



Working Papers on Social Mechanisms

Subjective or Objective Rational Choice Theory?

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Working Paper No. 5

DEPARTMENT OF SOCIOLOGY
STOCKHOLM UNIVERSITY



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Mars 2000

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Abstract

The aim of the paper is to discuss subjective and objective rational choice as two different theories for the foundation of action theory. The conclusion is that the objective perspective aims at retrodiction or prediction, whereas the subjective aims at explanation through understanding. It is argued that the subjective tradition poses different questions that do not contradict the more prevalent objective tradition. This conclusion is reached because the two traditions are interested in different questions; that is to say, they explain different aspects of "reality". It is argued that the choice between these two traditions cannot be decided rationally.

Key words: Action, Rationality, Subjectivism, Objectivism and Explanation

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Introduction

The theory of rational choice is by now established as a "field" of its own in sociology; the journal *Rationality and Society* (1989-) is one reason for this, the number of sessions at major conferences is another.¹ Furthermore, the theory of rational choice is sometimes regarded as a newcomer in the sociological community, but even though this is not correct, one must admit that there is a recent revival in rational choice sociology.² As is known, the theory has been most influential in economics, from Adam Smith and onwards (Ekelund & Hébert 1990:103-104.)³ But the theory, when understood broadly enough, will also embrace scholars such as Alfred Marshall, Max Weber, Vilfredo Pareto, Alfred Schutz, Ludwig Von Mises, George Homans, and later proponents, such as, Gary Becker, James Coleman and Jon Elster. The tradition of rational choice in sociology is therefore almost as long as the discipline itself. To cover the entire field of rationality, even if one restricts the study to theories of action where rationality is involved, is a major task far beyond the scope of this paper.

The recent revival of the theory in sociology is mainly a result of what has been called "economic imperialism" (Becker 1976, Swedberg 1990.) Rational choice theory in today's sociology is the result of three streams, sociology, economics and political science (Coleman 1994.)⁴ In this paper political science will not be but mentioned, mostly because it is reasonable to view that stream of rational choice, initiated by Kenneth Arrow, as a branch

¹ The author gratefully acknowledges financial support from The Swedish Foundation for Internationalization of Higher Education and Research. The paper has been improved by comments on earlier drafts of this paper by following people: Peter Hedström, Per Erik Malmnäs, Richard Swedberg, Aage Sørensen and participants at the Harvard-Nuffield-Stockholm graduate conference at Nuffield College, Mars 1998, the Stockholm Seminar on Social Mechanisms, October 1999, and the seminar at the Department of Social Sciences, Mälardalens Högskola.

² This paper does not contain an introduction to the theory, but there is a vast literature on rational choice, for example, Coleman, (1990, 1994,) Dahlbäck (1995,) Elster (1989,) Hedström (1993,) Hedström & Swedberg (1996,) Hedström (1996,) Hechter and Kanazawa (1997.)

³ The idea that individuals are self-interested was a common opinion among scholars who preceded Smith. Especially Bernard Mandeville (1723) influenced Smith (Smelser 1992:384,) at least Mandeville's economic thinking. The assumption of egoism is the most striking resemblance between these two, and Mandeville is among the most cited authors in Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776.) Rationality, however, is an old theme, and it can be seen as far back as in the writings of Plato and Aristotle.

⁴ In Neil Smelser's article, *The Rational Choice Perspective* (1992,) more historical facts of rational choice theory are provided.

growing out of main stream economics.⁵ Coleman views Homans in particular and exchange theory in general, as the prime source of the sociological tradition. Gary S. Becker, Coleman says, initiated the economic stream.

That the theories used in the social sciences aim at explaining social phenomena implies that the status of explanation is an issue of debate that is discussed in a recent debate on rational choice theory in which the Austrian phenomenologist Alfred Schutz is the key-figure (Esser 1993, Srubar 1993, Prendergast 1993, Collins 1993).⁶ It seems, from the debate initiated by Hartmut Esser, that Schutz ideas on rationality are interesting today.⁷ The debate, it is argued in this paper, is an expression of the more fundamental and philosophical distinction in the social sciences between a subjective and an objective perspective, which, one can argue, has not come through in the debate as much as it should. These two different perspectives are connected to two separated ways of explaining social phenomena. The subjectivists argue for inductively generated explanations taking the intentions of the actors, and their perceptions, into account. The objectivists argue, on the contrary, for a deductive approach where apriori assumptions about the agents is the point of departure. This may not always appear explicitly as a major debate, but all theorists must hold a position in this debate. The single action, which is the basic building block of the theories discussed in the paper, can be seen from, analytically speaking, two different viewpoints: from the acting subject, or from the observing student. The issue will be further developed in the paper, but it must be emphasized that the distinction is strong, and of a philosophical nature.⁸ One may say that all theories discussed in the paper are subjective theories, and in a trivial sense they are, because they all start from the individual. There is, however, a great difference between the two approaches regarding the extent they allow for the subjects' views in relation to the scientists'

⁵ According to Coleman, Arrow's *Social Choice and Individual Values*, published 1951, opened up this field. One reason to view this as simply an outgrowth of economics is that Arrow is a trained economist. The late Mancur Olson's works have also affected sociologists.

⁶ This debate overlaps the German debate on Schutz and rational choice. I am grateful to Wendelin Reich who pointed this out to me.

⁷ In Esser (1991) the connection between Schutz and rational choice theory is suggested.

