Motivation, Behaviour and the Microfoundations of Public Services

Gerry Stoker and Alice Moseley

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2020 Public Services Trust
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In December 2008, the Trust launched a major new **Commission on 2020 Public Services**, chaired by Sir Andrew Foster, to recommend the characteristics of a new public services settlement appropriate for the future needs and aspirations of citizens, and the best practical arrangements for its implementation.

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Telephone: 01793 413000
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About the Authors

Gerry Stoker is Professor of Politics and Governance at the University of Southampton, UK. He is Director of the Centre for Citizenship, Globalisation and Governance (http://www.soton.ac.uk/C2G2/). His current research deals with issues of governance in complex settings, designing relevance into political science, political disenchantment in western democracies, citizen empowerment and strategies for encouraging civic behaviour among citizens. In his research work Professor Stoker is committed to the use of pioneering methods and in particular to approaches that enable evidenced-based policy and practice.

Dr Alice Moseley is a research fellow in the University of Southampton's Department of Politics and International Relations. Her current work uses randomised controlled trials to explore changes in civic behaviour as part of the ESRC funded Rediscovering the Civic Project (Universities of Manchester & Southampton). Her general research interests are around the organisation and management of public services. She has held teaching posts in public policy at the Universities of Southampton and Exeter.

A.Moseley@soton.ac.uk

Acknowledgements

Introduction to this series

The Commission on 2020 Public Services is a major inquiry into how public services should respond to the significant societal challenges of the next decade. The Commission is developing a practical but compelling vision of the priorities for public action to address the emergent challenges facing society in 2020. The Commission has three aims:

1 To broaden the terms of the debate about the future of public services in the UK.
2 To articulate a positive and long-term vision for public services.
3 To build a coalition for change.

This series of essays represents a working partnership between the 2020 Commission and the Economic and Social Research Council (ESRC). As part of our commitment to rigorous, evidence-based research, we jointly commissioned a series of experts to examine the key issues in public services. Two broad themes emerged: one considering future relationships between citizens, state and society; the other exploring the future delivery of public services.

Generous support from the ESRC has allowed the Commission to dig deep into a complex set of issues, and ensure its inquiry represents the best contemporary thinking on public services and society, with a strong evidence base.

Each paper can be read separately, and will also be available as a collected volume in the future. We believe that the research and analysis emerging from this partnership is a rich and significant contribution both to the ongoing national debate on public services and to the Commission's vision for the future. We hope that you enjoy the series, and we invite you to share your own reflections and analysis at www.2020pst.org.

Foreword

> "It has been said that man is a rational animal. All my life I have been searching for evidence which could support this."
> Bertrand Russell (1872-1970)

The role of economics in policymaking has a long history. At the end of the nineteenth century the political parties fought over tariffs on cheaper foreign corn imports vs. laissez faire. Keynes then stole the show as he presented a new model for state intervention that was given the capacity and the political consensus to flourish after the Second World War. By the late 1970s, the landscape of economic orthodoxy changed again as the Chicago school of monetarists influenced Ronald Reagan in the US and Margaret Thatcher in the UK. The doctrine of the 'New Right' set the foundation of social and economic policy making for the next three decades.

The New Right approach ushered in New Public Management theory and policy based on the 'principle-agent' model of behaviour motivated by maximisation, market equilibrium and ordered preferences. The predictive framework for policy making was that of self-interested 'rationality', which offered "an anchor in an ocean of otherwise unpredictable human behaviour."[1] When challenged about the extent to which people adapted their behaviour under certain circumstances, most economists merely 'adapted' their definition of 'rational Man'.

Despite the insights of social psychologists and behavioural economists, the neat world of assumed rationality has continued to grip economists and policymakers, for whom it often comes as a surprise to learn that individuals are guided by rules of thumb and other common social, moral and cognitive factors. However, as Gerry Stoker and Alice Moseley discuss in this paper, the costs of overlooking these other actual drivers of behaviour can be high. Whilst we are sometimes motivated by economic incentives alone, our social networks and cultural norms are also important in determining how we respond to public policy.

1   Kay, J. 'The Truth About Markets; their genius, their limits, their follies' (Allen Lane: 2003) p.203

The Commission on 2020 Public Services emphasises the role of citizens' response to government, private and voluntary sector programmes. Most often, policy objectives for social outcomes are not determined by the supply of public services, but by the quality of interaction with citizens and service users. Therefore, if we are to design public services with and for citizens, it is critical that we understand that people do not always behave in the rational, predictable ways that many policymakers might expect.

At a time when resources are scarce, it is all the more important that public services work 'with the grain' of citizens' lives and make the most of our human tendency to support our family and local communities. In this paper, Gerry Stoker and Alice Moseley explore the evidence for man as a 'rational animal'. They, like Bertrand Russell, find there is little to suggest that our behaviours are wholly motivated in this way.

Charlotte Alldritt
2020 Public Services Trust, July 2010

Motivation, Behaviour and the Microfoundations of Public Services

Understanding what motivates people and what drives their behaviour is self-evidently central to policy making. If you are trying to change human society for the better then you are likely to have some theory of what it is that makes humans "tick". Social science in its theoretical work also looks to discover microfoundations: the individual-level behaviour that underlies social activity. In social science the search for microfoundations rests on identifying individual-level mechanisms which bring about aggregate social outcomes. For policy makers microfoundations play a role in shaping governance choices because they provide the rules of thumb which guide their work. For them they are the starting point for thinking about what to do, what might be effective and what could be feasible.

