

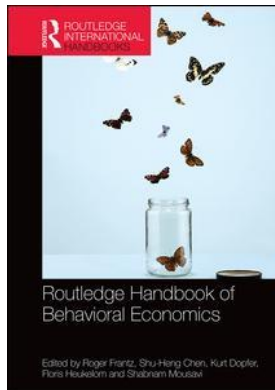
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Roger Frantz, Shu-Heng Chen, Kurt Dopfer, Floris Heukelom, Shabnam Mousavi

Ken Boulding

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Stefan Kesting

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KEN BOULDING

The image as a precursor to framing?

Stefan Kesting

Introduction

Boulding's scholarly work is manifold and has been highly innovative and interdisciplinary (Dolfsma and Kesting, 2013). He was also quite critical of mainstream economics and tried to contribute to the reform of the discipline (Boulding, 1950, 1958, 1962, 1969, 1975, 1986, 1988 and 1992; McCloskey, 2013). It is, therefore, not too surprising that parallels to behavioural economics should be found in his writings. Boulding and behavioural economics share the motivation of questioning and improving the basic concept of rationality in economics. Both share a common intellectual root and legacy in Keynes's exploration of real uncertainty and suggestion of how to deal with it in chapter 12 of his *General Theory* (1936). Because of its focus on our worldview and preconceptions (the image) directing our behaviour, Boulding's book *The Image* (1956) can be seen in some of its aspects as a precursor to Kahneman and Tversky's concept of framing and mental accounts (Kahneman, 2011). Both the image as well as framing are based on the idea that mental accounting, mapping, and modelling (Denzau and North, 1994) are guiding economic behaviour and not just the rational maximisation of given preferences. In this chapter, I will try to answer the following questions: In what way does Boulding's concept of the image preempt the framing, heuristic and bias effects as well as mental accounting emphasised in behavioural economics? And, in what way do both theories of economic behaviour differ? I have structured my argument in five parts: the first provides an introduction to the main features of the image, the second will explore the common intellectual roots in Keynes's microeconomics and the link to Herbert Simon, the third intends to focus on the communalities of the image with Kahneman's framing and mental accounting concepts. The fourth part concentrates on the differences and attempts to use Boulding's image as a platform to raise some critical points concerning behavioural economics. This chapter will close with a concluding summary.

Boulding's *The Image*

A short and at the same time inclusive definition of the image can be found in an article by Warren Samuels:

The fundamental role of the image is to define the world. The image is the basic, final, fundamental, controlling element in all perception and thought. It largely governs our

definition of reality, substantively and normatively, in part as to what is actual and what is possible.

(Samuels, 1997: 311)

The image is the absolute starting point of human action. In Boulding's own words, set in italics in the introduction to the book: "*The first proposition of this work, therefore, is that behaviour depends on the image*" (Boulding, 1956: 6). The concept of the image incorporates value judgements:

The image of value is concerned with the *rating* of the various parts of our image of the world, according to some scale of betterness or worseness. We, all of us, possess one or more of these scales. It is what the economists call a welfare function.

(*ibid.*: 11)

So far, mainstream economists could nod and say: right, what then is the difference to our concept of individuals rationally maximising on the basis of stable preferences and welfare functions? The image is crucially different to standard neoclassical microeconomics because it is a social, interactive concept used by "semirational beings" (*ibid.*: 16) to cope with an uncertain world. Although Boulding names Hayek and Katona (see chapter 2) as his two main intellectual predecessors from economics (*ibid.*: 149–150), the influence of Keynes on his views is clearly apparent in his reference to liquidity preference (*ibid.*: 91) and his description of the general conditions for economic behaviour: "Our image of the consequences of our acts is suffused with uncertainty to the point where we are not even sure what we are uncertain about" (*ibid.*: 84). It is open to question whether the image remains stable or changes depending on the experiences of the individual and the influence of outside messages on it: "The image is part of—and changes within—an ongoing process in which experience and image and selective perception coevolve" (Samuels, 1997: 312). How does our image, containing our value judgements, visions of the future, preferences and welfare perception, change and how do others influence this evolutionary process? Boulding insists that human beings communicate with each other via symbols (i.e., communication that can become independent of the communicator) *and* face to face (Boulding, 1956: 65, 75 and 88) and that communication constitutes and changes our images: "It is this symbolic image and the communications which establish it and which change it which constitutes the peculiar quality of human society, a quality which no animal society shares" (*ibid.*: 44). Samuels highlights the linguistic character of the image in his interpretation: "Images are linguistic phenomena for mankind. Language is the material of images. Having an image, reducing it to words, talking about it—all this involves the use of language" (Samuels, 1997: 317). Image and language alike are at the same time intra- and inter-individual and their change takes place via correspondence of these levels:

The basic bond of any society, culture, subculture or organisation is a "public image" that is, an image the essential characteristics of which are shared by the individuals participating in the group. . . . Indeed, every public image begins in the mind of some single individual and only becomes public as it is transmitted and shared.

