

Two other very important contributions to the theoretical literature come out of the Keynesian tradition. The first, by Michał Kalecki (1971), develops a model in which national income is directly determined by autonomous investment and profits, in turn, are determined as a fixed share of national income. This model led to an extensive literature tracking the profit share in national income. The second, by Piero Sraffa (1972), develops the concept of the maximum rate of profit. He shows analytically that the maximum rate of profit depends exclusively on the technology of production and is independent of the wage (and therefore profit) share.

**SEE ALSO** *Markup Pricing; Profits; Returns to a Fixed Factor*

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## RATE OF SURPLUS VALUE

**SEE** *Rate of Exploitation*.

## RATIONAL CHOICE THEORY

Rational choice theory (RCT) in sociology draws on the tradition of utilitarian philosophy, and insights from the field of economics. While the central elements of RCT found expression in some earlier sociological accounts (most notably exchange theory), the formal development of RCT in sociology came only recently. Sociologists tend to explain human behavior as patterned outcomes of macro-level causes (culture and social structure) that have an impact on individual and groups. In contrast, RCT focuses on the intentional, goal-oriented behavior of individual actors. Social interaction, and the development of cultural systems and social structure, reflect the outcome of the purposive pursuit of individual self-interest.

The methodological individualism of RCT clearly sets it apart from traditional sociological accounts. Rational choice theorists maintain that the starting point for explanations of macro-level structures and group behavior is determined by the behavior of the core element of such systems, the individual actor. Individuals, including the corporate actor, are characterized as rational actors who choose actions designed to maximize their own individual interests—the satisfaction of their needs and wants:

1. Actors calculate the benefits (utility) of expected outcomes resulting from particular activities and interactions.
2. Actors take into account the expected costs of particular behaviors and include in these calculations the variable utility related to alternative courses of action (opportunity costs).
3. Actors engage in actions they expect to maximize their own interests.

Recognizing that other factors (cultural norms and values as well as the structure of the existing social con-

text) also influence decision-making, RCT stipulates that individuals nonetheless employ a utilitarian strategy designed to insure their access to and control over desired resources (material and nonmaterial). RCT offers an explanation of how macro-level structures emerge from the micro-level, purposive activity of individuals.

Social exchange theory (Homans 1961) represents an early approach that incorporated this image of the rational actor. Whereas George Homans's approach rests on a behaviorist conception of the individual actor motivated by rewards and punishments, contemporary RCT (Coleman 1990) simply argues that individuals act *as if* they are rational, and that human rationality needs no further explanation. RCT is not concerned with how actors define utility, or what particular objectives they seek to acquire; rather, the focus is simply on the fact that actions are chosen to achieve such ends efficiently.

RCT characterizes social interaction as social exchange. Individuals enter into interaction with others when the potential rewards (tangible and intangible) outweigh the calculated costs. Although it is not always possible for individuals to satisfy all their needs, they will choose alternatives they think lead to the greatest maximization of their individual interests within the constraints of particular situations. Sustained interaction, and the emergence of social structure, depends on the recognition, from the perspective of each individual involved, of the ongoing effort to achieve fulfillment of individual self-interest (Homans 1961).

Within a social context, a variety of factors affect the calculation of individual utility. The scarcity of available resources and differential access to those resources can limit opportunities for specific actors. Individuals who possess scarce resources can use them to further their own interests. Differential control of available resources produces differentials in power, allows for control over the exchange process, and opens up the potential for exploitation. Individual actors also vary in their relative dependence on the utility associated with expected outcomes, and the costs involved in pursuing particular actions versus others (opportunity costs) require consideration as well. The rational actor does not choose one goal over another because of its overall value, but due to the distribution of resources related to achieving that goal, the feasibility of success in obtaining the goal, the relative costs of any exchange involved in pursuit of the goal, and the variable value (objective and subjective) assigned to alternative strategies and their related rewards (Ritzer and Goodman 2004).

The development of sustained interaction and the emergence of a social system present certain problems for RCT:

1. If all actions are based on self-interest, why do individuals cooperate? (The so-called *free-rider problem*.)
2. What are the roles of institutionalized norms and sanctions, as well as values, that may both limit particular courses of action and encourage others (and how do these elements develop)?

