

# *Cognitive Dissonance in Economics: Mainstream Mistranslation and Heterodox Possibilities*

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“It is interesting to note that the real problem in the prediction of choice becomes a technical problem of measurement. If we do not have adequate measurement, or if the alternatives are complex so that we do not know how to combine their various aspects into a single measure of utility, then there is a problem of ‘decision theory’. These problems may be interesting, but they are really not concerned with the question of how a person makes a decision”.

Festinger, Leon (1964: 2)

**Resumo:** Contemporaneamente, a psicologia desempenha um papel fundamental no desenvolvimento da tomada de decisão em economia. A economia comportamental é o exemplo mais popular, no entanto, existem outras contribuições na psicologia em estudos econômicos. Como, por exemplo, abordagens econômicas que aplicam os resultados de estudos psicológicos para analisar a tomada de decisões econômicas. O presente artigo estuda como a Teoria da Dissonância Cognitiva foi introduzida na ciência econômica por Akerlof e Dickens (1982). É argumentado que Akerlof e Dickens (1982) acomoda a socialização no individualismo metodológico do *mainstream*. Portanto, trata-se de um caso daquilo que John Davis chamou de “estratégia de internalização”, uma abordagem moderna da psicologia é mal traduzida para se encaixar no *mainstream*. O resultado é um rótulo de abordagem moderna dado à uma antiga tradição. Este artigo analisa como os estudos psicológicos foram mal interpretados por Akerlof e Dickens (1982). Também é abordado que, uma vez consideradas abordagens holísticas, é possível a aplicação da Teoria da Dissonância Cognitiva à economia. As abordagens holísticas nas quais este artigo se baseia são a economia institucional original e o pós-keynesianismo.

**Palavras-chave:** Dissonância Cognitiva, Tomada de Decisão, Individualismo Metodológico

**Códigos JEL:** B41, B50

**Abstract:** Contemporaneously, outcomes from psychological studies play a key role in the development of decision-making in economics. Behavioral economics is the most popular type of psychological studies in economics. However, there are others. As economic studies applying outcomes from psychology to the analyzing economic decision-making. Our paper studies how the Theory of Cognitive Dissonance was introduced to economics by Akerlof and Dickens (1982). This paper argues that Akerlof and Dickens (1982) accommodates socialization issues into the mainstream of methodological individualism. Hence, it falls in what John Davis called “internalization strategy”, it means a modern psychological approach is mistranslated in order to fits in the mainstream logic. The result is a label of modern approach in an old school fashion. This paper studies how psychological outcomes were misinterpreted by Akerlof and Dickens (1982). It is also addressed that once holistic approaches are considered, application of the Theory of Cognitive Dissonance to economics is possible. The holistic approaches this papers relies on are original institutional economics and post Keynesianism.

**Keywords:** Cognitive Dissonance, Decision-making, Methodological Individualism

**Área 1 - História do Pensamento Econômico e Metodologia**

## ***1.Introduction***

It is unquestionable that psychological findings play a role in the developments of contemporaneous economics. Following a sociological definition of mainstream economics, it would be the ideas that economists judge as (more) acceptable – see Colander, Holt, Rosser (2004) and Dequech (2007). According to Dequech (2007: 281), that acceptability would be seen in what “[...] is taught in the most prestigious universities and colleges, gets published in the most prestigious journals, receives funds from the most important research foundations, and wins the most prestigious awards.” Hence, an obvious argument to support the importance of psychological findings in economics is the recognition of behavioral economists’ contributions by the Nobel Prize in Economics – such as Richard Thaler and Daniel Kahneman, Nobel laureates in 2017 and 2002, respectively. Furthermore, Dequech (2017) stress that regarding financial studies, behavioral economics finance can be considered (a small) part of the mainstream. That means behavioral economics, in financial studies case, is mainstream without a strong association with neoclassical economics. Hence, psychological findings have, partly, changed the mainstream economics.

Behavioral economics is the most popular type of psychological studies in economics, however it is not the only type. Behavioral economics relies on psychological studies of economic behavior using psychological methods. Another type of psychological studies in economics is related to economic studies applying the findings of psychology to the study of economic behavior, it is the type of study that our paper relies on. In this kind of study, there are translations of findings from psychology to economics. In this paper, we analyze the translation of the Theory of Cognitive Dissonance to economics. The Theory of Cognitive Dissonance is recognized as an essential psychological theory that breaks with behaviorist approaches. It was introduced by a prominent psychologist, Leon Festinger, during the 1950s. Festinger is considered a great figure of the last century psychology. In a paper that classified the 100 most eminent psychologists of the 20<sup>th</sup> century, Festinger is in the fifth position one (see Haggblom *et al.* 2002). His writings are known breaking with behaviorist approaches.

