

interaction among the conference participants leaves one wondering why this journal issue was put out as a book.

Joseph C. Pitt

Virginia Polytechnic Institute and State University

Beyond Optimizing, MICHAEL SLOTE. Cambridge, MA: Harvard University Press, 1989, viii + 192 pages.

It is probably dangerous to allow an economist to review a book in philosophy, the aim of which is to cast doubt on the rational maximizing model of individual decision-making. Yet for a journal with the title *Economics and Philosophy* such risk is to be expected. In *Beyond Optimizing*, Michael Slote presents us with a very well-written and provocative book, the aim of which is to try to reorient philosophers and economists in a direction of making what he calls commonsense rationality the basis of what is individually and socially rational. According to Slote, the predominant view of decision theorists and philosophers, namely, that rational behavior be defined as maximizing behavior and that rational social action be construed as consequentialism, needs to be challenged. There is, he argues, more than one structure on which social science and philosophy can be built. For example, Slote proposes the commonsense idea of "enough is enough" that most people use to run their affairs and that such a satisficing view of individual rationality can serve not only as the basis for our analysis of individual decision-making but of group decision-making as well. Herbert Simon's famous idea of satisficing is used as the foundation on which to build most of Slote's theory, yet Slote goes beyond Simon in many instances.

When I say that it is dangerous to allow an economist to review a book with such a premise, I mean that to many economists the idea of building a social science with agents who do not maximize is such an anathema that the knee-jerk reaction is immediately to dismiss it as ill guided. In this review, I will try my hardest not to do such a simple-minded thing; yet, I must say that I found much to disagree with in this book. It is precisely because I found so much to disagree with, however, that I would strongly recommend this book to economists. Such disagreements make us think hard about Slote's argument, and that exercise can be very provocative and enjoyable. Without books like *Beyond Optimizing*, the life of economists and philosophers would be very boring.

Slote's main contention in the first several chapters of his book is that rather than being rational maximizers who strive to get every extra unit of satisfaction out of a situation, people tend to be satisficers who

are content with things that are good enough. To illustrate this point, Slote presents the example of a person who is selling his house and sets a price for it that is possibly below the maximum he could get. When confronted with this fact, the seller says that he knows this but that the price he set is good enough. As Slote says, "Rather, he is a 'satisficer' content with good enough and does not seek to maximize (optimize) his expectations. His desires, his needs, are moderate, and perhaps knowing this about himself, he may not be particularly interested in doing better for himself than by selling at a merely satisfactory price" (p. 9). Another example presents us with a person who has just finished lunch and is sitting next to a refrigerator stocked with things he likes, such as candy bars or Cokes (both of which he would currently get enjoyment from). Despite the known enjoyment that such a candy bar would give him, this person refuses to reach for one because he is *satisfied* as he is – again he's had enough.

Presumably, the reader is intended to identify with the hypothetical actors in these examples since most of us probably have refused a candy bar using just such an explanation, or else set a price for a car we were selling just hoping to get rid of it without squeezing each penny out of the sale. To that extent, I, too, feel that there is some commonsense notion of what a rational action is. Where I have a problem with what Slote is trying to demonstrate is that none of these examples, or any of the others that he presents, gives us an operational way of knowing whether or not these people were maximizing. For example, almost all maximization is done under constraints. When I have just finished a big meal, many times I have refused a candy bar, not because I do not want one, but because there are constraints put on me that, unfortunately, make me have to refuse such nice things as candy bars. For example, if diabetics were to refuse a candy bar, it would not be because they felt that they had had enough. Rather, it would be because when they optimize, it is not optimal for them to eat one. If I am slightly overweight, I may refuse a candy bar, even if one would make me feel happy in the short run, because, all things considered, it is not the best thing for me to do. Given the constraints that being overweight places on my health, it is a constrained optimum for me not to eat a candy bar. In short, we cannot know if someone is satisficing or maximizing until we know all of the constraints he or she faces, as well as his or her complete utility function.

Slote's use of the term "satisficer" in the house sale example I also find strange. It was always my understanding of Simon that satisficing behavior is a response to a person's inability to perform the calculations necessary for maximization. Hence, to help cope with a complex life, a person chooses rules of thumb and aspiration levels and satisfices. When a person is simply satiated with a certain amount of money, as is the house seller, then that is simply a matter of taste, and we know that in

economics, at least, *de gustibus non est disputandum*. But what does it mean for a person to prefer a lower price to a higher price? It must simply mean that if it were just as easy to sell a house at a high price as it is at a low price (i.e., there are no extra waiting costs, and so forth), this person is simply satiated in dollars – the marginal utility of an extra dollar is zero or maybe negative. Slote says that this need not be the case, but by definition it must be true, or at least that case is operationally indistinguishable from the case of a satisficer.