We open our discussion with the proposition that understanding motivations matters in the design of public services. We argue that microfoundations provide a conduit into that world. Indeed microfoundations – particularly those that assume we are self-interested calculators – are deeply embedded in our thinking about public service design and policy but that there are potential costs and limitations to such an approach.

Next we make a case for microfoundational plurality rather than frugality when it comes to policy-making and argue that although there are strong social science foundations to thinking that individuals are self-seeking these are powerfully matched by social science perspectives that support other microfoundational assumptions. There is plenty of social science thinking that does not assume people are rational, self-interested calculators. Moreover those traditions that do

hold to a microfoundational assumption of rational, calculating selfishness do so with a number of caveats and for purposes of analytical grip rather than as a direct reflection of empirical reality.

Third we identify a range of empirical evidence from the social sciences to show the mixed motivational map that does indeed guide human behaviour. We need to recognise that we are boundedly rational in our decision-making and influenced by social norms and moral considerations because the evidence tells us we are.

Fourth we argue that this insight is even more important for the future of public services in the context of constrained resources against need and the emphasis on co-production. It may also be of importance in understanding what might drive provision by non-state actors in the third sector or through community or employee co-ops. Encouraging people to co-produce public services calls for the development of policy designs based on microfoundations which encompass the complex mix of cognitive, social and moral factors that drives real behaviour, while not losing sight of the potential presence of instrumental self-interested rationalities.

The final and fifth proposition explores the difficulties of turning our new and growing understanding of the cognitive, social and moral microfoundations of behaviour into effective tools of social intervention. There are good grounds for doubting both the state's legitimacy and capacity to use this more subtle mix of tools.

Proposition 1: Microfoundations – particularly those that assume we are self-interested calculators – are deeply embedded in our thinking about public service design and policy but there are costs and limitations to such thinking.

Policy makers often design their interventions to reflect a sense that human beings are driven by an instrumental rationality in which actors use information efficiently and make predictable calculations to advance their objectives. It is assumed that, if given a chance, individuals will pursue their own self interest. So, in designing public policy individual and collective interests need to be aligned. The response this familiar perspective requires from the policy designer is good institutions to establish the right incentives. Policy is constructed on the basis that individuals are self-interested but subject to manipulation through a combination of incentives and constraints.

On such scaffolding much of the paraphernalia of modern public administration is erected. Such thinking is in tune with influential social engineering principles first offered by David Hume in the eighteenth century and captured in the dictum 'to design institutions for knaves' by offering material sanctions and incentives for good behaviour. The approach is also supported by a long history of utilitarian thinking on the design of institutions, constitutions and laws in which the influence of the Benthamite tradition – to protect public institutions from exploitation by sinister interests – has been great (Schofield, 2006).

The modern delivery of public services is imbued with assumptions about the instrumentality of service users and providers. It has been given an additional push in the last few decades by the rise of the New Right critique of the state and its lionization of market-like incentives as a means of designing public policy, something which is well-illustrated by the use of quasi-markets in welfare provision (Le Grand, 1997). Market style incentives – rewards for good performance – provide a way of channeling that self-serving motivation of bureaucrats for the public good. Better information and more choice – again in an aping of market principles – give consumers of public services who know their own interests the opportunity to pursue them. Stripped to its core New Labour's microfoundational understanding of its public service reform programme was premised on a view that actors are rational, self-interested and likely to respond in a predictable way to incentives and constraints (Stoker, 2010, Hood, 2008). Targets, naming and shaming and performance measuring smack of the microfoundational ingredients of instrumental rationality. Choice and personalisation celebrate consumers' ability to know their best interests and provide a means of keeping self-interested providers in check.

Designing systems that control providers in this light and give opportunities to consumers can appear intuitively sensible, an exercise in commonsense. But what if there is a defect in the microfoundational assumption that underlies these policy prescriptions? What if people are not rational, selfish calculating machines?

We argue that for policy makers too narrow a focus on certain microfoundations has costs and limitations. There are dangers in thinking of people as always selfish, calculating machines looking for short term advantage. If people assume that you view them as selfish calculators in your design of policy instruments they may respond in a self-fulfilling prophecy by "gaming" the system.

Even if this point is conceded and we assume that people are just broadly self-interested rather than selfish there is a danger with overestimating people's calculating

capacity. As a Cabinet Office report (Dolan *et al*, 2010, p.8) puts it: 'If we provide the carrots and sticks, alongside accurate information, people will weigh up the revised costs and benefits of their actions and respond accordingly'. Unfortunately, evidence suggests that people do not always respond in this "perfectly rational" way. By narrowly focusing on people as self-interested calculators policy makers may overlook other factors and motivations that could drive their behaviour. As Jones (2001, p.194) argues 'a major reason that institutional reforms fail to perform as well as expected is that designers do not pay enough attention to how the incentives they create or alter are likely to be perceived by participants in the institution'.

Proposition 2: Plenty of social science thinking does not assume people are rational, self-interested calculators. There are reasons why some social scientists might seek to retain a narrow and reductionist understanding of human behaviour as a microfoundation to aid their model building but for policy makers to continue to do so would be a serious mistake.

