

Aspects of Bounded Rationality in Resource Use

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Abstract

Rationality in economics, corroborated with the idea that human action, essentially economic life, cannot be consumed far from rationality, as it has been analyzed by all economic thinkers, is neither inscribed in the sphere of purity nor is it whole.

The evolution of economic science has allowed both positive and counter-ideas of rationality, what is worth emphasizing is the fact that the imperfection of economic rationality has been admitted even by its fiercest defenders.

The resources attracted and used, viewed in absolute terms, have increased and diversified continuously, on the other hand, relative to the growth and diversification of needs, resources have been and remain limited. In this sense, people's permanent preoccupation with choosing resources and ranking their use to better satisfy needs is the fundamental problem of organizing any economy.

Through this paper, it is proposed to analyze through a bibliographic study, comparing the qualitative causal link between the forms of rationality used in economic science. Rationality in economics arose as a result of the limitation of resources, this concept is practically the essence of economic science.

Key words: economic rationality, perfect rationality, imperfect rationality, bounded rationality

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1. Introduction

The current economic conditions require that economic rationality becomes more and more, an absolutely necessary process in fundamental decision objectives within the framework of establishing the fulfillment but also regarding the way in which the resources are to be allocated.

In other words, it can be unequivocally admitted that human action, essentially economic life, cannot be consumed far from rationality, more than that it is imperatively necessary or continuous adaptability to current economic realities through a better understanding of own potential and by applying the principles of rationality specific to the modern economy.

In analyzing the concept of rationality, man oscillates between certain limits, respectively towards a perfect rationality, but closer to his human condition is limited rationality.

2. Theoretical background

In economic theory, the term rationality has gone through several stages depending on the dominant economic trend. Thus, at the beginning the term rationality was a holistic and complex one based on the Enlightenment idea of human reason, after which in the classical political economy it was reduced to utilitarianism, becoming more of a calculation tool.

Practical rationality considers the choice of goals and the appropriate behavior in relation to them, based on a reflexive behavior between the antecedents and results of the decision, as well as between norms and decision-making practices

The term economic rationality is the expression by which organizations are understood and studied, relating to the purpose for which they were created and economic intent. Barbara Townley, in her book Reason's neglect: rationality and organizing, presents the fact that organizational structures, systems, respectively the policies undertaken are designed to achieve economic goals that

lead to the achievement of specific objectives, this aspect strengthens the hypothesis that organizations are rational.

However, there are numerous studies that convey that organizations often pursue goals and objectives that are not essentially economic and that structures, systems, and goals are rarely designed and often fail to achieve their stated intent or purpose. Moreover, although economic rationality is often presented as a discrete, coherent and easily identifiable way of rationality at first glance, it has the possibility of eliminating many confusions and contestations that arise from the multitude of disputed definitions of rationality, or disagreements with regarding the behaviors that characterize the economic man.

From the point of view of the organization, in conjunction with the study of economic rationality, several forms of rationality can be identified that are manifested at its level:

- *Bureaucratic rationality* is characterized by knowledge, which allows things to be known. Banal, apparently insignificant acts, the imposition of certain limits, rules, procedures, codes of ethics, etc. they are what enable it to be known, to become predictable, and to be enforced. As such, bureaucratic rationality enables bureaucratic structures to function, and it persists and develops especially when the organizational form identified as bureaucracy undergoes many changes.

- *Technocratic rationality*. The situation in which ends and means are well defined, i.e. cause-effect or means-end relationships are well understood, rational action consists in adopting technically rational means or solutions to achieve the desired ends. Where the ends are not well defined and understood, or the means are not obvious, technically rational action is not possible. Most organizational problems involve either some degree of dispute over ends or means that are not well defined. Hence the reference to a technocratic rationality, this aspect translates into the application of technical means in fields as if cause-effect relationships were well established and rational action from a technical point of view was possible.

- *Institutional rationality*, which can be confused at first sight with the bureaucratic type, at the level of significance it is characterized by its criticism of the universalist concept of rationality, recognizing the fact that "the rational individual is and must be an organized individual and institutionalized". An institutional rationality can be translated by the existence of some levels of society embodied in the institutions whose purpose is the organization of social life (government, law, family, religion, etc.), which are individualized each according to the expressed purpose, which positions the economic man to find multiple forms of rationality.

- *Contextual rationality*, which expresses the idea that a rational action taken need not be fully aware of the reasons for the action, nor fully informed about the causal efficacy of the action. These considerations can be traced back to the "context" in which the action takes place in order to gain its meaning as a rational action. I personally believe that this form underlines how contextual rationality is treated in organization studies and illustrates how context is integral to the operation of rationality.

- *Situational rationality*, which is easily confused with contextual rationality, the difference between them const reporting at the temporal level, which allows for the assumption that behavior is prescient and that rationality occurs before action. A situational rationality recognizes that action is retrospectively rational, but this is also determined by the importance of the 'situation'. We know the aspect according to which rationality is a continuous achievement, in this sense we find situational rationality sequentially in the course of all the interactions consumed between individuals and organizations that aim to satisfy their own interests.

Using an analysis to achieve a situational rationality expresses the degree to which we succeed in augmenting the information needed to better understand the organization.

