

Rational Choices, Beliefs and Ideologies

Thomas Gries

Introduction

Worldview, ideology and belief often play an important role in shaping our individual lives and personal decisions, but also in shaping society. We resort to certain ideas, patterns of explanation and proposed solutions based on narratives of worldviews and ideologies to shape the future. Worldview, ideology and belief systems provide us with guidelines on what we should do and we hope that they will lead us to good decisions that lead to a positive future.

In the present time, ideologies such as racism, extreme nationalism and fascism seem to be gaining ground again. These ideologies are essentially discriminatory, aggressive, destructive and non-participatory. Therefore, ideologies currently have a very negative connotation. But if we pause and do not forget our historical experiences, we can also recognise worldviews and ideologies that are constructive and participatory. We can find narratives and narratives that can counteract these destructive developments and lead us to a better future. Since worldviews and ideologies have a decisive influence on the shaping of the future, they are at the centre of our reflections.

The examination of worldviews and ideologies takes place primarily in the social sciences, including political science, social psychology and sociology. Economists, on the other hand, often pay little attention to this topic. Economists are mainly concerned with rational decisions and actions. Beliefs, worldviews or ideologies are not at the centre of mainstream economic discussions, which are characterised by certain considerations and methods considered as rational. Common economic theories on rational decision-making sometimes claim a kind of hegemony and leave little room for broadening perspectives. In other words, the paper criticises the fact that traditional economic decision theories, with their definition of rational decision, are often considered superior and leave little room for new or broadened perspectives. A central assumption of traditional decision theory is the assumption of full information. Most economic decision models are formulated under the assumption of full information or at least assume the availability of cost free statistical expected values. This is not a trivial simplification, as we will see.

In order to incorporate ideologies and belief systems into a rational decision, we take up here interdisciplinary discussions of social psychology and political science that do not exclusively focus on rational actions. Nevertheless, the perspective of this article is shaped by rational individuals who decide purposefully and act rationally.

How can worldviews and ideologies, which are often considered "believed narratives" and therefore do not have to meet strict requirements of logic and rationality, be integrated into a discussion on rational decision-making? To answer this question, we must first understand what constitutes a rational decision. In general, in a "rational decision" the decision maker tries to achieve a goal as well as possible under the given conditions and constraints. So, how can we achieve the best possible outcome given limited resources, especially given limited information? This question defines the "*situational rationality of decision and action*". Under the given information, which is not free, and resource conditions, the best possible decision is made. Even minor changes in the situation or in the level of information can influence the outcome. Situational rationality of decision and action does not require

and mean that the "objectively" best solution is always found, but that the best then should be achieved under the given constraints - including information constraints.

Rational decisions often have to be made in situations of high complexity and incomplete information. Since we never have complete or free information, worldviews and ideologies come into play, even in rational decision-making processes.

This type of rational decision and action can be applied to various problems, whether on an individual or societal level. Given this definition, it becomes clear how important rational decisions are for a positive future. We strive for the best possible outcome under the given conditions and constraints.

An essential political problem is the design of the best possible well-being for each individual and society as a whole among the available resources. This question is also one of the central questions of economic science. But what actually is societal well-being, prosperity or common good? In this paper, we will not only discuss why worldviews and ideologies exist and why they are important, but also shed light on the role of these worldviews and ideologies for societal well-being and prosperity.

It will become clear that the well-being and prosperity in a society are influenced to a large extent by the dominant worldview. The dominant worldview of a society plays a crucial role. If we understand the dangers and opportunities of worldviews and ideologies, we can activate their potential. These worldviews provide recommendations for action, both positive and negative. Our worldviews therefore influence our individual prosperity and well-being as well as that of society as a whole. As a free society, we have the opportunity to choose the worldview that best suits us. If we can find a worldview and ideology that fits our society, we can have prospects for prosperity and well-being.

Rational action

A central area of microeconomics is the theory of rational decision-making and rational choice. But what is a rational choice? Economists maximise an objective given resource constraints. A decision that best achieves the goal given these 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 has given humans their special position in evolution. At least, there is no species that can do this better than human. This does not mean that we are rational at every moment. However, in the long-term process, humans behave "*as if*" they were solving this optimisation problem.

