

Journal of Socio-Economics 1998. No. 5. pp. 613-622.

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## **Rational Choice and the Diversity of Choices**

**Abstract.** The rational choice model has been criticised both on normative and descriptive grounds. It is obvious that self-interest maximising is not a universal rather a specific pattern of human choice behaviour. In economic and political life a great variation in people's choice behaviour can be found. Using a broader analytic framework than the standard rational choice modelling, a rich typology can be established to reveal the basic characteristics of choices that different people can make in different choice situations.

### **THE RATIONAL CHOICE MODEL**

There are two versions of the **rational choice model** in economics. One is to see rationality as **internal consistency of choice** and the other is to identify rationality with **maximisation of self-interest**. (Sen, 1987: p. 12)

The “choice as internal consistency” model states that the **agent should maximise her or his preferences** in order to be considered as a rational agent. In a more accurate formulation the model states the an agent is rational if her or his **preferences** are **transitive** and **complete** and she or he **chooses** what she or he **most prefers** among the available alternatives. In circumstances of risk and uncertainty other requirements are added to the model, namely **continuity** and **independence** of preferences. (Hausman, & McPherson, 1996: pp. 27-33)

The internal consistency model does not presuppose anything about the preferences people may have. It represents a completely **formal version of rationality**.

The other version of rational choice model does have a **substantive claim** about what people prefer or should prefer. The self-interest maximisation view states that the agent has exclusively **self-interested preferences** and always **maximises** her or his self-interested preferences.

The **self-interested choice** has three distinct and essentially independent features. (Sen, 1987: p. 80)

(i) **Self-centred welfare**. The agent’s welfare depends only on her or his own consumption and it does not involve any sympathy or antipathy towards others.

(ii) **Self-welfare goals**. The agent’s goal is to maximise her or his own welfare and it does not involve directly attaching importance to the welfare of others.

(iii) **Self-goal choice.** Each act of choice of the agent is guided by the pursuit of her or his own goal and it is not restrained or adapted by the recognition of mutual interdependence of respective successes, given other people's pursuit of their goals.

Both forms of the rational choice model have been heavily **criticised** on **descriptive** as well as on **normative grounds**.

Behavioural decision research discovered **systematic biases** in people's preference-formation. People are rather **inconsistent** and **myopic** in their **preferences** specially in the case of **risk** and **uncertainty**. Also, they **lack** the **cognitive capacity** to maximise their utility functions.

**Herbert Simon's** research on **bounded rationality**, the **Allais paradox**, the **Elsberg's problem**, the **preference reversal effect** discovered by **Sarah Lichtenstein** and **Paul Slovic**, and the **framing effect** described by **Daniel Kahneman** and **Amos Tversky** are the most important empirical results showing that the **violation** of the axioms of the **internal consistency** model of choice is so **fundamental** that no hybrid, nearly rational model can possibly capture the actual choice behaviour of people. (Thaler,1991)

The internal consistency model of choice has serious deficiencies also from a **normative point of view**.

Internal consistency is apparently **not** an **adequate condition** of rationality. Sen argues as follows: if the agent does exactly the **opposite** of what **would help achieving** what she or he **wants** to achieve, and does this with flawless internal consistency (always choosing exactly

the opposite what will enhance the occurrence of things she or he wants and values), the agent can scarcely be seen as rational. Naturally, rational choice behaviour demands **some consistency** but consistency itself can hardly be adequate for rational behaviour. (Sen, 1987: pp. 13-14.)

Now let us turn to the self-interest maximisation model of rationality.

It seems to be obvious that **self-interest maximising** is **not a universal pattern** of human choice behaviour.

There exists the **norm-following behaviour**: people do something not because of their self-interest but because it is required by **social norms**. **Jon Elster** contrasts rational action with norm-guided behaviour.

Rational action is **outcome-oriented** while norm-following behaviour is **not outcome-oriented**. Rationality says: "If you want to achieve X, do Y". Social norms say: "Do X" or "Do not do Y" or "If you do X, then do Y" or "Do X if it would be good if everyone did X". Rationality is essentially **conditional** and **future-oriented**. Social norms express imperatives that are either **unconditional**, or if conditional, are **not future-oriented**. (Elster, 1989: p. 98.)

