

One rationality to rule them all

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journals.sagepub.com/home/ssi**Peter T. Leeson**

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Abstract

The claim that rationality is 'limited, falsified and unhelpful' for explaining norms is false, for it does not apply to rationality as conceptualized by rational choice theory. Rationality as conceptualized by rational choice theory is not limited: it can be used to develop explanations of any observed human behavior. Rationality as conceptualized by rational choice theory has not been falsified: indeed, it is not falsifiable. Rationality as conceptualized by rational choice theory is not unhelpful for explaining norms: it is often used to develop explanations of observed norms, including norms that seem most puzzling. Rationality as conceptualized by rational choice theory provides a universal framework for developing explanations of human behavior.

Keywords

constraints, incentives, institutions, maximization, norms, rational choice theory, rationality

Résumé

L'idée selon laquelle le concept de rationalité serait « limité, falsifié et inutile » pour expliquer les normes est fausse car elle ne s'applique pas à la rationalité telle qu'elle a été conceptualisée par la théorie du choix rationnel. La rationalité telle qu'elle a été conceptualisée par la théorie du choix rationnel n'est pas un concept limité : elle peut être utilisée pour expliquer n'importe quel comportement humain observé. La rationalité telle qu'elle a été conceptualisée par la théorie du choix rationnel n'a pas été falsifiée, puisqu'elle n'est, en effet, pas falsifiable. La rationalité telle qu'elle a été conceptualisée par la théorie du choix rationnel n'est pas inutile pour expliquer les normes : elle est souvent utilisée pour expliquer les normes observées, notamment celles qui semblent être les plus déconcertantes. La rationalité telle qu'elle a été

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conceptualisée par la théorie du choix rationnel fournit un cadre universel permettant d'expliquer le comportement humain.

Mots-clés

contraintes, incitations, institutions, maximisation, normes, rationalité, théorie du choix rationnel

Tibor Rutar (2020) defends a role for the concept of rationality in social scientific explanation. The concept is not worthless, he avers, but 'rationality should be seen as just one valuable tool of many in the theorist's explanatory 'toolbox''. Behind this narrow defense lies a sweeping claim: 'it is now certain that rationality cannot be the singular basis of a universal, general theory of social behavior'. That claim, I contend, is false. Rationality as conceptualized by rational choice theory (RCT) can be such a basis, and in fact it is.

The *R* in RCT refers to maximizing an objective function given constraints. It does not restrict the objective function, nor does it restrict constraints. Rationality as conceptualized by RCT is therefore equally serviceable for developing explanations of behavior whose objectives are altruistic and behavior whose objectives are selfish, when people are ignorant and when they are informed, for choices made in public and choices made in private, etc.

This conception of rationality is congruous with what Rutar calls 'responsiveness to incentives' or 'downward sloping demand curves' rationality. Indeed, responsiveness to incentives and downward sloping demand curves are but implications of maximizing an objective function given constraints. Rutar describes 'intentional action' rationality as the pursuit of goals. Thus, insofar as it is inconceivable that a person could pursue her goals in a way other than she deems best given her constraints (maximization), rationality as conceptualized by RCT is congruous with intentional-action rationality too.¹ Rationality as conceptualized by RCT is, however, incongruous with what Rutar calls 'self-interested action' rationality and with what he calls 'acting for good reason' rationality, since those restrict objective functions. Likewise, rationality as conceptualized by RCT is incongruous with what Rutar calls 'full information' rationality, since that restricts constraints.

According to Rutar, 'responsiveness to incentives is not a strong enough theoretical assumption that it would enable the scholar, on its own, to formulate a precise explanatory hypothesis' of observed behavior. That is true, but it does not imply what Rutar intimates: that therefore rationality as conceptualized by RCT cannot be the singular basis of a general theory of human behavior. Rationality as conceptualized by RCT is not *itself* an explanation of anything. It is an *analytical framework for developing explanations* of observed behavior. That framework defines the rules for developing explanations according to RCT: the theorist must show how observed behavior maximizes the objective function he has hypothesized for the agent given the constraints he has hypothesized the agent faces. Until the theorist hypothesizes those things, there is no explanation; there are just rules for developing one. Thus, in Rutar's dictator-officer example, the officer's behavior cannot be predicted because her objective function and constraints

have not been specified. Rationality as conceptualized by RCT is not limited; the example is.

Rutar has it backward: the reason rationality as conceptualized by RCT *can* be the singular basis of a general theory of human behavior is because it does *not* ‘formulate a precise explanatory hypothesis’ for such behavior. Its framework is at once entirely permissive of choice environments – any objective function and constraints are allowed – but entirely stringent about how individuals may choose in those environments – only maximizing is allowed. This combination allows the theorist to develop a precise explanatory hypothesis for any particular observed behavior from the singular theoretical basis of rationality as conceptualized by RCT.

Rationality so conceptualized, it should be obvious, is unfalsifiable.² What *is* falsifiable is the explanation for a particular behavior the theorist has developed using it. That can be tested empirically provided that the constraints the theorist’s explanation specifies are observable: When they change, does observed behavior change as the explanation predicts or no?

If followed, RCT’s rules for developing explanations guarantee explanations as defined by RCT. They do not guarantee ‘good’ explanations. Some RCT explanations will specify unobservable constraints: they will be poor explanations because we cannot test them. Most RCT explanations that specify observable constraints will be falsified: they will be wrong explanations because they do not predict correctly. And many RCT explanations that are not falsified will nevertheless be implausible: they will be unconvincing explanations because they lack the ring of truth. Such is the nature of social science. But that does not prevent rationality as conceptualized by RCT from being a universal framework for developing explanations of human behavior.