Two types of collective interaction are involved—structured and unstructured. For organized, structured groups and organizations, participation by the rational actor is based on the costs involved in participation versus *relative* benefits accrued. The structuring of the context is important, with “selective incentives” altering the rewards/cost equation (Olson 1965; Hechter 1987). An actor may calculate that the relative costs of an exchange are outweighed by the potential benefits of sustained cooperation; however, such calculations are oftentimes based on unequal distribution of desired resources. Control of desired resources provides an individual or corporate actor the power to force (or legitimate) the surrendering of individual control and decision-making from one actor to others. Whether voluntary or not, the surrendering of authority and rights possessed by one individual to another produces a relatively stable, independent social structure and a redirection of purposive behavior based on both reciprocity and restraint (Scott 2000). Unstructured (collective) behavior emerges when individual maximization of utility becomes defined in terms of unilateral (nonreciprocal) transfer of control to the collective. As the individual cedes authority to a collective based on the recognition that individual success is *only* served through collective action, a dynamic character to social action ensues, resulting in the potential for disorder or change (Coleman 1990; Ritzer and Goodman 2004).

As collective interaction persists, a normative system is established, supporting the interests of actors with control over scarce resources, and the mutual interests of actors who recognize the utility of cooperative engagement. James Coleman (1990) maintains that norms are created and enforced by people who see benefits resulting from obedience, and harm or costs associated with violation. Norms allow the individual to transfer partial control within a shared system of rules, and relative maximization of utility is achieved by gaining partial control over the behavior of others. Normative structures legitimate the authority of particular collective actors based on their control over desired resources, or represent actors' trust or anticipated long-term reciprocity (Blau 1964; Scott 2000).

Although criticized for its reductionist approach, for ignoring the role of cultural values and subjective meaning in individual and group behavior, and for an overreliance on the idea of the rationality of the human actor,

RCT retains support among sociologists. Advocates claim that RCT provides an integrated theoretical analysis that bridges the differences across disciplines in the social sciences.

SEE ALSO *Choice in Economics; Choice in Psychology; Collective Action; Economics, Neoclassical; Free Rider; Individualism; Maximization; Microeconomics; Microfoundations; Minimization; Public Goods; Rationality; Reductionism; Satisficing Behavior; Utility Function; Utility, Objective; Utility, Subjective*

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## RATIONAL CHOICE THEORY (ECONOMICS)

SEE *Choice in Economics; Constrained Choice; Rationality*.

## RATIONAL EMOTIVE THERAPY

SEE *Psychotherapy*.

## RATIONALISM

Rationalism comes in various versions and makes wider or narrower claims. The idea underlying most versions is that reason is the most characteristic faculty of *Homo sapiens*.

Appeal to reason is part of traditional wisdom, yet traditional (ancient Greek) rationalism includes an out of hand dismissal of traditional wisdom. The modern version of this dismissal is the radical demand for starting afresh (Enlightenment radicalism) and admitting only ideas that are proven, absolutely certain, and fully justified by rigorous proof. Science begins with rejecting all doubtful ideas. Francis Bacon initiated the idea that traditional unfounded views are the causes of all error; René Descartes tried to ignore all doubtful ideas and start afresh from nothing. David Hume began his investigations in efforts to delineate all that is certain while ignoring all else; he and many others, from Denis Diderot to Pierre-Simon de Laplace, took it for granted that Isaac Newton's success was due to his adherence to Bacon's advice. Auguste Comte and T. H. Huxley took it for granted that other fields will be as successful if they only jettison tradition more fully; Ludwig Wittgenstein went further and said only scientific assertions are grammatical (positivism, scientism).

## ENLIGHTENMENT RADICALISM AND THE ROMANTIC REACTION

Yet what proof is no one knew. Mathematics was the paradigm of proof, and the success of physics was largely ascribed to its use of mathematical methods, a practice for all to emulate. What is that method, and how can it be applied to the social domain? How does the relinquishing of tradition help word theories mathematically? This was unclear even after the discipline of statistics was developed enough to become applicable to some social studies (as in the work of Adolphe Quételet, 1796–1874). Yet clearly as usefulness gives rational thought its initial (even if not final) worth, at least the rationality of action is obvious: its goal-directedness. Hence the study of rationality is vital for the study of the rational action that is the heart of the study of humanity. Whereas students of nature seldom pay attention to the rationality and the scientific character of their studies, students of humanities are engrossed in them. And whatever their views on this rationality, at least they openly center on it. Thus in the opening of his classic *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Adam Smith declares his intent to ignore irrationality, no matter how widespread it is. Slavery is widespread, yet everyone knows that putting a worker in chains is no incentive, he observed.

The Enlightenment movement deemed Smith's argument obvious; this led to its dismissal of human history as the sad story of needless pain caused by ignorance and superstition. This was an error. The advocacy of the abolition of slavery came in total disregard for its immediate impact on the lot of slave owners. Smith spoke of rationality in the abstract. Because high productivity depends