

SAGE BENCHMARKS IN SOCIAL RESEARCH METHODS

# THE EUROPEAN TRADITION IN QUALITATIVE RESEARCH

VOLUME IV

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## Beyond *Homo Oeconomicus* and *Homo Sociologicus*

C. Mantzavinos

The standard model used by economists assumes that agents are guided in their behavior by a case-by-case maximization of their utility function. The standard model used by sociologists assumes that agents' behavior is dictated by social norms. *Homo oeconomicus* is forward-looking, intentional and responsive to incentives. *Homo sociologicus* "is pushed from behind by quasi-inertial forces" (Elster, 1989b, p. 99) and follows norms or rules blindly. Although not all economists follow the model of *Homo oeconomicus* and not every sociologist uses the model of *Homo sociologicus*, it is a fact that these two antithetic models dominate the social sciences.

The preference of economists for the rational utility maximizer can be explained by their primary theoretical interest in explaining price formation in the market. The main idea of the subjective theory of value since the marginal revolution of the 1870s has been that prices are formed in an exchange process taking place after the agents have ordered their preferences and have decided which goods they want to exchange.<sup>1</sup> Those agents ought – according to the inherent logic of the explanation – to be modeled as choosers and, with the increasing formalization of the exchange situation, as utility maximizers.

The preference of the sociologists for modeling the agent as a norm follower can also be explained by their special theoretical interest. The Durkheim–Parsons tradition in sociology sought to find a satisfactory solution to the Hobbesian problem of social order without invoking individualistic–utilitarian considerations. Norm-guided behavior seemed to be the proper model to explain the maintenance of a workable social order. The classic

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Source: C. Mantzavinos, *Individuals, Institutions, and Markets* (Cambridge: Cambridge University Press, 2001), pp. 54–59.

statement ascribed to Duesenberry draws the boundary between economics and sociology correctly: “economics is all about how people make choices; sociology is all about why they don’t have any choices to make.” Hall and Taylor, in an excellent article arguing in the same vein as Duesenberry, distinguish between the calculus approach and the cultural approach (1998, pp. 17ff.). But whether people choose or not is difficult to ascertain since only behavior is observable, not choice as such. Choice is, as we have seen, a process of reflection before acting that takes place in the individual brain and thus is difficult, if not impossible, to observe. The controversy between *Homo oeconomicus* and *Homo sociologicus* is thus better to be handled in terms of overt, observable action or behavior.

Our model of problem solving incorporates both kinds of behavior. Since individuals are supposed to be able to learn by experience, it is plausible that a behavioral regularity is shown whenever old problems arise or, in the terminology of Vanberg, when recurring situations take place. “Strictly speaking, every situation that one encounters is *unique* in the sense that there will always be some respect in which it is different from any situation one has encountered before or will encounter in the future. We can, nevertheless, meaningfully speak of *recurring situations* in the sense that any given situation is, *in certain aspects*, similar to other situations, past and future. The term behavioral regularity can then be understood as describing the fact that in recurring situations, S1 to Sn, a person is regularly exhibiting a particular behaviour A; out of a set of potential alternatives A1 to Am” (Vanberg, 1993, p. 175).

This behavioral regularity is the essential characteristic of an *enlightened Homo sociologicus*, designating continuity of behavior and distinguishing him therewith from all those sociological ideas that suggest that behavior is the effect of hidden occult forces.<sup>2</sup>

But this enlightened *Homo sociologicus* is only one part of the story. There are many problem situations that the individual is unable to classify as similar and, thus, is unable to employ automatically and unconsciously the appropriate solution designated in the respective class. These cases form the new problems for the individual and as a consequence, he is forced to reflect and choose before acting.<sup>3</sup> The individual’s choice is *not always* a utility maximizing one, as assumed by the rational choice model, but rather a human choice based on his imaginative faculties. This reflection process concerning the solution of a new problem is the essential characteristic of an *enlightened Homo oeconomicus*.

The problem-solving model thus incorporates both aspects of observed behavior, the case of problem classification and subsequent behavioral regularity and the case of reflective choice and subsequent novel behavior. The problem solver does both according to the situation and his subjective interpretation of it; he demonstrates what we may call *routine behavior*<sup>4</sup> whenever he classifies problems as old ones and a choice behavior whenever he classifies problems as new ones.<sup>5</sup>



From an observer's point of view, the difficulty consists in the interpretative moment that is present in every cognitive act of the agent. The prime difficulty of an external observer is thus to discern whether the actor perceives the situation as a familiar one or as a new one. When the observer can ascertain with relative certainty that the agent will interpret a problem situation as a familiar one, he can then predict that the agent will behave the same way as in the past. If the observer ascertains that the problem situation possesses a novel character in the eyes of the agent, then he can only predict that the agent will first employ some inferential strategies, and if they do not work, he will create a set of alternatives and choose the one that he will judge as most conducive to his utility. Obviously, misinterpretations may occur in the part of the agent, that is, classification errors that are bound to puzzle an observer. In these cases, the predictions regarding the behavior of the agent are bound, by an external observer, to be proved false; these cases are the "anomalies."

