Bounded rationality

Bounded Rationality

Bounded rationality is a decision-making theory developed by Simon Herbert which postulates that the rationality of the decision maker is limited by a number of factors such as the amount of information available to the individual, the constraint of time among other factors. Simon identified three difficulties which people face while making a decision. To begin with, there is the difficulty of limited knowledge of any particular decision which the person may make. Because of this, a person may not be able to optimally know the best decision to make at a certain time because they do not know the range of outcomes (negative or positive) which will emanate from the decision. The second difficulty a decision maker may face is the fact that even for those consequences which they may be able to predict, there is no guarantee that the outcome will be exactly the same as anticipated by the decision maker. The third constraint is the constraint of the number of options which the decision maker can use.

Simon's model stands in sharp contrast to Charles Lindblom's theory which used incrementalism to explain decision making (Simon, p. 38). As the author says " Simon's model of bounded rationality also stands in sharp contrast to the rational choice model. In its purest form, this model assumes that individuals making decisions know their preferences, are able to consider all possible alternatives, and can anticipate the full set of consequences that will flow from each alternative" (Simon, p38). However, according to Simon " Whatever model might be employed by decision makers in an ideal world, satisfaction seems to be the one most of them use in the real world" (Simon, p. 39).

Reference

https://assignbuster.com/bounded-rationality/

Simon, H. (NA). Bereaucracy and Democracy. In S. Herbert, Beraucratic Reasoning (pp. 37-39).