

## Credition in Economics - Abstract

**Richard Sturn, Graz University, Public Economics**

Many of the most celebrated achievements of economic theory were derived on the basis of theoretical models in which something like “credition” simply cannot play a systematic role. Those are related to interaction and incentive mechanisms where the *game structure* (given by artificial rules and/or natural constraints) is the key element in explaining some (unintended) aggregate outcomes, while individual agency is represented in an extremely reduced form. In this class of theories, we are generally not interested in developing a descriptively accurate account of human agency, as some very abstract conception of rationality does the job *on an as-if basis*. This works fairly well in certain environments, e.g. in private property market economies with perfect competition. The coordination function and the sometimes quite intricate interdependencies of multi-market-systems can be explained while remaining largely agnostic about human agency.

But there are important problem settings for which this is not good enough. In a game-theoretic language, those problem-settings are related to the existence of more than one equilibrium and “equilibrium selection”. Beliefs become crucially important in those situations. Reasonable choice is not possible in absence of reasonable conjectures (which can be ascribed to actors in a way consistent with the theory) regarding the question: on which of the many equilibria the other actors will tend to coordinate their actions? Unfortunately (or fortunately for those who always had the suspicion that it is highly implausible to base all socio-economic theory on abstract as-if rationality), it can be shown that conventional rationality assumptions do not help in determining the beliefs agents would rationally develop in suchlike situations. Beliefs with a wider, perhaps culturally informed background (or even more comprehensive mental models, e.g. what Nobel prize winner Douglass North sometimes calls “ideologies”) come into play at this stage. They may be thought of as closely associated with rules/institutions operating as equilibrium selection devices in strategic interaction problems with many equilibria. Moreover, in a long run perspective, economic and institutional change is likely to be associated with some change regarding mental models. This in turn motivates further question regarding the *plasticity* of those mental models. That is, when, why and how (incremental adjustment or paradigm shift?) are mental models subject to change? Analysis of credition processes may be expected to shed light on the properties of such processes of change and may complement existing approaches to explaining change, which is perhaps the most important and most difficult agenda for the social sciences.