

Abstract

Both mainstream economics and its critics have focused on models of *individual* rational agents. But most important decisions are made by small groups such as families, boards of directors, appellate courts, and committees or by moderate-size groups such as legislatures. Little systematic work has been done to study the behavior of small groups as decision-making agents in markets and other strategic games. This may limit the relevance of both economics and its critics to the objective of developing an understanding of how most important decisions are made. In order to gain some insight into this issue, this paper compares group and individual economic behavior. The objective of the research is to learn whether there are systematic differences between decisions made by groups and individual agents in market environments characterized by risky outcomes. A quantitative measure of deviation from minimally-rational decisions is used to compare group and individual behavior in common value auctions.