

Under the Influence

1. Introduction

One of the grimmer phenomena of our time, is the way in which young people – particularly young women – seem to be beholden to ‘influencers’ on social media. Not only do they seem to be happy to put themselves into a kind of voluntary servitude to people who present themselves as attractive and happy, while making a living from being ‘role models’. But those under the influence do not seem to be dissuaded by the fact that these ‘influencers’ are typically being paid for what they present. One might compare this, also, to the way in which people seem to be happy enough to allow significant choices in their lives to be made on the basis of answers given to their questions by ‘Smart Assistants’. They take their selections uncritically, when they would at least notice that if, say, they did a search on Google, the first few options would come up marked as ‘sponsored’. All this is even odder, because the people who lay themselves open, uncritically, to these influences are typically the same people who, in other contexts, can be found complaining about capitalism, advertising and so on (when the number of product launches which is successful, despite all the advertising, is relatively small¹).

It might be thought that these complaints are just those of a grumpy old man – of someone who did not grow up with a smart phone, and still feels that the idea of working on a tiny screen rather than a large computer screen, is weird. In some ways that is true enough. I do feel a certain kinship with the elderly lady who was supposed to have said: ‘I will never go up in a plane. If God had wanted us to use those things, he would never have given us the railways!’ But in fact, I think that there is rather more to it than this. There are at least three layers to the problem: role models, influences and their effects; certification; and the problem of how to design institutions such that we can, with their help, avoid some of the worst problems than we might otherwise get into.

¹ See <https://hbr.org/2011/04/why-most-product-launches-fail>

2. Role-Models and Influences

We have to learn who we are from the society in which we grow up. In part, this is a matter of how we fit into the structural organisation of our society: of what the social roles are given by the relations of production in our society, what affects the possibilities of passages between them, and what the options are for creating new ones.² In part, it is a matter of internalizing the rules and patterns of behaviour exhibited by those round us, and which are impressed on us by way of critical input from those around us.³ Clearly, what is culturally available to us in our society – between which we can make choices, and within which we can innovate – is also of great significance. For example, from the 1980s onwards it would be possible for someone to be a 'goth'. Previously no-one would have known what to make of someone who chose to look and behave like that. It is also worth noting that, other than to one's family and friends, it is not clear that the idea of someone 'choosing one's own identity' and expecting it to be acknowledged and recognised makes any sense unless it is a matter of choice from within a socially available portfolio. Clearly, how one interprets a social identity is a matter for the individual; and innovation obviously takes place. But to the degree to which one makes choices that are non-standard, one cannot complain if others do not know what to make of what one has chosen. In addition, the role, in all this, of the 'social', means that ideas about individuals having some intrinsic identity, to which they should be true, seem to me to make little sense.

Now, the fact that we have to learn our identity from others, means that we are engaged in a process of learning and discovery. And, in this, what others are doing, and what they approve or disapprove of, obviously plays an important role. In part, we are concerned simply to learn the rules of the group within which we are living. These may be purely conventional – as we may discover, when, say, we visit other families and find that their expectations concerning table manners are

² It seems to me that Marx's ideas about 'relations of production' are very useful here, if stripped of their context in Marx's own historical teleology.

³ Adam Smith's Theory of Moral Sentiments and Lev Vygotsky's Thought and Language are, I think, suggestive here, if read together!

different from those with which we have grown up. But even things which are purely conventional may involve conventions which can be appraised with particular purposes in mind. The old French convention of giving way to traffic coming into the road that you are on, if it is coming from the right, presumably worked perfectly well when traffic speeds were slow. But it made no sense – and was changed – when traffic speeded up.⁴

There are also similar issues posed by social trends. We may be interested in what is thought to be attractive. This is, in broad terms, something that has to be discovered from the society in which we are living. Compare how we discover what is considered to be grammatical in either our own language, or a language that we are learning. We need, here, to learn from the reactions of other people. But not just anyone's reaction will do. What, say, our mother thought was an attractive way for us to dress, will probably not be of much help in relation to our peers. What we need, here, will be someone whose judgement is attuned not just to what will be thought generally acceptable, but to those things which are considered fashionable, or which are likely to catch on.

