

*Smartphones, social networks, and fake news: Institutional Economics approach to decision making in the 21st century*

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**Abstract:** Institutional Economics relies on a practical understanding of decision making. Institutions, habits, and cumulative causation introduce not only information, but also how to make decisions. Today's world offers new challenges for the practical comprehension of decisions. Since the end of the 20th century, the Internet has drastically increased the quantity of information available to a decision-maker. Furthermore, the beginning of the 21st century brought a boom in social networking, which changed interactions, habits building, institutional spreading, and emulative logic. This study thus aims to approach the 21st century information technology to Institutional Economics' reading of decision making.

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**Keywords:** Social networks, smartphones, fake news, Institutional Economics

***Introduction***

Realism plays a prominent role in the core of the Institutional Economics approach to decision making. Institutional Economics' founding fathers relied on pragmatic philosophy, looking for a practical understanding in decision making. Hence, habits (and institutions as outgrowths of habits) are the key decision-making issues resulting from cumulative causation.

From an evolutionary perspective, habits carry information, emulative logic, and vested interests. Behaviors of others impact how decision-makers interact through direct or indirect observation, emulation of a social class, and a corporation hegemony social structure. However, today's world differs from the times of Institutional Economics' founding fathers. The evolution of technology toward receiving information and interacting with others has dramatically changed decision making. Since the end of the 20th century, the Internet has drastically increased the quantity of information available to a decision-maker. The decision-maker's main task was to select reliable sources of information and recognize that pre-Internet habits may be obsolete. Such adaptation requires time.

The beginning of the 21st century brought a boom in social networking, which changed interactions, habits building, institutional spreading, and emulative logic. Social networks have become not only a filter of information, but they also have been used to give meaning to information, making fake news widespread and intensifying emulation and corporative hegemony. This study aims to approach the 21st century era of social networks to Institutional Economics' reading of decision making, specifically examining habit building, social interaction, emulative logic, and corporative hegemony. The next section analyzes the impact of smartphones and social networks on decision making, arguing that problems pertaining to their use are ceremonial and not instrumental, which is different from what is usually argued. What follows is a section emphasizing that social networks persuasion means social persuasion in modern times, seeing fake news as a ceremonialism that culminates in domination, and the influencer as an expression of corporate hegemony. The paper ends with some closing notes.

### ***Smartphones and Social Networks***

Nowadays, smartphones are much closer to computers than mobile phones. A mobile device used to be an important interaction device at the end of the 20th century, through which

people received and made telephone calls. Mobile phones have evolved to smartphones. Today, we check e-mails, text, listen to music, take pictures, record videos, surf on the Internet, use social networks, and we rarely make calls through our smartphones. Despite the lack of telephone calls, smartphones have become the main asset of interaction at the beginning of the 21st century, being especially popular among youngsters. There is a debate about illnesses generated by smartphones and social networks (Panova and Carbonell 2018, Darcin *et al.* 2016). These illnesses are usually loneliness, anxiety, depression, and smartphone addiction (Bian and Leung 2015, Darcin *et al.* 2016, Veissière and Stendel 2018). Youngsters are more likely to develop those conditions (Aljomaa *et al.* 2016, Cha and Bo-Kyung 2018). Studies and research on the problem of using smartphones and social networks usually address the existence of social networks as the source of the problems. This paper offers an institutional reading of the harm in using smartphones and social networks in which the technology itself is not the key issue.

Instrumentalism and ceremonialism associated with behavior or decisions are in the core of Institutional Economics. Instrumentalism relies on the problem-solving process of a community, that is, its “efficient cause,” and ceremonialism is based on an institutional provision of distinction, status, privilege, that is, the “sufficient reason” (Bush 1987). For Paul Dale Bush (1987, 1994), both instrumental and ceremonial values warrant patterns of behavior in a society. Our criticism of the usual studies on smartphones and social networks relies on those studies pointing out instrumentalism as the problem of smartphones and social networks. Usually, the issue is that smartphones and social networks have a negative impact on society. We agree with this statement for different reasons. It is not a terrible thing having a computer called “smartphone.” We can find places and information wherever we are. We can call a driver or food delivery 24-7. We can receive information in real time. Social networks are not terrible either. They help us to re-establish connections with old friends or communicate with relatives living on the other side of the Earth, for instance. Hence, the possibilities generated by

smartphones and social networks in our lives are amazing. From this perspective, it is hard to see what the problems are because they are ceremonial and our description was instrumental.