The 1960s witnessed economics’ studies relying on the Theory of Cognitive Dissonance. However, became popular during the 1980s. Akerlof and Dickens (1982) reintroduced cognitive dissonance to economics. Our paper studies the translation of the Theory of Cognitive Dissonance to economics introduced by Akerlof and Dickens (1982). In what follows, our paper is segment in four more sections. Section 2 introduces Theory of Cognitive Dissonance as addressed by Akerlof and Dickens (1982) and its original conception, Festinger’s writings, making clear that they are different perspectives. Section 3 studies how Akerlof and Dickens (1982) built its unique perspective of cognitive

consonance and dissonance. It is stressed that mainstream methodological individualism plays a role. Section 4 goes in the opposite differential addressing that original institutional economics and post Keynesianism can deal with Theory of Cognitive Dissonance as introduced by Festinger. The key issue in that section is reinforce that methodological individualism does not allow a mainstream reading of cognitive dissonance. There is an evidence by contradictory since those heterodox approaches are holistic. Some final remarks close the paper.

## ***2. A Tale of Two Cognitive Dissonance Approaches: An Analysis of the Propositions of Akerlof and Dickens (1982)***

The reaction of economics studies to the *Theory of Cognitive Dissonance* (TCD, henceforth) was early. There are 1960s' economics studies mentioning TCD. For instance, during that time, there are two paper published in the *Journal of Farm Economics*, Nielson (1961) and Shaffer (1963), that relied on TCD to formulate their behavioral hypotheses<sup>1</sup>. Additionally, Albert Hirschman's writings also addressed TCD in its early years. In Hirschman's first approach to TCD, he just addressed that majority formation through logrolling, in a reform voting, is often likely to be assimilated in the minds of policy-makers with smooth reform and it would be a cognitive dissonant situation (Hirschman 1963). Hirschman (1965: 392), by its turn, summarizes TCD in a brief and non-technical language as the situation that someone put themselves in a condition contrary to their beliefs – this contrariety would be the source of the cognitive dissonance. The dissonance is unpleasant and the person in such situation feel a pressure to try to reduce dissonance. For Hirschman (1965: 392): “reduction of dissonance can be achieved principally by changing one's beliefs in the direction of greater harmony with the action”. Hirschman (1965) introduces TCD in a study that aimed to provide an empirical based classification for obstacles to development.

Despite economics early reaction to TCD, it was just in 1980s that TCD became a key issue to economics studies. It means the TCD was not only related with a marginal propositions or a supporting explanation, but TCD was in the core of propositions and explanations<sup>2</sup>. Akerlof and Dickens (1982) is

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<sup>1</sup> Nielson (1961) formulates a behavioral hypothesis relying on TCD and Herbert Simon's writings, the hypothesis is “[t]he nature of managers' perceptions of conflicts in their own minds will have an important influence both on the extent to which they engage in conscious managerial activity and the direction the managerial activity will take” (Nielson 1961: 1252-3, emphasis in the original). In Shaffer (1963: 1426), the hypothesis is “[...] dissonance is psychologically uncomfortable and will motivate the person to try to reduce dissonance and achieve consonance. In addition, the individual will actively avoid situations and information which are perceived as likely to increase dissonance.”

<sup>2</sup> The second half of the 1960s, the 1970s, and the early 1980s witnessed economics studies that addressed TCD – such as Burk (1967), Leibenstein (1969), Hinich and Ordeshook (1969), Marshall (1974), and Pasour (1981). However, TCD was not central for the analysis of those papers. Regarding the importance of TCD in economic studies, Akerlof and Dickens (1982) was the game changing, as this section introduces.

the first economics studies strongly centered in TCD. Akerlof and Dickens (1982: 307) begins with “[...] we must translate the psychological theory into concepts amenable to incorporation into an economic mode”. That is in the core of our paper as we offer an analysis of that translation. Akerlof and Dickens (1982: 307) set up the cognitive dissonance in three propositions: (1) “persons not only have preferences over states of the world, but also over their beliefs about the state of the world”. (2) “persons have some control over their beliefs; not only are people able to exercise some choice about belief given available information, they can also manipulate their own beliefs by selecting sources of information likely to confirm ‘desired’ beliefs”. (3) “it is of practical importance for the application of our theory that beliefs once chosen persist over time”. We analyze Akerlof and Dickens’ (1982) propositions in this section. In order to support our analysis, first, we introduce TCD as stated by Festinger.

Festinger introduced his TCD in a trilogy of books. The first is *When Prophecy Fails*, co-authored by Henry Riecken and Stanley Schachter. For Festinger, Riecken, and Schachter (1956: 16): “[d]issonance and consonance are relations among cognitions – that is, among, opinions, beliefs, knowledge of the environment, and knowledge of one’s own actions and feelings. Two opinions, or beliefs, or items of knowledge are dissonant with each other if they do not fit together – that is, if they are inconsistent, or if, considering only the particular two items, one does not follow from the other.” Festinger (1957) is sophistication of the cognitive dissonance. Festinger’s *Conflict, Decision, and Dissonance*, by its turn, was written in order to provide a fresh approach to the theory of cognitive dissonance and its implications (Festinger 1964: 7). To introduce those new insights, Festinger (1964) relies on experiments<sup>3</sup>.

