Spring 2010

RATIONALITY AND CHOICE
Christine Jolls and Amartya Sen

Session 1: Introductory Jan. 25, 1-3pm
Session 2: Alternative Approaches to Rationality Jan. 25, 4-6pm
Session 3: Rational Choice and Behavioral Economics Feb. 8, 1-3pm
Session 4: Behavior, Choice and Information Feb. 8, 4-6pm
Session 5: Heuristics and Biases: I Feb. 22, 1-3pm
Session 6: Heuristics and Biases: II Feb. 22, 4-6pm
Session 7: Consistency and Decision Theory Mar. 8, 1-3pm
Session 8: Counterfactuals and Uncertainty Mar. 8, 4-6pm
Session 9: Rationality as Maximization Mar. 22, 1-3pm
Session 10: Paternalism Mar. 22, 4-6pm
Session 11: Self-interest and Behavior Apr. 12, 1-3pm
Session 12: General Discussion Apr. 12, 4-6pm
Session 13: General Lecture by Prof. Sen Apr. 19, 2:30-3:50pm

General description: Rationality is a central idea in economics, law, politics and moral and political philosophy. The demands of rationality have been formulated in different ways in classical and contemporary economics, in political science, in philosophical analysis of practical reason, and in legal theory including law and economics. This course will provide a critical examination of the different ways of characterizing rationality and its requirements. It will also consider the role of rationality in legal and political thought.

Requirement: Regular participation in classes and a term paper of about 25 standard pages. A proposal on the subject of the paper, with a motivating description, should be submitted by March 31. The final papers are due by May 6 for all students.

Office hours: Christine Jolls: Yale Law School 128, by appointment (please email christine.jolls@yale.edu)
General readings:

The following books may be used as general reference:

Richard Thaler, *Quasi Rational Economics*.


Other books of general relevance:

Depending on your particular interest you may or may not get involved with any of these books. If the subject of rationality really interests you, then “tasting” them to see whether any of these capture your interest may be worthwhile.


Gary Becker, *Accounting for Tastes*.

George Akerlof, *An Economic Theorist’s Book of Tales*.

Vivian Walsh, *Rationality, Allocation and Reproduction*.


Gay Meeks, ed., *Thoughtful Economic Man*.

Jane Mansbridge, ed., *Beyond Self-Interest*.


Thomas Schelling, *Choice and Consequence*.

Herbert Simon, *Models of Thought*.

Albert Hirschman, *Shifting Involvements*.
Michael Slote, *Beyond Optimizing*, especially Chapters 1 and 2.

Session 1: Introductory

**Session 2: Alternative Approaches to Rationality**


Session 3: Rational Choice and Behavioral Economics


Christine Jolls, "Behavioral Law and Economics," in Peter Diamond and Hannu Vartiainen, eds., *Economic Institutions and Behavioral Economics* (with responses by Ian Ayres and Christoph Engel).
Session 4: Behavior, Choice and Information


Session 5: Heuristics and Biases: I


Session 6: Heuristics and Biases: II


Session 7: Consistency and Decision Theory

R. Duncan Luce and Howard Raiffa, Games and Decisions, section 2.4, pp.19-23, and for those not deterred by symbolic reasoning, also section 2.5, pp. 23-31.

Vivian Walsh, Rationality, Allocation and Reproduction, Chapter 4 ("Rationality as Consistency"), pp. 81-111.

Isaac Levi, Hard Choices, Chapters 1 ("Moral Struggle") and 2 ("Dilemmas"), pp. 1-35.

Amartya Sen, Rationality and Freedom, Chapter 3 ("Internal Consistency of Choice"), particularly pp. 121-37 (from Econometrica, 61 (1993)).

Optional: For those who are not deterred by stretches of formal reasoning, see also:


Session 8: Counterfactuals and Uncertainty


Amartya Sen, Rationality and Freedom, Chapter 6 ("Rationality and Uncertainty"), pp. 225-244.

Richard Thaler, Quasi Rational Economics, Chapter 8 ("Experimental Tests of the Endowment Effect and the Coase Theorem"), pp. 137-166.


Optional:
George Akerlof, An Economic Theorist’s Book of Tales, Chapter 2 ("The Market for Lemons"), pp. 7-22.

Session 9: Rationality as Maximization


Thomas Schelling, Choice and Consequence, Chapter 3 ("The Intimate Contest for Self Command"), pp. 57-82.


Amartya Sen, Rationality and Freedom, Chapter 1 ("Introduction: Rationality and Freedom"), pp. 37-45 only, and Chapter 4 ("Maximization and the Act of Choice"), pp. 158-194 (the mathematical appendix can be evaded, except by those who like that sort of thing) (from Econometrica, 65 (1997)).


Session 10: Paternalism


Session 11: Self-interest and Behavior

Gary Becker, Accounting for Tastes, Chapters 1 ("Preferences and Values") and 2 ("De Gustibus Non Est Disputandum"), pp. 3-49.

George Akerlof, An Economic Theorist’s Book of Tales, Chapter 9 ("Loyalty Filters"), pp. 175-191.


Session 12: General Discussion

Session 13: Follow Up on the Course Material