

Rational Choice Theory: A Cultural Reconsideration

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Abstract

Economists have heralded the formulation of the expected utility theorem as a universal method of choice under uncertainty. In their seminal paper, Stigler and Becker (Stigler & Becker, 1977) declared that “human behavior can be explained by a generalized calculus of utility-maximizing behavior” (p.76).

The universality of the rational choice theory has been widely criticized by psychologists, political scientists, feminists, philosophers and other social thinkers. Tversky and Kahneman (1986) have shown that the framing of choice problems can influence the decisions. Herber Simon (1959) and James March (1958) have pioneered models of bounded rationality. Paula England (1993) refers to works of some feminist philosophers who believe that the concept of rationality is gender biased.

This paper challenges the rational choice decision-making model from a cultural viewpoint. In brief, this article will show that the expected utility theorem, as a decision making model, is compatible with the cultural norms and values that are often found in capitalist societies from which they come. Consequently, the absence of certain cultural values in non-capitalistic societies will yield alternative decision models.

Utilitarianism

Utilitarianism is the foundation of the rational choice theory. Philosophers such as Jeremy Bentham and John Stuart Mill provided philosophical justification for the model and coined the outcome of the model “rational decision”. Bentham (1962) believed that “nature has placed mankind under the governance of two sovereign masters, pain and pleasure... They govern us in all we do, in all we say, in all we think...” (p.33).

In time, economists replaced terms such as pleasure and pain with terms such as utility and disutility or benefit and cost. Consequently, the comparison

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between the expected utility (benefit) and the expected disutility (cost), adjusted for time, yields a rational decision.

Utilitarians are divided into two groups: act and rule utilitarians. An act utilitarian is interested in the outcome of the decision. If the outcome is desirable, the means by which the outcome is achieved can be justified. A rule utilitarian, however, believes that the desirable outcome must be achieved under some rules. According to this group, one cannot steal to become rich; a superpower cannot support a corrupt dictator to bring stability to a region, etc. To put it simply, the end will not justify the means. Therefore, a utility-maximizing actor must achieve the desirable objective under certain rules.

The “Protestant ethic” is commonly considered an influencing feature of American capitalism. Max Weber even declared these rules as the spirit of capitalism (1958). Regardless of Max Weber’s hyperbolic hypothesis, norms such as hard work, self-reliance, saving, planning, and competition are generally considered as the ethical rules of capitalism. These rules give legitimacy to the primacy of individualism and provide rationale for a limited government. An individual who is working hard will succeed and through saving and planning can rely on himself/herself and needs no government to take care of him/her.

The inseparability of the rational choice model and the utilitarian ethic forms the root of the arguments against the universality of this model. As a result, in those societies where the utilitarian norms are considered undesirable, alternative rules will govern an individual’s action. Therefore, the analysis of norms, values, and institutions is indispensable to the rejection of the ubiquity of the rational choice model.

Culture Matters

Political culture is a term that refers to “the set of political beliefs, feelings, and values that prevail in a nation at a given time” (Verba, P. 517). Verba noted further, “it can be seen that political culture represents a system of control vis-à-vis the system of political interactions... A new constitution, for instance, will be perceived and evaluated in terms of the political culture of the people”. (p.517). The notion of culture emerges as an answer when it becomes difficult to explain differences in structural variables (Dugan & Pelassy, 1990). If political culture is transmitted by acculturation, then such socialization assumes a function of stabilization within a society between generation and social groups

(Cot & Mountier, 1974). Decision making models can be one part of the societal stabilization process.

When George H.W. Bush became president, he expressed philosophical principles that gave more than a hint of the political culture that emerged from this:

I will never apologize for the United States of America. I don't care what the facts are... I'm a practical man. I like what works. (Kramer, 1988, P. 15).

I want to offer the hope of freedom to countries around the world because that's the basis of our very being in this country, our country. (Time Magazine, 1988, P. 20)

The remarks give a hint of what was to come in his presidency. Native Americans may read these remarks differently than natives of other countries. The sort of instinctive mistrust of natives of each country about the ways in which they can be classified or labeled can also play a role in understanding decision-making models.

Economists have considered cultural issues as exogenous variables in their models. There are examples from economics and business that point to the importance of institutional cultures in forming behaviors and decisions. For instance, Frank, Gilovich, and Regan (1993) argue that studying economics makes people less cooperative and altruistic. George Stigler (1965) claimed that studying economics makes people politically conservative. The Wall street Journal (April 25, 1995) reported that business students cheat more often and usually behave in "a utilitarian" manner.

In an attempt to offer examples, it is important to note that the focus needs to be placed on the comparison of nations within a cultural and political context. Aron (1965) noted, "The notion of underdevelopment was born from comparison. It qualifies what certain societies are not (i.e. developed), and does not characterize what they are. The concept of under-development, indeed, applies to old civilizations (India), as well as to tribal areas (some parts of Africa), or even to backward regions within developed countries. I will go further: it is not reasonable to expect a direct and positive definition of under-development, because this concept is comparative in its very nature" (p.89). By the same token, the notion of decision making as a culturally based function is also based in comparison.