(Boulding, 1956: 64)

It is no coincidence that Boulding stresses that organisations defined "as a structure of roles tied together by lines of communication" (*ibid.*: 57) are the primary providers of lasting public images. However, no single organisation in a society has a monopoly on creating and maintaining a certain worldview or public image, because "there is not a single public image, but there are

many public images, as many indeed as there are cultures and subcultures within the great frame of the human race” (ibid.: 132). In fact, a subculture is nothing else than a group of people sharing a certain public image. On a societal level, a healthy competition of such subcultural public images in an open public discourse promotes economic and social progress.¹ Boulding writes that “Fortunately for the progress of mankind, monopolies of knowledge are notoriously unstable” (1956: 141) and highlights that: “The extraordinary rapidity with which images have changed in the last two hundred years is perhaps mainly a result of increased communication among previously isolated subcultures” (1956: 146). This change of public images is mediated by certain individuals whom Boulding praises: “Society owes an enormous debt to those marginal men who live uneasily in two different universes of discourse” (1956: 146).

This summary of the image as a discursive mechanism of social and economic evolution is important to keep in mind when we will move to the comparison with Kahneman’s behavioural economics. However, in the same paragraph where Boulding emphasises that the image of a person is more or less the public image of the organisation where he or she plays a role, he also stresses that: “The image is always the property of the individual persons, not of the organisation” (1956: 28). The individual image is an instrument to avoid vagueness and uncertainty and as such prone to a habitual conservative bias and selective perception (ibid.: 86 and 12). It is characterised by an unself-conscious process of formation (ibid.: 123). On the other hand, the image is also self-reflective and self-conscious: “We not only know, but we know that we know” (ibid.: 25). So, the image has both latent and manifest elements and can fail as an instrument to understand and guide human behaviour (ibid.: 71).

All this leads to the conclusion that the image is an instrument to deal with uncertainty and problems of human cognition to arrive at decisions as well as direction for action and is put forward as an alternative concept to neoclassical self-interested calculation of utility.

From Keynes via Simon to Kahneman

As I have shown in the former section, the origin of Boulding’s image lies at least in part in Keynes’s ideas on real uncertainty as the typical human condition (Dow, 1995 and 2003; Lawson, 1994) and the behavioural implications that he describes in chapter 12 of his *General Theory* (1936). This is also true for Herbert Simon’s concepts of bounded and procedural rationality. After describing Keynes’s radical departure from classical economics through his emphasis on expectations and animal spirits in chapter 12 of the *General Theory* (Simon, 1997: 15), Simon exclaims: “Only the fear of pronouncing an egregious anachronism prevents me from claiming Keynes ... as the true originator of the economics of bounded rationality” (ibid.: 16). These parallel Keynesian roots and conceptual overlaps between Boulding and Simon are important for my comparison because Kahneman makes an implicit reference to Simon in the title of his speech on the occasion of receiving the Nobel Prize for economics in 2002: *Maps of Bounded Rationality: A Perspective on Intuitive Judgement and Choice*. I want to suggest here that the tribute paid to Simon could have equally been paid to Boulding.

Simon defines his core concept as resting on individuals trying to deal with real uncertain circumstances in the world and their awareness of the limits of their information about it and their limited cognitive abilities (ibid.: 26): “Procedural rationality is concerned with *how* the decision maker generates alternatives of action and compares them. It necessarily rests on a theory of human condition” (ibid.: 18). This human condition of bounded rationality forces individuals to engage in an evolutionary process of developing an appropriate image: “Bounded rationality says that each one of us, faced with living and making decisions, looks out in the world and tries to get a picture of it; and each one of us of course gains a different picture”

(ibid.: 25). Note, that the word image could have been used in this quote by Simon instead of picture.

Like Boulding, Simon highlights the role of organisations in forming commonly held images (compare his second lecture, in Simon, 1997). What follows for Simon from bounded rationality is the need to develop a theory of the mind. Boulding's theory of the image is an attempt at such a theory. However, as I will try to show in the next section, Kahneman took this task to a higher level of sophistication in providing an empirical foundation for his theory of mind.