What is involved, in all this, is expertise. It is just the same as what is involved if one wishes to have information about things which are closer to being matters of fact. For example, suppose that you like to drink a glass of wine occasionally, but do not know enough about wine to be able to make well-informed judgements for yourself. You might, in this setting, wish to have access to the judgements of someone with expertise. But there may, of course, be variation in what one wishes for. An expert on wine might be able to tell you what is considered by experts to be the best wine in its class. Alternatively, he or she may be able to tell you what, in a particular genre of wine, represents good value for money. They may be able to tell you what, if you like wine of a particular kind (which they might think no-one who knows anything

⁴ See, for a brief guide: 'Priorité a Droite' <http://www.vendee-guide.co.uk/priority-a-droite.htm>; see also https://en.wikipedia.org/wiki/Priority_to_the_right

about wine would be drinking), represents the best value for money. They may, equally, if they know something about what you like, be able to suggest other things that you might care to try, or ways in which you might set about educating yourself, so that you will come to appreciate wine which is better than what you are used to.

One may, here, clearly distinguish between what is better in the sense, say, of having a wider and more refined range of qualities which may be appreciated by someone with an appropriately cultivated palate – with, as it were, an appropriate education – and what as a matter of fact someone enjoys. I, personally, happen to enjoy certain kinds of classical music – notably, much of the orchestral work of Brahms, Mahler, Dvorak, and also such things as William Walton's First Symphony, and Bohuslav Martinů's Fourth Symphony, as well as a number of Requiems. I can well imagine, for example, that someone might set out to educate me about other classical music. They might be able to convince me that there was more that was open to educated appreciation in such works than in some of the work that I currently like. But that does not mean that I could necessarily come to *enjoy* it more – just as I am constantly disappointed that Verdi wasted his time on opera, as opposed to writing more works like his *Requiem*!

Now, the key issue, here, is that what one needs, in such cases, is expertise. And this is something very different from someone's simply being an 'influencer'; let alone one who is paid by other people to promote their products. It may be the case that someone who is paid by other people will, in fact, supply you with valuable knowledge. Clearly, one might expect, say, the web page of a car firm to give you accurate information about a car's technical specifications. But there would seem no reason whatever to suppose that what a paid 'social influencer' might say about a car, or anything else, will be reliable or in your interest. Clearly, they would not wish to destroy their reputation by commending things which are of poor quality or value. But on social media, there is a risk that they can get away even with that. While Donald Trump – who seemed to me to epitomise almost everything that is wrong with the times in which we are living – was able simply to

dismiss criticism as 'fake news', and to move from expressing false views on some topic to diametrically opposed ones, without saying that he was initially wrong, and those who liked him seeming to be in the least concerned about it.

This introduces an issue – to which I will return – about how we should structure sources of information, and in particular, how we could best select those who appraise things for us if we are to usefully learn from them, and avoid disasters. But first, I would like to discuss an additional theme.

3. Adam Smith

The issues about our learning from the reactions of others, and internalising the result, are an important theme in Adam Smith's *Theory of Moral Sentiments*. Smith is best-known for his *Wealth of Nations*. But in his *Lectures on Jurisprudence*, he has what has always seemed to me an interesting discussion of why it was that (in his day) people went along with the views of those in important political positions. While he admitted that, in some cases, this might be a matter of people judging that their ideas were sensible, he also wrote about the way in which we are inclined simply to go along with the views of those in important social positions. He had said more about this in *The Theory of Moral Sentiments*. If I may here quote:⁵

When we consider the condition of the great, in those delusive colours in which the imagination is apt to paint it, it seems to be almost the abstract idea of a perfect and happy state. It is the very state which, in all our waking dreams and idle reveries, we had sketched out to ourselves as the final object of all our desires. We feel, therefore, a peculiar sympathy with the satisfaction of those who are in it. We favour all their inclinations, and forward all their wishes. What pity, we think, that anything should spoil and corrupt so agreeable a situation! We could even wish them immortal; and it seems hard to us, that death should at last put an end to such perfect enjoyment. It is cruel, we think,

⁵ Adam Smith, *Theory of Moral Sentiments*, Part 1, section III, chapter 2.

in Nature to compel them from their exalted stations to that humble, but hospitable home which she has provided for all her children. Great King, live for ever! is the compliment, which, after the manner of Eastern adulation, we should readily make them, if experience did not teach us its absurdity. Every calamity that befalls them, every injury that is done them, excites in the breast of the spectator ten times more compassion and resentment than he would have felt, had the same things happened to other men.