For social scientists there is often a strong argument for microfoundations to be both parsimonious in expression and consistent in application. Thus for much of modern economics or rational choice variants of political science, international relations or sociology to build their modeling on the assumption that individuals are rationally calculating, individualistic, selfish and goal-seeking makes a lot of sense. It enables complex situations to be explained but in a way that supports rigorous, even mathematical, expression of propositions. It aids the empirical investigation and testing of those propositions through the clarity of the logic and the predictive quality of many of the core propositions.

Many economists and rational choice theorists have accepted qualifications about their microfoundational assumptions while seeking to preserve their approach in general terms in the light of challenges from other social scientists (Hindmoor, 2010). Many are happy to concede that people are not necessarily always selfish, not always great at calculating and not always consistent in the way they make decisions. They do retain the assumption that in most situations people are indeed goal-seeking, rational calculators and argue that you can go a long way with that assumption. In particular if you make such an assumption you can express your

arguments using rigorous mathematical forms of argument that enhance the logic, specificity and clarity of your position prior to empirical testing and so create the conditions for the scientific advance of understanding. Moreover they often introduce a qualification namely that people are self-interested rather than selfish and act according to the information available to them using rules of thumb rather than explicit and extended rational calculation. They may add a further caveat namely that individuals might not experience their choices as selfish and calculating but that it is useful to model their behaviour as such because they often behave as if they were following those rules. People do not think about following the laws of supply and demand but invariably they do. Finally rational choice modelers defend their microfoundational assumptions by arguing that it helps to identify empirically those situations where people appear not to be following their self-interest and explore what might be going on (Coyle, 2010).

Economists and rational choice social scientists make these qualifications to defend their approach against the charge that people do not behave, always and everywhere, as selfish and rational calculators. Such qualifications begin to provide a template for more realistic yet still parsimonious social science models. So should policy makers also proceed on this revised basis? We would accept it would be a step in the right direction but argue that it does not go far enough in embracing a fuller microfoundational plurality that would be more beneficial for policy makers. Sticking to a modified "thin" rationality assumption might make sense for social scientists that seek to develop general models of behaviour (based on parsimonious and simplified assumptions) but it is not appropriate for policy makers.

The weight of evidence, that people are not rational self-interested calculating machines, cannot be set aside by policy makers as easily as it can by elements of social science. The difference relates to the nature of the challenge faced by both groups. For social science the main challenge could be seen as to develop an approach that supports rigorous and parsimonious theorizing matched by empirical testing. For the policy-maker the goal in a democratic society is to act both effectively and legitimately. This context often demands comprehensive interventions that can reach the fullest range of human motivations and behavioural quirks and a public statement of policy that is reasonable and defendable in terms of the respect it pays to service users and providers. A rational choice modeler could argue that for the purposes of her work she will assume people are selfish calculators. Her job is to explain and if the assumption helps to provide rigorous explanation it might be

used as a justification. But given the demand on a government to act effectively other motivations and driving factors must come into focus if we can show they are important to the way that real people make real decisions. Moreover, given that there is a democratic dialogue between governors and governed the legitimacy of decision-making demands a recognition that on both sides something more than self calculation is possible.

The microfoundational assumption that we are rational calculating machines cannot stand on its own as a rule of thumb for policy makers. That is not to say that people never act in a self-interested and calculating manner but it is to argue that we may not do it as often as some of the founding thinkers of social science assumed or as some of their modern day followers in public choice economics or management schools vehemently claim.

It can be further noted that a great number of social scientists have found and still find that standing their work on narrow assumptions about human instrumental rationality is unhelpful. And the story does not start with the emergence of behavioural economics over the last two decades, it can be traced back at least in its direct allocation to public organizations to the pioneering work of the Nobel-prize winning Herbert Simon over sixty years ago (Simon 1945/1997). His core argument was our limited capacity for information-processing constantly gets in the way of us being heroic rational decision-makers. The bounded rationality maxim is that 'we have small brains and face big problems'. This insight now has the backing of swathes of behavioural economics, cognitive psychology and neuroscience literature.

The fundamental human predicament is processing information, understanding a situation and determining consequences given the limits of our cognitive capacities and the complexities of the world in which we operate. Decision-making is conditioned by the structure of the human mind and the organizational context in which people operate. The decision-maker rarely comprehensively perceives the environment and weighs up options against her preferences in the context of incentives and constraints and chooses the option that maximises these preferences. Decision-makers, as it were, have to deal both with the external environment and their inner world, their cognitive architecture. The inner world helps them to focus on some things and ignore others and it is driven by habits of thought, rules of thumb, and emotions. Rationality is 'bounded' by this framing role of the human mind.

A second point, strongly emphasised by Simon, is that actors gain their purpose in this complex world of information processing through "subgoal identification"

(Simon, 1945/1997). Individuals identify with institutions of which they become part and internalise the aims of these organisations (Goodin, 2004). More broadly we are social animals who often look to know what the rules are in different situations, asking how it is that we are supposed to behave. We search for the rules of appropriate behaviour rather than maximise our own utility (March and Olsen, 1989).