⁸ A recent attempt has been made by Pierre Bourdieu to overcome this dichotomy. Obviously, Bourdieu is not a rational choice theorist, but his attempt is still worth mentioning because it draws the attention to what the debate is all about, and how important it is. There is no doubt what Bourdieu regard as the most pressing dichotomy in the social sciences: "of all oppositions that artificially divide social science, the most fundamental, and the most ruinous, is the one set up between subjectivism and objectivism" (1980/1992:25, see also 1987:1.) Also Giddens is clear about the centrality of the subjective objective problem: "Of prime importance in this respect is a dualism that is deeply entrenched in social theory, a division between objectivism and subjectivism" (1984:xx).

views. To understand the debate, then, is to understand what is meant by scientific explanation according to the two perspectives.⁹ Explanations are by many scholars seen as the prime aim of scientific enterprise.¹⁰ It is important to understand that what we mean when stating that X is an explanation of Y is a component of the choice of our preferred theory. This means that different theories differ when it comes to what satisfies as an explanation.

The aim of the paper is to discuss the relation between subjective and objective rationality. This is done from an explanation-focused perspective. Because if science aims primarily at explanations, and if theories of explanations are natural parts of the theories we use, it follows that a study of competing theories has to take the issue of explanation into account. This means to show that the two perspectives, subjectivism and objectivism, hold two totally different views when it comes to what counts as an explanation. First the objective perspective is discussed, which is criticized, and then the subjective perspective is presented. To elaborate on the positions, thinkers like Elster, Pareto and Schutz are used. The paper ends with a concluding discussion.

The Objective Position

The objective perspective clearly dominates the scene in regards to the number of scholars using that perspective, and the number of studies conducted. This is a reason for taking the objective position as a point of departure in this study. An additional reason is that the subjective perspective becomes more understandable if it is related to the objective perspective. As said, two important scientific streams merge in sociological rational choice theory, first the deductive and positive approach of neoclassical economics, and then the positivism of exchange theory. Both positivism and the deductive tradition falls under the heading objectivism, and because of this objectivism is used as a general heading in this paper.

Economists had long before the neoclassical theory gained ground been prone to use deductive thinking (Von Mises 1960:17-22.) This was especially true of David Ricardo (Marshall 1920/1961:761, 833, Rothbard 1973:332, Ekelund & Hébert 1990:145.) But the deductive element of the theory, that is so evident in today's theory, is not the only component

⁹ What is meant by explanation in a formal sense one can debate, though this is not done here.

¹⁰ This, for example, is clearly Weber's opinion (1921-22/1978,) and it is also stressed in books on the philosophy of science as well as books on methodology (e.g., Nagel 1961:4, Frankfurt-Nachmias 1996:8.)

that has influenced economics.

The other component is positivism. The roots of positivism can be traced back at least to the French mechanical school of thinking (Hayek 1952/1979, Dilthey 1883/1990, Husserl 1936/1954.) As is known, positivism influenced sociology considerably (Pankoke 1984.)¹¹ The influence, however, is not easy to track in all its details (Giddens 1978.) If one follows the French track, it is impossible to forgo that the most well known positivist, August Comte, who influenced, for example, Herbert Spencer, J.S. Mill, and economics in general (Schumpeter 1954:416-417, cf. Freund 1978:150) had a strong impact on the social sciences. The influence of positive philosophy continued with the second wave of positivism, logical positivism.

The line of thought that emerged in the circle of logical positivists can for example be found in the writings of Paul Samuelsson¹², Richard Lipsey, and in the perhaps most well known piece on positivism and economics: Milton Friedman's *The Methodology of Positive Economics* (1953.)¹³ This positive stream can be followed to today's proponents of rational choice.¹⁴ Even though this is far from a thorough study of the influence of positivism on economics, few, if any, would deny this influence, which, as we have seen, imply that the naturalism, observation, and other common traits of the objective perspective on action are well integrated in neoclassical economic theory.¹⁵

The other stream that has affected today's rational choice theory in sociology is exchange theory. Not only economists like Samuelsson adhered to a behaviorist model of science that is philosophically underpinned by logical positivism, but this is also true of some sociological theorists.¹⁶ The behaviorist stance is clearly seen, for example, in exchange theory (Bredeimer

¹¹ There are many texts that cover positivism (i.e., Abbagnano, 1967, Giddens 1978, Huff, 1981, 1982, Needham 1994.)

¹² Hausman argues that logical positivism was one reason for Samuelsson to develop the Revealed Preference Theory (1992:19,) which clearly is a form of behaviorism. Samuelsson popularized Vilfredo Pareto's distinction between logical actions and non-logical actions, whereas the former are the study object of economics, and the latter the object of sociological studies (Swedberg 1990.) It is clear that Samuelsson has influenced neoclassical economics profoundly.

¹³ Lipsey's book, *Economics*, was first published (1963) as *An Introduction to Positive Economics*.

¹⁴ Gary S. Becker, for example, is clearly in the objective camp because he constantly speaks -and more importantly- works with behavior, instead of action. The deductive approach is also clearly present, since he starts from a set of assumptions to deduce from (1976, 1992, 1993.)

¹⁵ The neoclassical school uses a set of assumption of the actors, i.e., individuals and companies, and deduces outcomes, that can be checked against reality. On the assumptions of neoclassical economics, see, for example, Becker (1976,) Varian (1990,) and Hausman (1992.)

¹⁶ Positivism in general was a reaction to the romantic tradition of ideas, and behaviorism is partly a reaction to Freud's theories of the mental.

1978.) It is worthwhile to briefly discuss exchange theory, because of the extreme view it represents, and here the founding father of the moment, George Homans will be used as an example of this tradition. His earlier texts will be stressed, though his thinking later became more moderate.