The opposite of cognitive dissonance, the consonance, is introduced by Festinger (1957) as opinions and attitudes of the same person tend to exist in clusters that are internally consistent, a person has a backward of consistency. For a decision-maker, there is a consistency between their knowledge or beliefs and what they do. Consistency is the usual think, rarely inconsistencies take place. When they happen, attempts are made to rationalize them. There is a recurrent illustration in Festinger’s writings, a smoker who knows that smoking is bad for health but smokes. That smoker may enjoy smoking so much that they are ok in harming their health, assuming that damages to health by smoking are minimal, it is impossible to avoid every damage to health, or stop smoking can also be bad to health – it can cause anxiety and weight gain, for example. However, in some circumstances, people cannot convincing themselves that inconsistencies are a minor thing and rationalize them. When it happens, there is a

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<sup>3</sup> Festinger (1964) is further analyzed in the next section.

psychological discomfort. That non-rationalized inconsistency is a dissonance – as well as consistency is consonance.

Festinger, Riecken, and Schachter (1956: 5) addresses that a strong conviction – when people invested in their belief – is defended “[...] managing to keep them unscathed through the most devastating attacks”. However, people go beyond protecting beliefs. For Festinger, Riecken, and Schachter (1956: 5), once someone is presented with unequivocal and undeniable evidence, they would be unshaken and more convicted of the truth of their beliefs. They may even build up a new fervor for spreading the belief. According to Festinger, Riecken, and Schachter (1956: 5-6), there are some conditions to a fervor following the disconfirmation of a belief: (1) the belief must be deeply convictional held and it must have some relevance for the behavior of the one holding the belief; (2) the one holding the belief must be committed to it, they must have taken important actions for the sake of the belief; (3) the belief must be specific and concerned with the real world enough for events be able to refute it; (4) an incontestable disconformity evidence must take place and be recognized by the one holding a belief; (5) the one holding a belief must have a social support. Being member of a group of convinced people who support one another is condition unshaken and more convicted people on discredited beliefs. Those specific conditions under people reinforce the beliefs they hold after their disconfirmation. According to Festinger, Riecken, and Schachter (1956: 5), there are social movements that illustrate the reinforcement of discredited beliefs.

For Festinger, Riecken, and Schachter (1956) and Festinger (1957), the psychological discomfort of a dissonance motivates the person try to reduce it achieving consonance. Once there is a dissonance, not only there is a search for consonance but situations and information that would increase the dissonance will be also avoided. In such situation:

“[t]he person may try to change one or more of the beliefs, opinions, or behaviors involved in the dissonance; to acquire new information or beliefs that will increase the existing consonance and thus cause the total dissonance to be reduced; or to forget or reduce the importance of those cognitions that are in a dissonant relationship. If any of the above attempts are to be successful, they must meet with the support from either the physical or the social environment. In the absence of such support, the most determined efforts to reduce dissonance may be unsuccessful” (Festinger, Riecken, and Schachter, 1956: 16).

Festinger, Riecken, and Schachter (1956) states that, usually, the commitment to a belief system is extremely strong, hence “[i]t may even be less painful to tolerate the dissonance than to discard the belief and admit one had been wrong. When that is the case, the dissonance cannot be eliminated by giving up the belief”. Someone who follows a belief system can blind themselves to what generated the dissonance. However, the dissonance cannot be totally eliminated by denying or rationalizing the

disconfirmation of a belief. “But there is a way in which the remaining dissonance can be reduced. *If more and more people can be persuaded that the system of belief is correct, then clearly it must, after all, be correct.* Consider the extreme case: if everyone in the whole world believed something there would be no question at all as to the validity of this belief” (Festinger, Riecken, and Schachter, 1956: 17, emphasis in the original).

For Festinger (1957), there are two reasons for the rise and persistence of dissonance. One of the reasons is new events may happen or new information may become known generating a dissonance with current knowledge, opinion, or cognition concerning behavior. The other reason is related to absence of new events or situation, it is related to often situations that knowledge, opinion, information, or behavior are not clear-cut enough to knowledge, opinion, information, or behavior can carry contradictions in some level.

As we introduced TCD according to Festinger, who formulated the theory and the concept of cognitive dissonance, we can come back to Akerlof and Dickens’ (1982) propositions. Proposition (1) associates beliefs and preferences, how people deal with beliefs are in the core. The association between beliefs and preferences seems to be a connection the theory of cognitive dissonance and the tradition approach, the mainstream, to decision-making in economics. As TCD makes no reference to preference. The reason is clear, TCD is about the relationship of the decision-maker with the environment, the cognitive dissonance and consonance are results of how decision-makers deal with beliefs and conflicting and supporting information or situations about the beliefs. It is a matter of interaction of individuals’ states of mind and the environment they are into. Proposition’s (1) reference to preferences means that Akerlof and Dickens (1982) translation of TCD to economics insert it in a methodological individualism perspective. TCD is not about methodological individualism.