The sense that institutions can provide us with norms rather than simply a framework of incentives and constraints to steer our selfishness marks a break from the more instrumental microfoundational approach to institutions. It can lead to a wider argument that to change civic behaviour what is required is opportunities for people to "think" (John *et al*, 2009). A long tradition in political theory as well as arguments made more recently by democratic deliberation advocates and practitioners suggest that free and equal public deliberation has an educational effect as citizens increase their knowledge and understanding of the consequences of their actions. But the value of deliberation does not simply rest on the exchange of information. The public nature of deliberation is crucial. Because citizens are expected to justify their perspectives and preferences in public, there is a strong motivation to constrain self-interest and to consider the public good. Citizens are given the opportunity to think differently and as such deliberative theorists argue that they will witness a transformation of (often ill-informed) preferences.

A further step in the argument can be made. What if we assume that individuals have innate tendencies to co-operate with others and reject the assumption of opportunism built into instrumental rationality models? Why assume that unless firmly bound by external constraints and steering incentives people will choose options in their narrow short term self-interest when most of us would claim to live and make choices in some moral universe? The assumptions of pure self-interested rationality embedded in principal agent theory creates what Bryan Jones (2001, pp.120-1) calls a rationality trap, a perceived problem that will plague human interactions that might be illusory if there is a tendency built into humans to cooperate. Social-psychological research suggests there are good evolutionary grounds and much evidence to suggest that such a cooperative tendency does exist (Jones, 2001, Ch 5).

There is a long tradition in political theory that recognizes the possibility of the internalization of moral principles which cannot be traded (Goodin, 1982). What is being suggested is a microfoundational assumption that people are capable of exercising moral as well as instrumental judgement and that the two forms of judgement cannot be collapsed into one another. In particular for policy makers

there is a danger that by focusing on crass material or instrumental incentives they may undermine moral motivations.

Frey (2007) drawing on a range of social psychological research has developed this insight to argue for a different approach to changing behaviour which recognizes that the incentives and constraints favoured by instrumental rationality can crowd out intrinsic motivation. Crucially in designing institutional interventions as if agents were knaves means running the risk that 'good works which were formerly produced out of the goodness of people's hearts must now be compelled through more expensive and inefficient external mechanisms of social control' (Goodin 1982, pp.114-5). Second it focuses on our potential for our self-seeking wrongdoing and runs the risk, as a result, of squeezing out of consideration the moral and social norms that drive so much social behaviour.

We are neither as intellectually heroic nor as instrumentally villainous as a narrow focus on the microfoundation assumptions of modern economics and rational choice theory would imply. Given what we know about peoples' mixed motivation, cognitive limits and variable social framing of situations, to assume that they will react in a predictable way to policy interventions and incentives simply as a result of their rationality and self-interestedness is incongruous tending towards absurd.

Proposition 3: evidence from research and public policy supports the case for breaking from a narrow instrumental rationality in approaching public service provision.

At several points in the argument so far we have alluded to the weight of evidence to support the idea that we are not self-interested, calculating machines. This section provides some substance to this claim. The research to support this proposition accentuates the cognitive, social and moral influences on behaviour.

Our cognitive pathways

The idea that we search systematically and comprehensively when making choices is confounded by a wide range of social-psychological and behavioural economics research. Here we summarise a few of the most important contributions and identify some implications for policy design. The first three examples highlight the mental shortcuts taken by "homo psychologicus" to aid decision-making.

Prospect theory (Kahneman and Tversky, 1979; Thaler, 1980) alerts us to the 'endowment effect' which suggests that when we are already in possession of something, we are very reluctant to lose it. Cognitively it is more important for us to hold onto what we have (i.e. prevent loss) than to gain something extra. Experimental research backs up this theory and demonstrates that 'ownership matters' in people's valuation of a good, with owners placing higher value on the traded good than sellers (Kahneman *et al*, 1990). In public policy this translates into designing behavioural change strategies to emphasise losses rather than gains. Where people feel that they have something to lose, they may be more inclined to do something to prevent the loss occurring. For instance, smoking cessation policies which highlight life years lost through smoking are more effective than those highlighting life years gained by quitting. In a similar way, fines are likely to be a more powerful motivator for changing behaviour than rewards (Dawney and Shah, 2005).

Another facet of our cognitive architecture which displays our less than fully rational behaviour is our use of psychological discounting (Frederick *et al*, 2002). This theory suggests that immediacy is a major factor in our responsiveness to offers. We place more weight on the short term than on the long term effects of our decisions. If we are to gain something, we would rather do so now than later. If we have to feel pain, we would rather experience it some time in the distant future. Behavioural economists use this principle to explain why people often make imperfect economic decisions. 'Hyperbolic discounting' occurs when we place a 'high discount rate over short horizons and a relatively low discount rate over long horizons' (Laibson, 1997, p.445). In other words, we overweight short term consumption while discounting the greater long term gains that could be made by delaying consumption, creating outcomes which are suboptimal both from an individual and collective perspective. It is this that makes many of us reluctant to save for our retirement, or inclined to ignore the long term effects of a poor diet or exercise regime. Since we are all living longer, this psychological predisposition is one which public policies should address. Commitment mechanisms can be built into public policies to redress our propensity for short-term gratification and procrastination (O'Donoghue and Rabin, 1999). One example of this which is displaying promising results is a pension savings programme built on a 'buy now pay later' principle in which employees have to commit to incremental savings with a two year payment holiday to begin with (Thaler and Bernartzi, 2004). Discounting is a feature of

analysis by economists as well but the psychological literature tells us that we tend to discount in a less consistent and rational way than economists with their rationally-focussed microfoundations recognise.

