

Procrastination, Obedience, and Public Policy:

The Irrelevance of Saliency

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ABSTRACT. Modern economics assumes that individuals are rational maximizers, who, in the presence of costly *information*, sometimes make mistakes. Recently, George *Akerlof* has challenged this presumption. He proposes that people sometimes fail to maximize their long-run *utility*, due to the phenomenon of "saliency." This refers to the alleged systematic distortion in individual perception where events closer to a person (in time and in space) seem bigger and more important than they really are. The *saliency* phenomenon is claimed to interfere with the process of rational *maximization*, rendering some individual choices, in effect, irrational. This paper subjects Akerlof's suggestion to critical scrutiny. It is argued that the examples Akerlof offers of the effect of saliency are not the anomalies he claims but instead represent behaviors which can be readily explained within the framework of the standard economic model. All of his major examples are considered in this light and it is suggested that the work of *Israel Kirzner* holds more promise for improving the analytical power of the standard economic model than does the idea of saliency.

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Introduction

THE IDEA that individuals fail to evaluate accurately the real value of future prospects has a long history.¹ Many scholars have felt that individuals systematically fail to evaluate correctly the present value of future prospects.

Recently, this venerable idea has received a refurbishing from a distinguished modern economist, George Akerlof. He argues that economists should pay greater attention to a central principle of modern cognitive psychology, "saliency."

This term refers to the purported tendency of individuals to place greater cognitive weight on events which strike them as especially "vivid." But a more "salient" event may not necessarily be more important or significant in the individual's longer view; it is merely more striking, or memorable for reasons essentially unrelated to its "true" significance.

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