. Laibson):

\[
\begin{align*}
\text{at } t = 1 & \quad \max_{x \in \Delta^3} u(x_1) + \alpha \beta u(x_2) + \alpha \beta^2 u(x_3) \\
\text{at } t = 2 & \quad \max_{x \in \Delta^3} u(x_2) + \alpha \beta u(x_3), \text{ given } x_1
\end{align*}
\]

• to (time-consistent) preferences for commitment (F. Gul and W. Pesendorfer):

\[
\begin{align*}
\max_{x \in \Delta^3} u(x_1) + \beta u(x_2) + \beta^2 u(x_3) + \frac{1}{\alpha} [u(x_1) + \beta u(x_2)] \\
- \max_{y \in \Delta^3} u(y_1) - \beta \max_{y \in \Delta^3} u(y_2)
\end{align*}
\]
De Gustibus - The impact on Behavioral economics

Time-inconsistent preferences

• and to (time-consistent) Planner-doer models in Neuroeconomics of self-control (R. Thaler):

\[
\max \left\{ \max_{x \in \Delta^3} u(x_1) + \beta u(x_2) + \beta^2 u(x_3) - b, \quad \max_{x \in \Delta^3} \frac{1}{\alpha} [u(x_1) + \beta u(x_2)] \right\}
\]
De Gustibus - The impact on Social economics

Social interactions

• Empirical evidence - social multipliers, peer effects: arguably empirical determinants of education outcomes, obesity, friendship and sex, as well labor market referrals, neighborhood and employment segregation, criminal activity, and several other socioeconomic phenomena (W. Brock and S. Durlauf, E. Glaeser and J. Scheinkman for surveys; and the Handbook of Social Economics).
De Gustibus - The impact on Social economics

Social interactions

• Theory: from myopic statistical mechanics to fully dynamic economics (with stable preferences): E.g., in conformity models (O. Ozgur, A. Bisin, Y. Bramoulle’):

A symmetric Subgame Perfect Equilibrium of a *dynamic linear infinite-horizon conformity economy* is a stationary measurable map $g^*: Y \times \Theta^t \rightarrow Y$ such that for all agents $a$ e.g. on a line $\in \mathbb{A}$ and for all $(y^{t-1}, \theta^t) \in Y^t \times \Theta^t$

$$g^*(R^a_y y_{t-1}, R^a_{\theta^t}) \in \arg\max_{y_{a,t} \in Y} E \left[ \sum_{t=1}^{T} \beta^{t-1} u \left( y_{a,t-1}, y_{a,t}, \{ y_{b,t}(g^*) \}_{b \in N(a)}, \theta^a_t \right) \right]$$
**De Gustibus - The impact on Social economics**

**Cultural dynamics**

Empirical evidence - heterogeneous deep preferences at the individual and at the regional level (A. Falk et al):

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**Table 3: Regional averages and variance decomposition**

<table>
<thead>
<tr>
<th>Region</th>
<th>Patience</th>
<th>Risk taking</th>
<th>Pos. recip.</th>
<th>Neg. recip.</th>
<th>Altruism</th>
<th>Trust</th>
<th># Obs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>0.49</td>
<td>-0.11</td>
<td>0.06</td>
<td>0.04</td>
<td>-0.04</td>
<td>0.10</td>
<td>11</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>-0.12</td>
<td>-0.12</td>
<td>-0.02</td>
<td>0.10</td>
<td>-0.22</td>
<td>-0.07</td>
<td>16</td>
</tr>
<tr>
<td>New Europe</td>
<td>0.73</td>
<td>0.15</td>
<td>0.16</td>
<td>0.02</td>
<td>-0.26</td>
<td>0.23</td>
<td>3</td>
</tr>
<tr>
<td>South and East Asia</td>
<td>-0.61</td>
<td>-0.10</td>
<td>0.07</td>
<td>0.11</td>
<td>0.13</td>
<td>0.04</td>
<td>13</td>
</tr>
<tr>
<td>North Africa &amp; ME</td>
<td>-0.14</td>
<td>0.16</td>
<td>0.07</td>
<td>0.06</td>
<td>0.13</td>
<td>0.23</td>
<td>9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-0.16</td>
<td>0.34</td>
<td>-0.34</td>
<td>-0.11</td>
<td>-0.15</td>
<td>-0.33</td>
<td>11</td>
</tr>
<tr>
<td>South America</td>
<td>-0.21</td>
<td>-0.03</td>
<td>-0.08</td>
<td>-0.16</td>
<td>-0.05</td>
<td>-0.10</td>
<td>13</td>
</tr>
</tbody>
</table>

% between-country variation: 13.5, 9.0, 12.0, 7.9, 12.3, 8.2

Notes: 1. All Europe includes the United States, Canada, and Australia. Regional averages of each preference, expressed in terms of standard deviation from the world individual means. The variance decomposition in the bottom row decomposes the individual-level variation into the variance of the average preference across countries and the average of the within-country variance. Formally, the between-country variance corresponds to the $R^2$ of an OLS regression of all individual-level observations on a set of country dummies in which all observations are weighted by the sampling weights provided by Gallup to achieve (as far as) representative ML = Middle East.
De Gustibus - The impact on Social economics

Cultural dynamics

Empirical evidence - heterogeneous deep preferences at the individual and at the regional level (A. Falk et al):
De Gustibus - The impact on Social economics

Cultural dynamics

Empirical evidence - ethnolinguistic fractionalization (A. Alesina):
De Gustibus - The impact on Social economics

Cultural dynamics

- Theory: Preferences for socialization under e.g., imperfect empathy (A Bisin and T. Verdier):

\[
\max_{d_i \in [0,1]} -C(d^i) + P^{ii} \Delta V^{ij}(q^i),
\]

s. t. \( P^{ii} = d^i + (1 - d^i)q^i \)

where

\[
\Delta V^{ij}(q^i) = u^i(x^i, q^i) - u^i(x^j, q^i), \quad \left\{ \begin{array}{l}
x^j = \arg \max_x u^j(x, q^i), \\
x^i = \arg \max_x u^i(x, q^i)
\end{array} \right. \]
De Gustibus - The impact on Social economics

Advertising

• Empirical evidence - on consumption, labor supply,
• Theory: from informational advertising to social construction of preferences
De Gustibus - The impact on Macroeconomics

Heterogeneous agents macroeconomics

• Empirical evidence - earnings and wealth distributions
• Theory: from representative agents to heterogeneous agents models via incomplete markets (but in finance - risk aversion heterogeneity)
While a measure of the relative success of economic imperialism in the social science is yet to be developed, anthropology traditionally delivers the most hostile resistance; yet:

Unlike evolutionary psychologists, human behavioral ecologists never made claims about human universals, as human behavioral ecology (HBE) is the study of human behavioral variation. [...] As questions about the origins of behavior have become more specific, the agendas of [HBE and evolutionary psychology] have merged somewhat, with researchers attempting to understand what are the evolutionary processes that generate specific aspects of human behavioral variation [...] - Ruth Mace, commentary in Robert Boyd, *A Different Kind of Animal*, Princeton University Press, 2017.
De Gustibus - The Methodological point again

Does "common stable preferences" impose any actual restriction?
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• Formally, perhaps not (A. Rustichini and P. Siconolfi on Lancaster)
De Gustibus - The Methodological point again

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• But in practice, in the day-to-day sociology of economics, certainly yes.