

Rational Choice and Bounded Rationality

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Eldad Davidov (davidov@soziologie.uzh.ch)

Assistant: Vanita Matta (matta@soziologie.uzh.ch)

Rational Choice (or rational action) theory (RCT) strives to explain the behavior of social systems by explaining the behavior of the actors in the system. Hence, it describes the motivations, preferences, restrictions on behavior and behavior itself of individuals as well as groups or organizations in society. Rational choice theorists are divided in the literature into advocates of different versions of rational choice. Such versions are for example the narrow one used by many neoclassical economists, in which only objective constraints are taken into account in a utility maximization process. Another is the wide version, in which there are no limitations on the constraints and the preferences, which can be taken into account in a model, or the bounded version suggested by Herbert Simon, in which there is no maximization process at all in a decision making but rather satisficing. Publications dealing with the different versions of rational choice and its empirical testing or criticizing rational action will be discussed during the seminar.

Tasks:

- 1) Participants are expected to make a presentation for one course-session. The presentation is combined with a discussion with the other participants.
- 2) Participants write an essay at the end of the seminar (about 10 pages, double spaced, Font 12). The essay should summarize the paper presented and discuss how it is related to other papers discussed during the semester.
- 3) One should read the papers to be discussed in advance – before the meeting.
- 4) One is expected to participate in the discussion in class, bring questions.

Suggested literature (you are welcome to suggest your papers):

The following literature list is in part just a suggestion. Students are welcome to propose alternative papers, especially dealing with empirical tests of rational choice theory.

** = Paper has to be presented by someone

* = the topic of the paper has to be presented (if you know another paper on the topic, you may suggest it)

Until the 15th of February 2010 every student has to name three papers that s/he would like to work on (with priority A, B, C; please send to matta@soziologie.uzh.ch). In the first session s/he will be assigned one of those papers. Please make use of the possibility to inform yourself in advance about the rough content of the papers; e.g. use literature databases or ScholarGoogle and read the abstracts. The papers will also be available as pdf-files at the webpage <http://www.suz.uzh.ch/davidov/lehre.html> . Send requests for user name and password to matta@soziologie.uzh.ch.

1) Introduction to the course topic

2) Utility function and Von Neuman Morgenstern

*Schoemaker, P.J.H (1982). The Expected Utility Model: Its Variants, Purposes, Evidence and Limitations. *Journal of Economic Literature*, Vol. XX, 529-563.

3) Game Theory:

*Fink, Evelyn C., Scott Gates and Brian D. Humes (1998). *Game Theory Topics. Incomplete Information, Repeated Games, and N-Player Games*. A SAGE University Paper. Series "Quantitative Applications in the Social Science" No. 07-122. (selected pages)

4) Narrow and wide versions of rational choice:

Karl-Dieter Opp (1998). "Can and Should Rational Choice Theory Be Tested by Survey Research? The example of Explaining Collective Political Action" in *Rational Choice Theory and Large Scale Data Analysis* edited by Hans Peter Blossfeld and Gerald Prein. Social Inequality Series, Oxford, 204-230.

**Karl-Dieter Opp (1999). Contending Conceptions of the Theory of Rational Action. *Journal of Theoretical Politics* 11(2): 171-202.

5) Bounded Rationality and Satisficing

**Herbert A. Simon & Andrew C. Stedry . Psychology and Economics. In G. Lindzey and E. Aronson (Eds). *The Handbook of Social Psychology* (2nd edition, vol. 5, chap. 40). Reading MA. Addison Wesley.

H. A. Simon (1997). *Models of Bounded Rationality vol. 3. Empirically grounded economic reason*. Chapters 1-4, 269-298. The MIT Press, Cambridge, Mass. London, England.

Herbert A. Simon. A behavioral model of rational choice. *Quarterly Journal of Economics*, 69, 99-118.

Simon H. A. (1985) "Human Nature in Politics: The Dialogue of Psychology with Political Science. *The American Political Science Review*, 79, 293-304.

6) The Theory of Planned Behavior/Ajzen and Fishbein (attitudes, social norms and restrictions)

**Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50, 179-211.

**Bamberg, S., Ajzen, I., & Schmidt, P. (2003). Choice of travel mode in the theory of planned behavior: The roles of past behavior, habit, and reasoned action. *Basic and Applied Social Psychology*, 25, 175-188.

Schifter, D. E., & Ajzen, I. (1985). Intention, perceived control, and weight loss: An application of the theory of planned behavior. *Journal of Personality and Social Psychology*, 49, 843-851.