The intellectual roots of the school are economics, sociology, and anthropology (Wallace & Wolf 1980:165-166, Ekeh 1974.)¹⁷ The economic tradition is discussed above, and the anthropological influence is mainly due to the idea of gifts and exchange as used by Bronislaw Malinowski, Marcel Mauss and others. The Sociological idea that has affected exchange theory most is George Simmel's ideas that value is expressed and determined in the process of exchange (Simmel 1907/1978:75-90.)

According to Homans behavioral psychology is the foundation of all social sciences, and its propositions are consistent with those used in economics (Wallace & Wolf 1980:171.) But what about rationality? Homans' answer is straightforward: "The relevant question is what determined their behavior...The people who appear in this book are, if you like, no less rational than pigeons" (1961:82.) Thus, Homans, one may put it, thinks that there is no limit to rationality. Every behavior is rational and there is no point making a distinction between irrational and rational behavior. Homans view must be understood from the behavioral perspective; people are no more actors than pigeons, and all we need is an assumption that the objects of study are pleasure maximizers.

Rationality, as used by Homans, implies that people act by using their past experiences. Punishments and rewards drive people, and due to different histories of experience they act differently; hence, all actions are rational by definition. Moreover, Homans does not limit rationality; the value they act rationally in order to achieve can be of any sort, for example altruistic (1961:79.) So, the actor may hold any values, and because of different life experiences, they act rationally, all things considered. This leads to explanations where people, whatever they do, do it because it is more rewarding than other alternatives, which have lead some to argue that this is ad hoc (Turner 1982:232-233.)

Homans' view on rationality should be related to what he says about explanation. According to Homans, the scientist collects, by induction, data, that is generalized to laws.

¹⁷ Homans published the article, Social Behavior as Exchange, in *American Journal of Sociology* (1958), which is the real starting point of exchange theory. Homans' *Social Behavior, Its Elementary Forms*, (1961), and Peter Blau's *Exchange and Power in Social Life* (1964) are the major theoretical statements made by members of the school. Homans, in addition, was an ardent defender of

These laws can then be used in explanations to cover other phenomena, or in Homans' own words: "...deductive explanation should be inductively arrived at" (1961:10.) To this one must add Homans' idea of observation. The idea of observation is implicit in the adoption of the behaviorist approach. The method of behaviorism is a perfect example of objectivism; that is to study the responses from outside, as a spectator (1961:34.)¹⁸ In conclusion it must be said that Homans downplays the choice of the actors. The objects of study in Homans' world are ruled by stimuli -punishment and reward- that are seen in the light of their past experience. This is similar to study the reward and punishment of a profit seeking "automate." Because of this there is no room left for the scientist to label some action, or behavior if we speak with Homans, as irrational -all actions are by definition rational. It must be emphasized that both the deductive approach and behaviorism are what here is called objective positions. They both mean that the scientists attribute traits, preferences and the like to the actors without considering the subjects perspective. We may then conclude that two scientific traditions, the apriori-deductive tradition and the behavioral tradition, are distinguishable in today's rational choice theory.

The Standard Theory of Rational Choice

The presentation so far provides evidence that both the economic stream and the exchange stream, which constitute the intellectual roots of contemporary rational choice theory, are ultimately rooted in views of science that best are described as objective. In this section contemporary rational choice is studied in the light of the objective view on science. To avoid the confusion that arises from speaking of the theory in general terms, one representative theory is chosen. The theory is Elster's (1983) version of rational choice.¹⁹ Elster's theory assumes that actors have rational preferences (see below), which are taken for granted, and hence not an object for study. Moreover, the preferences of the individuals are considered stable in time and space. The agents have beliefs about the probabilities that the means will lead to the desired end. Finally, the actor is rational if he uses the best means to the desired end.

Now, rationality, according to Elster, can be of basically two different kinds that are

methodological individualism, his classical statement is found in "Bringing Men Back in" (1964.)

¹⁸ Some have argued that Homans' system is tautological (Turner 1982:229-232,) because action, reward, and value -the three central concepts- are defined in terms of each other.

¹⁹ Elster has modified his position in his latest book (1999.)

related to the two versions of the theory, which he calls the "thin" and the "full" theory. The "thin" theory stresses consistency, which for example means that "If an agent has a compulsive desire to kill another person, and believes that the best way (or a way) of killing that person is to stick a pin through a doll representing him, then he acts rationally if he sticks the pin through the doll" (1983:3.) The full theory is more demanding, in addition to internal consistency between desire, belief and action, the preferences and beliefs must themselves be rational, and leading to rational actions. Thus there must, according to the full theory, exist external criterion on the beliefs etc., so that the individuals beliefs are "true" in an objective way.

The theory advocated by Elster, which he calls the broad theory, is a compromise between the full and the thin theory, and can best be understood, so to speak, as a weak form of the full theory.²⁰ Elster puts some restrictions on the theory, but not as strict as for the full theory: "More generally, we must require not only that beliefs be rational with respect to the available evidence, but also that that the collected evidence themselves be in some sense optimal" (Elster 1989:25.) Elster's idea seems to be that the collected information may differ due to how important the decision is to the actor, i.e., in some sense governed by the preferences, and also to the cost of gathering information. So, if it is easy to find information it is rational to look for it, but not if it extremely difficult to find information necessary to make the right decision, i.e., to decide based on an extensive and firm bed of knowledge. The demands for an action to be rational are rather strong, but Elster, however, acknowledges the problem of deciding if what appears rational actually is rational.