Although Akerlof and Dickens (1982) aims to include social interactions – through beliefs – and, consequently, develop a more realistic conception of the individual, these inclusions are accommodated in the basis of methodological individualism. For Davis (2011: 91), it is a “(...) conservative and radical strategy – conservative in simply revising the atomistic view and radical in seeking to demonstrate that the atomistic individual is also a social being”. In the same stream of thought, Colander, Holt, Rosser (2004: 493) states mainstreamers “[...] are relatively open minded when it comes to new ideas, but quite closed minded when it comes to alternative methodologies”.

TCD does not reject analysis of individualistic perspective, however, in TCD, individuals and social structures – are relevant and need to be explained in terms of their mutual influences. A great expression of “internalization” of social perspectives in the methodological individualism can be seen in

the inclusion of social representation in the utility function of individuals. “Internalization” means making sociability a part of individuality (Davis 2006 and 2011). In Davis’ (2011: 69) words: “(...) rather than contextualize individuality (and subjectivity) by placing individuals in a world in which they interact with others, they [mainstreamers] internalize sociality by giving the utility function an unmistakably social dimension”. As the Akerlof and Dickens’ (1982) model is not based on the TCD structure of mutual influence, the individual does not have reflective behavior, there is no external point of view (from outside a utility function). Individual behavior is reactive, in which social interaction is internalized by the individual, who has a totally internal motivation to act socially (Davis 2011).

Davis’ “internalization” can be seen in Propositions (2) and (3) also. Proposition (2) stated that people control their beliefs choosing beliefs and manipulating information to confirm them. It is also different from TCD. As stated by Festinger, Riecken, and Schachter (1956) and Festinger (1957), people feel attached to beliefs by the connections made through their lives and by interaction with others. The great question once there is a cognitive dissonance is: will the dissonant behavior change or will be a new connection of the decision-maker and their belief that justify keep the behavior? The capacity of deliberation in choosing beliefs as addressed by Proposition (2) is not part of TCD – as well as the focus on individual decision-making. According to TCD, decision-makers do not have such consciousness of the process. As far as we understand Proposition (2) mistranslating TCD in order to make cognitive dissonance and consonance fit in the choice among several excluding alternatives that lies in the core of *mainstream* economics.

About Proposition (3), the TCD does not define beliefs but relies on them in its explanation of consonance and dissonance situations. Hence, we must be based on our own personal understanding of the meaning of beliefs and place it in TCD. If we consider that belief is a way of understand reality, Proposition (3) is in line with the TCD in what regards the long stand of beliefs. They do not change frequently and decision-makers need stability in beliefs in order to make decisions. However, the TCD does not affirm that people choose beliefs, it affirms that people hold beliefs, they are important to decision-making. To address that decision-makers choose beliefs reinforces a previous argument of ours: Akerlof and Dickens’ (1982) stresses a decision-makers’ capacity of deliberation that do not fits TCD.

However, it is important to address that Proposition (3) is also linked to the methodological basis of the Akerlof and Dickens (1982). The behavior according to methodological individualism is instrumentally rational and “[...] putting aside that they might act out of habit or behave irrationally, atomistic individuals can do nothing other than seek to satisfy their own preferences” (Davis, 2003: 139). In TCD, individuals act according to beliefs because each individual believes that the others have the

same belief in a social structure of mutual reinforcement. Beliefs are like shared intentions and individuals commit to what those beliefs require of them. Although beliefs among individuals are individual and voluntary in nature, individuals are influenced by beliefs expressed in the social structure. It is not a matter of choice, but of "duty", commitment and responsibility to others. The Akerlof and Dickens' (1982) adoption of methodological individualism ignores that institutional mechanisms are dependent on these social principles and that human behavior cannot be explained strictly in terms of choice. According to Davis (2003: 131) "[...] not in the form of an external constraint on instrumentally rational behavior, but as an alternative kind of motivation."

By mischaracterizing the decision-making according to the TCD in its proposal, Akerlof and Dickens (1982) does not offer a translation of cognitive consonance and dissonance to economics that preserve the essence of TCD<sup>4</sup>. Akerlof and Dickens (1982) follows a mainstream notion of individual that only considers the inner logics of the individual, pure rationality, and conscious procedures. In this sense, individuals are able to assess and control their preferences and propensities, and the role played by conscious choice means that individuals need reasons to motivate their choices (see Davis 2003). As previously highlighted, due to the internalization strategy adopted by Akerlof and Dickens (1982), the sequence of choices manifests itself under the full control of decision makers who manage preferences with beliefs to reduce cognitive dissonance. Such perspective is not in accordance with TCD. In the next section, we study how Akerlof and Dickens (1982) builds its understanding of TCD.

