

REVIEWS

A RALLY OF THE RATIONAL CHOICE THEORY IN HUNGARY

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Gál, R. I.–Szántó, Z. (eds.): *The Theory of Action and Social Research*. In Memoriam László Csontos. Budapest: Foundation of the Economic Review, 2003.

The volume is the edited variant of presentations and contributions made at a conference held in November 1998. The conference was held in memory of László Csontos – who died one and a half years earlier – by his colleagues, disciples and friends.

László Csontos (1953–1997) was one of the central figures of Hungarian thinking in social science. As in the Foreword of his posthumously published book Róbert Iván Gál and László Szakadát write about him: “For his contemporaries (...) he was an authority impossible to avoid, and a decisive point of reference for the younger ones. He was one of the greatest among his contemporary colleagues. As if he had expertise in everything: in logics, in epistemology, in the philosophy of morals, in social philosophy, sociology, economics, in mathematical statistics.” (Gál and Szakadát 1999)

The papers included in the volume cover a broad field, similarly to the interests of Csontos: it contains writings on economics, philosophy, psychology and social science. Yet, the volume and the conference were not only a collection of different kinds of analyses in social science, and the authors were not only linked together by the personality of Csontos: all of them are more or less the followers or researchers of the social science approach/epistemological programme called the Rational Choice Theory (RCT).

The Rational Choice Theory is one of the most successful theories of modern social science. Due to its general familiarity (and because several papers have been published about it in the *Review of Sociology*, such as the papers in 6(2000)1, and Zoltán Szántó’s paper (Szántó 1998), I do not consider it as my present task to describe the RCT in detail. In summary it may suffice to state that social scientists, relying on the Theory of Rational Decisions, set out from the conviction that the social, political, and economic phenomena can be best studied, understood and explained if they are considered as acts of individuals or institutions and as the interactions of these acts; and, in order to understand those acts, it is worth assuming the freedom of action of the actors within

limitations, and their rationality, again often within limitations. As the title of our book states: it is a “theory of action” serving as the basis of “social research”.

It is worth beginning the papers at this point, for the first major unit of the book entitled “The Extension and Borders of the Rational Choice Theory” is related to the theory of action. The microeconomic approach, which is the most comprehensive analysis of RCT, assumes that the actor has given (constant) preferences, and, in keeping with those preferences and the available resources he would maximize their utility. In other words, the individual’s preferences are constant, therefore the differences that can be observed in the decisions have to be explained with the changes of the available possibilities, otherwise one would “attribute” every action to the changed preferences of the individual, but no theory can be built on this argument. The paper written by Róbert Iván Gál and Stefan Geritz is about the endogenous adaptations of preferences. The problem is that preferences in real life may change often. Should one then discard the models of microeconomy? The two authors’ answer is that the changes of preferences should be modeled and this way the possibility of ad hoc references to changing preferences may be eliminated. In the next paper Zoltán Szántó and István György Tóth study the social definition of preferences with the help of the analysis of attitudes towards risks. Their comprehensive analysis, based on a big sample, is the first of this kind in Hungary. Imre Orthmayr’s paper offers an entirely different approach in which the author attempts to reconstruct psychologically, epistemologically, further on by the theories of action and decision the concept of “free of emotions” of stoic ethics. One may agree with Kornél Steiger, the opponent of the presentation, that this attempt “is rather significant from the aspect of the history of philosophy, as well as of the action and decision theories”. Dezső Helmich’s paper deals with the relationships between emotions and aims. Emotions are usually viewed as the ‘carriers’ and ‘causes’ of irrationality, yet there is hardly any motivation or even usefulness without emotions. Can emotions be rational? Should emotions be restricted, or should rather emotional governance be transformed? The topic is closely related to Orthmayr’s study, but here the approach is much more psychological.

Though the editors have classified it under another unit, yet I think Ferenc Huoranszki’s paper belongs rather here, it is entitled “The Decisions Theory and Moral Values”. The problem is undoubtedly a basic one for the RCT paradigm: if the main motivations of action are norms and not rationality, then the entire approach, according to which action “is understood as the result of individuals’ rational and self-interested (...) decisions *first and foremost*” (Szántó 1998) is a wrong one, or at least the theory can be applied for a narrower circle of actions only. It may be said that morality is outside the sphere of the decisions theory; hence it is considered as an exogenous variable and assumed that it is part of the arrangement of preferences right from the outset, therefore we do not discuss it, but in this case neglect it and cannot say anything about its role. Huoranszki is not satisfied with this approach and attempts to incorporate moral considerations into the logical space of the rational choice theory. According to the author the solution is to dissolve that postulate of the decisions theory according to which the actor only assesses the outcome of a decision, hence distinction can be made between moral and amoral behavior. Though in my opinion (just as Lóránd Ambrus-Lakatos, the opponent of the paper also expounds) the solution

offered by Huoranszki is unsuccessful, this attempt at a solution just calls attention to the limitations of the RCT.