Ajzen, I., & Fishbein, M. (2005). The influence of attitudes on behavior. In D. Albarracín, B. T. Johnson, & M. P. Zanna (Eds.), *The handbook of attitudes* (pp. 173-221). Mahwah, NJ: Erlbaum.

Ajzen, I. and Fishbein, M. (2008). Scaling and Testing Multiplicative Combinations in the Expectancy-Value Model of Attitudes. *Journal of applied social psychology*, 38, 2222-2247.

7) Prospect Theory

Daniel Kahneman and Amos Tversky (1979). Prospect Theory: an analysis of decision under risk. *Econometrica*, vol. 47(2), 263-291.

Tversky and Kahneman (1992). Advances in Prospect Theory: Cumulative Representation of Uncertainty. *Journal of Risk and Uncertainty*, 5: 297-323.

8) Critics of Prospect Theory and new conception of bounded rationality

Gerd Gigerenzer and Reinhard Selten (1999). *Bounded Rationality-the adaptive toolbox*. Cambridge, Mass. Chapters 1-3 (1-50), 11, 13 and 15 (191-214, 233-248 & 263-280).

Gigerenzer, G., and D.G. Goldstein (1996). Reasoning the fast and frugal way: Models of Bounded Rationality. *Psychological Review*, 103, 650-669.

9) Application of Prospect Theory

Shlomo Benartzi and Richard H. Thaler (1995). *Myopic Loss aversion and the equity premium puzzle*. Working Paper Series, Working Paper No. 4369. National Bureau of Economic Research, INC. (requires previous preparation or reading of prospect theory).

10) Empirical tests of rational choice models

Bamberg and Schmidt (1998). "Changing Travel Mode Choice as Rational Choice. Results from a longitudinal Intervention Study". *Rationality and Society*, 10, 223-252.

Andreas Diekmann and Peter Preisendoerfer (1998). Environmental Behavior- discrepancies between aspirations and reality. *Rationality and society*, 10, 79-102.

Davidov, Schmidt and Bamberg (2003). Time and Money. An empirical explanation of behavior in the context of travel-mode choice using the German Microcensus. *European Sociological Review*, 19, 267-280.

Davidov (2007). Explaining habits in a new context. The case of travel-mode choice. *Rationality and Society*, 19(3), 315-334

Lüdemann (1998), "Framing and Choice of Transportation Mode. Testing the Discrimination Model vs. SEU Theory. *Rationality and Society*, 10, 253-270;

Bamberg, Kühnel, Schmidt (1999). "The Impact of General Attitude on Decisions: A Framing Approach". *Rationality and Society*, 11(1), 5-25.

Cialdini, Robert B.; Reno, Raymond R.; Kallgren, Carl A. (1990). A focus theory of normative conduct: Recycling the concept of norms to reduce littering in public places. *Journal of Personality and Social Psychology*, 58(6): 1015-1026.

11) Criticisms of RCT, open questions and advances

Green, Donald P. and Ian Shapiro (1994). *Pathologies of Rational Choice Theory. A Critique of Applications in Political Science*. New Haven: Yale University Press.

Friedman, Jeffrey (1996). *The Rational Choice Controversy. Economic Models of Politics Reconsidered*. New Haven: Yale University Press.

Lindenberg, Siegwart (2008): Social Rationality, Semi-Modularity and Goal-Framing: What Is It All About? *Analyse & Kritik* 30, p. 669-687.

Boudon, Raymond (2003). Beyond Rational Choice Theory. *Annual Review of Sociology* 29, p. 1-21.

12) Values and attitudes

**Davidov, E., Bart Meuleman, Jaak Billiet and Peter Schmidt (2008). Values and support for immigration: A cross-country comparison. *European Sociological Review*, 24(5), 583-599.

Fontaine, Johnny R. J., Bart Duriez, Patrick Luyten, Jozef Corveleyn and Dirk Hutsebaut (2005). Consequences of a Multidimensional Approach to Religion for the Relationship Between Religiosity and Value Priorities. *International Journal for the Psychology of Religion*, 15(2), 123 – 143.

Duriez, Bart, Patrick Luyten, Boris Snauwaert and Dirk Hutsebaut (2002). The importance of Religiosity and Values in predicting Political Attitudes: Evidence for the continuing importance of Religiosity in Flanders (Belgium). *Mental Health, Religion & Culture*, 5(1), 35 – 54.