### ***3. The Origins of a Mistranslation***

In order to understand Akerlof and Dickens' (1982) internalization strategy, this section analyses how Akerlof and Dickens (1982) translates the psychological findings that supports the building up of the propositions. Akerlof and Dickens (1982) makes reference to Knox and Inkster (1968), Brehm

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<sup>4</sup> Some passages of the description of the model introduced by Akerlof and Dickens (1982) reinforces our argument in this section. Akerlof and Dickens (1982: 307), following their approach to cognitive consonance in economics, affirms that someone who works in dangerous jobs is often "quite oblivious" of the danger. To be oblivious of something means it is ignored or there is no attention on something. However, according to the TCD, cognitive relation does not mean obliviousness, it is a matter of cognitive relationships, as the smoker illustration addresses. Regarding the same illustration, dangerous jobs, Akerlof and Dickens (1982: 308), affirms that "[i]n that model, people prefer to believe that their work is safe" and "[w]orkers make a choice about whether to believe the activity is safe or not safe". Akerlof and Dickens (1982: 308) associates this sentence with proposition (1) and the choice situation is in accordance with (2). That reinforces our argument on the same propositions: by the relation between cognitive consonance to "prefer to believe" and choice, Akerlof and Dickens (1982) suggests that decision-makers have more control of the consonance than the TCD. Akerlof and Dickens (1982) relates the capacity to choose the consonance with a cost-benefit situation. In their words: "[t]here is a benefit to believing that a job is safe, but also a cost" and "[i]n our model the cost of believing that work is safe is the possibility of making a mistake in the choice of safety practice. The worker chooses his beliefs according to whether the benefit exceeds the cost, or vice versa" (Akerlof and Dickens 1982: 308). Again, that consciousness diverges from TCD.

(1956), Davis and Jones (1960), and Glass (1964) as psychological findings. In this section, we compare Akerlof and Dickens' (1982) introduction to those psychological findings to the studies themselves.

Akerlof and Dickens' (1982) reading of the Knox and Inkster's (1968) experiment is summarized in: "[e]xperiments show that groups of persons with the same information have systematically different beliefs that accord with natural theories about their preferences. For example, persons like to view themselves as having made correct decisions. Interviews of bettors at a race track (Robert Knox and James Inkster, 1968) indicate that persons just leaving the betting window place much higher odds on 'their horse' than persons in the queue just prior to their bet" (Akerlof and Dickens 1982: 309).

As stated by Knox and Inkster (1968), its investigation is in line with numerous empirical studies conducted, in the ten last decades, to test findings of TCD. For Knox and Inkster (1968), empirical evidence tends to support Festinger's approach. Knox and Inkster (1968) is not different. It studies post-decisional dissonance reduction. Knox and Inkster (1968) analyses the consonance and dissonance in two consecutive horses race bets. The issue was how the result of a first race would impact in the decision makers' dissonance reduction in the second race. Hence, it is not a matter of the same information impacts preferences through beliefs as Akerlof and Dickens (1982: 309) addresses. It is a matter of changing consonant or dissonant relationship in consecutive situation regarding the same choice and decision-maker.

According to Knox and Inkster (1968), in the original Festinger's approach, in *A Theory of Cognitive Dissonance*, once there are rejected alternatives of choice, dissonance would be inevitable. However, later, Festinger reviewed his argument in *Conflict, Decision, and Dissonance* (1964). Festinger (1964) introduces the committed decision-making, the impact of the dissonance relies on how committed the decision maker are with their choice. In Knox and Inkster's (1968) experiment, the one who bets in the horse race becomes financially committed when a ticket is bought on a particular horse. Commitment also has no relation with preference. Hence, Akerlof and Dickens (1982) offers a methodological individualism reading to the relationship between a decision-maker and the consecutive choices. As Akerlof and Dickens (1982) address consecutive choices as a matter of preferences – it is a matter of commitment according to Knox and Inkster (1968).

Regarding Festinger's revision of his theory, he was looking for a fresh approach and relies on ten experiments in order to provide that revision. As Festinger (1964) relies on experiments that regard two sequential decisions, it is affirmed that the first decision regards non-biased information gathering and evaluation. However, it is important to consider that affirming the non-biased decision-making make sense regarding the decision-making of the experiment. As routinely decisions are not only biased, but

heavily biased (Festinger 1964). Such perspective not only reinforces that the key issue of TCD is the relationship between a decision-maker and the environment, but also addresses that experience in decision-making matter. It is the theme of Festinger (1964).

The great difference from Festinger (1957) and Festinger (1964) is the section of decision-making in pre-decision and post-decision situations. It was necessary to stress that cognitive dissonance occurs after a decision, it is a post-decision issue. In a pre-decision situation, there is no dissonance, but the decision-maker can experience a conflict. A conflict means there are tendencies for the decision that are mutually incompatible (Festinger 1964). When a decision-maker understands that there are at least two goods responses or no good response – and they should choose the less bad – there is a conflict<sup>5</sup>. For Festinger (1964), a decision-maker chooses by the attractiveness of a response. What is understood as the best response is the most attractive, it is about conflict and dissonance not regarding preference or a strictly individual perspective.