Now, the kind of social effect to which Smith is referring here seems to me to be something with which we are all too familiar – although, in our own day, it relates more to ‘stars’ from sport, cinema, music and the internet than it does to aristocrats or royalty (although the British royal family seem to me still to get undue attention of this kind, even today).⁶ I also think that Smith’s own account of what the psychological mechanisms are behind all this, stands in need of some improvement. My reason for referring to him, however, was because his concern was not just with the mechanisms involved, but also with the consequences of their operation.

In the material from Smith with which we started, he was concerned with mechanisms which, in his view, made for deference towards political leaders, and thus played a role in ensuring social and political stability. However, in revisions for the final edition of the *Theory of Moral Sentiments* that Smith made just before his death in 1790, he added a new chapter⁷ in which he discussed the way in which the rich might be profligate, and pursue various fashions, in ways which don’t do them much harm, but which may be a disaster if taken as a model by ordinary people. (It is interesting in this context, as I mentioned in my ‘Protestants, Gays and Cognitive Minorities’, that an Australian scholar,

⁶ It is, however, worth thinking, in this context, of the kind of adulation that some utterly terrible political leaders in the Twentieth Century have received, such as Stalin and Hitler.

⁷ See Adam Smith, *Theory of Moral Sentiments*, 6th edition, 1790, I.iii.2.III ‘Of the corruption of our moral sentiments, which is occasioned by this disposition to admire the rich and the great, and to despise or neglect persons of poor and mean condition’.

Barry Maley has argued,⁸ that various pieces of liberal reform – e.g. of divorce laws; but the argument also held good in terms of the liberalization of drug use – while attractive in terms of individual liberty, caused problems which, typically, the more affluent could deal with, but were something of a disaster for poorer people.)

4. Reputation and Certification

My reference to Smith's later work, and to Barry Maley, leads us to topics that go beyond the making of personal choices, the purchase of consumer products and issues that affect just ourselves and those with whom we have face-to-face relationships. Not only may very personal choices have ramifications for ourselves and others which we might not have even been able to imagine. But we are living in societies in which we depend on information about the quality of all kinds of things, which we cannot establish personally. We also, as individuals, rely on reputations – in different areas of our lives – upon which others with whom we are not in personal contact can make judgements, upon which they can consider whether or not they wish to interact with us.

An interesting issue, here, is raised by a report by the German sociologist Max Weber upon something that he witnessed in North Carolina, while visiting the United States in 1904. He tells of an adult baptism by immersion. A relative of Weber's, present at the event, commented: 'Look at him... I told you so'. And Weber continues:⁹

When I asked him after the ceremony 'Why did you anticipate the baptism of that man?' he answered 'Because he wants to open a bank in M.' 'Are there so many Baptists around that he can make a living?' [asked Weber, and was told] 'Not at all, but once being

⁸ E.g. Barry Maley, *Family on the Edge: Stability and Fertility in Prosperity and Recession*, St Leonards, NSW: CIS, 2009; see <https://www.cis.org.au/publications/policy-monographs/family-on-the-edge-stability-and-fertility-in-prosperity-and-recession/>. A number of his papers are located on the CIS website: <https://www.cis.org.au/>

⁹ See 'The Protestant Sects and the Spirit of Capitalism', in H. H. Gerth and C. Wright Mills, *From Max Weber*, London: Routledge, 1948, pp. 302-23; see especially pp. 304-5.

baptized he will get the patronage of the whole region and he will outcompete anybody.' Further questions of 'why' and 'by what means' led to the following conclusion: Admission to the local Baptist congregation follows only upon the most careful 'probation' and after closest inquiries into conduct going back to early childhood... Admission to the congregation is recognized as an absolute guarantee of the moral qualities of a gentleman, especially of those qualities required in business matters... When a sect member moved to a different place, or if he was a travelling salesman, he carried the certificate of his congregation with him; and thereby found not only easy contact with sect members but, above all, he found credit everywhere.

One problem, here, however, is that a person who wishes to be a banker may well not be keen on some of the requirements of the Baptist group – Weber refers to such things as frequenting taverns and playing cards – and may, surely correctly, think that these are not relevant to his probity as a banker. While, equally, devout Baptists may not be too keen on people are joining them not because they are saved, but because they covert the certification needed if they are to be trusted as a banker.

Understandably enough, these kinds of considerations have led over time to functional differentiation, and also to the provision of certification by third parties. American Express, for example, will – for a fee – provide you with certification as to your credit worthiness, which you need to maintain over time. Unlike the Baptists, this 'membership' is good only for American Express to honour payments using their card. But at the same time, it is accepted pretty much on an international basis.

