

Rationality and Social Norms

By
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Outline

The course will introduce readers to the meaning of individual rationality and its various complexities. We will look at several ‘paradoxes’ of rationality, especially in a game-theoretic context, and examine ways in which these may be resolved. There will be some solutions but also lots of open ends, which should be useful to PhD students in search of problems.

A second part of the course will examine how social norms modify our rationality and how they can be formally modeled. Illustrations will be used to show how these can enhance our understanding of several economic phenomena.

Readings

- Basu, K. (2000), **Prelude to Political Economy: A Study of the Social and Political Foundations of Economics**, Oxford University Press, Oxford.
Chapters 2, 3, 4 and 6.
- Capra, C.M. et al (1999), ‘Anomalous Behavior in the Traveler’s Dilemma’, **American Economic Review**, vol. 89.
- Akerlof, G. (1994), ‘Procrastination and Obedience’, **American Economic Review**, May (papers and Proceedings) vol. 81.
- Sen, A. (1993), ‘Internal Consistency of Choice’, **Econometrica**, vol. 61.
- Lindbeck, A., Nyberg, S. and Weibull, J. (1999), ‘Social Norms and Economic Incentives in the Welfare State’, **Quarterly Journal of Economics**, vol. 105.