Such an application of rational thought structures to the individual level of shaping and decision-making is often associated in economics with the conceptual figure of "homo economicus". This conceptual figure is incomplete in its traditional form. Essential elements of human decision-making situations remain unconsidered and must be thought of more comprehensively. This applies in particular to the information problem. In the classical rational decision, the decision-maker has free full information or stochastic expectations. All the necessary information or expectations are on the table for free. But information is not free. Every step of information acquisition has a cost. So our first question is: How do decisions change if we do not have free and complete information on which to base our decisions?¹ So, in the process of information acquisition, the decision maker has to weigh step by step whether it is worthwhile to acquire more information at the given cost or 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,

¹ Burs, C. & Gries T., (2022).

it is optimal to decide under incomplete information. We make a decision based on what we call Bayesian Beliefs (BB).

The restriction of the definition of rationality to the mainstream economic definition, is a kind of hegemony. If an optimisation is carried out in the presence of incomplete information and information costs, we call this here "situational rational decisions", this is the actual "rational decision", because it describes the decision environment correctly, and not in the form of an artificial simplification. Under real conditions, it can also be deduced that heuristics are an instrument of rational decision-making. As the assumption of perfect information does not reflect reality, we need to acquire information to make decisions. Thus, in the presence of incomplete information, not only acquiring information in a Bayesian learning process leading to a Bayesian belief is rational, a belief in a heuristic can also be rational.² Belief systems and ideologies are heuristic solutions to the general information problem. Worldviews and ideologies fill this information gap.

While for the individual it is a matter of achieving the greatest possible well-being for himself with his limited resources, a society has the goal of achieving the greatest possible well-being for the people in that society as a whole. The discrepancy between the wishes and needs of the people in a society and the possibilities to fulfil them must be kept as small as possible through good decisions. These decisions include both fundamental decisions about political or economic systems of order and organisation, such as the economic order (market economy, planned economy, libertarian capitalism, social market economy, etc.), and process policy decisions. These process policy decisions concern day-to-day policy-making, such as current taxation, decisions on areas and levels of government spending, regulation of markets, and much more. Policy must be evaluated by whether it solves this social problem in the best possible way. Good economic policy therefore means creating conditions that lead to the best possible solution to this social problem.

Wellbeing and a better life

The information problem is not the only weakness of the traditional rational decision model. Another limitation is the target size defined in the mainstream economic discussion

What exactly is prosperity or well-being? This is the question we will discuss next. Traditional economists link prosperity mainly to the availability of consumer goods. The production of goods and the availability of consumer goods are central measures of prosperity in this context. Often, gross domestic product (GDP) or gross national income (GNI) per capita is seen as the sole indicator of prosperity and well-being. Certainly, the availability of goods is important as it satisfies consumer needs, but it only represents part of what constitutes prosperity and well-being. Again, the focus of the economic mainstream is on physical consumer goods. There is a kind of hegemony that hardly allows the concept of well-being to be interpreted as broadly as it corresponds to actual human needs. In fact, economists translate well-being with the term utility. This term is shortened almost exclusively to utility from consumption or physical goods. This shortening is astonishing, since utilitarianism, as it was philosophically founded by Bentham³ for example, had a much more open conception. All sources of happiness and well-being were permissible. The extensive restriction to consumer utility in mainstream economic literature is a kind of supremacy of a purely materialistic conception of economics.

² Burs, C. & Gries T., (2022)

³ Jeremy Bentham (1823), An Introduction to the Principles of Morals and Legislation, Kapitel 1 Fußnote 9, first edition 1780; https://www.econlib.org/library/Bentham/bnthPML.html?chapter_num=2#anchor_n9 .

Human needs are diverse in nature. They can be physical (tangibles) or mental (intangibles). This means that people not only have needs for material goods, but also needs related to their mental well-being and emotional state.