According to Elster people's choices are determined by **self-interest** and by **social norms** to which they subscribe. Norms are **partly shaped** by self-interest because people often adhere to the norms that favour them. However, norms are not fully reducible to self-interest. The unknown residual is a brute fact. (Elster, 1989: p. 150.)

**Amitai Etzioni** represents a similar understanding of human choice behaviour. In his view two basic sources of valuations play role in human choices. Individuals are simultaneously, under the influence of **pleasure** and **morality**. The relationship between these two major factors is that while both affect choice, they also affect one another. However, each factor is only partly determined by the other. Both pleasure and morality have a considerable measure of autonomy in **co-determining** human choice behaviour. People do not seek to maximise pleasure but to balance the service of pleasure and morality. (Etzioni, 1988: p. 63. & p. 83.)

**Amartya Sen** underlines the importance of **group-loyalty** and other **group-oriented motives** in economic behaviour. There are many cases in which people have complex motivation, both selfish and selfless in their economic affairs. In the case of Japan, for example, there is a strong evidence that beyond self-interested behaviour duty, loyalty, and goodwill have played a substantial part in Japan's industrial success. What is often called as "**the Japanese ethos**" is certainly hard to fit into any simplified picture of self-interested behaviour.

The **mixture of selfish and selfless behaviour** is one of the most important characteristics of group loyalty, and this mixture can be seen in a wide variety of group associations varying from kinship relations and communities to trade unions and economic pressure groups. (Sen, 1987: pp. 18-20.)

**Robert Frank** showed that self-interest maximisation not always leads to good results even in self-interest terms. Agents directly motivated to **pursue their self-interest** are often for exactly that reason **doomed to fail**. Self-interest maximisation **not** necessarily **maximises**

**self-interest** of the agent in real world cases. We should act sometimes **contrary** to our **self-interest** even to get self-interested rewards. (Frank, 1988: pp. 258-259.)

**Communitarian, feminist** and **environmentalist** thinkers criticise self-interest maximisation on normative grounds. They claim that this conception of rationality presupposes an **atomistic, male-biased, separative** conception of the **self**. The **agent** of the rational choice model is seen as **disembedded** from any **social, cultural, and environmental context**. (England & Stanek Kilbourne, 1990; Ferber & Nelson, (eds.) 1993)

Considering the above reported empirical and normative criticism we can agree with Amartya Sen that the concept of rationality employed in standard economics is **counterproductive**. The **rational choice model**, either in the form of internal consistency or in the form of self-interest maximisation, is **theoretically weak, empirically misleading, and unhelpful for policy making**. (Sen, 1991: p. 12.)

## THE DIVERSITY OF CHOICES

In human choice behaviour three **basic motivations** can be identified: **duty, self-interest, and love**.

**Jane Mansbridge** proposes to use duty, self-interest, and love as **interdependent** but **irreducible** motives of choice. Starting with her own case she says: “I have a duty to care my child, and I am happy by his happiness, and I get simple sensual pleasure from snuggling close to him as I read him a book. I have a principled commitment to work for women’s liberation, and I empathise with women, and I find a way to use some of my work for women

as background to a book that advances my academic carriers. Duty, love (or empathy), and self-interest are intermingled in my actions in a way I can rarely sort out.” (Mansbridge, 1990: p. 134.)

The separation of non self-interested motives as duty on the one hand and love on the other hand has a great support from a variety of scholars. **Amartya Sen** refers to these pair of motives as **commitment** and **sympathy**. (Sen, 1977) **Jon Elster** differentiates between **norms** and **altruism**. (Elster, 1989) **Christopher Jencks** uses the terms **morality** and **empathy**. (Jencks, 1990) In their famous experimental study on co-operation **Robyn M. Dawes** and his colleagues refer to **conscience** and **we-feeling** in a similar way. (Dawes et. al. 1990)

More interestingly, Manbridge’s complex view of human motivation resembles **David Hume**’s tripartite scheme of **principle-driven**, **interest-driven**, and **affection-driven behaviour**. Several things should be said about this tripartite scheme.

