

## **Rational Choice versus Bounded Rationality?**

FS 2011

Eldad Davidov (davidov@soziologie.uzh.ch)

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

Decision making is part of our daily life. Therefore, as sociologists and social scientists it is important to understand how people make decisions. Decision making theories in general, and Rational Choice (or rational action) theories (RCT) in particular describe 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. 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, which takes the limited capacities of human beings into account. Publications dealing with the different versions of rational choice and its empirical testing or criticizing them will be discussed during the seminar.

Evaluation is **not** based on the English command. It is **not** mandatory to interact in English, but rather an opportunity for those who are interested in it.

Die Beurteilung für das Seminar basiert nicht auf der Beherrschung der englischen Sprache. Es ist nicht verpflichtend, während der Sitzungen auf Englisch zu kommunizieren; denen, die daran interessiert sind, soll aber die Gelegenheit dazu gegeben werden.

Tasks:

- 1) *Making a presentation for one course-session.* The presentation is combined with a discussion with the other participants. The presentation should summarize the paper and last about 45 minutes. The presentation will be combined with a discussion. Prepare two or three discussion points.
- 2) *Writing an essay* at the end of the seminar on a topic, which is related to the seminar. Details about how an essay should look like will be discussed during the semester. In a nutshell: It will include further literature search and discuss a topic which was discussed during the seminar, for example: Comparing two theories; choosing a practical problem and discussing theoretically and eventually empirically, if the problem may be explained by one of the theories, etc.
- 3) *Reading the papers* to be discussed in advance – before the meeting.
- 4) *Participating in the discussion* in class, asking questions.

Until the first meeting (24<sup>th</sup> Feb 2011) at the latest, every student has to name three papers that s/he would like to present, each of them will be given a priority level - A, B, or C. Please send the titles of the three papers to matta@soziologie.uzh.ch. Try to send your preferences even earlier than the beginning of the semester. After the first session, every participant will be assigned one of those papers. Please inform yourself in advance about the content of the papers; use literature databases or ScholarGoogle and read the abstracts. Most of the papers will also be available as pdf-files in the respective [OLAT-Course](#).

## Suggested literature and plan of the seminar:

### 1) Introduction to the course topic, plan of the seminar.

### 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) Narrow and wide versions of rational choice:

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

Optional:

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.

### 4) 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* (2<sup>nd</sup> edition, vol. 5, chap. 40). Reading MA. Addison Wesley.

Optional:

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.

### 5+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.

Optional:

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.

Optional:

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

### **8) 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.

Optional:

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.

### **9+10) Empirical applications 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.

Optional:

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) More models of bounded rationality:**

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

Optional:

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).

### **12) Criticisms of RCT and further views**

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

Optional:

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.

### **13) 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).

### **14) Game Theory:**

Raub, Werner and Vincent Buskens (2006). Spieltheoretische Modellierungen und empirische Anwendungen in der Soziologie. S. 562-598 in Andreas Diekmann (Hg.), *Methoden der Sozialforschung*, Sonderheft 44/2004 der Kölner Zeitschrift für Soziologie und Sozialpsychologie. Wiesbaden: Verlag für Sozialwissenschaften.

Optional:

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.