Lay Misunderstanding of Economics:
Its Roots and Its Significance for Public Policy

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Seminar Room, Department of Economics and Management, Via Inama 5, Trento.

Speaker:
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Abstract:

Many economists lament that the public doesn’t understand them. Conversely, members of the public often complain that the authorities refuse to enact the (to them) self-evident solution to pressing societal problems. We will analyze and explain naïve economic thinking, along with the striking appeal of populist ideas in economics, where ignorance, over-confidence and oversimplification all play a role.
To this end, will we discuss the mismatch between the complexities of economics and the constraints of human cognition. Economic thinking employs an array of concepts and reasoning schemes that are wholly unfamiliar to laypeople and took centuries to develop. Cognitive psychology describes the mental makeup of people, the Primates’ Toolbox, which served our ancestral forebears well but does not afford untutored access to the economists’ way of thinking.
We will briefly describe the gamut of cognitive strategies deployed by laypeople who lack proper understanding, as they grapple with such complex topics as inflation, unemployment, economic crises, finance, and money in the modern economy: metaphors, ideology, cognitive shortcuts.
Finally, we will present some ideas about what all this means for public policy, in the hope of seeding a discussion of this essential topic.
The lecture is based on our new book (see MisunderstandEconomics.com for details and purchase information)