The motivation for this article comes from the failure of the U.S. foreign policy in the Middle East. For decades, The U.S. foreign-policy makers have

tried, in vain to bring peace to the Middle East or change the behavior of the so called “rogue nations” by manipulating the cost (economic sanctions and military operation) and/ or the benefit (grants, loan, and aids) of the rational choice model. The irrationality of the Middle Eastern leaders is often considered as explanation of the U.S. failure in the Middle East.

The tenet of this article is that people of the world are different from each other due to cultural differences. These cultural differences shape individual’s preferences for food, music, and a myriad of social activities. They are also responsible for forming the belief systems of different societies and their attitudes towards conformity, authority, and similar issues. Therefore, a brief comparison between major cultural institutions of the United States and the Middle Eastern countries might shed light on political quagmire that the United States faces in the Middle East.

Cultural Norms and Values: A Comparative Analysis

The ideology of Individualism is the epitome of the U.S. culture. The fulfillment of an individual’s needs via maximization of his/ her happiness (satisfaction or utility) is at the core of capitalism. For this to happen, the individual must be free to choose. Freedom of choice in the market place requires a political system that guarantees individual freedoms with minimum government intervention and social restraint. Consequently, capitalism and democracy will usually go together.

The social consequences of the market system are quite important. Competition is the means by which a market achieves efficiency. At an individual level, competition is the means of improving oneself and achieving one’s goals and objectives in life.

Consequently, market institution, by focusing on an individual’s action, causes the erosion of collective institutions. Individual relationships are reduced to contractual relationships monitored by the market place. Historically, market failure is defined in terms of incomplete contracts. As a result, some economists suggest creation of a more complete contractual relationship as a solution to market failure. Therefore, the capitalist system requires a strong legal system to ensure the enforcement of countless contracts in the market system to substitute for the absence of trust.

The individuals’ search for happiness is also reduced to an emotionless cost benefit analysis free of any other value system. That why economists have

defined economics as a value-free discipline. As such, the rational decision of an individual is free of guilt, shame, envy, love trust, and other emotions. At best, economists consider these factors as a part of the cost or the benefit of their analysis. More importantly, the market system defines happiness in terms of consumption. "Never happy in an empty room", as Pascal said. As a result, the culture of the United States is competitive, acquisitive and has an outward and material orientation towards happiness.

In contrast to this view of an individual, the culture of the Middle East and Muslim countries is collective in nature. In such an environment, institutions like religion, history, language, duty, and social responsibility shape the behavior of group and in turn an individual's role in that group. Happiness is defined in terms of social harmony, cooperation, and the fulfillment of one's responsibility towards his/ her extended family and kinsmen. Search for self-interest is construed as a selfish behavior, which is not socially acceptable, and excessive consumption is considered sinful.

The expected utility theorem is also a model of choice under uncertainty. One needs to assign probabilities to the outcomes of a risky decision in order to evaluate it. The assignment of probabilities requires a significant amount of information. As a result, the importance of phrases such as "information society" is fully appreciated in a market economy.

The culture of the Middle East reflects uncertainty avoidance. Culturally, people of the Middle East are not accustomed to exact measurements of assets and wealth. Many individuals might not know how much they are worth. Additionally, one's worth is not solely determined materialistically. In such an environment, one might not be able to assign monetary values or probabilities to the outcome of a risky decision. Consequently, one might not be able to evaluate the decision. As a result, social norms and values are main determinants of such decisions.

The U.S.A. is relatively a young country and its culture is future oriented. For America, with two hundred and some years of history, fifty years ago is a part of ancient history. In contrast, Middle Eastern culture is past oriented and fifty years time is relatively a short period of history. That is why the U.S. politicians have such a difficult for an Iranian to forget that the U.S.A. toppled a democratic regime in Iran in 1952 in favor of a despot.

Iran and the United States

The Iran-United States imbroglio can be traced back to the Central Intelligence Agency's covert plan to topple the democratic government of Iran in 1953. The prize was the Iranian oil fields lost by the British when the Iranian Parliament voted to nationalize the Iranian oil industry in 1951 and supported the democratic government of Dr. Mossadegh, the Prime Minister of Iran.

On June 16, 2000, the New York Times published the classified central Agency's report at (<http://www.nytimes.com/library/world/mideast/041600iran-cia-index.html>). The report delineated the British-American joint operation that ultimately removed the Prime Minister from power and restored the despotic monarchal regime of the Pahlavi dynasty. The crony regime immediately rewarded its masters by signing a new contract with a consortium of international oil companies. British Petroleum received 40% share, five American companies (Standard Oil of New Jersey, Socony, Social, Texaco, and Gulf oil) received 40% share, Royal Dutch Shell got 14%, and the French company, CFP, got 6% share (Farmanfarmaian, P. 306). The coup was clearly a success for the United States from the rational choice model viewpoint. The cost was minimal and the reward was enormous over the next 25 years that the corrupt Pahlavi regime was in power.