“First, according to Hume, actions based on interest can be very dangerous. (...) Second, he assumes, that a person’s motives are always mixed. Interests, passions, and norms conspire together to shape every human action. Nevertheless, sometimes one motive predominates and sometimes others. We can therefore speak meaningfully of largely principle-driven, largely interest-driven, and largely affection-driven behaviour. (...) Hume does not view self-interest as the hard rock on which all social life is built. He clarifies the nature of self-interested and rational behaviour by contrasting it with disinterested and irrational behaviour.” (Holmes, 1990: pp. 273-275.)

Considering the “duty, self-interest, and love” model three **aspects** of choice can be identified: the **norm-regarding** aspect, the **self-regarding** aspect, and the **other-regarding** aspect. A rich **typology** of **choice** can be developed on the basis of these categories.

Let  $A_1, \dots, A_i, \dots, A_m$  be a set of **decision alternatives** available for the agent. ( $m \geq 2$ ) Let  $N(A_i)$ ,  $G(A_i)$ , and  $S(A_i)$  be the **norm-regarding value**, the **self-regarding value**, and the **other-regarding value** of decision alternative  $A_i$ , respectively.

The agent may consider one, two or all the three of the above defined **decision variables** in making her or his choice. Suppose that the agent wishes to **increase** the value of the decision variable(s). Hence the following typology emerges.

$$(1) \quad \max D(A_i)$$

Here the agent wishes to increase (or maximise) solely the **norm-regarding value** of her or his choice. This is the case of **deontological choice** described by **Amitai Etzioni**. (1988)

$$(2) \quad \max G(A_i)$$

Here the agent wishes to increase (or maximise) solely the **self-regarding value** of her or his choice. This is the case of **rational choice**.

$$(3) \quad \max S(A_i)$$



Here the agent wishes to increase (or maximise) solely the **other-regarding value** of her or his choice. This is the case of **altruistic choice** described by **Stefano Zamagni**.(1995)

(1), (2), and (3) represent the **elementary forms of positive choices** people can make in different situations. However, there are more complex forms of positive choices as well.

$$(4) \quad \max [N(A_i) \& G(A_i)]$$

Here the agent wishes to increase (or maximise) both the **norm-regarding value** and the **self-regarding value** of her or his choice. This choice might be called **norm-constrained rational choice** since the consideration of norms usually constrains the pursuit of the agent's own interest.

$$(5) \quad \max [N(A_i) \& S(A_i)]$$

Here the agent wishes to increase (or maximise) both the **norm-regarding value** and the **other-regarding value** of her or his choice. This choice might be called as "**moral saint**" **choice** since the pursuit of the agent's own interest is not considered at all. (See Wolf, 1982)

$$(6) \quad \max [G(A_i) \& S(A_i)]$$

Here the agent wishes to increase (or maximise) both the **self-regarding value** and the **other-regarding value** of her or his choice. This choice might be called as **co-operative choice** since the agent consider both her or his own interest and the interest of others. (MacCrimmon & Messick, 1976)

$$(7) \quad \max [N(A_i) \& G(A_i) \& S(A_i)]$$

Here the agent wishes to increase (or maximise) the **norm-regarding value**, the **self-regarding value**, and the **other-regarding value** of her or his choice. This choice might be called as **social-rational choice**. **Amartya Sen**' "goal right systems" are closely related to this type of choice. (Sen, 1982)

Positive choices defined by (1),..., (7) can be represented by a **lattice structure**. (**Figure 1**)

(insert Figure 1 somewhat here)

People often make **negative choices** as well. **Jack Hirschleifer** rightly emphasised the **dark side of the force** - to wit, crime, war, and politics. He claims that all aspects of human life are responses to the interaction of the two great life-strategy options: on the one hand production and exchange, on the other hand appropriation and defence against appropriation. We need an equally subtle and structured analysis of the dark side. (Hirschleifer, 1994: p.9.)

The agent may wish to **decrease** one, two or all the decision variables in her or his choice.

Hence the following typology emerges.

$$(8) \quad \min N(A_i)$$

Here the agent wishes to decrease (or minimise) the norm-regarding value of her or his choice. This is the case of **anti-social choice** since the agent **violates** the applying norms.