A closely related phenomenon is our propensity for maintaining the status quo (Samuelson and Zeckhauser, 1988). Limited by time, intellectual energy and resources, the majority of us, most of the time, prefer not to change our habits unless we really have to. Research verifies that when confronted with a complex or difficult decision, and in the absence of full information about all the alternatives, we will often stick with our current position (Choi *et al*, 2003). A powerful mechanism which can be used by policy makers is to alter 'choice architecture', by shifting the default position to maximise social welfare (Thaler and Sunstein, 2003). Automatically enrolling citizens for pension savings programmes (Cronqvist and Thaler, 2004) or onto organ donor registers (Johnson and Goldstein, 2003; Abadie and Gay, 2006) are instances where changing defaults appears to work well.

A fourth aspect of our behaviour recognised by social psychologists and relevant to the design of public services is the issue of cognitive consistency. Following Festinger (1957) psychologists suggest that people seek consistency between their beliefs and their behaviour. However, when beliefs and behaviour clash (the phenomenon of cognitive dissonance), we frequently alter our beliefs instead of adjusting our behaviour. One way out of this difficulty from a behavioural change perspective is to extract commitments from people (Dawney and Shah, 2005). Research indicates that when people make such a commitment they feel more motivated to adjust their behaviour to back up their expressed beliefs, particularly where commitments are made in public. Making a commitment to do something can change our self-image and encourage us in future decisions to seek consistency with our previous commitment. Evidence in the field of environmental behaviour suggests that extracting public promises can help to improve composting rates and water efficiency as compared to simple information provision and advertising (McKenzie-Mohr, 2000). Similar findings are reported in the area of voting behaviour, with those asked beforehand to predict their likelihood of voting more likely to vote than those not asked (Greenwald *et al*, 1987), and in blood donation decisions where exposing people to an 'active decision choice' (ie actively putting the choice before them) increases blood donation rates in people who are uncertain on the subject (Stutzer *et al*, 2006).

Our Social Influences

However, homo psychologicus does not live in isolation and recognition of the interpersonal, community and social influences shaping behaviour will strengthen public service designs. Social psychologists and sociologists suggest a number of important influences (see Cabinet Office, 2004 for a review). For instance, our perception of how others see us, particularly our peers, matters to us. In the context of promoting energy efficiency within offices, there is evidence that the technique of 'information disclosure' between firms creates a 'race to the top' amongst firms keen to display their green credentials (Thaler and Sunstein, 2008).

Similarly, the concept of social proof suggests that when confronted with an ambiguous situation, we look to other people for cues on how to behave (Cialdini, 2007). In many collective action situations experimental evidence also confounds the predictions of rational choice theory. This evidence indicates that traditional incentives and monitoring are not always necessary for generating socially optimal behaviour.

Theories of inter-group bias stress the importance of group loyalties and identifications, and experimental work indicates that strangers divided into groups can quickly form such loyalties (Tajfel *et al.*, 1971). Group identities often develop and generally speaking we are predisposed to emulate the behaviour of those with whom we identify (Tajfel *et al.*, 1986). Techniques which exploit these inter-group biases and loyalties have been used in policy research experiments, for instance by attempting to encourage whole streets to form group identifications vis-à-vis other streets in the neighbourhood, in a bid to increase food waste composting (see joint Manchester/Southampton ESRC-funded project http://www.civicbehaviour.org.uk/).

Such insights applied to public policy can help create policy designs which provide the opportunity for people to emulate and learn from those with whom they identify. Existing peer support and community mentoring schemes already exploit these principles. Inter-group biases can also be channeled to encourage communities to protect and steward their local environments.

A further strand of sociological work suggests that people are influenced by their immediate social networks which are themselves based on social norms including reciprocity and mutuality (House, 1981). Public policy instruments like community contracts and other forms of voluntary agreements as well as campaigns to encourage organ donation or volunteering which emphasize reciprocity or a sense of community make use of such principles.

Our Moral Convictions

Turning to the last dimension, we have noted above the idea that extrinsic material incentives can sometimes 'crowd out' our intrinsic moral motivations. In situations where agents are already altruistically motivated, the introduction of traditional incentives may be counter-productive. Research into volunteering indicates that volunteering rates can in some cases decline when payments are offered (Frey and Goette, 1999). Similarly, in the field of childcare, the introduction of fines for parents who arrive late to pick up their children increases lateness because payment erodes their sense of guilt for being late and changes the nature of the relationship to a contractual one (Gneezy and Rustichini, 2001, see Dawney and Shah, 2005).

External and, in particular, monetary incentives do not mechanically induce human beings to act in the desired way, because they crowd-out intrinsic motivation under identifiable conditions (Frey, 2007, pp.4-5). Three psychological processes account for the hidden costs of stimulating behaviour through external incentives and constraints. When people feel that they are being controlled, especially through intensive oversight and regulation, they may feel impelled to forego intrinsic motivation because the external framework is so overwhelming that it makes maintaining an intrinsic motivation pointless. When people find their perceived intrinsic motivation over-looked or ignored this situation can lead to loss of self-esteem and sense of purpose. Finally when they are not encouraged to display their cherished intrinsic motivations they can experience a sense of anger at this deprivation.

Proposition 4: 2020 public services must shape resilient, productive and socially engaged citizens: Resilient to the huge societal challenges we all face; productive socially and economically, driving the UK's international competitiveness; and engaged in the social and political dynamics that shape their own lives and those of the people around them.