Intangible needs in particular lack essential elements in the economic discussion that are well known in other disciplines, especially psychology and social psychology. For the rational choice-ideologies nexus, where we examine 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 an interdisciplinary review of nearly 600 studies on needs in economics, social psychology, political science and sociology, we can divide these mental or psychological needs into three groups.⁴ These are existential and epistemic needs, needs related to social relationships, and autonomy and freedom of action needs. Existential needs include needs such as security, order, etc.; epistemic needs include control, avoidance of ambiguity, certainty, etc.; relational needs include needs such as belonging, identification, identity and social recognition, etc.; and agency needs include needs such as autonomy, self-determination, self-efficacy and self-worth. Serving these needs is undoubtedly part of our well-being and thus part of our utility. The totality of needs and desires, including social conditions and states, must be integrated into a comprehensive concept of utility. Individuals, for example, have different desires for the organisation of the social and economic order. Figure 1 shows these mental needs and categories of needs schematically next to the well-established consumer needs.

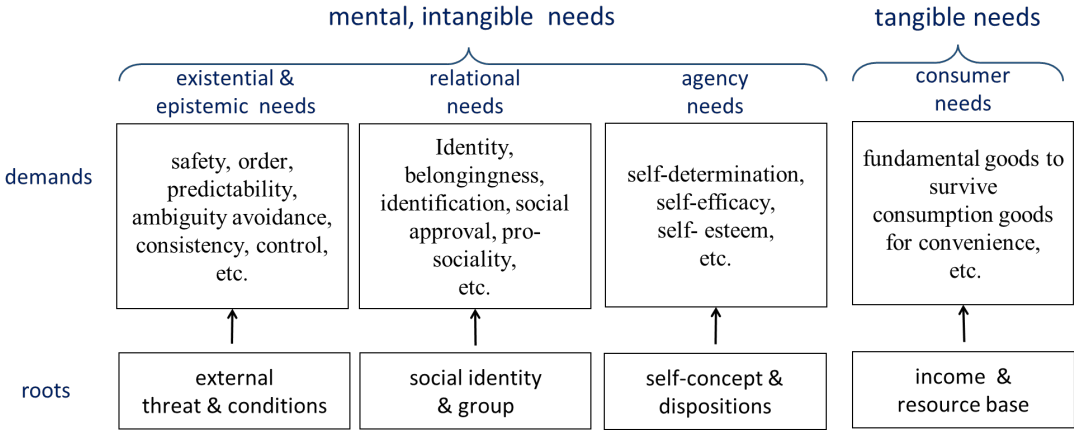


Figure 1: Mental and physical needs and categories of needs

If one considers the variety of psychological needs in addition to material needs, it becomes clear that many of these needs cannot be met in isolation at the individual level. In addition to individual needs, there are also those whose fulfilment is always linked to interactions with other people. For example, the need for freedom of action requires coordination with other individuals, since the freedom of action of one individual can restrict the freedom of others. The need for belonging is based on interaction with other individuals and the concept of a community. People want to feel connected to others and belong to a community. There are many forms of belonging, be it to a family, a nation, a religion, a political party or a football club. This illustrates that people are not exclusively individualistically oriented. Meeting important individual needs often requires joint efforts and coordination.

Our prospect of better serving these needs motivates both individual and societal action. This illustrates that prosperity and well-being are not simply given states, but the result of choices and actions. Although it may sound deterministic, it is important to emphasise that good decisions do not always

⁴ Gries, T., & Müller, V, (2020) or Gries, T., & Müller, V, (2024).

necessarily lead to good outcomes. Random and unpredictable events can influence the outcome. Nevertheless, good decisions play a crucial role in realising our desire for well-being.

But what conditions must be met for us to make good decisions and act correctly? For good decisions and actions, we need a solid understanding of the relevant mechanisms and as comprehensive an information base as possible about everything that is relevant to our decisions. However, this often turns out to be extremely difficult because our understanding of the complex mechanisms is limited and we usually do not have enough information. We are thus faced with an information problem if we want to make good decisions. Let us talk a little bit more about this problem and its potential solution.