Festinger (1964) did mention preference in decision-making, but in a very different way than Akerlof and Dickens (1982). For instance, Festinger (1964: 152) address that a decision-maker can established “a preference order between the alternatives” when they face two alternatives, hence “preference” once applied by Festinger means preferable alternative. It is not an inner issue, but something related to a choice. Additionally, “[e]stablishing a preference order does not immediately result in a decision” as the decision-maker can still looking for information about the choice and they can change their minds about the preferable order. For Festinger (1964), a decision-maker looks for information until reach a level of confidence they feel comfortable to make a choice. For Akerlof and Dickens (1982), preference means something different, it follows the traditional economics approach, in which “preference” means a feature of the decision-maker as a taste.

Akerlof and Dickens (1982) also mention studies on TCD on immoral or cruel behavior. One of that studies is Davis and Jones (1960), its experiment took place through students watching another student being interviewed. If during the interview, the student being interviewed was classified as

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<sup>5</sup> Festinger (1964) addresses Kurt Lewin’s perspective pre and post-decision in order to stress their difference. Lewin (1951) analyses the situation of person buying food – Actually, Lewin (1951) mentions a housewife who buys food. But we are in the 21th century now, so we adapted the illustration. If a desired food is expensive, there is a conflict between speeding too much money and the attractiveness to consume such food. If the person decides to buy the food and it is a wonderful meal. The pre-decision conflict does not imply in post-decision dissonance. But if the food is not a great meal, there is a dissonance. In the last case, the greater is the conflict, the greater will be the dissonance and larger will be dissonance reduction. According to Festinger (1964: 6), if there is a conflict after the decision and a dissonance after, “[...] we can have a relatively simple theoretical framework capable of dealing with the entire process.” Festinger (1964) addresses that once post-decision is different from the pre-decision process, then no simple theoretical framework is able to offer an explanation. By this assumption, Festinger (1964) makes clear that his point still the same as in Festinger, Riecken, and Schachter (1956) and Festinger (1957) that the smoker example clearly summarizes: the reason post-decision consonance become a dissonance.

shallow, untrustworthy, and dull. The observers became more hostile with interviewer. Glass' (1964) experiment point out that if someone give electrical shocks to another person, they tend to offer a bad understand of the victim. According to Akerlof and Dickens (1982: 309), Davis and Jones' (1960) and Glass' (1964) experiments address that "[...] persons prefer to think of themselves as nice people". Actually, Davis and Jones (1960) and Glass (1964) illustrate a classical situation in TCD, someone is in a cognitive dissonant situation who fell the pressure to establish new consonant relationships. One more time, it is not a matter of preference or inner issues, it is a matter of looking for ending the pressure promoted by the cognitive dissonance<sup>6</sup>.

This section introduced how Akerlof and Dickens (1982) builds its internalization strategy. There is a convenient understanding of the TCD in order to make it fit in the mainstream logic. Hence, TCD is reading disregarding the interaction of the decision-making with the environment. On the other hand, usually, Akerlof and Dickens (1982) insert preference in TCD that means reclaiming inner issues of the decision making form an approach that relies on people-environment interaction. The result is a label of modern psychology to the old fashion tradition of decision-making as stated by the mainstream.

#### ***4. The Heterodox Possibilities***

The previously sections addressed the mistranslation of TCD to mainstream economics and how it works as an internalization strategy, an interpretation of TCD according to methodological individualism. However, TCD does not fit methodological individualism, the mainstream reading is a distortion of TCD. It just works to support an ancient tradition in economics. The goal of this section is introduce that TCD can be translated to economics if the approach takes a holistic perspective into consideration, i.e., if the approach is heterodox.<sup>7</sup> Our argument is illustrated by offering the connection of TCD with original institutional economics (OIE) and post Keynesianism (PK).

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<sup>6</sup> Akerlof and Dickens (1982) also quotes Brehm (1956), another study on post-decision. According to Brehm (1956), too little attention had been done to post-decision issues, hence that study was conducted about it. The core of the experiment was subjects rating the desirability of eight goods plus as a payment two products were chosen by each subject. After the be owners of two goods, the subjects rated the desirability again. The desirability changed from one classification to another. For Brehm (1956), the initial desirability was made by the attractiveness of products and the latter desirability took place "reports" about the products. As far as we understand Akerlof and Dickens' (1982) introduced Brehm's (1956) without mistranslations. In Akerlof and Dickens' (1982: 309) words: "[a]s another example, in an experiment, an investigator (Jack Brehm, 1956) asked women to rate the worthiness of two appliances. They were then allowed to choose between the two appliances, which were given wrapped to the women. A few minutes later with the appliances still wrapped the women were asked for a second evaluation. These evaluations systematically changed in favor of the appliance that had been chosen".