Governments into the future will become more reliant on citizens to support their attempts to improve individual and collective wellbeing. The nature of problems facing the contemporary society – from securing environmental protection to meeting the needs of an ageing population, dealing with the fragmentation of traditional

household and kinship structures as well as maintaining public services whilst reducing public debt – cannot be achieved by the State alone. 'Co-production' by citizens and communities can be used to tackle these challenges. Whilst it has long been acknowledged that governments rely on citizen cooperation with policy implementation efforts and for the provision of collective goods (Ostrom, 1973; 1996), there is growing interest in how a more ambitious form of citizen co-production can be garnered. These are likely to involve a transfer of significant public service activities away from the state and towards society (Bovaird, 2007; Horne and Shirley, 2009). Co-production is commonly used in developing countries where state capacity is lacking or in other challenging environments where information asymmetries mean that only citizens have the relevant knowledge to the resolve problems at hand (Joshi and Moore, 2004; Ostrom, ibid). There is increasing interest in how co-production can usefully be adapted and applied in the UK and other developed nations.

The nature of citizen involvement in co-production is largely social rather than financial (Horne and Shirley, 2009). Social contributions include time, effort, expertise, and, in fields like health and the environment, will-power. Co-production takes many forms at both the individual and community level. The former indicates self resilience and responsibility while the latter suggests responsibility for others in the community, usually, although not always, through collective effort. At the individual level, citizens can help to co-produce by taking individual responsibility for health, savings, energy and waste. At community level, examples include community wardens and rural road maintenance programmes, peer advice, neighbourhood watch and visits to elderly neighbours.

Some forms of public services, therefore, can be delivered and designed by, or in collaboration with, communities. The potential effects of this arguably may be greatest in areas where public services are scarce or where dependence on these is higher and choice is lower, for instance in rural or economically deprived areas. In both these cases people are more reliant on local public services and less able to opt out of those which are available (Taylor, 2002). Borrowing Hirschman's (1970) conceptual framework, in these contexts 'exit' (ie the choice agenda described earlier) is less of an option and 'voice' is not always effective enough to lead to the desired improvements in public services, particularly in the face of resource constraints. Co-production can be used to harness 'loyalty', and communities can use co-production as a method for improving the quality and level of services as well as increasing social capital. Community-based developments trusts, Local Exchange

and Trading Systems, Credit Unions, Time Banks and Social Enterprises are typical mechanisms of co-production in rural or economically disadvantaged areas.

The social psychology and behavioural economics literature discussed above provides clues as to how co-production might harnessed. In the section below we explore the strengths and limitations of this literature in terms of what it might provide for policy makers aiming to stimulate citizen co-production.

Proposition 5: Encouraging people to co-produce public services calls for the development of policy designs based on theories of behavioural change which encompass the complex mix of instrumental, cognitive, social and moral microfoundations that drives real behaviour. But stepping into this arena must be done with "eyes wide open" as there are good grounds for doubting both the state's legitimacy and capacity to use this more subtle mix of tools.

Policy makers do not start with a blank sheet of paper in respect of this challenge. There are a number of books and pamphlets that offer policy lessons drawing on insights from behavioural economics and cognitive psychology and a number of programmes of policy activity are underway at the local and national level both in the UK and elsewhere (Thaler and Sunstein, 2008; Cialdini, 2007; Cabinet Office, 2004; Prime Minister's Policy Unit, 2007). The book by Thaler and Sunstein (2008) on "Nudge" deserves particular credit because it and associated activities by its authors has done much to bring out the possibilities of tackling issues of behaviour change in new ways. "Nudge" offers a valuable framework for changing the "choice architecture" of citizens in order to achieve alterations in their behaviour which constitute improvements for them and for society as a whole. A valuable report on how "Nudge" ideas have been taken up in practice and how they could be taken further is provided by a 2010 report for the Cabinet Office by the Institute of Government which seeks encourage policy makers to think beyond the tools of regulation, law and financial incentives. The report contends: 'For policy-makers facing policy challenges such as crime, obesity, or environmental sustainability, behavioural approaches offer a potentially powerful new set of tools. Applying these tools can lead to low cost, low pain ways of "nudging" citizens – or ourselves – into new ways of acting by going

with the grain of how we think and act. This is an important idea at any time, but is especially relevant in a period of fiscal constraint' (Dolan *et al*, 2010, p.7).

We do not wish to challenge such an optimistic assessment directly but note that there is currently a gap between our understanding of general social and psychological processes and capacity to ensure that these insights become effective tools for social engineering. Given the miserable track record of large scale social engineering (Scott, 1998) one of the attractions of Nudge approaches and other related tools is that they demand only relatively modest changes for potentially big pay-offs. But it is with respect to the translation from general social mechanisms to plausible strategies of social engineering that we need both more theoretical and philosophical reflection and more empirical investigation.