The larger part of the volume contains applications of the rationality models. Since the second unit contains 18 papers and contributions, there is no space here to present them in detail (though each tractate would deserve a detailed assessment), therefore I call attention only to the topics analyzed and issues raised in many cases.

COLLECTIVE DECISIONS

The paper by János Kis focuses on the study of the widespread thesis according to which democracy and liberalism do not fully match, a political system cannot simultaneously be perfectly liberal and perfectly democratic, for democracy realizes the rule of the majority, whereas liberalism protects the individual in the face of majority will (this is the so-called thesis of compromise). The author analyses what this statement exactly means and reaches the conclusion that “democracy coincides with the rule of the majority only under special circumstances”; the constitution that defends the rights of the individual and regulates the democratic rules of the game may be created as a result of the decision of rational actors. In his historical case study Tamás Meszerics, and in Imre Fertő’s paper entitled “The Political Economy of the Common Agricultural Policy” the authors utilize the analytical framework of the modern theory of interest groups in demonstrating that the outcome of Community decisions can be fruitfully studied through the models of decision-making structure and of the inter-group flow of information and conflicts. This unit is closed by György Lengyel’s paper. What demographic factors determine the form of social protest chosen by the individual? He would quit the organization, would stop purchasing a given product, would vote for another party, etc. (it is the well-known option of quitting by Hirschman), or would voice his dissatisfaction, would go on strike, etc. (protest). Analyzing data obtained by questionnaire Lengyel reaches the conclusion that activity in the labor market and gender are the two most important factors: working people and men are much more inclined to protest and use more radical forms of protest.

The next unit, dealing with the soft budget constraints, opens with the paper written by János Kornai, in which the author, who is known for the creation of the concept, summarizes the literature of the topic and proposes the use of the concept in additional areas, and he also describes its cause in the capitalist economic system. Lóránd Ambrus-Lakatos however calls attention to the fact that though the phenomenon of the soft budgetary constraint can be observed in capitalism as well, its ‘uninhibited’ implementation should be carefully done, for “according to Kornai’s original idea the concept of the soft budgetary constraint does not identify an isolated type of phenomenon but a social and economic anomaly reproduced.” With the help of a spectacular game theory model Róbert Iván Gál presents how the soft budget constraint results in the total lack of motivation of companies for respecting the deadlines of delivery.

The next unit is entitled “Ownership Rights, Regulation and Hierarchy” (though to me the principle according to which these were put in the same group is not quite clear). István János Tóth’s paper, analyzing the cross ownership of companies is

followed by Péter Bodó's analysis entitled "Controlled Chain Reaction as a Regulatory Technique". To me as a young reviewer it is surprising how clearly and fruitfully the author applied the methodology of RCT and of the theory of interest groups (and Schelling's model of 1978) in his paper written in 1987, for the analysis of a phenomenon operational within the framework of the command economy, namely for the fusion of co-operatives. Zoltán Pápai's paper studies the influence of different organizational structures on the quality of organizational decisions with the help of a model originating from technical disciplines (in my view this paper should have had its proper place in the unit entitled "Collective Decisions"). The unit is closed by Margit Tóth's paper on company finances, in which the author offers a survey of the international literature on the issue when a contract reached between capital-supplying investor and capital-using entrepreneur would be optimal, in other words when it is worth for the investor to purchase shares and when it is meaningful to give a loan.

The closing unit of the book is entitled "Labor Market and Labor Organization" and contains three writings, quite different in nature. Gábor Kertesi and János Köllő are in quest of an answer to the question of what the connection is between unemployment and average wage in a given region with the help of utilizing the methodology of economics and econometrics. The answer, in harmony with the theory of the labor economics, is that the average wage would be lower in an environment of higher rates of unemployment, in other words, a process can be observed that would further enhance social inequalities. István Gábor R. defines the circle of workers who have lost all hope (they are essentially those workers who are in active age but neither work nor are job-seeking for they have no confidence in being employed), and presents that there are many problems in finding a definition and an index-number. Finally, a case study written by Lajos Bódis may be read in the unit. The author investigates on the basis of data drawn from interviews-in-depth and on-the-spot observations what the influence of privatization (in a given case) is on the sources of income generated in an organization (a dressmaker's shop) and on the distribution of those resources.

As it was written earlier, I could only undertake to give a brief glimpse of the topics of the papers included in the volume and not a profound discussion of them. Yet I hope that this kaleidoscope has evoked the reader's interest, and would use fruitfully this volume during his later studies or teaching activities.

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