

In memoriam Herbert Simon (1916-2001)

University students are generally rebellious about struggling through the theory of bounded rationality which comes up in many subjects. Also those, who are eager to learn it, give up easily - because the whole thing seems to be so obvious, there is nothing new to learn about it...The most ingenious theories – as we know – are always incredibly simple. Although as several exams show that is not that easy to remember the trivial statements. Why? Because to understand, what Simon wrote, one must have a kind of wisdom, experience and respect of reality.

Simon dedicated his life to reveal how people make decisions and how they solve their problems. That is why his theory is welcomed by many fields of science: economics, decision theory, political science, mathematics, psychology, artificial intelligence and others. He was always busy with the same topic, but the subject of his research touched many fields, thus many fields of science adopted his theory for their own.

Simon was not by chance named as “the scientist of the scientists”. His Nobel prize in 1978, which he was awarded for his work in the field of examining the thoughts, behavior and activity of the human being. His researches lead him to develop his theory of bounded rationality, which changed the basics of economics. The results of his research were integrated in his special conception of rationality. He stated that decision makers do not meet the requirements of the preconception demanded by the classical theories of rational choice and what is more they do not want to satisfy those. Because of their cognitive limits they are forced to opportunism. So decision makers are not perfect, but they do not want to be either. Memory is a limit. The limit of the ability of calculating denotes forced roads for them. To find the optimum alternative all the expenses of all information is needed, and because of the non predictable changes they make an effort not to maximize profit, but make acceptable decisions. In many cases we find a lot of the business decisions where they consider economy the less important choice.

Simon never denied that human decisions are conscious, he stated even that human decisions are consciously rational. He proved that decision makers are able to name lots of criteria before decision making, which helps them to measure the options of their actions, or their consequences to their criteria. He pointed out on the other hand, that the alternatives of examined objects are not always accessible, they are waiting to be found by decision makers. But because of several reasons – time-pressure, expenses, they calculate with some of the alternatives. The consequences of the alternatives generally are unknown. These are needed to be explored in a searching process. Decision makers could search until they find the best solution. But as Simon proved they would rather make a

satisfactory decision, therefore the first alternative which satisfies their aspirations is accepted, even if it is just satisfactory for them.

Simon worked during a very special period of the development of economics. The seventies and eighties was rough for economics, because it was proved that traditional theories of economics can not explain many phenomena in the world economy: it was not successful for example to find satisfying solution to explain economic cycles, unemployment, and crisis. One theory of economics, mathematical economics, which is basically the theory of rational expectation did well, in spite of the rough period. In an interview in 1988 Simon declared that the theory of behavioral science has more justification than ever, but its organizational background is not built yet, which would make it possible to be an alternative to the mathematical economics. The past twenty years though brought to fruition the theory of the science of behavior and thanks to Simon's lifework this theory is on the same rank with mathematical economics.

On the memorial of his death we should remember not just the scientist, but also the human-being. He was direct, simple, fresh in mind, which is why he amazed everyone, who had the chance to meet him. He was sensitive about the problems of the world: wars, poverty, starvation, environmental pollution and overpopulation. He firmly believed that these problems will not be solved by technical development, because they belong to the area of social sciences and psychology. He stated, that the more we know about ourselves, the more we can do to solve the problems.

Simon is gone, but his wisdom stays.

By James G. March