When is right for the state to intervene in issues of behaviour? These issues are recognised by the authors of Nudge and the Mindspace report and they are not easily resolved. Judging the morality of seeking to steer people's choices in certain directions is of course not a new dilemma for policy makers and issues of whether it is right to intervene apply equally well to the use of standard tools such as law-making, regulation or taxation. What makes the issue more challenging in the case of some nudging is that standard forms of intervention are more open and explicit about their intentions (although how much many of us really understand about the details of regulations and taxation applied to us would be in doubt, and we know also that policy tools of all types can be made less visible to reduce public resistance). The tenor of nudging can be 'we the government know better what is good for you than you do and we have found a sneaky way of getting you to make the right choice'. One line of defence promoted by Thaler and Sunstein (2008) under the label of "libertarian paternalism" is that at least the choice does remain with the citizen, its just the architecture of choice is made to support what are judged by democratic governments to be beneficial outcomes. The Mindspace (2010) report argues that judgements about the controversy of interventions need be made before they are launched and democratic or public approval sought before they are introduced.

Even if these moral challenges could be addressed there is a further issue according to some commentators. Can we trust governments to pick the right choices for us? Rajiv Prabhakar (2010) argues:

> Behavioural economics assumes that government knows best. But often
> this may not be the case. For good reason, government might find it difficult

to unpick the different parts of a policy problem…government might lack proper evidence to guide its decisions. Government might only know the right nudges in a limited number of areas where there is plenty of evidence.

This argument is, perhaps, a useful qualification to over-enthusiasm about nudging but hardly a major challenge to Nudge-like strategies since it applies equally well to other forms of government intervention. When it taxes and regulates us how does government know its doing the best thing? The answer in all cases is surely that the key issue is a judgement which in a democratic society we can hold government to account for at some point. Moreover our existing choice architecture is not 'neutral' or 'natural'. It is itself a construction of the decisions (or non-decisions) of actors/ institutions/ practices that (explicitly or implicitly) promote 'non-civic' behaviour.

In short the morality and legitimacy issues surrounding the idea of using interventions driven by a wider set of microfoundations that reflect in a more realistic way the complexity of human decision-making and behaviour can be addressed. Where we have greater doubts is whether governments have the capacity to intervene effectively using these more subtle tools. To explore this concern we think that it is useful to consider four intervention points available to governments when they seek to translate ideas about general microfoundational mechanisms driving social behaviour to deliverable policy measures. These are presented under the headings of framing, persuasion, socialization and bricologe. The first two are top-down in orientation with government in the lead but the final two are more bottom-up with government ceding more control to citizens. We want to challenge the idea that behavioural change can be driven solely by top-down interventions. We suspect the governmental officials will be more comfortable with top-down interventions but argue they should not neglect more bottom-up approaches.

Framing

Framing activities are at the heart of the "Nudge" book with its focus on shifting the choice architecture of citizens. They are a widely recognised feature of marketing, campaign and policy interventions. Framing in the context of policy making refers to the process by which a policy-maker may present an issue in order to encourage policy targets to respond in certain ways. The way problems are stated, and in particular the importance attached to certain dimensions of a problem affect people's reactions and their subsequent behaviour. It is an approach that is top-

down, in which the decisions of citizens are framed or influenced by a policy format that takes citizens as they are but supports them towards better decisions.

Framing typically involves highlighting a subset of potentially relevant considerations which form part of the larger issue at stake, in order to influence the way in which people react to it (Druckman, 2001). Applying our previous example from prospect theory (Kahneman and Tversky, 1979), framing might involve presenting a choice as involving losses rather than gains. Another example of framing is the issue of sequencing. Behavioural science indicates that people give disproportionate weight to the last part of an encounter or a message since this is the part that they retain in their recollections (Chase and Dasu, 2001). Applying this to a government-sponsored television appeal for donations to natural disaster or for blood and organs the argument would be for a strong positive image to end the message.

Classic "nudges", for example, involve changing the default arrangement so that individuals do not actively have to choose the better option for them and society (so are in a pension scheme unless you actively opt out). But our research (funded by the ESRC and others) suggests that "nudges" may shift the behaviour of only relatively low percentages of citizens (http://www.civicbehaviour.org.uk/) and may also be less good at tackling ingrained behaviour. Moreover, there are clear constraints on the framing ability of elites. Druckman's experimental work (Druckman, 2001) indicates that frames are only influential insofar as the people generating those frames are perceived as being trustworthy and credible by those they are attempting to influence. Government agencies undoubtedly have the capacity to frame or nudge but they may not be trusted by citizens as credible sources of information, advice and this constrains the capacity of interventions at this point to reach more challenging elements of citizen behaviour. Trust in public institutions and agencies does vary and is a complex phenomenon (Ipsos MORI, 2003) but it cannot be assumed that the trust needed to engage in effective framing will always be present.

Persuasion

Persuasion shares some ground with the idea of framing, although the two are conceptually distinct. The main difference, according to Nelson and Oxley (1999, see Druckman, 2001), is that persuasion involves altering belief content while framing involves only altering the relative importance that is attached to certain beliefs.

Experimental work in this area indicates a strong likelihood that policy makers can increase the persuasiveness of their policy ideas and proposals by paying attention to

the information environment in which citizens receive these messages. For instance, Lau *et al* (1991) demonstrate that where only one interpretation of a policy problem and solution is presented, providing the idea itself is consistent with voters' cognitive schemata and that the interpretation is itself a 'chronically accessible construct' (i.e. that the interpretation is largely uncontroversial and fits with their prototypic examples), they will generally accept the policy argument. In such situations voters engage in only 'shallow information processing'. Their evaluation of the issue will be strongly influenced by the interpretation presented in the official account, even if the interpretation is at odds with their deeper political beliefs. However, where competing interpretations are presented and where interpretations might be in conflict with our cognitive schemata because the ideas themselves are new or unfamiliar, deeper information processing is required. In these situations voters tend to draw on their general political beliefs to aid to decision-making.