For a technology to take place in a society, it must be encapsulated by society institutions (Bush 1987). However, ceremonial encapsulation adapts a technological innovation to ceremonial values (Junker 1982, Waller 1987). Problems regarding the use of smartphones and social networks are not in their technologies. The problem is us. The problems are the institutions that build us. Today, institutions are not very different from those in the pre-social-networks world. The main difference is, as connection is in the core of using smartphones and social networking, we deal with institutions more intensively than before. This is what smartphones and social networks provide. Nowadays, institutions are out there, in our minds, and vibrating or beeping in our pockets. Every time we check our social networks, institutions get strongly reinforced. Consumption, hobbies, daily actions, work activities of people who are close—or people we would like to be close—to us powerfully reinforce habits of thought and lifestyles. This paper addresses that habits of thought and lifestyles are the key problems of smartphones and social networks. They are the forms of ceremonialism that encapsulate instrumentalism, the key issue being the same as that identified by Thorstein Veblen: imbecile institutions of a predatory society (Veblen 1899).

In 1987, Walter Neale stressed three key elements to characterize an institution: (1) “people doing”; (2) “rules” (i.e., generating repetition, stability, and predictable order); and (3) “folk views” (justifying or explaining the activities that are going on). Neale (1987) offered those elements for the description or identification of institutions because they are mental constructions that can be characterized and identified but cannot be observed as a whole. In his approach to identify an institution, Neale presented a key variable to the institutional analysis: observation. Institutionalists identify institutions through anthropological observations (Neale 1987). Hence, observation is central to an institutionalist built her or his analysis. However, it

is also a key variable in understanding decision making from an institutionalist perspective. “People doing” means that behavior culminates from creation of knowledge according to the perspective of the decision-maker as someone who observes and interprets what occurs around her or him (Almeida 2011, 2014).

If a behavior is learned by observation, someone is to be recognized as a model of that behavior. By observing others, people learn which behaviors generate acceptable and/or desirable responses, and concepts of acceptable and/or desirable responses are also learned. Models are part of the habits of thought; they are mental constructions associated with “folk views” of how to behave. Observation is also in the core of using social networks, as observation is essential to their use. By observing a timeline or feed news, social network users interact with others. Through this interaction, social network users observe models that reinforce institutionalized behavior and thoughts.

In the world of smartphones and social networking, the observation of institutions is more intense than ever before. In the past, when people were at home, they were less exposed to institutional pressure. To deal with institutions, people had to watch TV or read a magazine. Today, even at home, people are much more exposed to institutions because they are pushing their smartphones. It is the “calling of ceremonialism.” Smartphones and social networks made imbecile institutions much more present and active in daily life. Additionally, the trophies showing is very intense in social networks. Usually, there is no place for sadness, failures, or boringness. Social network users observe very intensely ceremonial issues in our society generating more pressure to show social achievements. Today, there is a generation who started using social networks in their early teen years. Among them, anxiety, depression, and suicide have a tragically greater incidence. As far as we understand, the reason for this is not the social networks, but what they constantly give to their users.

## *Persuasion, Fake News, and Corporate Hegemony*

Another main criticism of social networks relies on the persuasion of users. This criticism affirms that social networks are big businesses focused on selling things. Again, the key issue is the institutions of society and persuasion as part of them. Institutions, regularly, persuade decision-makers to buy goods and follow certain lifestyles. Geoffrey Hodgson called it “reconstitute downward causation” (Hodgson 2003, 2004, 2007). By observing and emulation of “people doing,” decision-makers acquire and reinforce institutionalized habits. Hence, institutions can offer new perceptions and dispositions to decision-makers rebuilding wants and preferences (Hodgson 2003, 2004). It is not social networks that persuade us. Society has been persuading us since barbaric times, and social networks only intensify our interaction with institutions.<sup>1</sup>

There is no limit to persuading a social network user, and even truth is not excluded. For instance, social networks have made fake news a serious contemporary social problem. Fake news is not a product of social networks. They have been part of our societies since the recorded history. For example, slavery and colonialism relied on fake news. Fake news is a ceremonialism that justifies domination. In the past, a society would claim to be stronger, more developed, or democratic, and then, it would dominate other societies. These are ceremonial justifications for domination. When presidents are elected with the support from fake news, fake news are used for domination.