In the case of American Express, they are constrained to accept the legitimate use of their card, and you not to mis-use it, by self-interest. If the American Express card suddenly stopped being honoured by hotels, airlines and so on who had indicated that they accepted it, 'members' would leave, and shift to Diners Club, or other premium charge cards, instead. While – on the other side – if one started to

charge as much as one could to the American Express card, knowing that one could not in fact afford to pay it back when the account was presented, one would know that the consequences would be dire. Not only would one lose the use of the American Express card, but they would doubtless report your financial behaviour to credit agencies, so that it would take a long time to re-establish a credit record which enabled you to get credit from anyone else, either.

5. The Structure of Certification

In the case of American Express, everything works well, in the sense that what people have an interest in doing serves to preserve how the institution works. But this may not always be the case. I have already referred to cases which may be problematic, if we rely on 'influencers' who are, in fact, being paid to recommend products to us. In such cases, if we follow them, we may find that the results are not what we have hoped for.

If one is just concerned with matters to do with personal taste, this may not matter much. But certification with problematic structures can be of major significance. Consider, for example, the 'global financial crisis'. There were different elements involved in this. But it seems plausible that a key one, was that, when complex financial products were produced based on mortgages and other forms of debt, people made use of ratings by credit rating agencies, to judge what kind of risk was involved in holding these things. In the United States, as a consequence of what seems to have been a combination of government policies aimed at getting lenders to grant mortgages to people to whom they would not normally have wished to do, and a system (which in other circumstances can work perfectly well¹⁰) under which those who initiated the mortgages were not the people who ended up holding them, this led

¹⁰ My own experience, when living in the U.S., was that we had a mortgage initiated by one institution, which I think then sold it on, while the servicing of the mortgage was handled by a third institution, located in another part of the country!

to problems. These mortgages were put together with others, and products based on them were sold on to other people.

The key problem seemed to me to be not that all this was going on, but that the quality of the mortgages – and thus of these packages – was being certified by companies who specialized in doing this. There would, as far as I can see, have been no problem at all, if this certification had been done well. For it might make perfectly good sense for an investor to hold – as part of a portfolio of investments – things which have a 'junk' status. That is to say, if, say, a company whose prospects of doing well are not highly rated has borrowed money, bonds which they have issued will sell at a considerable discount. They will offer a potentially high rate of return to investors. But this will be balanced by the fact that it is known that there is a fair chance that the firm may not be able to make the payments. The higher rate of return is balanced by a higher risk of default. If an individual, or a company, is making investments, it is perfectly sensible for them to spread their holdings, so that they hold some 'junk' – while, at the same time, also holding other financial instruments which are much safer, but pay a much smaller return.

A key problem in the financial crisis, was that credit-rating agencies gave misleading descriptions of many of the complex financial instruments the quality of which they were being asked to certify. As a result, people ended up holding these things, thinking that they were making perfectly respectable investments, when, in fact, they were holding financial instruments built upon mortgages which it was not likely that people would be able to service unless there continued to be incredibly high appreciation in the prices of property.

Why did the agencies do this? The explanation seems to be that the financial structure of the process of certification was defective. To make sure that the interests of the certification agency and the people who will end up holding these instruments are aligned, it is necessary that it is the purchasers of these instrument who will pay for the certification

agency's services. But, in fact, things were structured in such a way that the agencies were being paid by the people who were *selling* these things. They made it clear that unless a 'good' rating was given to them, they would not continue to use that agency. This, it seems to me, played a key role in the disaster that hit us in the global financial crisis. For all kinds of institutions who thought that they had made safe investments – and had pieces of paper to prove it – in fact found that they had in fact been making incredibly risky gambles which did not pay off.

There is, I believe, a general lesson in this. If we are going to make use of other people's services, and, in particular, if we are going to be influenced by them, or depend on their certification of things, we should make sure that we are paying. If those offering these services are, in fact, being paid by other people, it would seem to me very surprising if they in fact acted in our interests. And this is true, however many times other fools indicate that they 'like' these services. For their appraisals are only of value if *they* know what they are doing. And there is a risk that they will know no more about this than do we.

The internet, and social media, are really important, and have added immensely to our lives. But it seems to me that we should be really wary of anything that is 'free'. In some cases – as with the development of some software – people do produce 'free' material out of benevolence. But it is also the basis on which many highly profitable companies operate. And here we need to be really careful and ask ourselves: just how are these people able to make a lot of money, if they offer us their products without payment? And is how they are operating, in fact in our interests!