Elster's theory is a recommendation for how to act in a given situation, thus rational choice is used a decision model, i.e., as a model how to make the right decisions. Used this way the model ends with a normative statement of how an actor ought to decide. But in the social sciences, it is used to explain social phenomena. These two different applications are not unconnected. In fact, the decision model is turned into an assumption of the actors in the explanatory theory. In this way the social science explanation is connected to a normative position, though the assumption itself is not normative. To explain a social phenomenon the scientist not only assumes the actor to behave rationally, to that he frequently adds a set of preferences of the actors. It is furthermore assumed that the actor will rationally choose the

²⁰ Elster rejects the thin theory because, according to that theory, suicide and genocide can be rational.

means to achieve the goal. But what does it mean to act rationally, who decides what is rational in each case? Obviously one or more scientists must do this. In sum the scientist assumes that the actors have some preferences, frame the reality the way he does, and finally act the way he would if he was in that situation.

That the idea of assumptions of the actors is transferred to the realm of explanation is outspoken. Becker and Posner, for example, say that the way they conduct empirical studies does not aim to "...provide an exhaustive, phenomenologically or psychologically adequate description of human social behavior in all its idiosyncratic and cultural variety but to identify causal relations in human behavior in order to advance understanding, facilitate prediction and control, and improve public policy" (1993:422.) Friedman also emphasizes the idea of prediction (1953.) The advantage of predictions is that they can be tested with a certainty. This gives a pretty good idea of what they aim at: prediction but also understanding. Moreover, John Goldthorpe asserts that social sciences could be improved if one combined rational choice theory with quantitative analysis of large-scale data-sets (1996,) which could be interpreted as he will follow this line of argument, though he is unwilling to go as far as Becker (1998:177-9). Michael Hechter argues in similar fashion when he says: "[T]hough preferences are a central feature of intentional explanation, we are far from able to define and measure them adequately, let alone to model them realistically. In consequence, the best we can do at the present time in our explanatory models is to employ behavioral assumptions, ones that necessarily departure from reality" (1990:502, cf. Hechter & Kanazawa 1997:208, Goldthorpe 1998:175.) It must be clear from the above presentation that the aim of rational choice theory is not to account for the subjective perspective. Even if concepts like intentions and beliefs are used, we must be aware of the special usage that is made of these notions by rational choice theoreticians; these mental states are ascribed to the actors from a covert and detached scientist.

Critical Assessments of Rational Choice Theory

The three ideas expressed here: rational choice as a decision theory, as a theory for explanation and understanding, and as a theory for prediction, are all open to criticism. As a decision theory it gives normative recommendations of how one should proceed if one wants to achieve a certain goal, though this discussion of rational choice as a decision model falls outside the frame of the paper. A related issue is to decide the limits for rationality -when is an

action rational, and when is it not? Ultimately, the scientist must do this, he is one of those people who can have the necessary knowledge.²¹ Given that the scientist knows the preferences of the actor he can decide what the actor should do, and what the scientist decides is rational *is* rational.

One may doubt the status of this alleged explanation. The problem is that there are no tests made of the actors' preferences and their knowledge of the available means. It is better to describe this as a prediction, or -in the more common cases where the events to be explained already have occurred- retrodictions. However, by not testing for anything else than the chosen means, one must doubt what is explained, because a lot of information is left out. How can the scientists evaluate if actions are rational without knowing the ends of the actors, and without knowing when an action begins and when it ends? Given a set of observations there is an infinite number of combinations of beliefs, ends and means that can account for these. The point, then, is not that the objective rational choice explanation is no explanation. One may call this an explanation, but one must also be aware of the deficiencies the approach displays. To call it an explanation either means that one know the assumptions to be correct, or rather believe them to be correct, since the assumptions are not tested empirically.

This critical point is expressed by Boudon, who asserts that: "... *irrational* explanations are often -not always, of course- *sociocentric* or *egocentric* explanations which tells more about the observer than about the observed subject" (1990:236.) There are of course more "liberal" proponents of rational choice theory that argue for a more subjective approach to rationality. Boudon says that: "...*trying to substitute subjectively rational explanations of social behavior for the current irrational explanations is a major task of the social sciences*" (1989:176.) Coleman holds a similar position, which indicates how the observer imposes his view of rationality on the actors:

Since the social scientists take as their purpose the understanding of social organization that is derivative from action of individuals and since understanding an individual's action ordinarily means seeing the reasons behind the action, then the theoretical aim of social science must be to conceive of that action in a way that makes it rational from the point of view of the actor. Or put another way, much of what is ordinarily described as nonrational or irrational is merely so because the observer have not discovered the point of view of the actor, from which the action *is* rational (1990:17-18, cf. 511.)

Even though Coleman says this, he -somewhat contradictorily- uses an objective position as a

²¹ Rationality, according to Elster, is connected to the German concepts "Verstand" and "Vernunft" (1983:1, 16.) It is not just the case that the scientist has more knowledge, he can also decide what the correct decision is (cf. Pareto's notion of experimental-logical knowledge below.)

point of departure and the rational actor is an assumption in his theory.

If it is dubious what is explained by the objectivist approach, it is much more so when it comes to what is understood by the approach. Understanding, in Becker's sense (above), can be nothing but what he calls explanation. To follow the subjectivist train of thought, as will become clear, implies that understanding must include the perspective of the actor, her preferences, her view of what the action is and the like.

Finally the idea of prediction based on the idea of assumption is highly contestable. That a prediction turns out to be correct does not imply that the underlying theory was correct, since other causes may produce the same result. In addition, if the theory, or rather -the scientists- can predict, why cannot the rational actors predict the same result, since, after all, the predictor himself assumes the actors to be equally rational?²² It goes without saying that the rational actors will anticipate the outcome, and alter their behavior, which will result in another outcome and so on; but nowhere is there a super-human that can calculate the final outcome.²³ So the predictions made by the social scientists are not likely to differ very much from the likewise rational man on the street produces.

