

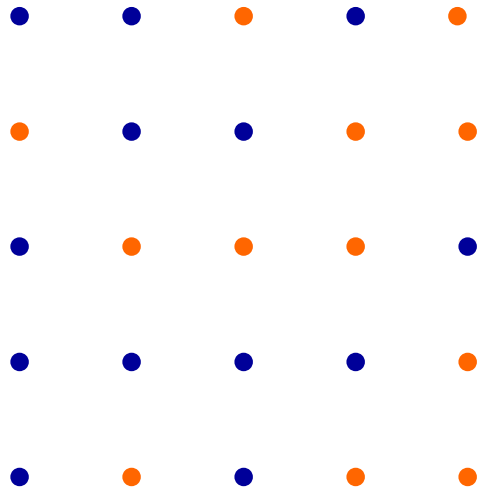
Rule Rationality

vs.

Act Rationality

Robert Aumann
The Center for Rationality
The Hebrew University, Jerusalem
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a. Bees, flowers, and nectar



IRRATIONAL

(Andreas Bertch, circa 1985, unpublished)

Q: Actually, why would you expect rationality from a bee?

A: **EVOLUTION** – survival of the fittest

(explain)

b. The Ultimatum Game

(Güth et al, 1981)

Two people must divide **DM 100.-**

They are in separate rooms, do not know each other, and interact only this one time.

A designated one, **the offerer**, makes an offer. The other one, **the responder**, may either accept or reject. If he accepts, the amount is divided accordingly. If not, no one gets anything.

Results: Most offers were **65-35**
or more generous, and were **accepted**.

Some offers were **80-20**, and were **rejected**.

This is

IRRATIONAL

Possible explanations:

PRIDE, SELF-RESPECT, INSULT, REVENGE.

Irrelevant explanations:

REPUTATIONAL EFFECTS

Rule Utilitarianism vs. Act Utilitarianism

John Harsanyi
John Stuart Mill
Fyodor Dostoyevsky
Jeremy Bentham

In making ethical judgments, should one consider the **RULE?**
(“**Thou shalt not murder**”)

– or the **ACT**
(“**Is this murder justified?**”)

In either case, judgments are made on a **UTILITARIAN** basis
(i.e., **maximum welfare of society**)

Rule Rationality vs. Act Rationality

In making decisions, should one consider the **RULE?**
(“Stick to what you’ve learned”)

– or the **ACT**
(“How do you get nectar?”)

In either case, judgments are made on an **EGOTISTIC**
basis
(i.e., maximum individual welfare)

In the Ultimatum Game:

Should one consider the **RULE**?

Don't let people kick you in the stomach!

– or the **ACT**

Should I take **DM 20** or nothing?

But

Q: These are not ethical, philosophical issues.
Why shouldn't I just maximize my welfare?
What's the importance of the "**RULE**"?

**A: Rule Rationality is a POSITIVE notion,
not a NORMATIVE one
(unlike Rule Utilitarianism).**

**Rationality is an expression of evolutionary
forces, which work by the RULE, not the
exception, not the contrived situation.**

- **BEES & FLOWERS**
- **ULTIMATUM GAME**

**Nature develops mechanisms that are
RULE RATIONAL**

Mechanisms

- **BEES & FLOWERS**
Learning window
- **ULTIMATUM GAME**
PRIDE, SELF-RESPECT,
INSULT, REVENGE

Other Examples:

- Hunger & enjoyment of food
- Bees & orchids
- Enjoyment of sex
- Polls – giving the “right” answer (Yonatan)
- Camerer’s taxi drivers
- Arrow’s Pacific Island story
- Room temperature
- Probability matching
 - Choosing a route to get to work (Dreze)
- Repeated prisoner’s dilemma
- Recency
- Professor Selten’s Umbrella