<sup>7</sup> Methodological holism emphasizes the influence of the social unit over its parts. Society affects individuals by creating, through common ways of acting, a collective conscience that acts as a moral constraint on behavior (Gruchy 1947).

OIE is a segment of heterodox economics that offers an explanation of human agency based on institutions – as socially shared habits – and their evolution (see Veblen 1899 and Hodgson 1998)<sup>8</sup>. According to OIE, institutions are socially prescribed habits of thought or action, shaped by the economic, technological and material means of life (Rutherford 1984). In a society, there are processes of adaptation that selects habits, a habit is not the best result, it is an outcome from evolutionary process (Veblen 1898 and 1899). Hence, for OIE, decision-making is a matter of habituation of social issues<sup>9</sup>. Habits are performed by people but they are not just personal. Habits are not repetition either. A habit arises from those repetitive situations, but a habit is not simply repetition (Hodgson 2004 and 2006). However, habits are formed through repetition, they are influenced by prior activities and have durable and self-sustaining qualities (Hodgson 2002). A habit can be understood as a largely non-deliberative and self-actuating propensity to engage in a previously adopted pattern of thought or behavior (Hodgson 2003 and 2006). Habit does not mean thought or behavior either. It is a propensity to think or behave in a particular way in specific situations and can be triggered by an appropriate stimulus or context (Hodgson 2002, 2004 and 2006).

According to Palley (1996: 9): “[i]n many regards the Post Keynesian project represents both a recovery and an extension of the economic paradigm developed by Keynes”<sup>10</sup>. Concerning decision-making, a key element, according to PK, is the impossibility to know the future (Dixon 1986 and Dequech 2012). In the PK perspective, some elements can be unknown and others can be unknowable in the decision-making process (Dequech 1999). That is the reason that decisions are made under fundamental

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<sup>8</sup> Recently, Bruce Kaufman introduced a review to what is understood as the origin of the OIE. According to Kaufman (2017), the OIE emerged at the Annual Meeting of the American Economic Association (AEA), in 1918, as the term “Institutional Economics” was used in the presentation of Walton Hamilton. In the following year, Hamilton’s presentation was published as a paper in the American Economic Review (see Hamilton 1919). This paper is the first document with the term “Institutional Economics” that is why Kaufman (2017) considers it the founding manifesto of OIE. Hodgson (2001) and Rutherford (1997) support Kaufman’s (2017) argument. By determining a precise date for the birth of the OIE, 1918, Kaufman (2017) qualifies Thorstein Veblen as a major influence figure for OIE, but not an institutionalist *per se*. It is worth noting that when the approach that Hamilton named Institutional Economics is mentioned nowadays, the terms usually applied are “American institutionalism”, due to the place of development of this intellectual movement, “old institutional economics” or, when avoiding terms that could be understood as pejorative, “original institutional economics”.

<sup>9</sup> It is important to address that OIE is not a cohesive school of thought. OIE is an encompassing intellectual movement that since its beginning held several ramifications (see Asso and Fiorito 2008, Rutherford 2011 and Fiorito 2012). In this paper, we are dealing with what can be understood as the Veblenian wing of OIE.

<sup>10</sup> Palley (1996: 9) is more accurate regarding a conception of PK by introducing proposition that a usual to its approaches: “[t]hese propositions include (a) the significance of social conflict over income distribution, (b) the centrality of aggregate demand in the determination of the level of economic activity, (c) the inability of nominal wage adjustment to ensure full employment, (d) the endogenous nature of money, (e) the importance of debt finance in the macroeconomic process, and (f) the fundamentally mutable nature of expectations about the uncertain future”. Alternatively, Cardim de Carvalho (1992) stresses that PK is unified by approaches regarding (a) temporality (economic processes take time), (b) ergodicity, (c) coordination (decision makers’ plans are not previously coordinated), (d) firms correspond to the main decision-maker of the capitalist system (employment level and savings level depend on production and investment decisions); and (e) the key role of money in capitalism.

uncertainty. As stated by Dequech (1999: 415-6), Keynesian uncertainty regards “situations in which at least some essential information about the future events *cannot be known at the moment of decision* because this information does not exist and cannot be inferred from any existing data set” [emphasis in the original]. In order to deal with fundamental uncertainty, decision-makers, in the PK perspective, deal with conventions, expectations, and confidence.

According to Dequech (2012), a convention is a socially shared pattern of behavior and/or thought that is followed, or expected to be followed, by decision-makers, at least partly. Instead of offering a PK concept of convention, Latsis *et alli* (2010) introduces its general features: a convention (1) regards coordination among decision-makers, (2) concerns regularities in behavior, (3) is arbitrary, and (4) is a response to uncertainty. There is a usual illustration of the PK’s convention: the beauty contest example. It was introduced by Keynes himself and it aims is to identify who will be judged as the candidates with the prettiest faces (Keynes 1936)<sup>11</sup>. Hence, Keynesian convention is more similar to a conventional judgment than a convention *ipsis litteris* (Bibow *et alli* 2003). Decision-makers establish expectations about the future by considering the possibility of a convention endures (Dequech 2012). Visualizing a future break or enduring of a convention relies on the state of confidence of decision-makers<sup>12</sup> (Runde 1990 and Dequech 1999).

