

PHD THESIS SUMMARY:
**Rationality and institutions: an inquiry into
the normative implications of rational choice theory.**

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In my dissertation, I aim to analyze what a desirable basic institutional structure looks like from the perspective of rational choice theory. While the main topic is thus normative in nature, I start by clarifying in the first part what the notion of rationality exactly entails. I do so by focusing explicitly on the economic conception of rationality, according to which a rational individual is motivated to serve his self-interest on the basis of cost-benefit calculations. Such a *homo economicus* is characterized by intentional and instrumental actions, perfectly informed beliefs and exogenously given and egoistic preferences. In my view, however, this model is inadequate if one aims to understand what it means to be rational. All of the above mentioned requirements turn out to be overly demanding in this respect.

That is why I suggest dropping these assumptions in order to construct what I label the minimal conception of rationality. Since the latter turns out to be very formal indeed, I propose two further alternatives, which focus not so much on the choice of means to achieve certain goals but rather on the choice of those goals themselves. According to the first, broad conception, actions are rational if they are based on good reasons, which are further qualified as well-informed beliefs and autonomous preferences. According to the second, expressive conception, actions, beliefs and preferences are rational if they express the things people care about. The latter requires that people can reflect upon and identify with their reasons, which implies a capacity to reflect upon and distance themselves from their own bundle of preferences.

In the second part of this dissertation, I try to show the value and limitations of these conceptions by applying them to decisions in the context of large-scaled elections. In this respect, it becomes immediately clear that the economic conception fails to explain why quite a lot of

people go out and vote. After all, a single vote has only an infinitesimal impact on the electoral result and thus does not enable people to serve their interests or realize their goals. This leads to the so-called voting paradox, according to which no rational individual would decide to vote. The standard solution is to assume that individuals vote because they derive satisfaction from the very act itself. However, this strategy is rather ad hoc and does not explain how people vote once they find themselves inside the voting booth. The expressive conception of rationality does better in this respect. It suggests that people vote because they care about democracy in general or about a particular political candidate or ideology. Since they conceive of themselves as being a good citizen (or, say, a good socialist), they express this aspect of their identity by going out to vote (for the socialist party).

In the third part of this dissertation, I analyze more fully the normative implications of the different conceptions of rationality. More specifically, I try to answer the question of which basic institutional structure is desirable if one assumes that people are by and large rational. This immediately shows that both the normative issue (what should institutions look like?) and the explanatory issue (how do rational individuals act?) are closely connected. In my view, proposals regarding institutional design and reform should be based on empirically adequate models of individual actions and motivations. This search for a realistic utopia goes against the conventional strategy of most economists who rely on the *homo economicus* model even when it fails to explain individual behavior.

To explain more fully what the normative implications are of the counterfactual assumption that all people are economically rational, I focus on the work of James Buchanan. In his theory of constitutional choice, he argues in favor of a minimal state whose only task is to make sure that the market functions properly. Buchanan thus favors a strict constitutional limitation of governments, which tend to expand beyond legitimate borders as soon as politicians and public servants are allowed to serve their own interests. In my view, however, the abovementioned criticisms of the *homo economicus* model have theoretical as well as normative implications. The empirically supported fact that a majority of individuals does not act in economically rational ways creates more room for legitimate government intervention. Expressively rational citizens will, for example, more easily agree on the desirability of a collective provision of certain public goods. In addition, expressively

rational politicians and public servants can be more easily trusted to serve the public interest rather than their narrowly defined self-interest.

As an alternative to Buchanan's one-sided focus on economic rationality (at the individual level) and the market (at the institutional level), I focus on the work of Samuel Bowles and Herbert Gintis. More specifically, I explore their work on the phenomenon of strong reciprocity, which refers to the widespread tendency of people to reward prosocial behavior and punish antisocial behavior, even if this is costly for themselves. Since this is clearly economically irrational, Bowles and Gintis propose to complement the *homo economicus* model with the *homo reciprocans* model. This model, which comes close to the expressive conception of rationality, is able to incorporate the insight that social norms surrounding reciprocity, cooperation, and fairness are crucial in regulating interactions.

At the normative level, Bowles and Gintis stress that such norms often lead to socially desirable outcomes, since they enable people to cooperate without relying on coercive and costly government intervention. This suggests that the debate between proponents of the market and of the state neglects the importance of communities in which people spontaneously interact on the basis of informal and generally prosocial norms. As such, the insights of Bowles and Gintis lead me to defend a basic institutional structure in which markets, states and communities mutually complement and reinforce each other. They also justify my general optimism as regards the capacity and motivation of people to try and improve the rules and institutions that govern their everyday lives.

Bart Engelen obtained his PhD in philosophy from the Katholieke Universiteit Leuven, Institute of Philosophy, on September 2007. He has been supervised by Professor Antoon Vandavelde (Dean of the Institute of Philosophy, Katholieke Universiteit Leuven). Currently, the author is a postdoctoral researcher at the Institute of Philosophy, Katholieke Universiteit Leuven. Contact e-mail: <bart.engelen@econ.kuleuven.be>