Jnl Soc. Pol., 37, 2, 167–185 © 2008 Cambridge University Press
doi:10.1017/S0047279407001699 Printed in the United Kingdom

Choice and Values: Individualised Rational Action and Social Goals

PETER TAYLOR-GOOBY

School of Social Policy, Sociology and Social Research, University of Kent, Canterbury, Kent CT2 7NF
email: p.f.taylor-gooby@kent.ac.uk

Abstract

For excellent reasons, in response to pressures from social, economic and political changes, welfare states are undergoing reform. A central theme in the new policies, particularly influential in the UK, is the use of incentives through activation programmes and reforms to public sector management to promote rational responsible choices by both service users and providers. The theoretical underpinning of this approach relies on a model of people as plural in their values, but holding values that are independent from social context and institutional framework. Policy seeks to harness those values to produce desired behaviour. This article focuses on two relevant literatures. Analyses of rational action at an individual level by economic psychologists, evolutionary biologists and game theorists indicate that the context in which choices are framed influences responses. Further work by economic sociologists and social psychologists suggests that the values that guide behaviour have an important social element as normative systems embodied in institutional frameworks. The norms appropriate to market interactions typically differ from welfare norms, so that different value frameworks and responses apply. The implication is that the transition to quasi-market and individualised incentive systems risks damaging the norms that sanction support for distant but vulnerable groups. The article falls into three sections: reviewing the background to reform and the emergence of an emphasis on individualised rational choice, considering each of the literatures mentioned above and discussing policy consequences.

Towards a choice-based citizenship

A number of prominent commentators have seen a move to approaches that place greater weight on individualised rational action as the basis of a 'revolution in social policy' (Bartlett *et al.*, 1998). This article discusses relevant literatures that often attract limited attention among social policy academics. These provide evidence indicating that the way in which people make rational choices is heavily influenced by social context and by the institutional setting in which choice is framed. Attempts to change behaviour by shifting incentives may also affect social values and erode the values that underlie citizen willingness to support humane and redistributive welfare states.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

One way of analysing the recent development of welfare states suggests that a transition is underway from what might be termed a 'traditional industrial' to a 'post-industrial' settlement. The traditional settlement characterised welfare policies in western European countries and much of the English-speaking world from the 1950s to the 1970s. An industrial economy provided breadwinner wages to a predominantly male labour force, managed through broadly neo-Keynesian policies by a government that was able to establish national interest and exchange rates and exert a strong influence on levels of economic activity and employment (Jessop, 2002). Social care and reproductive work was typically carried out informally in a gendered division of labour (Williams, 1988: chs 6, 7). The welfare state was primarily concerned to redistribute incomes horizontally to meet the needs of the population when access to wages was interrupted by illness, temporary unemployment or retirement; to provide social services in an agreed range of areas (most notably, health care, education and training, some social care); and to redistribute vertically to low-income minorities through benefits, typically means-tested, and often social housing (Bonoli, 2005). The main political forces structuring the traditional welfare state were based on class, originating in the struggles of the (male) industrial working class and over time accreting the support of some middle-class groups and of those employed in an expanding welfare state (Baldwin, 1990; Goodin and Le Grand, 1987: ch. 1).

The industrial welfare state has been challenged in a number of areas: by shifts in labour markets, as the transition from manufacturing to service sector as the major provider of employment undermines the principle of breadwinner wages, threatens the male union solidarity that supported it and generates greater inequality in market incomes (Huber and Stephens, 2001); at an economic level, as globalisation threatens the capacity of national governments to control interest and exchange rates against those determined in international financial markets (Scharpf and Schmidt, 2000); in politics as social class is supplanted by more diverse cleavages in relation to gender, age, consumption and ethnic identity; and in social life as population ageing and other changes increase demands on the traditional social services, while better-educated and more self-confident citizens demand more responsive provision and more say in service planning (Giddens, 1994). The upshot is that governments find it increasingly difficult to sustain the traditional welfare settlement. They seek to develop more cost-effective provision that will meet the demands of politically articulate groups, while also enhancing national economic competitiveness.

From passive to active: markets and incentives

An important strand in responses to these pressures has been the development of new policy directions, which introduce market systems and incentives into welfare state provision and incorporate a stronger role for individual private provision. These approaches are generally concerned to change

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

citizen behaviour in desired directions and to get individuals to take more responsibility for the outcomes that affect them, often described as a transition from a 'passive' to an 'active' welfare state.