These are all pressing problems, many of which have been discussed extensively in various contexts. The question of objective and subjective rationality, however, is an old question that especially one classical social thinker, Vilfredo Pareto, has taken seriously. What is the contribution of Pareto, and in what way can he help to clarify the question?

²² Needless to say, the rational choice theorist can say that there is a difference in degree of rationality. Thus, the scientist knows more, and is consequently more rational than the actors are. The scientist is viewed by the scientists as a kind of super human.

²³ This is related to the problem of laws in the social sciences (cf. Giddens 1978.) This means that an actor can always transcend a purported law or mechanism. The laws or mechanisms, so to speak, become a part of the actors' knowledge (Giddens 1984: xxxii.)

Vilfredo Pareto²⁴

There are two reasons for discussing Vilfredo Pareto (1848-1923) in the light of the debate. Pareto is himself an outspoken objectivist and rationalist (1915-16/1935:§75,) and a possible contributor to the rational choice discussion, although he is sparsely cited in today's rational choice literature. The other reason is his discussion on action. Pareto can best be described as a positivist and the method Pareto alludes to is the "positivism" of experiment and observation (1906/1971:I, §20.) A theory is true, Pareto says, whenever it accords with the facts, which is established by empirical verification (1906/1971:I, §36.) That is to say that the theory is empirically verified, and this produces scientific uniformities, or laws. To follow this process is to use the logical-experimental method (1915-16/1935:§42,) and theories that cannot be verified are not scientific.

Pareto distinguishes between two kinds of actions, logical and non-logical, and he says that "Logical Actions are at least in large parts results of processes of reasoning. Non-logical actions originate chiefly in definite psychic states, sentiments, and subconscious feelings, and the like" (1915-16/1935:§161.) The distinction is actually even sharper, because Pareto demands that a logical action must be conducted not only by a reasoning subject, but the subject must, moreover, use a means that is firmly established as knowledge, i.e., established by the experimental-logical method. This a strong demand, and the reason why many of the actions are in the non-logical category (1915-16/1935:§153.)²⁵ Thus, the actions scrutinized may be either logical or non-logical. The distinction is an "abstraction," in real life logical and non-logical aspects are likely to be mixed together. Accepting that the distinction is formal, how exactly is it made by Pareto?

The idea is the following: almost all actions are subjectively rational, which means that

²⁴ A reader may ask why Weber is not discussed in relation to this matter, since he clearly is one of the thinkers that is most well-known for discussing rationality. Even though Weber -like Immanuel Kant- tried to overcome the gulfs of science, e.g., in the battle of methods, and also the dichotomy between subjectivism and objectivism, one cannot say that he succeeded. Unfortunately his thinking has clouded rather than clarified the issue. The way he "overcame" the difficulty is summarized in the following quotation: "A motive is a complex of subjective meaning which seems to the actor himself or to the observer an adequate ground for the conduct in question" (Weber 1921-22/1978:11.) What is of importance here, of course, is that motive, which is defined in terms of meaning, can be attributed by the observer. Talcott Parsons stresses this interpretation in a footnote (1937/1968:59n12.)

²⁵ Pareto's distinction between "logical" and "non-logical" is close to "rational" and "irrational" action, though one should be aware of the fact that he draws a line between non-logical and illogical (1915-16/1935:§150.) The main difference between these two seems to be that there is a higher demand on empirical evidence necessary for an action to be logical than rational.

the actor has reasons for the chosen act, that makes the relation between the act, viewed as a means, and the related end to appear as a logical relation. If this relation also is logical from the point of view of an observer, who, as we have seen, must have certain knowledge, then the action is logical. In a case when the observer, for example due to superior experimental-logical information, knows that there is no relation between the act and the end, the action is non-logical (1915-16/1935:§151.) This is important, in order to be logical act, the actor must use a means, which really is a theory, that has been tested according to the demands of the experimental-logical method. Pareto distinguishes the "theory" used by the actor and the "experimental fact" known by the observer (1906/1971:I, §15.) Pareto gives an example of how the distinction is used: Greek sailors who sacrificed for Poseidon in order to have a safe and rapid voyage they, Pareto says, are not acting objectively logical, though it may be subjectively logical (1915-16/1935:§149.) From the distinction between subjective and objective logical actions, Pareto presents a scheme of classifications of actions, which covers different combinations that are possible (1915-16/1935:§151.)

Pareto's position seems to be objectivist. But a closer scrutiny reveals that the distinction presupposes a strong knowledge of the subject's perspective. In order to decide whether the actor acts logically or not, the scientist must know the end the subject wants to achieve, and, more obvious, the means applied (Parsons 1937/1968:190.) In addition, to see if the subject uses the logical means one must first know the end. Not until then can the scientist decide what the logical means would be, and compare to see if the actor chooses the logical or the non-logical means. Logical action, thus, implies that the subject himself uses the experimental logical means in order to achieve the end. In this way Pareto connects mundane life with scientific knowledge, the actors may use scientific knowledge and this will affect the outcome, which ultimately leads to a change of the scientific knowledge, i.e., theories, of the actors. Thus the system is open to change, and scientific knowledge is a part of the world, and does not exist in isolation in an ideal world. Naturally, actions in realms where no experimental-logical knowledge is available cannot be logical. This is the reason for Pareto to say that logical actions are common in the economic sphere, and not in others. This issue is not discussed explicitly by contemporary rational choice theorists.

