

Rational Choices, Beliefs and Ideologies

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Abstract

A central area of microeconomics is the theory of rational decision-making and rational choice. But what is a rational decision? Economists maximize an objective subject to resource constraints. A decision that best achieves the goal given those limited resources is then considered rational. The idea that people do not systematically make irrational decisions makes sense. The ability to act logically and rationally, to draw logical conclusions, to plan ahead and to act strategically and purposefully is what has given humans their special position in evolution. At the very least, there is no species that can do this better than humans. The homo oeconomicus of economists is therefore a construct, a figure of art that can implement in simple form the idea that we ultimately make decisions guided by rationality. The idea of the rationality of decisions, the idea of "rational choice", is therefore initially meaningful under the restrictions mentioned.

But if people are indeed rational and act and make decisions rationally, why are there so many different world views and even contradicting belief systems and ideologies that people follow? Believing means not knowing, people follow beliefs and ideological guidance even though they do not really know if it is right and good for them. This goes so far that people follow the rules of their ideologies and belief systems up to catastrophic wars and violence with the risk of their own death. Does the existence of belief systems and ideologies and their influence on us indicate that our rationality is not far off and that we do not make rational decisions? Are ideologically motivated decisions irrational anyway? Are rationality and ideology mutually exclusive? Or - are we rational, but not in the sense of the economists' truncated simple framework described above as rational choice? Why do belief systems and ideologies exist at all? What functions do they serve for us? Perhaps belief systems and ideologies have important functions even for rational people? And perhaps we simply need to better understand these functions of ideologies in the context of our rational choices? This is the task we have set ourselves in this interdisciplinary approach. We want to demonstrate that worldviews, belief systems and ideologies are important decision-making tools even for rational people. "Belief" is part of rational decision making. What we believe in can have different goals and different ways of achieving those goals. In the simple consumer decision, the goal is to maximize the utility. This is also our starting point here. However, we want to think about a central problem that is not considered in most modelling of such decision: The decision maker has a massive information problem.

But information is not free. There is a cost to each step of information acquisition. So, our first question is: How do decisions change if we do not have free and complete information on which to base our decisions? In the process of information acquisition, the decision maker must therefore evaluate step by step whether it is worthwhile to acquire further information at the given cost, or whether he wants to make a decision with the given information. This process of Bayesian Learning (BL) leads to optimal information acquisition, but not to complete information acquisition. That is, in the presence of information costs, it is optimal to decide under incomplete information. We make a decision based on what we call Bayesian Beliefs (BB).

There is much evidence in the behavioral economics literature that people use heuristics to make decisions under imperfect information and in complex situations. Heuristics are often based on plausible narratives and rules of experience. Under incomplete information, therefore, not only is a Bayesian belief rational, but a belief in a heuristic can also be rational. This is especially true when the cost of acquiring information to improve Bayesian Belief is high, and the heuristic is accessible at almost no cost. Belief systems and ideologies are heuristic solutions to the general information problem. Worldviews, ideologies and belief systems are a possible solution to the incomplete information we have to live with. Worldviews and ideologies fill this information gap. In reality we are guided by assumptions, unsupported assertions and narratives because we face this massive information problem. The information problem is not the only flaw in the traditional rational decision-

making model. The traditional economic optimization model reduces decisions to purely material motivations; it is primarily material needs that are considered.

Especially in the case of immaterial needs, the economic discussion lacks essential elements that are well known in other disciplines, especially in psychology and social psychology. For the rational choice and ideologies nexus, where we want to study the role of ideologies in decision-making and in the context of welfare, other intangible needs are essential. Psychology and social psychology have already done extensive work in this area. After interdisciplinary reviewing nearly 600 studies on needs in economics, social psychology, political science and sociology, we can divide these mental or psychological needs into three clusters. These clusters are existential and epistemic needs, social-relational needs, and agency needs. Existential needs are needs such as security, order, etc.; epistemic needs are control, ambiguity avoidance, certainty, etc.; relational needs are needs such as belonging, identification, identity, etc., and agency needs are needs such as autonomy, self-determination, etc. Serving these needs is undoubtedly part of our well-being and therefore part of our utility. The whole set of needs and desires, including social conditions and states, must be integrated into a comprehensive utility concept. Individuals, for example, have different desires for the design of the social and economic order. This is the demand side. But what about the supply side? What can serve these needs?

The answer we give is that on the supply side there are ideologies. Ideologies can serve those needs. Worldviews, belief systems or ideologies, with their narratives, fulfil functions that address and serve the described need structures. Worldviews, belief systems and ideologies thus usually convey: first, a particular set of goals, including a value system closely associated with them, and second, a proposal for how to achieve these goals. Ideologies serve the individual psychological needs described above. Individuals seek a match between their individual needs structure and a worldview, belief system or ideology that addresses and serves that very structure. A worldview or belief system is a largely consistent set of narratives and beliefs it is usually shaped by an organization, and - most important - a belief systems and ideologies have certain functions for people. We can identify six functions and briefly introduce them. 1) Belief systems help to "solve the human problem of imperfect information". 2) Belief systems create a coherent view of the world. Belief systems consist of a coherent set of norms, values and attitudes shared by an identifiable group. 3) Belief systems provide a viable reconciliation option to meet psychological human needs. 4) Belief systems provide a basis for identification with significant others. 5) Ideologies create/destroy interpersonal and/or intergroup trust. 6) Belief systems provide orientation for everyday decision making.

However, when ideologies guide people in their everyday decisions, how does this happen? How can ideologies, that is, beliefs, influence a rational decision maker? Ideologies are usually associated with organizations that claim to have the sole ability and power to properly represent a particular ideology with its narratives and interpretations. In addition to their narratives and explanations, these ideology-representing organizations also proclaim values, evaluations, and rules of conduct that are consistent with them. That is, these organizations base their narratives on ideology-specific values, then make evaluations accordingly, and develop norms and rule systems that provide guidelines for proper behavior. Because an ideology has been adopted as appropriate by its adherents, they are willing to mitigate their information problem by following the rules of the organization representing their ideology. This means for a follower of this ideology that he will be guided by this recommendation and will try to make decisions consistent to these rules. E.g. a follower of ecologism is guided by the rule of their ideology to consume only food produced in organic agriculture. Thus, in their daily shopping decisions, they will try to limit the purchase of conventionally produced food and instead buy more organic products, even if it costs more, and this is an unconventional rational choice.