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Sinopsis

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It is widely held that Bayesian decision theory is the final word on how a rational person should make decisions. However, Leonard Savage--the inventor of Bayesian decision theory--argued that it would be ridiculous to use his theory outside the kind of small world in which it is always possible to "look before you leap." If taken seriously, this view makes Bayesian decision theory inappropriate for the large worlds of scientific discovery and macroeconomic enterprise. When is it correct to use Bayesian decision theory--and when does it need to be modified? Using a minimum of mathematics, Rational Decisions clearly explains the foundations of Bayesian decision theory and shows why Savage restricted the theory's application to small worlds.

The book is a wide-ranging exploration of standard theories of choice and belief under risk and uncertainty. Ken Binmore discusses the various philosophical attitudes related to the nature of probability and offers resolutions to paradoxes believed to hinder further progress. In arguing that the Bayesian approach to knowledge is inadequate in a large world, Binmore proposes an extension to Bayesian decision theory--allowing the idea of a mixed strategy in game theory to be expanded to a larger set of what Binmore refers to as "muddled" strategies.

Written by one of the world's leading game theorists, Rational Decisions is the touchstone for anyone needing a concise, accessible, and expert view on Bayesian decision making.

Ken Binmore is a mathematician turned economist and philosopher. He has held chairs at the London School of Economics and Political Science as well as other universities, and is professor emeritus of economics at University College London. His recent books include Natural Justice, Does Game Theory Work?, and A Very Short Introduction to Game Theory.