Pareto, to conclude, did not view man as rational; in fact, his entire project aims to show how the equilibrium is related to sentiments, which are everything but rational. This does not hinder man from representing himself as rational, or in Pareto's own words: "Human beings

have a very conspicuous tendency to paint a varnish of logic over their conduct" (1915-16/1935:§154, also 1906/1971:II,§4.) Furthermore, Pareto is not using rational (logical) action to explain social phenomena, except for some social spheres. On the contrary, most individuals' acts are non-logical, driven by sentiments. It is worth stressing that he recognized the subjects' perspective as the reasons for their actions. Man's acts are caused by the way he perceives reality, by the ends he wants to achieve, and by the corresponding means he applies (1906/1971:II, §7-9, cf. 1915-16/1935:§260.) Pareto saw the scientific process as objective. This, however, means the objective perspective presupposes the existence of the subjects' perspective; without the subjects' perspective the scientist cannot tell whether an act is rational or not, and hence not explain in terms of "rational" action. It must be underscored that Pareto is occupied, as are other social scientists, not with the explanation of single individual actions, but of actions of groups, or collectives.

Subjectivism

The implicit critique that can be seen if one interprets Weber as a subjectivist, and from Pareto's account of action, is even more severe according to the last thinker discussed, Alfred Schutz (1899-1959.) Schutz, it will be recalled, is the key person in the recent debate on subjective and objective rational choice. Schutz position that originates from a totally different intellectual tradition than objective rational choice is best understood in relation to the philosophical perspective that he is a disciple of.

The subjective tradition emerged at a later stage than the objective tradition, and the emergence can be traced back to Wilhelm Dilthey. It is sometimes argued that Dilthey is the key-person regarding the distinction between social science and natural science.²⁶ However, the philosopher and psychologist Franz Brentano had made a more analytically interesting statement about ten years (1874) before Dilthey's publication. He gave name to the "Brentano's thesis, which can in an abbreviated be described the following way, "...we can define mental phenomena by saying that they are such phenomena as include an object intentionally within themselves" in *Psychologie vom empirischen Standpunkt* (1874) quoted in *The Encyclopedia of Philosophy* (1967, Vol 4:201.) By using intentionality one asserts that the domain of psychological phenomena consists of *evaluation, judging, desiring, willing* and

²⁶ Dilthey's *Einleitung in die Geisteswissenschaften* (*Introduction to the Human Studies*), was published 1883, which is one year before Menger initiated the so called Battle of the Method (Huff

the like (Huff 1982:89.)²⁷ One may also describe the concept by that there is a (mental) "directedness," i.e., the mental is directed to something.²⁸ Others have stressed "intentionality" as the central concept in Dilthey's writings (Huff 1981,) but the crucial point in his writings is that there is a qualitative difference between the mental sciences ("*Geisteswissenschaften*") and the natural sciences ("*Naturwissenschaften*".) It must be clear that intentionality is not only referring to the "intention" -as the purpose of the actor, but more to mentalism in general.

The line of influence from Brentano to Schutz goes via the founding father of the philosophical movement called phenomenology Edmund Husserl (Prendergast 1986.)²⁹ Phenomenology takes the mental content of the subjects as the point of departure for scientific analysis, which is an expansion of Brentano's ideas.³⁰ Husserl is one figure of inspiration to Schutz, the other figure of interest here is Max Weber. Schutz wrote his first major book in a close relation to Weber thinking, and he was especially interested in Weber's theory of action. It is clearly the case that Schutz appreciated Weber, though he also criticized him. Moreover, the emphasis on individual action and subjectivity, two hallmarks of the Weberian approach, as well as in the Austrian economic approach (Weber 1921-22/1978, Hayek 1952/1979, von Mises 1963,) are further indications of the close intellectual connection between these two scholars.³¹

This is also the clue to Schutz's subjectivist oriented sociological project. The subjectivist point of departure means that Schutz studies how individuals attach meanings to their actions. According to Schutz, the actor starts by dividing the constant stream of consciousness into parts, which is a prerequisite for meaning. However, since every individual is born into a

1981:464-465.)

²⁷ For a more complete definition and discussion of the concept see Chisholm (1957, chapter 11.) Intensionality is about linguistic expressions, whereas intentionality is about mental states.

²⁸ Many definitions exist, John Searl regards the following, though preliminary, to be a definition: "Intentionality is that property of many mental states and events by which they are directed at or about or of objects and states of affairs in the world" (1983:1.)

²⁹ A very good study of Schutz's theory of action is Esser (1991). Esser stresses the similarities between mainstream rational choice theory and Schutz. But Esser downplays the philosophical roots (i.e., Husserl, cf. 1991:89) of Schutz, which leads Esser away from what in this paper is seen as the main issue: subjectivism versus objectivism. This author agrees with Esser that Schutz has a lot to contribute to those interested in social action, but argues that the idea of meaning hold by Schutz cannot be reconciled with an objective approach to social action. Esser seems to view all rational choice theory as a purely subjective theory (1991:60,) a position not shared by this author.

³⁰ For an introduction to phenomenology see Farber (1943,) Spiegelberger (1982,) and Husserl (1936/1954, 1950/1973.) For discussions of the influence of phenomenology on sociology see Wolff (1978) and Holstein & Gubrium (1994.)