In short persuasion is an intervention point that has its greatest impact when there is limited competition for ideas and little to challenge to the message. It only takes a moment's reflection on the issue of global warming or the MMR jab to see that the persuasion capacity of policy makers can be limited in those circumstances when competing ideas are aired effectively.

Socialisation

If we are going to bring into play the role of social norms or the building of moral dimensions into policy measures then socialisation processes become a bottom-up intervention point for governments. But socialisation processes are difficult to get at because they suggest 'that norms or ideas spread in a relatively incremental, evolutionary way generated by repeated interaction within groups. A group of people come together in interaction. They could interact in a wide variety of ways, but either through accident, deliberation, or initial innovative leadership; they orient themselves around certain norms or beliefs. Action becomes increasingly robustly embedded in the norms or beliefs over time, though the norms and beliefs are also constantly reshaped on the margins as they are reproduced' (Parsons, 2010, p.94). Recognising the role of socialisation as an intervention point in shifting civic behaviour may make sense in terms of research but is very challenging in terms of policy (as Putnam has found in turning social capital insights into effective policy interventions, see Putnam and Feldstein, 2003).

It would seem that the key is for government to cede power to citizens if the forces of socialisation are going to come to fruition. Groups themselves can find

ways of overcoming 'tragedy of the commons' type scenarios (Hardin, 1968). As the Nobel prize winning Elinor Ostrom (1998) notes, 'contrary to purely rational models, individuals systematically engage in collective action to provide local public goods or to manage common pool resources without external authority'. With repeated interactions, particularly face-to-face interactions, group members learn conditional cooperation and reciprocity, and develop norms of cooperation through the use of group sanctions and rewards, either material or reputational. Group norms such as willingness to sanction other group members for non-cooperation are arguably the equivalent of moral codes.

In areas of public policy reliant on citizen cooperation for achieving policy aims, particularly collective action or 'social dilemma' situations (Ostrom, 1998) such as improving air quality or reducing the use of landfill sites, governments can employ creative methods for harnessing cooperative behaviour. Rather than using the traditional tools of government to punish or incentivise, the State may be better off working on the development of the institutional apparatus which will permit citizens to cooperate. In practice, this means building opportunities for face-to-face interaction, the development of trust and the performance of reciprocal acts.

Nudges we have argued elsewhere (John *et al*, 2009) need to be joined by strategies that give citizens more sustained space and opportunity to "think": to deliberate their way to solutions and ways of changing their behaviour. If we are going to access the full range of the intervention points for positively influencing behaviour, particularly in attempts to foster co-production, we may need governments who are prepared to cede more power than that required by adopting calculating "nudges". The future of public services may be tied as much to a capacity of government agencies to engage citizens individually and collectively in rethinking their lives and choices as much as it as by their capacity to develop smarter nudges.

Bricolage

Top-down framing and bottom-up building of deliberation may need to be joined by a further development in governmental capacity, which requires seeing like a citizen rather than seeing like a state. This argument is inspired by Scott's study (1998) of the failings of grand social engineering projects which he argues are, in part, a refection of the high-handed, uniform, centralising and codifying form of thinking that can dominate government thinking and a lack of respect for the local knowledge, craft understanding and diversity of the practices and perspectives of citizens. The same point is made in a different way by the literature in social science on bricolage.

The essence of the argument is that people 'tend to develop ideas and norms and practices to suit rather discrete problems and goals, and … end up with a complex landscape of overlapping realms of action' (Parsons, 2010, p.96). Lévi- Strauss's metaphor of bricolage (1966) attempts to capture the way that actors can learn in an ad hoc way, making sense of things as they go along and finding out what is useful as the need to bring something into use comes into focus. Many practitioners describe the way they learn using the idea of bricolage (Freeman, 2007).

Given the significance of such processes to exploring how people are deciding and why they are behaving in certain ways it suggests that the state faces a major intelligence challenge in developing more subtle and effective intervention. A capacity to see like a citizen rather than seeing like a state is a considerable challenge for the effective development of new tools of intervention. So a key intervention point could be to use focus groups and the collective equivalent of "mystery shopper" to discover what it like to experience the state from the citizen's view point.

Conclusion

This paper argues that the case for taking on board a wider understanding of the diverse microfoundational bases to social behaviour in the design of public services is overwhelming. A greater comprehension of cognitive pathways, social norms and moral motivations should join with a continuing understanding of instrumental factors in shaping government policy-making. The evidence and theoretical understanding provided by social science would endorse a move to a greater use of a more subtle range of tools for changing social behaviour.

Given the demands of co-production and the limits to available finance it could be argued that a shift to a more subtle range of interventions is essential to the future of public services. Our caution rests not so much over the ethical or political issues thrown up by such a development but on two other factors. First it is recognition that we are only in the foothills as social scientists in understanding how to translate a general understanding of social process into viable social engineering interventions and that we need more research and work to clarify what works and to what extent and in what circumstances. Second we think that there is a danger that top-down forms of intervention to shift social behaviour will overwhelm more bottom-up approaches. Top-down approaches may sit more comfortably with government practice and may indeed be effective but only within limits. Bottom-up approaches demand a greater culture change from government but may enable the tackling of issues that top-down nudging strategies will not be able to grasp.

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