Economic Rationality and Rational Credence

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ABSTRACT

The aim of this article is to show that rational maximizer agents, i.e. economic rationality, do not parsimoniously with rational credence, i.e. agents preferences driven by beliefs, traditions, idiosyncrasy, culture and/or customs depending on the social state representing a possible credence. The authors formulate a model on rational behavior, where either an economic and/or credence rationality results in the expected referential payoff of a rational preference driven by beliefs is not necessarily the optimal one in terms of having the largest payoff. Hence, the authors show the relationship between the expected payoff and instrumental or credence payoffs of choices, and what justifies choosing the latter when, ultimately, it is the former that maximizes your payoff. Finally, the authors conclude that agents’ ordinary decisions may consider together both to the economic rationality and credence rationality, given their certain constraints on information, beliefs, and resources.

KEYWORDS

Beliefs and Rational Credence, Bounded Rationality, Economic Principles, Individual Choice Behavior

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INTRODUCTION

The everyday (ordinary) economic activities occur independently of what economic theory (or economic sciences) stated about them. The daily activity of people and society generates economic activity, these are the actions that continuously and daily human race performs since rational decisions are made progressively. It can be asserted that the need to obtain a greater advantage over scarce resources is a daily activity, it is the natural economic activity that exists every day and that is why economics exists as a science. Economics then uses the scientific method to observe, study and analyze the economic behavior of agents and societies as a whole in a given economic system, then and as a result of the theory, attempting to influence that natural economic behavior.

In The Part Played by Labour in the Transition from Ape to Man, Federico Engels (1950) contributes in his reflections giving an economic interpretation of human evolution, an extraordinary vision of the activity of survival from the point of view of the use of limited resources (scarcity) for the purpose of obtaining a greater benefit in its use. If evolution is a progressive adaptation to environmental circumstances, this indicates that the human being had to adapt to natural conditions based on survival, and this was only a function of taking advantage of available resources by operating manual skills and, progressively, intellectual skills and the improvement of the human senses. Likewise, concludes Engels, that in terms of common interests arises the association between beings of the same species, in order to face more efficiently the conditions of nature, that is, through work - or manual and intellectual activity - society emerges. Engels thus provides a strictly economic and sociological reflection of the evolution of the human race, and derived from this approach, we argue that economic agent (Homo Economicus) is not a maximizing agent with perfect rationality, always seeking the maximum benefit at the lowest cost, i.e. economic rationality principle of reaching a Pareto optimum.

There is a whole controversy about the economic rationality principle, which starts from the discussion of whether the rational expectations of the people themselves tend to the Pareto optimum, i.e. maximization of the expected utility (profits or benefits). This view also has over the years many detractors (Simon, 1955, 1957, 1997; Bolle, 1983, 1991; Kahneman, Slovic, and Tversky, 1982; Camerer and Thaler, 1995; Stiglitz, 2002; Fehr and Fishbacher, 2004; Akerlof and Kranton, 2000, 2010; Sen, 1977) and has been assailed many times in the past as inadequate to account for many commonplace observations. While there are a number of proposed alternatives (among them, prospect theory of Kahnemann and Tversky (1979); bounded rationality of Simon (1957); social rationality (Fehr and Fischbacker, 2004; Lindenberg, 2001), there has still to emerge a dominant rival construction.

Homo Economicus notion views that the consumer is strictly rational and self-interested, and it is the foundation stone of neoclassical theory. The neoclassical current of economic theory defines the individual as a rational being, utility maximizer and information processor (which in itself is considered complete and relevant). Homo Economicus is a purely theoretical abstraction that has allowed, throughout the conceptual evolution, the
An Analysis of “Publication Bias” in the Travel, Tourism, and Hospitality Research
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