RATIONAL CHOICE AND SOCIOLOGY

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Contents

Summary

This chapter discusses rational choice as one of the main paradigms in contemporary social sciences, in general, and with specific reference to Coleman's ambitious effort to found social theory on this basis, and to Smelser's specific treatment of the rational and the ambivalent. The chapter starts with the original 'opposition' between sociological theory and rational utilitarianism. Second, it briefly reviews the key concepts of rational choice and their main sociological critiques, with a few references to such sociological contributions as those of Coleman, Homans, Boudon, that adopt a rational choice approach, although adapted and transformed. Third, it critically assesses the theory of James Coleman, that is the main attempt to build a general sociological theory based on rational choice. Then the chapter discusses Smelser's attempt at developing a supplement to rational choice through its analysis of ambivalence. It concludes with some reflections on the multiplicity of paradigms and the difficulties of general theory building in sociology, and with the statement of a preference for a 'toolkit version' of rational choice rather than a general theory perspective.

1. Introduction

Rational choice - a paradigm which derives from the British utilitarian tradition - is today dominant in economics, where it has been developed in neo-classical economic theory and modified and elaborated through methodological refinements such as game theory. But it is also increasingly important in political science, is spreading in law, anthropology, organization theory, management science. And it is gaining ground in sociology as well.

The attitude of sociology toward rational choice has been ambivalent. On the one hand, the critique of rational utilitarianism is an inherent part of the sociological tradition; on the other, despite this long-standing hostility, more rational choice assumptions are present in standard sociological theory than most sociologists are prepared to admit. More specifically, on the one hand, it is recognized that rational choice can describe, analyze and predict individual behavior in a wide array of different situations and contexts of action. This is no surprise, since the postulates of this theory are drawn from the core values of modern western civilization (i.e. individualism, rationalism, utilitarianism) - which now characterize today global market capitalism, foster extended rationalization of world organizations and markets, and orient a significant portion of actual behavior in contemporary societies. On the other hand, rational choice is criticized as too unilateral and incapable of giving account of the basic sociological questions of social order and social change; and it is judged hardly useful when collectivities instead of individuals, and macro-level structures and institutions instead of micro-level action, are to be analyzed.

This ambivalence is partly related to the fact that several different versions of rational choice exist. According to a simplified version of Elster's classification three formulations of the theory can be identified.

1. The classical maximization approach assuming utility and profit optimization (with transitivity, independence and completeness), perfect competition and information, accurate calculation, and the like.
2. The theory of bounded rationality that rejects the premise of optimization in terms of 'satisficing', but retains utility and profits as objective functions and ends.
3. The stochastic, game theory model, where rationality is strategic rather than parametric and information and transaction costs play a key role.

In general, 'hard', 'thick', 'first order'. 'perfect rationality' models can be distinguished from 'soft', 'thin', second-order', quasi-rationality' models of rational action. And a basic criterion to distinguish between the two types is that the former tend to specify actors' motivations or purposes 'ex ante', while the latter tend to say nothing about these motivations.

2. The Classical Critiques of Rational Utilitarianism

The critique of rational utilitarianism is an inherent part of the sociological tradition. The very genesis of sociology as a modern social science can be seen as a critique of classical economics' fundamental postulate of the 'homo oeconimicus' and of its conception of market equilibrium as the spontaneous outcome of a multitude of rational individual actions. Economic rationality – including its maximands (utility and profit) and preferences - is relative, endogenous and immanent, not absolute, endogenous and transcendent to society. The sociological critique points out that rational economic action is embedded in a social context and presupposes the binding power of social institutions such as legal contracts; and that free market transactions and self-interested motivations are not enough to make cooperation possible in a utilitarian, individualistic society, and must be superseded and counterbalanced by other institutions and values fostering social cohesion.

Marx, Durkheim and Pareto, in spite of their basic differences, share the notion of an original ‘opposition’ between sociological theory and the basic postulates of intentional rational action. Marx dismissed purposive action by stressing the role of structural variables, first of all the necessary relations of production, as stated clearly in the ‘Preface to the Critique of Political Economy’: “… in the social production of their existence, men enter into necessary, determinated relations, independent from their will, which correspond to a given degree of development of productive forces”.

Durkheim strongly rejected methodological individualism as the proper perspective for sociology, stressed the notion of independent social facts, and contested the spontaneous order of the market in favor of normative elements which are necessary to make even economic exchanges possible. Pareto highly valued rational action, but only in explaining the economic aspect of social life. Rationality becomes for him the criterion to distinguish the domains of different social sciences. In the *Trattato di sociologia generale*, after criticizing “…the very common error which lies in denying the truth of a theory because it cannot explain every part of a concrete fact”, he argued that different theories explain different aspects of an empirical phenomenon. Rational action is not the domain of sociology and political science, since social and political action do not pass the test of scientific means-ends maximization.

Weber had a different view. In his essay “Ueber einige Kategorien der verstehenden Soziologie” he defined the task of sociology to bring the forms of social action back to the meaningful action of the participant individuals. Individualism, intentional purposive action and rationality are key elements in his theoretical framework and he states that the behavior which can be interpreted as rational behavior is often the most proper ideal-type in sociological analysis. By distinguishing between the rationality of ends and the rationality of values, Weber tried to break the linkage between rationality and utilitarianism, and to avoid the reduction of all type of rationality to economic rationality, as various proponents of rational choice still do.