The question then is, how can we differentiate a satisficer from a maximizer? In operational terms this can occur only when a person has two options, options A and B, that are both costlessly available to him and for which one option, say option A, is unambiguously better for the agent than the other (when evaluated by the person's utility function). If the agent were then to choose option B, we can say clearly that he or she was not maximizing. None of Slote's examples are of this type. For all of them, there are always other factors that could offer a maximizing explanation of the actions of Slote's agents. For example, in the candy bar example, we do not know that the agent would be better off with the candy bar when his full utility is taken into account (i.e., when his health is considered) and, hence, we cannot say that refusing the candy bar was a satisficing act; it could have been constrained maximization. From the theory of revealed preference, if the house seller faced two options that were offered to him costlessly – sell at a low price and sell for a high price – and he accepted the low-price offer, we must conclude that his preferences were such that he felt more comfortable with the low price (don't ask me why). In short, Slote's case for satisficing behavior, as spelled out in his first chapter, appears to me to be unconvincing, because he does not offer an operational definition of "enough is enough" behavior to demonstrate that the actors in his examples are satisficing. They all could be maximizers whose objective is not to maximize the quantity of something consumed (like candy or money), but some more general (possibly constrained) utility function. For example, people who love food but who also value their health or appearance might have a utility function that has among its arguments such things as the amount of cholesterol contained in the food or its sugar content. They may also care if they can fit into their clothes after indulging in such meals. Such people, while possibly great gluttons, may constrain themselves for health or appearance reasons.

In Chapter 2, Slote goes on to say that satisficers are probably nicer people to be around than optimizers. But while I can agree that neurotic strivers might be more obnoxious, I also understand that this is just Slote's and my value judgment. In Chapter 3, the argument becomes more subtle and interesting, because here Slote suggests that perhaps it is irrational to try to maximize rationally. The beauty of this argument is that it throws maximizing rationality back at itself and attempts to

point out a contradiction. He gives the example of a person who buys a house that has in it everything he had always wanted, and yet after he buys it, he persists in combing the newspapers looking for an advertisement for an even better house. This seemingly irrational waste of energy is seen by Slote to contradict what we feel is a commonsense notion of what it is to be rational. The problem I have with this restriction on maximizing is that Slote is attempting to call irrational the preferences, rather than the actions that people take in pursuing their preferences. It was always my understanding that rationality was a characteristic of how people pursued their exogenously given goals and not a function of the goals they set for themselves. Hence, if I want to check the papers constantly to see if a better house exists, even though an outside observer might think that my house is good enough for me, that cannot be irrational – it may simply seem odd. The movies are filled with stories of small-town children who strive to leave their small pond and strike it rich in the big city. Who is to say that their striving is irrational? It certainly does not look that way when they return at the end of the film in glory and fame.

In Chapter 4, Slote goes on to indicate that past history may place rational restrictions on our current actions. For example, Slote gives the example of a person who all his life wanted to go to see the pyramids, but when he arrives in Egypt is convinced quite easily to see the Temple of Karnak instead. Slote claims that most people would think this strange since the person had a lifelong ambition and overturned it without a second thought. “The man who visits Karnak shows himself to be fickle, capricious, flighty, and as such partially irrational” (p. 93).

To an economist nothing of the kind is thought. From an early age, economists are taught that current decisions should not be influenced by past sunk costs. Hence, the fact that our tourist found a better opportunity available to him at zero cost and happened to choose it, is not odd at all. For instance, when she was a child, a person might have had a constant dream to go to Disney World, and yet on a visit to Orlando for 1 day as an adult, she went to a free opera concert in some public park instead, because, despite her childhood dream, she currently preferred the opera. She might chuckle to herself that this is ironic, but we would not rush to call her fickle. Furthermore, our past traits may not be admirable, and therefore should not bind our actions today. For example, say that I smoked two packs of cigarettes a day for 25 years and one day I was given the choice between a cigarette and a piece of fruit. If I were to choose the fruit, I do not think that people would call me fickle or capricious. Now I am beginning to sound too much like a knee-jerk economist here, so let me modify my statement to say that clearly I think that the past influences our current actions. After being married for 20 years, a person does not just get up and walk away from marriage because he or she meets someone better at a party. Such an

action is indeed fickle and capricious, but it also has a moral component to it that is not included in the point that Slote is trying to make.

In the remainder of the book, Slote attempts to flesh out the connection between a commonsense view of individual rationality as a basis for a commonsense view of social behavior. Here I tend to agree with him. I think that people's views of what is best for society are not necessarily tied to their views of individual maximization. While economists try to build a macroeconomic theory on the basis of microeconomic maximizing foundations, it is not clear that, despite our utilitarian background, social choices are or should be made using maximizinglike microfoundations. There is a commonsense view about what is right or wrong for society, and such a view acts as a real constraint on typical consequentialist prescriptions. Slote has done a true service in trying to provide a commonsense microfoundation for commonsense social decision-making. Only time can tell whether or not we as social scientists and philosophers move aggressively in this direction.

Andrew Schotter

New York University

On Keynes's Method, ANNA CARABELLI. London: Macmillan, 1988, xi + 369 pages.

Keynes: Philosophy, Economics and Politics: The Philosophical Foundations of Keynes's Thought and Their Influence on His Economics and Politics, RODERICK M. O'DONNELL. London: Macmillan, 1989, xi + 417 pages.

It is a tribute to the work of both Anna Carabelli and Roderick O'Donnell that the common, central message of their work in *On Keynes's Method* and *Keynes: Philosophy, Economics and Politics*, respectively, is already conventional wisdom among a growing coterie of Keynes scholars. This message is that Keynes's philosophical writing, most fully (though by no means exclusively) expressed in his *Treatise on Probability*, was of fundamental importance to his subsequent work in economics. What better evidence, in these market-oriented times, of the strength of interest in Keynes's philosophy than the fact that the 1973 edition of the *Treatise* has now been published in paperback. This would have been unthinkable before the 1980s, when Keynes's philosophical writing was regarded as quite distinct from his economics and, apparently, not accorded much prestige in philosophical circles.