

A difficulty with the theory of rational choice

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Kenneth Arrow who got the Nobel prize for economics in 1972 stated his famous impossibility theorem in 1950.¹ This paper re-examines Arrow's arguments from a Buddhist perspective.²

By way of background, globalisation requires the spread of soft power through the imposed homogenisation of values. One of these values is that of "rational choice". On utility theory, rational choice means that a person chooses that course of action which maximises the expected present-value of his lifetime utility. Notionally, the utility function is just a preference ordering, an ordinal notion rather than a cardinal notion. In practice, of course, utility is conflated with money, a cardinal notion, so that present value may be calculated using exactly the riskless rate of interest prevalent in a capitalist economy. A concrete and observable consequence this theory of "rational" choice (and its large-scale propagation) is the following. Children slog for examinations in the hope that they may earn more money in the future. Since they are busy slogging, they have no time to think about the possibility of alternative values. Through this process they are entrained into the values required for globalisation.

A possible alternative to this is the belief in the interests of the society at large, as, for example, in ecological concerns today. However, critics of social welfare have claimed that such larger concerns are "irrational". This is the content of Arrow's famous "impossibility theorem". Briefly, the theorem states that in the absence of dictatorship or interpersonal comparisons of utility, a social choice function does not exist. Therefore, the followers of Arrow claim, "rational" social welfare is impossible.

Conventional economics assumes that an individual's "lifetime" is the period between birth and death. However, on Buddhist thought, an individual's lifetime is just one instant, for an identical individual does not exist across two instants. So, what is regarded as an "individual" in conventional economics is actually a whole procession of distinct individuals, one for each instant of time. Comparing the utilities of a conventional "individual" across different instants of time is no different from comparing the utilities of distinct individuals in this procession. *Intertemporal* comparisons of utility are thus no different from *interpersonal* comparisons.

For example, to say (in ordinary language) that a child's preference for play is less valuable than the preference of the corresponding adult for an expensive car is really to compare between two distinct individuals: the child, and an adult. Privileging the adult's choices is an assault on child rights. (This assault is deliberate since the adult is entrained into capitalist values, while the child is not.)

Since, on Buddhist thought, *intertemporal* comparisons are the same as *interpersonal* comparisons, why should this be allowed? Therefore, by Arrow's theorem, individual rational choice is impossible. Else, if *intertemporal* comparisons are admitted, *interpersonal* comparisons too must also be allowed, so that rational choices about social welfare become possible.

1 Kenneth J. Arrow, "A Difficulty in the Concept of Social Welfare", *Journal of Political Economy* 58(4) (August, 1950), pp. 328–346. Though this has become famous as the "impossibility theorem" Arrow originally called it the Possibility theorem.

2 This argument was first put forward by the author in his book, *The Eleven Pictures of Time*, Sage 2003, chp. 10 "Time as Money", and in a section in chapter 11, "Arrow's theorem extended: the impossibility of rational choice", p. 372.