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# Rational Economic Man and His Dog Set Out to Mow a Meadow

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G. R. STEELE

**H**ow do we recognize anyone's decisions as rational? To a mathematician, rationality implies logical deduction from axiomatic certainties; rationality is the application of rules of logic that define the pathway from a premise to a conclusion. To a statistician, rationality implies calculations based on probability distributions; it would, for example, be irrational to flip a balanced coin repeatedly with the expectation of obtaining (on average) more heads than tails. In both of these illustrations, rationality is a characteristic of the problem situation.

In the context of mainstream economics, it is common to represent rationality as a *psychological* attribute. The rational economic man is one who displays a particular *personal* disposition. Rational man optimizes within constrained circumstances: he allocates the scarce resources that are available to him efficiently among competing uses. In so doing, he displays a remarkable set of abilities. He is able to indicate a well-defined preferred objective; to obtain all the information that pertains to that objective; to deduce logically the action that is necessary to reach that objective; and to put that action into effect.

If these considerations define rationality, then irrationality presents a conundrum. If rational man is not a truism, irrational man must exist. With well-defined objectives and "given" relevant circumstances, irrational economic man would flunk problems of

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logical deduction (the irrational mathematician), mathematical expectation (the irrational statistician), and constrained optimization (the irrational economic man).

In the economic context, irrational man cannot *choose* a suboptimal solution because if he chooses to fail and does so, then he must have succeeded, rationally. There are other possibilities: irrational economic man might be one (1) who cannot define his objectives (“his preference function is unspecified”), so his actions are unlikely to deliver optimal solutions, even though he knows the calculus; (2) who, having identified the configuration of his preference function, cannot master the necessary calculus; or (3) who has both of the foregoing deficiencies.

Consider a seemingly straightforward economic task: one man and his dog, who set out to mow a meadow. Consider rational dog. If that is absurd, consider irrational dog. If both are absurd, what remains? Although dog cannot deliver solutions requiring calculus or statistical analysis, this deficiency is not the relevant point. The pertinent issues are that dog cannot comprehend questions founded on calculus or statistical theory and that no basis exists to classify dog’s response to a question alien to him. Dog is equipped to act neither rationally nor irrationally.

Consider moral dog. If that is absurd, consider immoral dog. If both are absurd, what remains? Although dog cannot deliver solutions according to moral precepts, this attribute is not the relevant point. The pertinent issues are that dog cannot comprehend morality and (again) that no basis exists to classify dog’s response to a question alien to him. Dog is equipped to act neither morally nor immorally.

Neither rational behavior nor moral behavior nor chance brings cohesion to a pack and allows dogs to survive. The Darwinian thesis is that natural selection has equipped dog with a predisposition to behavioral patterns that leave him safe. If those patterns have the *appearance* of rationality or morality, those *appearances* are figments of the human mind—the same mind that presumes (plausibly) that no such figments exist within dog’s mind.

Pack survival relies on the instinctive adaptation of individual dogs to their mutually compatible roles. If a dog fails to fulfil its role (that is, if it appears to act irrationally, immorally, or, more plausibly, mistakenly), pack survival is threatened. The cohesion of the pack is founded on the emergence of a pack leader and the instinctive predisposition of dogs to act together systematically, rather than on any ability to apply reason or to follow the direction of moral precepts. Take the dog from the pack, and he still looks to a leader: one man.

Though guided by different strengths in their instinctive predispositions, cultural conditioning, and intellectual capacities, one man and his dog behave systematically. As they set out on their resource-constrained task—to mow a meadow—their joint activity is susceptible to rational interpretation. Here, the goal of *positive* economics is to understand systematic behavior—to describe what exists and how it works—and to avoid any *normative* judgment. Mainstream economics places great stress on the avoidance of normative judgment. If economics is to be scientific, it must eschew every ethical consideration. Such considerations are for others. So, consider

one man and his dog setting out to mow a meadow and the guidance they might draw from positive economics.

In the absence of a problem, science is vacuous. So what problems confront one man and his dog? Where is the meadow located? Is the crop English hay or Afghan poppies? What alternative factors are available? Does the labor force comprise hired freemen or indentured servants? What means exist to raise productivity? Is the incentive one of bonus payments or the threat of a flogging? With each of these issues, the economic problem is adjacent to an ethical problem that cannot be decided by positive economics. It is not for economists to decide the legitimacy (morality) of the opium crop or that of indentured labor or that of flogging.

Given the extensive relevance of (adjacent) ethical judgments, positive economics remains silent with regard to important issues that relate to economic behavior. For example, do individuals have a rationale for following ethical precepts in making economic decisions; do ethical standards condition how well economies perform; do the benefits of trade and cooperation depend on good neighborliness; do shared moral values hold down transactions costs; is not the “free market” a metaphor for all manner of voluntary interpersonal relationships; on what ground is central direction justifiable; is it a relevant consideration that as individuals pursue their own interests, they might also serve others’ interests?

With regard to the pursuit of such lines of inquiry, positive economics insists on an ordinance of self-denial. If that is the analytical preference, and if no one is harmed by that preference (an ethical consideration), then no one should object (an ethical judgment). However, it is a narrow view that insists on the strict segregation of positive economics (the impartial and efficient allocation of resources among competing ends) from ethical considerations (the actions we *ought* to take and the ends we *ought* to pursue). Automata may optimize, but man—uniquely among sentient/sapient beings—can decide what needs to be optimized.

Except in contrived circumstances and probabilistic games of chance, opportunities for man to evince mathematical or statistical rationality are rare. With regard to social issues, decision options lend themselves to the application of rationality of a different kind: rationality guided by conventions or rules. In this social context, rational acts are those that are formulated in the context of a coherent framework of social conventions. Our understanding (which is the basis of our rationality) is structured in relation to established standards of acceptable behavior. Morality enters. Conversely, in undermining the reliability of conventions, immoral acts are those that disrupt social cohesion and bring greater uncertainty to individuals’ attempts to order their behavior (that is, to act rationally).

The task of social science is to acquire information relevant to social behavior—relevant, that is, to the spontaneous voluntary relationships that develop among persons. That social behavior is governed by different purposes, by differences among the individuals having those purposes, and by the different means perceived to exist to satisfy those purposes. What individuals believe to be true (“facts”) determine the

actions they take—hence the relevance of problems: in setting preferences (identifying purposes); in seeking to reconcile mutually incompatible purposes; and in deciding on appropriate action (toward satisfying those purposes).

The essential requirement of purpose is illustrated by the absurdity of the “project of measuring the length, width, thickness, and weight of the books in the British Museum” (Popper 1994, 155). The absurdity exists because the project holds no interest: it has no purpose because it deals with no problem. Science begins not with data, but with problems. Those problems provoke thought—that is, a theory; that theory delivers a solution; and that solution defines new problems.

Given that relatively few, if any, ethically neutral problems fall within the remit of social science, positive economics requires continuous direction if it is to preserve its neutrality. It is not for positive economics to suggest that one man and his dog might purposefully mow a meadow. If it is suggested that mowing the meadow might provide an effective solution to a pressing social problem, then decisions in relation to the crop, the method, and the incentive structure raise additional ethical issues, about which positive economics would need further guidance. In short, the unwillingness to engage with ethical considerations leaves positive economics impotent when faced by the important social issues.

## References

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