³¹ Also true is Schutz's dislike for behaviorism (1964:3-4.)

social world, it has been organized by the predecessors. The way reality is classified by processes, gives rise to different schemes of how knowledge and experience and reality are structured. A further consequence is that only the actor knows when an act begins and when it ends (1962:24). Schutz says that it is, "...naive enough to suppose that the boundaries of the act can be objectively demarcated while the actor is at the same time free to give the act any meaning he chooses!" (1932/1976:190.) This must be read as a critique of Weber, and objectivism in general. The analysis of the objective-subjective problem is pivotal to Schutz, and is therefore a good point of departure for further analysis. This can be seen by the way he formulates -rephrasing Kant- the problem of every social science, which is: "How are sciences of subjective meaning-context possible?" (1932/1976:223.) This naturally raises the question of what he refers to by subjective meaning, which, we are told, is the actual meaning given by the actor himself (1932/1976:234, 1962:25.)

If the scientist approaches the subjective perspective, he has, according to Schutz, two major scientific issues to deal with. First, the construction of the context of meaning in the world, made by the agents themselves, and second, how it is possible for the scientist to produce valid knowledge based upon the perception of the world by the actors. The discussion above indicates the solution to the first topic, but the latter question is more interesting in the light of this paper. Schutz says that "All social sciences are objective meaning-contexts of subjective meaning-contexts" (1932/1976:241.)³² Thus, the starting point is the life lived by actors in mundane life, and out of that the scientist constructs ideal types:

"The thought objects constructed by the social scientist, in order to grasp this social reality, have to be founded upon the thought objects constructed by the common-sense thinking of men, living their daily life within their social world. Thus, the constructs of the social sciences are, so to speak, constructs of the second degree, that is, constructs of the constructs made by the actors on the social scene..." (1962:59, cf. Esser 1991:35-6.)

How can this be the case when Schutz, at the same time, speaks about the construction of puppets, and about how the scientist "ascribes" motives to the puppet? (1962:40.) Before addressing this question, one has to know that Schutz thinks there is only one way for man -referring both to actors and to scientists- to grasp social reality, and that is to use construct, i.e., ideal types. The puppets are ideal types. The puppets, or the *homunculi* as he sometimes calls them, are constructions based upon the experience of everyday-people, the way they experience life and perceive the situations they are faced with.

³² As the reader of Schutz may be aware of, Schutz was not pleased with the distinction between subjective meaning and objective meaning, made by Weber (1964:227.)

The idea of puppets is connected to his "postulate of adequacy" (1962:44, 1964:19, 85,) and only in the light of his subjective perspective can one grasp the full significance of the postulate. Though "adequacy" was used by Weber in a similar way, it must be understood differently when it is adopted by Schutz. Weber considered a "correct causal interpretation" to be before us when it was apprehended causally and at the level of meaning (1921-22/1978:12, 1913/1981:157.) But the level of meaning could both refer to the motive described by the actor or the motive ascribed by the scientist. This is also what Schutz thinks is a weakness in Weber's theory (1932/1976:229.) Schutz has a more stringent demand: the *terms* used by the social scientist must be the same as those used by ordinary people. Even more important is that the constructed ideal type must be grounded in the "real" social world. The subjective scientist "ascribes" motives to the puppets, but this is done out of experience of the world of real individuals.³³ Thus, the social scientist constructs inductively generated ideal types out the first order constructions of the actors. The ideal types are naturally aimed at explaining the collective level, and not at that of single individuals.

Only from this perspective, according to Schutz, can we speak about rational actors. Thus, we use rational action ideal types if we know the context of action and the actor's experience, his motives and so on (1932/1976:239.) Almost every action is rational if viewed from this perspective. This is so because when the scientist knows the meaning context, he has, in a sense, made a rationalization of the action studied. According to Esser, Schutz argues for a theory of action that allows for routines (1993:22,) which is a reading that finds support in Schutz writings (1962:32, 1996:15-16.) These rational action types are, as all ideal types, to be used heuristically, and in some cases actions may be viewed as deviations from the ideal type. The following quotation gives a good description of his idea how the scientist comes to produce this type of scientific knowledge:

³³ Prendergast (1986) seems to be of the opinion that Schutz holds an objective position, which, however, is far from likely. Prendergast says that Schutz advocated an ideal type imputed by the scientist, and, moreover, that Schutz's "...major contribution to the methodology of the social science was this 'positivistic' rendering of the ideal type...(1986:21.) Though Schutz sometimes seems to allude to an objective position, for example in relation to the discussion on rationality (1962:3-47,) positivism is very far from Schutz methodological position. The idea of phenomenology would be nothing but metaphysics according to positivists. The subjective position is also clearly expressed in his correspondence with Talcott Parsons (Schutz & Parsons 1977.) Interestingly, the title of Schutz book *Der sinnhafte Aufbau der Sozialen Welt* (1932) is almost a travesty of one of the leading positivists, Rudolf Carnap, who 1928 had published *Der logische Aufbau der Welt*, a statement built on the idea of an extensional language, and a given intersubjective social world. What Schutz does is to make an objective scientific study based upon the subject's perceptions, actions and the like.

"So he [the scientist] arrives at a model of the social world, or better at a reconstruction of it. It contains all the relevant elements of the social event chosen as a typical one by the scientist for further examination. And it is a model that complies perfectly with the postulate of the subjective point of view. For from the first the puppet type is imagined as having the same specific knowledge of the situation -including means and conditions- which a real actor would have in the real social world; from the first the subjective motives of the real actor performing a typical act are implanted as constant elements of the specious consciousness of the personal ideal type; and it is the destiny of the personal ideal type to play the role the actor in the social world would have to adopt in order to perform the typical act. And as the type is constructed in such a way that it performs exclusively typical acts, the objective and subjective elements in the formation of unit-acts coincide" (1964:18.)