Kahneman and Tversky's behavioural economics and Boulding's *The Image*: common conceptual elements and theoretical distinctions

While Boulding developed *The Image* mainly based on introspection and participant observation, Kahneman followed Simon's methodological suggestion for developing procedural rationality (1997: 23) and used laboratory experiments to critically assess standard economic rationality and to develop his theory of the mind. The resulting concepts of framing and mental accounting resemble the image quite closely. Like Boulding, Kahneman sees them as an alternative to neoclassical rationality and an instrument to deal with uncertainty and limited cognitive abilities:

The Econs of the rational agent model do not resort to mental accounting; they have a comprehensive view of outcomes and are driven by external incentives. For Humans, mental accounts are a form of narrow framing; they keep things under control and manageable by a finite mind.

(2011: 343)

Kahneman's book *Thinking Fast and Slow* assembles a lifetime of experimental work to tease out and define the various psychological elements that shape mental frames and accounts. I can only highlight a few of these elements here which bear particular resemblance or contrast with *The Image*. The first is the influence of rare events on framing. In his description, Kahneman even uses Boulding's terminology: "You constructed the event in your mind, and the vivid *image* of the outcome exists there even if you know that its probability is low" (ibid.: 328, italics mine). The image in this instance leads to the neglect of calculating chances and imprints a dominant vivid imagery on the mind of the decision maker. A second related element is the influence of memories on the image or mental frame. Memories may or may not be an accurate representation of the actual experience in the past. So, Kahneman concludes: "Tastes and decisions are shaped by memories, and the memories can be wrong" (ibid.: 385).

The third element is the endowment effect. Following a critical account of neoclassical indifference curve analysis, Kahneman states that: "First, tastes are not fixed; they vary with the reference point. Second, the disadvantages of a change loom larger than its advantages, inducing a bias that favours the status quo" (ibid.: 292). Boulding's image was also meant to show that preferences are malleable and context specific. However, Kahneman's work specifies how, for instance in stressing loss aversion: "The fundamental ideas of prospect theory are that reference points exist, and that losses loom larger than corresponding gains" (ibid.: 297).

Kahneman shares with Boulding and Simon the focus on the potential advantages of organisations—if carefully designed—for the quality of decision making compared with individuals: "Organisations are better than individuals when it comes to avoiding errors, because they naturally think more slowly and have the power to impose orderly procedures" (ibid.: 417–18). He adds: "An organisation that seeks to improve its decision product should routinely look

for efficiency improvements . . . The operative concept is routine” (ibid.: 418). A conclusion and advice reminiscent of the evolutionary economics of Nelson and Winter (1982 and 2002).

One point of distinction and difference between Kahneman and Tversky’s prospect theory and Boulding’s approach is their vision of, and emphasis on, wrong or manipulated images or frames and mental accounts. While Boulding concedes that images can be manipulated and lead to misinterpretation and misunderstanding (1956: 71), his impetus is on demonstrating the decision enhancing potential of his concept of the image. In contrast, Kahneman’s main interest is in showing how our ability to make rational decisions is tainted by: overconfidence (2011: 87), anchors which can be manipulated (ibid.: 126), confusing mere correlation with causation (ibid.: 182), illusions (ibid.: chapter 20), the media (ibid.: 138) and delusions (ibid.: 256), apart from the already aforementioned endowment, rare event and memory effects.

Another point of contention is their different views on how communication works in forming mental frames or images. Whereas from Boulding’s perspective public debate and deliberation are the main instrument in forming, revising and improving public images (1956: chapter 9), Kahneman remains highly sceptical of communicative action: “The standard practice of open discussion gives too much weight to the opinions of those who speak early and assertively, causing others to line up behind them” (2011: 85).

Conclusion

Despite some conceptual areas of contention and disagreement, overall, not just Simon’s but also Boulding’s theoretical work can be viewed as paving the road to modern behavioural economics. Their frameworks contribute to the construction of an alternative microeconomic theory that is based on a cognitive theory biased by preconceptions and allowing for changing, context specific preferences.

Note

- 1 Boulding describes this as a “process of the mutual modification of images both relational and evaluational in the course of mutual communication, discussion, and discourse. The course of the discussion is punctuated by decisions which are essentially temporary in nature in the sense that they do not close the discussion, although they do, of course, have the effect of modifying it. In one sense, in a successful political process all decisions are interim. We live in a perpetual state of unresolved conflict. A decision is partial resolution of conflict. It should never be a complete resolution” (Boulding, 1956: 103).

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