Finally, Parsons, while condemning utilitarianism in his effort to separate sociology and economics, and emphasizing the priority of culture, also assumed purposive action as a key element of his theory. Contemporary sociological contributions have echoed and developed the classical approaches in order either to criticize and reject rational choice theory, or to transform and adapt one of more core elements of it to the requirements of sociological analysis.

3. Key Concepts of Rational Choice Theory

This section outlines the basic ingredients of rational choice theory through an adapted version of Gary Becker’s definition. Purposive action and individualism are defined as the methodological pre-conditions, and then its basic components - rational maximizing behavior, market equilibrium, and stable preferences.

(1) The teleological principle of individual purposive action as methodological precondition. As Coleman puts it, rational choice rejects the concept of social

action as expressive, non-rational or irrational, or as caused by external factors with no teleological intermediation of intention or purpose. The latter part of Coleman's statement, i.e. the "the teleological intermediation of intention and purpose" is widely accepted by sociologists. Since the successful battle against positivist sociology, in fact, most sociological research views behavior as purposive, and then deriving from a process of choice. The means-ends scheme and the relevance of values, goals and preferences as motivating factors of behavior, are widely accepted. On the other hand, the exclusion of expressive and non-rational or irrational forms of social action (a complete reversal of Pareto's position) is by no means shared by most sociologists.

(2) The concept of methodological individualism, coined by Schumpeter, according to which societal-level phenomena can only be adequately explained in terms of actions of individuals (Von Mises). Rational choice theory assumes the analytical priority of individuals over social structures, an assumption which is still the object of heated debate among sociologists.

(3) The concept of (utilitarian-economic) rationality as optimization of the means-ends relation through consistent cost-benefits calculations. Rationality is the maximization/optimization of well defined objective functions or ends, such as utility, profit, wealth and other maximands, or alternatively as the minimization of costs, including transaction costs, and other disutilities. It requires that actors possess complete information about their tastes, their resources, prices and other market conditions. The general idea is that those actions are chosen that will have the best consequences in terms of the actor's own aims. Given the restrictions on actor's available resources such as income, time, market prices, availability of goods, etc., the set of actions alternatives is reduced to a smaller subset of actions that are possible in a particular situation. This set of opportunities are then evaluated in the light of an actor's aims, in the sense that the actor forms preferences among alternatives which fulfill some consistency requirements. Sociological critiques tend to concentrate on the image of people as rational egoists and as 'perfect statisticians', as Arrow ironically put it. In order to respond to these critiques, economists have progressively relaxed some of these highly simplified typifications: for instance, when the costs of information and transaction become too high, economic actors turn to trust (in contracts) and to authority (in organizations) to minimize those costs. But non-rational and irrational elements which are present in all behavior, including economic behavior, such as active distortion of information on the part of actors, the process of symbolization of commodities and work (which endow systems of meanings above and beyond their reference to assumed utility preferences) and the role paid by affects in all interaction including economic interaction, are important instances of omitted relaxations of the assumptions of rational choice and means-ends optimization.

(4) The concept of stable preferences. The actor's preferences (related to his/her interests, values, and tastes), and the restrictions to choice are the basic explanatory variables of rational action. Actors are assumed to optimize their utility and to form basic preferences which are invariant over time. Preferences are also assumed to be characterized by consistency, transitivity, completeness, and

independence. They are treated as stable, exogenous, and given. They are the starting point, not the object of analysis. The reason for that is that any behavior could be 'explained ex post' by the assumption that the actor had a preference for that particular action. In order to avoid this kind of tautological explanation, Stigler and Becker elaborated the heuristic principle that behavioral changes should be explained by changes in the restrictions of behavior and not by changing preferences related to utility. These tastes and preferences are then assumed to be stable. They do not need to neglect the actor's history. In fact, they can be contingent on past choices. And they do not need that the actor knows for sure the outcome in advance. In fact, in situations of risk and uncertainty where the actor does not know for certain which the consequences of his/her actions will be, he will choose the action that will yield him/her the highest expected utility. Many sociologists put into question the stability of preferences through time and space.

(5) The concept of market equilibrium, according to which the market as the most efficient mechanism for exchange and resource allocation in conditions of scarcity. Basic elements are the law of supply and demand, and the concept of marginal utility. The greater the amount that an individual has of a certain good, the less interested he/she is in getting more of it and the smaller the utility he/she derives from it. If the price of a good relative to the price of another alternative increases, the amount of the good that will be chosen decreases, and vice versa, through the interplay of supply and demand. The interaction between buyer and seller produces an equilibrium point at which exchange occurs. The equilibrium point marks a convergence of supply and demand, utility and cost. The market is the product of goal-directed actions by numerous people who do not necessarily have the intention to generate a spontaneous order. Many sociologists disagree with the core image of the market as a spontaneous order - running from Adam Smith's 'invisible hand' to standard contemporary economics, although they can accept the idea that social institutions are the result of human action, but not necessarily the result of human design.

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Biographical Sketch

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