The coup of 1953 left a profound imprint on the national psyche of the Iranian people and set the stage for the revolution of 1979. The Iranian revolution ended the monarchical regime and gave birth to the Islamic Republic of Iran under the leadership of Ayatollah Khomeini.

When President Carter admitted the self-exiled Shah of Iran into America for humanitarian reasons, a group of militant students overran the U.S. Embassy in Tehran on November 4, 1979 and captured the Embassy staff members as hostages. President Carter refused to extradite the Shah and return his assets to Iran and declined to apologize for the U.S. partnership in the 1933 coup. Additionally, President Carter imposed economic sanction on Iran, froze Iranian assets in the United States, and severed diplomatic relationships with Iran. Consequently, fifty-two hostages remained in captivity for 444 days. They were finally released on January 20, 1981, the day of President Reagan's inauguration.

The action of the militant students and the support of the Iranian government cannot be explained by the rational choice model. Clearly, the net present value of such an action was negative and hence should not have been pursued. The

Iranian government wanted to humiliate the United States for the coup of 1953 and continuous support of the Shah's regime regardless of the cost.

President Reagan came to the office promising to rebuild a strong national defense and to restore American pride that was clearly hurt in Vietnam and Tehran. Secretary of Defense, Casper Weinberger summarized the U.S. defense strategy as follows (Hyland, pp.181-182):

Our strategy is simple. We seek to prevent war by maintaining forces and demonstrating the determination to use them, if necessary, in ways that will persuade our adversaries that the cost of any attack on our vital interests will exceed the benefits they could hope to gain. The label for this strategy is deterrence. It is the core of our defense strategy today, as it has been for most of the postwar period. Moreover this strategy is working.

To deal with the recalcitrant Iranians, the Reagan administration decided to support Iraq in its war against Iran. This anti-Iranian position was the most cost-effective method to discipline Iranians for their anti-American policies. The United States provided Iraqis with military intelligence on Iranian troop movements, and along with its allies, the United Kingdom and Germany, exported military equipment to Iraq.

According to the Guardian, the U.S. allowed the export of "biological agents, including anthrax, vital ingredients for chemical weapons; and cluster bombs" to Iraq (Guardian, December 31, 2002). Furthermore, the U.S. remained completely silent when Iraqis used chemical weapons against Iranians almost on a daily basis.

By 1988, despite all odds, when Iranians were about to defeat Iraqis, the U.S. Navy entered in a covert operation to destroy Iranian oil platforms in the Persian Gulf (Newsweek, July 13, 1992, pp. 29-30). The U.S. direct involvement finally forced Iranians to sign the truce with Iraqis in 1988 and to end an eight-year war that cost them about a million casualties and billions of dollars in material cost.

This event shows that Iranians did not use cost-benefit analysis in their decisions. Iranian nationalism was the main reason to defend the country against the invasion by an Arab country. The Shia sect of Islam, the faith of the majority of Iranians, and the institution of martyrdom imposed a duty on Iranians to avenge their unjust war and to protect their fellow countrymen by defying the

strong. Throughout the history, the quest for justice has been a paramount issue for Iranians. Iranian history is replete with heroic actions against injustice, particularly against a strong enemy.

The Clinton administration continued the sanctions against Iran and coined the term “rogue states” to solidify its position against Iran. However, his administration realized the cultural barriers between the two countries and dropped the term “rogue state” in reference to Iran. On April 15, 1999, President Clinton made conciliatory remarks towards Iran and said, “I think it is important to recognize... that Iran, because of its enormous geopolitical importance over time, has been the subject of quite a lot of abuse from various Western nations. And I think sometimes it’s quite important to tell people, look, you have a right to be angry at something my country or my culture or other that are generally allied with us today did to you 50 or 60 or 100 or 150 years ago”. (CNN). This signaled an understanding of cultural and historical factors by the Clinton administration as a necessary precursor for ending hostilities between the two countries.

Unfortunately, the new Bush administration has reversed the course by labeling Iran, Iraq, and North Korea as the “axis of evil”. He is returning to the rational choice model to set U.S. foreign policy. If the tenet of this paper is correct, the new policy in the Middle East is doomed from the beginning.

Conclusion

One usually associates culture with food, music, art, and other parts of daily life within a society. However, it is not usual to connect cultural norms and values to individuals’ decisions in a general sense. In light of the rational aspects of thinking in the west and the more mystical and spiritual influences on thinking in the East, the presence of rational intellectual/ affective intellectual dichotomy in world politics can become apparent through examples.

Cultures are not static and are changing due to interaction between people of different nations. International trade is also a means of cultural exchange. The global cultural crisis is how to separate the exchange of goods and services from the exchange of cultural norms and values. The dominance of capitalism in modern times might be a harbinger of global capitalistic values and that is the dilemma that many nations face.

One needs to study different cultures to be able to communicate with others. If one insists on his/her cultural norms and values, international communication

is doomed and the unfortunate conclusion is to label other people as irrational and other nations as rogue nations.

It is time to understand that people of the world are different from each other culturally and that these cultural differences have impact on politics. It is important to understand and respect the differences, in order to ever find commonalties. Only then global communication will be possible and peaceful solutions to international crisis could become a reality.

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