

OUTLINE OF LECTURE 3: THE RATIONAL ACTOR MODEL

1. Rational Actor Model

- a) (instrumental) rationality: purposeful behavior
- b) intelligence
- c) the (idealized) model
- d) optimal choice
 - mistakes
 - unintended consequences
 - deliberate risk
- e) utility and expected utility
- f) uncertainty
 - environmental
 - strategic

2. Critiques

- a) individual limitations (bounded rationality)
- b) organizational (principal-agent)
- c) social aggregation

3. Why model is still useful?

- purposeful behavior despite mistakes
- actors learn from experience
- actors design institutions to overcome problems
- analysis tools actively developed
- what is the alternative?

4. Strategic choice

- a) actors: preferences, beliefs
- b) environment: actions, information
- c) strategic interaction