This is actually one of Schutz's major contributions to the social sciences, the way he "overcomes" the dichotomy between subjectivism and objectivism, because he starts from the subjects' perspective. So, the two questions are intimately related to each other: the individuals, one might say, create the social world, and it is the task of the scientist to take this into account when conducting scientific studies, and in particular when constructing the ideal type. That the question of subjective and objective perspective was central for him is also expressed in the following quotation:

"Most of the fallacies in the social sciences can be reduced to a mergence of subjective and objective points of view which, unnoticed by the scientists, arose in the process of transgressing from one level to the other in the continuation of the work. [...] But for a theory of action the subjective point of view must be retained in its fullest strength, in default of which such a theory loses its basic foundations, namely its references to the social world of everyday life and experience. The safeguarding of the subjective point of view is the only but sufficient guarantee that the world of social reality will not be replaced by a fictional non-existing world constructed by the scientific observer" (1964:8.)

The fact that the scientist constructs the ideal type is only to say that he does what the actors themselves do: constructing a means to understand social reality. Schutz, who here takes a different position than Weber, says that the actors' perception must be accounted for. Of course, the only way of achieving a complete subjective understanding is to be identical to the agent under scrutiny, but this is of course impossible. This is the reason why the social scientist always has to speak about constructed reality: the aim of theory is not to mirror reality in its complexity. Instead the scientist must use her best means -the ideal type.³⁴ A

³⁴ This indicates how Schutz could feel sympathy to the apriori ideal type developed by Ludwig Von Mises, who argued that economics is an apriori science. One interpretation, made by Schutz, is that this only means that the concepts used are not to be "found" in reality, they are instead thought objects (Schutz 1932/1976:243-245.) Schutz discusses the usage of rational action and says that this represents a way of describing a certain part of "subclass" of actions that sometimes may be useful. At the same time Schutz seems to criticize Mises for a subjective deficit (1932/1976:246.) Mises says that "Action is, by definition, always rational." This could be said because, "One is unwarranted in calling goals of action irrational simply because they are not worth striving for from the point of view

scientific explanation has to start from the motives etc., as they are seen from the individual's perspective, in order to create empirically generated ideal types, which is built upon the first order constructions made by the actors.³⁵ Consequently, what Schutz tries to explain is the way the agent perceives the situation he is a part of, regardless of whether he acts objectively "correct" or not, which is a totally different matter. Schutz undertaking is best described as rationalization of actions. Thus, Schutz criticizes the objectivist approach, which can be seen in his discussion of Weber, but he also deepens the analysis of the subjectivist approach that is recognizable in Pareto's writing. The reason for his insights comes, it is argued, from his philosophical point of departure that does not draw upon natural science.

Conclusions: Subjective and Objective Explanation

The main idea of this paper is that there exist two different positions that rational choice theorists, or more generally action theorists, can hold: the objective and the subjective. The discussion revolves around explanation, subjectivism, and objectivism. By relating these concepts it was possible to show how underlying values determine the approach of the scientist.

The objectivist wants to explain behavior, and he thereby ascribes preferences, ends, beliefs and the possible means, to the actor. This is done out of the assumptions of the actor that the theory entails. The subjectivist, on the contrary, asks for an explanation that is grounded in the actors' perspective. The actors, to speak with Schutz, construct ideal types, and the scientist "includes" these in the process of constructing second order ideal types. The difference -compared to the objective position- is that these ideal types are empirically generated. This means that "intentionality" is taken seriously, and not something that the student only pays lip-service to. A further consequence is that the subjective perspective on rationality combines explanation with understanding, because the reasons stated by the actor can be viewed as the cause of an action (Davidson 1980, Bergström 1990.) Only the subjective perspective can provide *understanding*, unless understanding is void of meaning.

of one's own valuation. Such a mode of expression leads to gross misunderstandings. Instead of saying that irrationality plays a role in action, one should accustom oneself to saying merely: There are people who aim at different ends from those that I aim at, and people who employ different means from those I would employ in their situation" (1960:35, see also 1963/1966:19.)

³⁵ Unfortunately relatively little is said by Schutz about how to study the first order constructions. But generally speaking, scientifically established methods such as participant observation and interviews seem appropriate for the task.

We can return to the question raised earlier, that is, if there can be different explanations of the "same" phenomenon. The answer is yes, these two explanations can coexist, though it is admitted that they, in practice, are more likely to continue to be "conflicting." The questions raised and the answers produced, can both, from a logical point of view, be "true," even though they cover the same "events." This can be argued because scholars are interested in different aspects of human life, and that these do not exclude each other. This is so because we are dealing with two different philosophical traditions.

The debate can be seen in the light of the fundamental values people hold. If one is interested in politics or in religion, vice or virtue, the choice is beyond the rational domain, or as Weber so nicely puts it, "...the one is the devil and the other is the God, and the individual has to decide which is God and which is the devil" (1948:148.) Weber, who was influenced by Nietzsche, also indicates this when it comes to "constructing" explanations.³⁶ This means that the fundamental choices are value based, and this is also true of explanations. A similar argument is described by George Henrik von Wright: "But there is also basic opposition, removed from truth. It is built on the choice of primitives, of basic concepts for the whole argumentation. This choice, one could say, is 'existential.' It is a choice of a point of view which cannot be further grounded" (1971:32.) This idea is also present, for example, in the writings of David Hume, and William James. One concept that can be used to describe the perspective out of this "context of meaning" or "web of belief" that guides the actor is, perhaps, *Weltanschauung*.

³⁶ See "The Methodology of the Social Science," (1949.)

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