The reason social networks make fake news a serious problem is the combination of an intense contact of users with institutions and the consumption of information through social networks (Celliers and Hattingh 2020). The reason for this is that information consumed through social networks can be separated from sources, and only a fragment of the whole information can be shown, leading to misinformation (Hanson 2007). Additionally, social

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<sup>1</sup> We use the term “barbaric times” as in Veblen (1899).

network users tend to consume news by reading only headlines (Flinthan *et al.* 2018), which are, in most cases, sensationalists and provide incomplete and superficial knowledge about the subject. Hiroko Kanoh (2018: 1706) explains that when people navigate social networks, they are in a “relaxed mode for informational consumption instead of a critical-thinking mode.” In this sense, the degree of persuasion can increase sharply because individuals do not focus on the source of the news that appears on their timeline.<sup>2</sup>

Furthermore, “bubble effects” are common in social networks. Social networks enable people to get together and establish relationships with those who share the same set of ideas. It does not generate shock or tension, not allowing plurality and the evolution of different ideas. On the other hand, in social networks, users can choose to be in contact with a specific kind of people and have the ability to “unfriend” or “unfollow” those who do not share the same ideas (Lazer 2018). Hence, social network users are more likely to consume information offered by people who are more like-minded or congruent with their ideas (Celliers and Hattingh 2020). Thus, social networks users create an “interaction bubble,” meaning that people interact with those who have similar opinions and ideas, and consume information provided from those carrying similarities. Bubbles are fed by social network users’ tendency to read and share information, without checking, that matches their own ideology (McIntyre 2018: 16). Nowadays, social network users are manipulated through fake news to discredit science and build scientific facts without scientific evidence—such as the flat Earth. It is a way to dominate people’s decision making through a Lysenko effect (see Bush 1987). The bubble effect have had a great impact on how individuals perceive the environment around them (Flinthan *et al.* 2018), as the bubble effect means “the only thing that matters is that the information falls in line with what the social media user wants to hear and believe” (Celliers and Hattingh 2020: 245). Social network information is seen as more important than facts and science by users. The

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<sup>2</sup> Lee McIntyre (2018) pointed out that 62% of US adults reported getting their news from social networks, 71% from Facebook, which means 44% of the American population.

consumption of information through social networks can give the feeling of wisdom improvement to users, when they could actually shatter the critical capacity of thinking.

Furthermore, as Professor William Dugger noted, the 20th century institutions became dominated by corporate hegemony (Dugger 1980, 1989). Hence, the instrumentalism of the social networks was inserted in the ceremonialism of corporate hegemony institutions and, obviously, encapsulated by it (see Waller 1987). The only reason that there are social networks is that they were encapsulated by institutions dominated by corporate logic. Instrumentally, social networks can be about connecting people, and in our society's ceremonialism, they are about achieving corporative ends. Evidently, persuading us to buy products is a key corporative end. Users reflect their view of the world in their social networks: they present themselves how they would like to be seen and they connect with people they like. They build a social network persona that interacts with other created personas. From a Veblenian perspective, people try to offer a "status-showing version" of themselves, a version that would triumph in the modern barbaric world. It is one layer of corporate hegemony in social networks. The influencer is another layer.

An influencer is a model that was institutionalized or had its institutionalization reinforced by social networks. An influencer means the status without the power of a celebrity in social networks (see Dugger 1988). This status reinforces lifestyles and the emulative process. Not only is the lifestyle of an influencer emulated, but also her or his celebrity feature. To be an influencer become an "enabling myth," as social network users emulate being an influencer by understanding that she or he has the job of posting her or his life on a social network: a modern time's conspicuous leisure. Obviously, an influencer is a social network spotlight for goods to be conspicuously emulated. It is common business enterprises sending their products as gifts to influencers who give back by showing the products in their timelines or status. Sometimes showing those gifts is explicit: influencers inform that they are displaying



a product that was given to them. Other times, influencers introduce gifts by product placement in their posts. Influencers can also have a great importance in building and supporting the bubble effect, as social network users tend to have great confidence in information provided by influencers. Moreover, the believability of false information has more command when it comes from influencers (Celliers and Hattingh 2020).

### ***Final Comments***

Currently, there are several criticisms pertaining to the use of smartphones and social networks. Usually, they rely on technological analysis. Our argument is that the problems related to smartphones and social networks are not technological in nature, and it is not new: they are the imbecile institutions of our society. Social networks reflect and strongly intensify institutions through constantly observing their habits. Furthermore, institutions are more active as they are in smartphone sending pushes through social networks. Another main criticism of social networks relies on the persuasion of users that is not generated by technology either. Institutions persuade people to rebuild their desires, tastes, and aspirations. Social networks mean a new channel of interaction among people and institutions, but the interaction is still the same as before the Internet era. Clearly, there are social networks because they were encapsulated by the ceremonialism of corporate hegemony. Social networks are vehicles to show barbaric habits and social trophies. They also created the influencer, a today's conspicuous leisure model, and a display of business enterprises' goods. Social networks also strongly intensified fake news, a ceremonialism that justifies domination.

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