- *Collective rationality* is rational cooperation guided by collective reasoning: "a cooperative effort, involving linguistic exchange, to answer a question or solve a problem facing a group." "Collective rationality" takes the form of a group process for making rational decisions, which can be achieved by aggregating individual decisions.

It can be considered that collective rationality, as a result of a collective action, an expression of a collective reasoning, manifests itself in the situation of satisfying a common goal and translates into a democratic act in the development of a process of rationality in the field of resource use, but the fact that each individual, on a personal level, reacts differently to different situations, this cannot be fully achieved, which allows the emergence of syncope in the application of a collective decision.

- *Practical rationality*, which is the ability to retain lessons learned about the dimensions of rationality and incorporate or distill them into a unified understanding or picture. This expresses the connection between "knowing that", doubled by the contextual awareness "knowing how". (Townley, 2008)

In *The Oxford Handbook of Rationality*, authors Alfred R. Mele and Piers Rawling channel their focus on three competing views of economic theory about the instrumental rationality of decisions, namely to maximize self-interest, the second to maximize utility, and the third to 'satisfy', i.e. adopt a satisfactory option. They argue that self-interest maximization is too narrow an approach, that the second overlooks the benefits of teamwork and planning, and that the third, when carefully formulated, reduces to the second. Through this paper, the authors argue for a superior and elegant form of the economic principle of utility maximization. (Mele, 2004, pp. 380-398)

In another vein, focusing on the critical side of economic science, in the opinion of some Romanian philosophers, I noticed that they, with reference to rationality, often consider that economists "do not distinguish between actions in the economic sphere and those outside the economic sphere. For them, there is no difference between buying sausages and reading a book...the difference between what happens in the economic sphere and what happens in other spheres, the spiritual one, perhaps, belongs to the realm of platitudes." (Solcan, 2009, p. 228)

As can be seen, the criticism comes in counterbalance to the accusations brought to economics by the fixed sciences, which demand absolute truths and cold calculations. The economists to whom this accusation is addressed are those who believe that economic rationality requires either the maximization of profits or the maximization of satisfaction, of utility.

A vision that refers more to the mercantilists than to the modern economy and only isolates the individual from thoughts and feelings. That is why Amartya Sen in *Rationality and Freedom* in the essay *Rationality and Uncertainty* argues that: "People in real life are or are not interested in pursuing only their own interests, but it would be absurd to claim that anyone who does not pursue what he or she admits to be self-interest, it must be categorized as irrational." (Sen, 2004, p. 227)

3. Research methodology

The specialized literature represented a source of inspiration, orientation and creativity that helped in the creation and support of research in the segment of the rational use of resources both in the construction stage and in the validation stage of the research work.

Regarding the research result, the validation of the research carried out can be done on a theoretical-conceptual level, by checking the relevance and coherence of the basic statements with the consulted bibliographic references, and with regard to the publication of the research results, the external validation of the research will involve confronting the results obtained with existing theory and actual facts.

The reliability of the results can be tested by comparing the results of the conducted study with similar studies from the specialized literature, including the possibility of effective implementation - the adoption of alternative strategies for the rational use of resources of economic entities in the context of crises.

4. Findings

In the analysis of the scientific route from perfect to limited rationality, we find contradictory meanings between convinced rationalists and apriorists with moderate rationalists or critics of Cartesian rationalism.

Ideologically speaking, convinced rationalists and apriorists present homo oeconomicus and scientific abstraction as powerful tools of analysis, and in this sense, in order to strengthen some shortcomings of rationality, they have identified salutary solutions in the rationality of the market or the rules. The "AS IF" principle (as if he knows) or procedural rationality are just two examples.

Moderate rationalists operate with the idea of limited rationality, which opens new horizons in the view of critics, characterized by paradoxes and dilemmas of rationality (Pohoățã, 2011).

From the analysis of what is presented in this paper, we can admit that the common man is neither in the category of those with perfect rationality, nor in the category of perfect irrationals, but is written in that of individuals with limited rationality. Going further, making causal links, we can deduce that if most people have a limited rationality, this aspect concludes to the idea that the models of perfectly rational or perfectly irrational society exist only in theory and do not represent the whole. This assumes, however, that the market, defined in economic science as the meeting place between demand and supply, cannot be a perfectly rational one, nor is it desirable, because we would frustrate human actions and atrophy their response capacities in a situation of crisis.

The imperfect market, along with the behavior of individuals who show limited economic rationality, lead to situations where economic forecasts have a low degree of realism.

5. Conclusions

Economic rationality is not only inscribed in the sphere of logic occupied by the idea of efficiency and maximization of results, because it is found that it differs from each individual.

The research was done by appealing to the approaches of the classics of economic science, but also of some contemporary authors, but it must be emphasized that the research was also based on personal ideas which in turn can be perfected, reasons that must increase in value through a more detailed report judicious in the study of specialized literature, both at the level of economic science and other social sciences, without neglecting the quantitative links that we find in the exact sciences.

Following the ones presented and analyzed in this article, I mention that the stage of the hypotheses is incipient, based on the argumentation and the homogenization in the continuation of some significant meanings stated in the study of the science of economics.

At the same time, it can be considered opportune to create stronger links between the analysis of human behavior and the economy, but also with the applicability of rationality in the use of resources, which would create sufficient premises for the continuation of research in this area of the economy.

6. References

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