The information problem

To shape the world according to our goals and needs, we need to understand what "well-being" means for individuals and, even more challenging, for society. What are our goals? How do we achieve them? What do we need to do to achieve them? What policies are needed to realise such a system of goals? To shape our economic and social environment, we need sound knowledge and understanding of the actual mechanisms at work in this world. We need to understand connections between different observations and be able to assess the effects of certain actions. But this knowledge is often only available to us to a limited extent, as the high complexity of our world makes it difficult to gather comprehensive information.

The information problem posed by the limited availability of relevant knowledge is a challenge that we may never fully solve. We are often faced with high information costs and do not have enough information to answer important questions objectively. For this reason, we try to manage the information problem as best we can, rather than solving it definitively. We look for simplistic solutions to this problem. Worldviews and ideologies offer us such simplistic strategies to solve our information problem. They offer orientation through a plausible narrative that helps us reduce the complexity of the world and guide our actions.

There is much evidence in the behavioural economics literature that people use heuristics to make decisions under incomplete 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.⁵ This is especially true when the cost of obtaining information to improve the 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, therefore, we are guided by assumptions, unsubstantiated claims and narratives because we are confronted with this massive information problem and we cannot solve this problem any better. Worldviews, ideologies and belief systems therefore have functions that they fulfil for us. We will explore these functions of ideologies further in the following section.

Ideologies

Worldviews and ideologies offer us not only goals or utopian visions, but also ways and measures to achieve these goals. They offer both narratives about societal design goals that meet our needs and suggestions for how to get there. There are ideas that are close to reality as well as ideas that are far from reality. But even the less realistic ideas can fulfil psychological functions that influence our

⁵ Burs, C. & Gries T., (2022).

decision-making processes. Worldviews and ideologies can therefore both play an important role in the pursuit of our needs and goals and be misleading.

Worldviews, belief systems and ideologies fulfil at least 4 functions for humans in our context, making them relevant to our lives and decisions:

1 . Creating a coherent world view:

Worldviews, belief systems and ideologies usually consist of a coherent set of norms, values and attitudes shared by an identifiable group. They provide basic orientation for explaining the world and dealing with it.

2 . Solving the information problem:

Worldviews and ideologies offer us orientation in a complex world by providing a plausible narrative. Why do worldviews, belief systems and ideologies perform these important functions? Their narratives explain the world to us and provide orientation. Ideological narratives help us understand our complex environment and make decisions. But belief is not knowledge; it is a presumption. So why do we follow assumptions and unsupported narratives? The answer lies in our information problem. It is a solution to our information problem at low cost.

3 . Serving and meeting psychological needs:

Where does it come from that worldviews, belief systems and ideologies can take over this function of solving the information problem for us? Why do we trust these narratives? Because they offer explanatory systems that appeal to and address our need system. Looking at the need system described above, we can order that ideologies provide narratives that serve these needs. They offer interpretive systems that address existential, epistemic, relational and autonomy needs of individuals. When worldviews and ideologies propose specific goals that meet the needs of individuals, they resonate with those individuals. They recognise that these worldview narratives address their needs and make offers for a world in which their needs are taken into account.

Serving these needs is undoubtedly part of our well-being and thus part of our utility. Individuals, for example, have different desires for the organisation of the social and economic order. That 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 worldviews, belief systems and ideologies that do this. ⁶ Worldviews, belief systems or ideologies can serve these needs. They fulfil a function with their narratives that address and serve the need structures described. Ideologies thus usually convey: firstly, a certain set of goals, including a value system closely related to them, and secondly, a suggestion of how these goals can be achieved. Individuals look for a match between their individual need structure and a worldview, belief system or ideology that addresses and serves that very structure. A worldview or belief system is thus a broadly consistent set of narratives and beliefs with the function of serving the needs of individuals with an explanatory future narrative. Therefore, people with certain need structures are open to following these explanations and interpretations of the world. That is, because we humans are different, there are different need structures and therefore different ideologies that serve these different structures.

