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Journal of Economic Psychology

Volume 24, Issue 2, April 2003, Pages 143-165

Bounding rationality to the world

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[https://doi.org/10.1016/S0167-4870\(02\)00200-3](https://doi.org/10.1016/S0167-4870(02)00200-3)

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Abstract

Simon proposed that human rationality is bounded by both internal (mental) and external (environmental) constraints. Traditionally, these constraints have been seen as independent, leading to a notion of bounded rationality that is either the attempt to do as well as possible given the demands of the world “the notion of optimization under constraints” or as the suboptimal outcome of the limited cognitive system “the realm of cognitive illusions. But there is a third possibility, following Simon’s original conception: rather than being unrelated, the two sets of bounds may fit together like the blades in a pair of scissors. The mind can take advantage of this fit to make good decisions, by using mental mechanisms whose internal structure exploits the external information structures available in the environment. In this paper we lay out a research program for studying simple decision heuristics of this sort that expands on Simon’s own search for mechanisms of bounded rationality. We then illustrate how these heuristics can make accurate decisions in appropriate environments, and present detailed examples of two heuristics inspired by Simon’s ideas on recognition-based processing and satisficing in sequential search.



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PsycINFO classification

2140; 2340

JEL classification

B31; D81

Keywords

Bounded rationality; Cognitive limits; Heuristics; Satisficing; Recognition heuristic; Sequential search

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