Rutar’s claim that the concept of rationality is ‘limited, falsified and unhelpful in some social situations’ is therefore misleading, for it does not apply to rationality as conceptualized by RCT. *That* concept of rationality is not limited: it can be used to develop explanations of any observed human behavior. *That* concept of rationality has not been falsified: indeed, it is not falsifiable. And, as I consider now, *that* concept of rationality is not unhelpful for explaining norms, the ‘social situations’ to which Rutar refers.

Rutar’s argument that ‘norm-following [. . .] tend[s] not to be usefully explained in rational terms’ echoes Jon Elster’s argument from 30 years ago:

It is not all that hard to come up with at least a somewhat plausible account of how many norms which are individually irrational might be beneficial to the society as a whole. What is much harder to do is to provide a mechanism which would causally link these putative collective benefits to the perpetuation, and especially emergence, of a norm (Elster, 1991: 125). Of course, the preferred mechanistic building blocks of those who theorize with the concept of rationality, i.e. responsiveness to incentives and individual self-interest, are not allowed ‘since the benefits are collective rather than individual’ (Elster, 1991: 125).

(Rutar, 2020)

This argument is specious, based on a false dichotomy according to which norms benefit either the group *or* the individual. In fact, every observed norm that benefits the

group must also benefit at least one of its members, causally connecting the behavior of rational and self-interested individuals to the emergence and perpetuation of group-beneficial norms. Rutar actually points to an example of this logic: my work on vermin trials, according to which the peculiar norm of criminally prosecuting insects and rodents improved tax compliance in Renaissance Europe (Leeson, 2013a). In the absence of credible punishments for tax evasion, Renaissance citizens benefited by evading their taxes. Tax evasion eroded not only public goods but also the personal incomes of tax officials. To protect their personal incomes, tax officials sought to improve tax compliance, for which purpose they encouraged vermin trials that made punishments for tax evasion credible (for how this worked see Leeson, 2013a). Given credible punishments for tax evasion, citizens paid their taxes, enabling public goods that benefited the group.

Whatever one's assessment of this explanation, the mere fact that it indicates how a group-beneficial norm could emerge and persist when every member behaves rationally for her own benefit – indeed, *because* every member behaves rationally for her own benefit – evidences that such norms can be accounted for by the behavior of rational and self-interested individuals. Perhaps 30 years ago such examples could not be found. The modern RCT literature, however, is full of them.³

Many observed norms have 'losers', group members for whom the norm is a bad.⁴ But since every observed norm must have at least one 'winner', group members for whom the norm is a good, *all observed norm-following* can in principle be explained via rational individual behavior. Rational and self-interested norm winners follow the norm because it benefits them; norm-following by winners does not require external enforcement. Rational and self-interested norm losers follow the norm only if it is externally enforced, but since winners benefit when losers follow the norm, rational and self-interested winners enforce norm-following by losers if the benefit exceeds the cost of enforcement.

Rutar acknowledges this logic but claims it cannot account for norm-following when 'the situation people find themselves in is simply such that it is universally rational to free-ride' on norm enforcement. He is wrong: winners, as just pointed out, follow the norm without external enforcement. Universally rational free-riding on norm enforcement can result in the *absence* of norm-following. If winners benefit from following the norm only when losers follow it too, free-riding on enforcement means that no one follows the norm. But in this case the observation requiring explanation is that there is *not* a norm – and the behavior of rational and self-interested individuals accounts for that too: net of enforcement costs, which are prohibitive because of free-riding, there are no norm winners, hence there is no norm.

I am grateful to Rutar for defending a role for the concept of rationality in social scientific explanation. There is considerable value in such defense amid increasingly extreme skepticism about the utility of that concept. My criticism of Rutar's particular defense reflects the concern that it accepts too much of the skepticism it seeks to defend against. There is, in fact, one rationality to rule them all: rationality as conceptualized by rational choice theory, which provides a universal framework for developing explanations of human behavior.

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Notes

1. Rutar presents ‘intentional action’ and ‘responsiveness to incentives’ as distinct conceptions of rationality, but if these conceptions are not identical, the latter, at least, encompasses the former. According to Rutar, responsiveness-to-incentives rationality ‘holds that an agent is rational if (or when) her demand curves are downward sloping’, and intentional-action rationality ‘only requires of an agent to generate goals and then act in a way that will ostensibly bring them about’. But since an agent’s demand curves cannot be downward sloping unless she has goals and acts to bring them about, an agent who is deemed rational by the responsiveness-to-incentives conception must also be deemed rational by the intentional-action conception.
2. And it makes no sense to talk about falsifying rationality as conceptualized by RCT since it is not an empirical proposition. About this, some scholars are confused. They seem to think that various lab experiments are testing rationality as conceptualized by RCT, per se. In fact, such experiments are testing subsidiary assumptions used in some formal RCT models to make the math tractable or to focus attention on the explanatory mechanism hypothesized, assumptions such as exponential discounting, consistency, boundless computational power, and the like. Many of *these* things are falsifiable, and sometimes they are falsified – hardly surprising, since they are used for modeling convenience not descriptive accuracy. Still, if one defines ‘rationality’ in terms of these things, then ‘rationality’ so defined is being falsified – just not rationality as conceptualized by RCT. Karl-Dieter Opp’s (2017) advice about using language that communicates precisely what the social scientist has in mind as opposed to using the term ‘rationality’ is, therefore, good advice. That horse, however, left the stable long ago and few social scientists are willing to abandon the term (a sin of which I am guilty).
3. A few self-serving examples: Leeson (2012; 2013b; 2014a; 2014b; 2014c) and Leeson, Boettke, & Lemke (2014).
4. Many is not the same as all. Some observed norms have only winners or at least have no losers. These norms include any whose adherence is voluntary, which are followed without threats of punishment. A variety of commercial norms fall into this category.

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