For example, a person who has a strong need for security, control, and unambiguity is more likely to find a conservative narrative attractive. They prefer little change, which means not much unpredictability should come their way. A conservative narrative serves this need structure. Another

⁶ Gries, T., Müller, V., & Jost, J.T. (2022), Jost, J.T., Federico, C.M., & Napier, J.L. (2009) or Burs, C., Gries, T. & Müller, V., (2023).

person who has a strong need for self-affirmation and self-efficacy is more likely to find a narrative that talks about freedom and self-determination attractive. People learn about the ideologies that meet their need structure and finally follow this ideology.⁷

4. Guidance for every-day decisions:

How do ideologies guide people in their daily decisions? How can ideologies, i.e. beliefs, influence a rational decision-maker? Ideologies are usually associated with organisations that claim to have the sole ability and power to adequately represent a particular ideology with their narratives and interpretations. In addition to their narratives and explanations, these organisations that represent the ideology also promulgate values, evaluations and rules of conduct that are consistent with them. That is, these organisations base their narratives on ideology-specific values, then make appropriate evaluations and develop norms and rule systems that provide guidelines for proper behaviour. Because an ideology has been accepted as appropriate by its adherents, they are willing to mitigate their information problem by following the rules of the organisation that represents their ideology. For a follower of this ideology, this means that he or she is guided by this recommendation and tries to make decisions in accordance with these rules. For example, a follower of ecologism is guided by the rule of his ideology to consume only food produced by organic farming. Therefore, in his daily shopping decisions, he will try to limit the purchase of conventionally produced food and instead buy more organic products, even if this costs more, and this is an unconventional rational decision.

These functions show that worldviews, belief systems and ideologies are essential elements in human existence and provide both stability and orientation. Above all, it is important to emphasise that worldviews and ideologies do not necessarily contradict rationality, but can be part of rational decisions.

Ideologies in social discourse

Even though the terms worldviews, belief systems and ideologies have so far usually been mentioned in the same breath, these terms should now be seen in a more differentiated meaning; they do not stand for the same thing. The differentiation proposed here is not universally valid. It serves to clarify the specific meaning of the terms in this context

A worldview is an abstract school of thought that includes interpretations, narratives and evaluations about the world, its states and processes. It offers fundamental interpretations and explanations of the world and serves as orientation. The term belief system is synonymous. Worldviews influence individual attitudes and lead to actions.

An ideology goes beyond a worldview by offering sometimes dogmatic definitions of goals and paths based on a worldview. It translates worldview value systems into concrete demands, rules and instructions for action. Ideologies are often rigid and shaped by (political) organisations that dominate the prevailing narrative. They concretise both goals and methods for achieving them. These are the main characteristics of an ideology.

Ideological organisations offer people interpretations, narratives, beliefs and evaluations, continuous interpretations of everyday life, visions and occasionally ideals and utopias. They shape ideologies and offer not only abstract orientations but also concrete interpretations of reality and its evaluation, goals and rules for action. Ideological narratives influence the actions of individuals and groups.

⁷ Burs, C., Gries, T. & Müller, V., (2023).

How are these concepts related? Worldviews offer values, judgments, and ethics for adherents to follow. Based on these, these people develop an attitude that they adopt in their everyday lives. This attitude influences how individuals interpret certain situations and how they react. In addition, there are ideologies. These also derive general sets of rules from their narratives and followers trust that the propagated actions and rules are right for them, that they meet their needs. Attitudes, norms and rules thus serve as a guide in various life situations and support decisions, be they global-abstract or concrete. Following ideologies is thus not irrational from the outset. They provide a navigation system with which we can overcome the lack of actual understanding of the world. At least that is how it seems, and we have nothing better to begin with.

Worldviews, belief systems and ideologies therefore play a central role in social and political decisions. They significantly influence the political, economic and social development of a society. An ideology is based on a worldview but goes beyond providing more than a general orientation. It proclaims a system that largely involves dogmatic definitions of goals and paths. Ideologies are the translation of worldview value systems into detailed assessments and concrete demands. They provide rules and instructions for action and demand that they be followed. Ideologies are usually rigid both in their goals and in the ideas of how these goals are to be achieved. They are shaped by (political) organisations that dominate the narratives. Ideologies consist of goal systems and mechanisms of action that harbour potential for conflict, especially if they become dogmatically rigid. Conflicts can arise due to different goal systems and the insistence on a single design path. Ideologies specify exactly which methods and ways are to be used to achieve the goals. Both the goal system and the action system are already concretised. Even ideologies with similar goal systems can propose contradictory ways of achieving goals and dogmatically insist on them.

