Rule Rationality vs. Act Rationality

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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)
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