Before closing, a last very important point must be discussed concerning the possibility of choosing a rule. Whenever an agent is faced with a new problem, he has to choose before deciding which action to take. Depending on the situation, he might choose a single action or a stable kind of behavior, that is, a rule. When an American tourist visits Athens for the first (and perhaps for the last) time and remains for only a few hours on a hot day in August, he may choose to spend his time climbing the Acropolis or shopping in an air-conditioned shopping center; his choice in this case concerns the solution of a new problem appearing just one time. Such choices are common in social and economic life, and the choice theory employed here accounts for them. But obviously there are many situations, relevant in social and economic theory, in which agents choose rules rather than single actions. Several authors have stressed the fact that choice often concerns rules rather than single actions. Rowe (1989), for example, criticizing act individualism, that is, "the theory of rational behavior [which] has focussed on the isolated *action* as the unit of rationality" (p. 4), guides attention to rule individualism, that is, the rational choice of rules.

In our framework, since the general motivation of every individual is to increase his own utility, it is obvious that he will deliberately choose to follow a rule if he *expects* that the new problem he faces will systematically appear in the same form in the future. In other words, he will reflect on the possibility of choosing to follow a rule only if he expects that the new problem situation that he perceives is representative of similar recurrent situations in the future. There are three reasons why deliberately adopting a rule seems more beneficial than choosing an alternative action as a solution to a new problem at a point in time  $t_0$  and leaving one's options open in case the same type of problem arises in the future at time  $t_1, t_2, \dots, t_n$ .<sup>6</sup>

The first reason to adopt a rule is that to follow a rule rather than deciding each time anew involves lower decision-making costs and is apparent.<sup>7</sup> The second argument is central in the work of Heiner (1983, 1990). According to

him, the question of whether choosing or adopting a rule is in fact superior to leaving options open for future case-by-case choices can only be answered in connection with the *competence* of the agent and the *difficulty* of the problem. As we have seen, the cognitive apparatus of an individual has been shaped in a long evolutionary process and is far from perfect in any sense. Thus, the competence of an agent to solve his problems is limited because of the restrictions of his cognitive equipment, that is, his perceptual, computational, and imaginatory capacities. Heiner argues that when the difficulty of the problem situation is great, the gap between an agent's competence and the difficulty of the decision problem (called a "C-D gap") is high. Whenever the C-D gap is high, agents are prone to adopt rules instead of acting on a case-by-case basis, since "an agent's overall performance may actually be improved by restricting flexibility to use information or to choose particular actions" (Heiner, 1983, p. 564). In other words, the agent will choose to follow a rule at time  $t_0, t_1, \dots, t_n$  instead of choosing each time anew because of the expectation that due to his restricted competence and the great difficulty of the problem, the risk of making errors will be less if he follows a self-chosen rule than making constant choices, and thus his overall utility will be increased more. The third reason why an agent might choose to adopt a rule as a solution to a new problem is the case of precommitment. This is the case of binding oneself deliberately because *one expects* that by precommitting ones behavior, one will end up with a greater utility increase than otherwise.<sup>8</sup>

Summarizing, an agent will adopt a rule consciously when the nature of the problem is such that he can expect the same problem situation to reappear constantly in the future. This is the necessary condition for choosing to follow a rule. The sufficient conditions for this conscious choice of rule are, alternatively, high decision costs, the great difficulty of the recurrent problem, or precommitment. It should be stressed at this point that this choice need not be an optimal one in the sense of standard rational choice theory. Therefore, the common critique that the decision to adopt the rule presupposes costly information because of its complexity (Etzioni, 1987, p. 509) does not have any validity in our setting. The choice of the personal rule might prove to be an unsuccessful strategy when applied in the environment, and negative environmental feedback might lead to its improvement or rejection.

### Notes

1. Jevons, for example, views the individual agent as "exchanging from a pure regard to his own requirements or private interests.... [A]nyone will exchange with any one else for the slightest apparent advantage. There must be no conspiracies" (Jevons, 1871, p. 133).

2. In regard to the "strict" sociological explanations that dominated sociology for many years Boudon (1993b, p. 101) remarks: "These Molièresque explanations by

“occult qualities” bring us back to the dark side of the Middle Ages. They were considered a nec plus ultra at the time when structuralism and Marxism ruled over sociology. This time is fortunately over in most places. These explanations are so easy, however, that they remain a permanent temptation in ordinary as well as academic thinking: “Why did he Y? Because he has internalized the norm telling him he should do Y.” We are not far from the “virtus dormitiva”.

3. After unsuccessfully trying out the inferential strategies that he might possess.

4. Since we have discussed the issue of cognition and learning in terms of cognitive rules of the IF... THEN type, it is better to avoid the term “rule-following behavior” here – although it would be the more accurate one – in order to avoid terminological confusion. We shall use instead the term “routine behavior”

5. As DiMaggio, in a discussion of recent developments in cognitive science, correctly remarks (1998, p. 701): “These developments move us beyond the polemical opposition of “calculus” and “culture” to ask not whether people act strategically, but rather under what conditions and how they do so.”

6. See, e.g., Vanberg (1994a, pp. 17f).

7. See, e.g., Frank (1988, p. 23): “To gather the information and do the calculation implicit in naive descriptions of the rational choice model would *consume more time and energy than anyone has*. Anyone who tried to make fully-informed, rational choices would make only a handful of decisions each week, leaving hundreds of important matters unattended. With this difficulty in mind, most of us rely on habits and rules of thumb for routine decisions.”

8. See, e.g., the discussion on Ulysses and the Sirens briefly reviewed in Section 2.3. The theory of self-management deals with the precommitment problem in an extensive way. See, e.g., Schelling (1978, 1984a, 1984b) and Thaler and Shefrin (1981). See also the interesting article by Tietzel (1988, esp. pp. 55–64). For a philosophical discussion based on the idea of more than one selves, see Elster (1986).

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