Ideologies thus also have an ambivalent role. They offer orientation, but can become dogmatically rigid, both in terms of belief in their goals and in their rules. Some ideological proposals are realistic, others have little relation to reality. That is, there are ways that make sense, whose reality content is actually sufficient to achieve the goals. But there are also proposals and design narratives of ideologies that propose mechanisms and ideas that have little to do with real processes.

The comparison of mechanisms and narratives with the reality achieved is crucial to assess the suitability of an ideology to achieve its objectives. An ideology should offer well-founded and implementable recommendations for action in order to prepare "good decisions" in the sense of its adherents. The quality of the ideology significantly influences the consequences of ideologically based decisions. If the narratives have worked, they should be recognisable in reality. We must be aware that in our actions we first trust the proposed narratives and its mechanism. These narratives may offer a realistic understanding, but may also contain idealised, utopian or unworkable elements. Societies have had experiences with ideologies and should learn from them.

Let us come to the conclusion: world views and ideologies are also part of rational decisions and decision-making. They are important and the rational decision-maker also has to deal with them.

Worldviews and ideologies propose ways of seeing and interpreting the world that serve our different need structures. Different ideologies stand for different need structures of people. We must first accept and tolerate this. If someone has a need for security and control, then so be it, and it is neither good nor bad.

By providing answers to the question, what are the needs that are important for a society to serve, and how should these needs be served, ideologies can begin to be evaluated. Does an ideology serve the set of needs actually desired? Are the mechanisms that lead there from the point of view of the ideological narratives actually functional? With some ideologies, it is very easy to see both. If we want a society with equal and equitable individuals, it becomes immediately clear that racist, anti-Semitic or

other ideologies that tell of the superiority of one group will not serve this objective. They are unsuitable from the outset and dangerous because of their aggressiveness. With other ideologies, it is less clear whether goals and measures are suitable to serve social needs. There is certainly a social need for a certain level of prosperity. A narrative rooted in the economic mainstream used to claim that market liberalism can produce it. "In this present crisis, government is not the solution to our problem; government is the problem!"⁸ This statement from Ronald Reagan's Inaugural address was the official starting point of a neo-liberal economic ideological dominance. We find today that it has not worked for many in our Western societies, and that prosperity has led to a great deal of wealth for some, but not for many. Therefore, we need to examine these economic and social guiding narratives and ideologies to see where do we want to go, what are our needs as individuals and as a society, and how do we get there? We need to rewrite and retell this story in both elements (destination and path). The dominance of one-sided narratives often referred to as "economic necessity" has only partially had the desired results.

References

Burs, C. & Gries T., (2022). Decision-making under Imperfect Information with Bayesian Learning or Heuristic Rules, CIE Working paper, 149, 2022.

Burs, C., Gries, T. & Müller, V., (2023). The Choice of Ideology and Everyday Decisions, *Journal of Organizational Psychology*, Vol. 23(1) 2023.

Gries, T., & Müller, V, (2020). Conflict Economics and Psychological Human Needs, CIE Working paper, 135, 2020.

Gries, T., & Müller, V, (2024). Ideology and the Microfoundations of Conflict - From Human Needs to Intergroup Violence, Oxford University Press, in print 2024.

Gries, T., Müller, V., & Jost, J.T. (2022). The market for belief systems: A formal model of ideological choice. *Psychological Inquiry*, 33(2), 65–83.

Jost, J.T., Federico, C.M., & Napier, J.L. (2009). Political ideology: Its structure, functions, and elective affinities. *Annual Review of Psychology*, 60(1), 307–337.

⁸ Ronald Reagan's Inaugural Address Januar 20, 1981.