(Etzioni, 1988)

(9) **min G(Ai)**

Here the agent wishes to decrease (or minimise) the self-regarding value of her or his choice.

This is the case of **irrational choice** described by **Amartya Sen** (1987)

(10) **min S(Ai)**

The agent wishes to decrease (or minimise) the other-regarding value of her or his choice.

This is the case of **hostile choice**. Studies of **envy** in **economics** are closely related to this type of choice.

(8), (9), and (10) represent the **elementary forms** of **negative choice** people can make in different situations. However, there are more complex forms as well.

(11) **min [N(Ai) & G(Ai)]**

Here the agent wishes to decrease (or minimise) both the **norm-regarding value** and the **self-regarding value** of her or his choices. This choice might be called as **self-damaging, anti-social choice** since the agent violates both the norms and her or his own interest.

(12) **min [N(Ai) & S(Ai)]**

Here the agent wishes to decrease (or minimise) both the **norm-regarding value** and the **other-regarding value** of her or his choice. This choice might be called as “**satanic**” **choice** since the agent do not want to get anything but violates both norms and the interest of others.

$$(13) \quad \min [G(A_i) \& S(A_i)]$$

Here the agent wishes to decrease (or minimise) both the **self-regarding value** and the **other-regarding value** of her or his choice. This choice might be called as **destructive choice**.

$$(14) \quad \min [N(A_i) \& G(A_i) \& S(A_i)]$$

Here the agent wishes to decrease (or minimise) the **norm-regarding value**, the **self-regarding value** and the **other-regarding value** of her or his choice. This choice might be called as **all-negating choice**.

Negative choice defined by (8),..., (14) can nicely be represented also by a **lattice structure**.

**(Figure 2)**

(insert Figure 2 somewhat here)

The above presented typology is **not exhaustive** at all. There are **mixed choices** in which different components of positive and negative choices are combined.

An important mixed choice is as follows:

$$(15) \quad \max G(A_i) \ \& \ \min [N(A_i) \ \& \ S(A_i)]$$

Here the agent wishes to increase (or maximise) the **self-regarding value** of her or his choice while at the same time wishes to decrease (or minimise) both the **norm-regarding value** and the **other-regarding value** of her or his choice. This is the case of **criminal choice** that is the combination of rational choice and “satanic” choice.

Choice types (1),..., (15) are very broadly defined. Many of them permit different **specifications**. Different models can be used to specify choice types in real world context. (**Lexicographic** versus **horizontal**, **additive** or **multiplicative** modelling) (See Levi, 1988, Bogetoft & Pruzan, 1991)

### TASKS FOR FUTURE RESEARCH

In economics and politics we should focus our attention on **variations** in people’s **choice behaviour**. (Inter-personal, inter-temporal, inter-group, and inter-cultural variations.) (Sen, 1991)

The **environment** and **personality traits** together **determine behaviour**. (Caprara, 1996) For this reason we can expect different choices from different people in the same situation. Similarly, the same people may make different choices in different situations.

The demanding task of empirical research is to discover **context-dependent patterns** in people's choice behaviour instead of uncritically presupposing rationality for all people in any circumstances.

We should address the question that **which types of choice** can be **normatively adequate** in **which choice situations**. For example, **complex choice situations**, where the choice has wide-ranging consequences and not only the decision maker but other parties are affected by the outcome of the choice, **social-rational choice** is certainly required. (Zsolnai, L. 1997)

In a quite different context **Paul Feyerabend** once said that **rationality** is just one **tradition** that is **not** necessarily **superior** to other cultural traditions of humanity. The point emphasised in this paper is that **rational choice** is just **one** among the **various choices** people can make in different choice situations. It is an **important** one but **not** always the **best** one.

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Figure 1      **The Lattice of Positive Choices**

**social-rational choice**

**norm-constrained**

**“moral saint” choice**

**co-operative choice**

**rational choice**

**deontological choice**

**rational choice**

**altruistic choice**

**{0}**

Figure 2      **The Lattice of Negative Choices**

**all-negating choice**

**self-damaging,  
anti-social choice**

**“satanic” choice**

**destructive choice**

**anti-social choice**

**irrational choice**

**hostile choice**

**{0}**