Robert Shiller. ***Narrative Economics: How Stories go Viral and Drive Major Economic Events*****, Princeton University Press, Princeton/Oxford, 2019. xix+ 377 pp.**

Robert Shiller's most recent book attempts a formidable task of introducing narratives into economics. By doing so, it strives to be nothing short of a beginning of "a new theory of economic change" (Shiller, 2019: 3). Shiller is well poised for this attempt. He is most known for his work on asset prices (Case-Shiller index fame) and the irrationality of financial markets, for which he received the Nobel Prize in 2013 (or rather The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel). He covered the same subject in a more popular tone as the author of the best-selling *Irrational Exuberance*, originally published in 2000. He also co-authored two very successful books with George Akerlof (another Nobel Prize winner) – *Animal Spirits* in 2009 and *Phishing for Phools* in 2015.

Shiller is primarily concerned with the virality of stories – what makes them contagious and interesting for repetition. The importance of this book lies in the interest for how the "narrative contagion affects economic events" (Shiller, 2019: xi), and indeed substantially drives economic fluctuations (Shiller, 2019: 26). The principal strengths and weaknesses of this book stem from this connection. It is worthwhile to note that this interest in combining epidemiology and economics predated the Covid-19 pandemic, as the book was originally published in October 2019. There is also an earlier and briefer version, which first appeared as Shiller's presidential address at the American Economic Association, published as NBER working paper and then as a journal article in *The American Economic Review* in 2017. This elementary manoeuvre has, however, gained a note of familiarity as a result of the pandemics.

Shiller is able to illustrate the various narrative contagions with the use of two databases: he uses Google Ngrams for the frequency of appearance of key terms in books and ProQuest News and Newspapers for newspaper articles and advertisements. Shiller strives to provide enough historical examples of viral narratives to convince the reader of their importance to economic processes. He peppers the book with diverse bits of information, which make for a fun and informative read. To a certain extent, it even reads like a compendium of trivia. The reader is informed of the circumstances of the composition of Happy Birthday, the napkin upon which Laffer's curve was first drawn, the emergence of rolling suitcases, the closure of Wall Street at the beginning of World War 1, 1929 crash-related suicides, the connections between Hitler and autosuggestion, and many more.

The book is structured in four parts. Part I introduces the basic concepts of narrative economics and borrows from epidemiology and neuroscience to do so. It also uses some famous examples of virality (bitcoin, Laffer's curve, Rubik's cube) to drive its point across. Part II contains a list of key propositions describing the shapes, sizes and crucial aspects of narratives (speed, size, visibility, constellations of narratives, economic impact, truth and falsehood in narratives, reinforcement and human interest and identity). Part III contains the bulk of the book and is mostly concerned with nine perennial narratives (organized in nine chapters), providing examples of their emergence through time. Panic versus Confidence outlines the role of narratives in crises, and particularly the role of the memory of the Great Depression. Frugality versus Conspicuous Consumption explains the links between lifestyle choices and economic consequences, particularly the exacerbation of crises through modesty. The Gold Standard versus Bimetallism describes the surprisingly vibrant idea of the intrinsic value of money. The chapters "Labor-Saving Machines Replace Many Jobs" and "Automation and Artificial Intelligence Replace Almost All Jobs" deal with the fears of an adverse effect of technological progress on employment. "Real Estate Booms and Busts" analyses narratives covering the rapid increases of value and busts in land and housing, and "Stock Market Bubbles" does the same for securities markets. "Boycott, Profiteers and Evil Business" describes the anger at businesses, particularly due to rising prices. In contrast, "The Wage-Price Spiral and Evil Labor Unions" is about narratives connecting union activity and inflation. A brief Part IV describes the needed future research, including improvement in research allowing for the routine data collection that could allow for a future comprehensive study of economic narratives.

This book should be pivotal as it opens a mostly ignored area within mainstream economics. Narratives and their acceptance have been recognized as an important subject within philosophy, sociology, psychology, but seldom in economics. And this discovery of the narrative is vital, even though it may seem odd from the point of view of mainstream economics.

Mainstream economics tends to tell its stories through neat mathematical models. Indeed, Shiller's book provides an appendix with a modified epidemiological model to explain the virality of stories. This provides a needed methodological element. However, there is also the more serious issue of causality. The pretence of the book is that narratives cause economic events but can only point to instances in which narratives were connected to such events. In other words, there is no way to verify or falsify the claimed causality. This is not a mistake of the author, but rather an inherent feature of his subject. After all, how could one prove or refute that a narrative has influenced countless decisions that make up economic trends and processes? The most that one could hope for is showing that it plausibly could – and then build a case on a sequence of inferred examples. And this is precisely the research that the book supplies. However, this combination is more likely to prompt defensive responses than to be directly useful to applied economics, and it is not likely to change much within the mainstream. The playful sequence of examples to prove a larger point is more likely to be taken for a substitute for scientific exactness.

The inherent opacity of the subject will likely raise eyebrows itself – although it should not. As the old parable goes, a drunken man is looking for his lost keys under a streetlamp, but he is unable to find them. A passer-by suggests he looks beyond the light of the streetlamp, in the unlit bushes. "But I could not see without the light," responds the drunken man and continues his futile search within the glow. This story is said to reflect upon the philosophy of science. All researchers can either stay within the confines of existent concepts, methods and research agendas (within the light) or they can try and innovate and develop their own approach (venture into the murky bushes). Social sciences and economics specifically have greatly benefited from researchers willing to do the latter (institutional analysis, monopolistic competition, aggregate demand, behavioural economics, New Trade, New Economic Geography, complexity studies, to name a few). However, such a strategy will likely also invite doubt from the mainstream point of view. For all its inherent imperfection, the subject of narrative economics is both relevant and underexplored. The subject deserved a treatise by a brilliant author, and Robert Shiller delivered. Economic science would benefit immensely if the ideas from this book were to go viral themselves.

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