OIE and PK are consistent with TCD. As, for Festinger (1957), decision-makers hold backwards of cognitive consonances, a consistence between knowledge and beliefs and decision-making results. For OIE, the consistence is expressed in habits and, for PK, it relies on conventions and state of confidence that those conventions will endure. For OIE and PK, decision-makers develop cognitive consonances through interaction with the environment. According to OIE, habits are outcomes from evolutionary process of how people think and behave in a society (Veblen 1898 and 1899). People learn from to think and behave by acquisition of habits (Hodgson 2003 and 2004). The same is true for PK, if convention works as conventional judgment – as stated by Bibow *et alli* (2003), and supported by Keynes’s beauty

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<sup>11</sup> In Keynes’ (1936, p. 156) words the beauty contest is a “[...] newspaper competitions in which the competitors have to pick the six prettiest faces from a hundred photographs, the prize being awarded to the competitor whose choice most nearly corresponds to the average preferences of the competitors as a whole; so that each competitor has to pick, not those faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view.”

<sup>12</sup> It is important to address that TCD is compatible with decision-making according to conventions that rely on the state of confidence. As, for Festinger (1964), a decision-maker looks for information about the decision to be made unless until a level of confidence was reached. That level of confidence is what make the decision-maker feel cognitively comfortable to make a choice. Our analysis in this paper regards conventions supported by states of confidence. Hence, once we mention convention in our paper, we consider that it is supported by a state of confidence.

contest (Keynes 1936) – what is the usual understanding in a society is learned. That learning takes place by the comprehension of what are the social structures that compose the decision-making environment.

For both OIE and PK, decision-makers interpret what occurs around them. In Festinger's famous illustration, people, who knows that smoking damages their health, and keep smoking are following a specific habit or convention. Habits and convention are used by decision-maker as knowledge about how to choose and behave. That knowledge has a social legitimacy, as habits and convention are socially shared. Hence, OIE and PK also fits the explanation of the cognitive dissonance, as, for Festinger, Riecken, and Schachter (1956) and Festinger (1957), as decisions that relies on habits and convention would be hard, if possible, to make without them. Then, the pressure generated by a dissonance would be the pressure to find a new habit or a new convention to fits in decision-making. People being attached to habits or conventions can be seen as rationalization of a dissonance. By the impossibility to replace a habit or a convention, decision-maker rationalize the dissonance in order to be able to rely on habit or convention to make the decision possible. In this case, the decision-maker is invested in a habit or a convention.

To be invested in a habits or conventions makes sense for Earl and Wicklund (1999). As according to Earl and Wicklund (1999), a decision-maker can achieve cognitive consonance by taking the path that is more resistant to change. Festinger, Riecken, and Schachter (1956) associates that resistance with being member of a group of people invested in beliefs – those beliefs are the core of the resistance. Habits and conventions follow the same logic as they are socially shared, therefore if they are intensively shared decision-makers perceive them as strongly socially approved. Accordingly, habits and conventions introduces what decisions outcomes are understood as acceptable and/or desirable.

## ***5. Final Remarks***

The TCD is cornerstone in the 20<sup>th</sup> century psychology. It stresses that decision-makers have dissonant and consonant relation among their cognitions. These cognitions concern beliefs and knowledge of a decision-maker on their own behavior. Akerlof and Dickens (1982) was an important study for the application of cognitive dissonance in economics. Our paper offers an analysis of Akerlof and Dickens' (1982) translation of TCD to economics. We conduct our study in order to analyze Akerlof and Dickens' (1982) propositions as the authors' understanding of TCD is the core of the propositions. Accordingly, we addressed that Akerlof and Dickens (1982) give more conscious and deliberative power to decision-maker than TCD. Furthermore, we argue that Akerlof and Dickens (1982) falls in what John Davis called "internalization strategy" which means notions of socialization are accommodated into the of methodological individualism.

In order to understand Akerlof and Dickens' (1982) internalization strategy, our paper relied the psychological studies that supports the building up of the Akerlof and Dickens' (1982) propositions. We conclude that there is a convenient reading of the TCD to make it fits in the mainstream decision-making. There is a label of modern psychology in Akerlof and Dickens (1982), but it follows the mainstream approach to decision-making. Additionally, this paper introduced how TCD can be associated with economics' approaches that works under a holist perspective. Accordingly, we offer an analysis of how TCD can be seen as compatible with original institutional economics and post Keynesianism. Such compatibility reinforces that methodological individualism is the great barrier a mainstream reading of TCD that would not be considered a mistranslation.

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