From the viewpoint of service provision, political scientists and public administration theorists have suggested that those working in traditional centralised bureaucracies, allocating benefits and services to passive clients, have every incentive to inflate budgets (Niskanen, 1971) and are in a good position to manipulate the information received by those supposed to manage them (Pratt and Zeckhauser, 1985), to exploit opportunities for rent-seeking by controlling entry to helping professions (Klein, 2000) and, more broadly, to foster a 'dependency culture' among service users (Field, 1989; Auletta, 1982). New approaches (often broadly summarised as the New Public Management – NPM) establish targets that become strict performance measures, constitute individual providing agencies as budget-holders with substantial independence and construct market systems that use competition between alternative providers to promote cost-efficiency and responsiveness. Corresponding systems constitute the service user as an active citizen, making well-informed choices between providers. For claimants, governments seek to 'make work pay' by linking benefit to job-search and training activities, and enhance work incentives by widening the gap between bottom-end wages and benefits (Lodomel and Trickey, 2000).

This brief sketch of current developments draws attention to the increasing significance of policies directed at changing the behaviour of both service providers and service users in the new welfare settlement. The new approaches are evident in almost all welfare systems and in the policies of transnational agencies (for example, the EU Employment Strategy: EU, 2006). They are particularly marked in the UK for four reasons:

- The majoritarian rather than consensual polity makes it easier for government to introduce far-reaching reforms (Lijphart, 1999).
- The liberal ethos of the UK welfare state provides stronger opportunities for the development of more individual-centred systems than are available in more corporatist or social democratic political economies (Esping-Andersen, 1999: 75–7).
- The Conservative administration from 1979–97 and the New Labour administration that succeeded it differ in many respects (not least in the level of spending and in engagement with poverty), but have in common a commitment to the use of markets and incentives to change citizen behaviour (Powell and Hewitt, 2002).
- Serendipitously, the UK has had a particularly influential Chancellor of the Exchequer who is unusually engaged in welfare as well as economic issues and who has entrenched Treasury authority more deeply than ever before in policy-making across much of the welfare state. This is evident in the

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

Comprehensive Spending Review system, which establishes the goals and budgets for state services and negotiates the (often highly detailed) indicators and targets that will be used to measure their success; the expansion of Treasury staffing and expertise so that spending departments find it more difficult to outmanoeuvre the purse-holders (Travers, 2006); the importance of Treasury commissioned and managed reviews in major policy decisions, typically producing reports that foreground the role of incentives and markets in achieving policy ends (for example, Gershon, 2004; Barker, 2004, Stern, 2006; see Talbot, 2006); and in the strong interest in using social policies to serve economic policy goals.

Reform controversies

The reforms are recent and continuing. Their longer-term impact is hard to assess. They are controversial for a number of reasons. First, several writers point out inconsistencies between the objectives and mechanisms of reform. For example, in education the promotion of elite schools with privileged access to resources arguably conflicts with assumptions about open market competition and 'continues to perpetuate a divided and divisive system' (Tomlinson, 2001: 169). The terms on which private finance is contracted for capital projects appear cost-inefficient in the longer term (Pollock *et al.*, 2002).

A second area of controversy is the extent to which outputs have improved as a result of the new policies. In many areas, output measures have advanced. For example, in the NHS performance against targets for cardiac and cancer mortality and for waiting lists and waiting times has improved markedly (King's Fund, 2005). However, critics have pointed out that incentive systems of this kind encourage game playing, so that headline achievements against targets may be misleading (Bevan and Hood, 2006). In general, there is a risk that, unless carefully designed, markets may encourage cream-skimming and other unwanted developments (Propper *et al.*, 2006; see the extensive review by 6, 2003: 250–1).

A third issue concerns the empirical question of how greatly citizens value consumer choice in welfare matters. Proponents of market systems often reinforce the claim that opportunities for choice are effective means of promoting efficiency through competition (Barr, 1998: 78) with the argument that most people want more choice as service users. If correct, this argument carries considerable weight as part of democratic citizenship. The survey evidence reported in Table 1, which gives responses to questions about choice of hospital, appointment time and treatment in the NHS, is often cited in this context. Comparison of columns one and four shows strong agreement with the view that patients should have more say, contrasted with a much lower level of belief that patients actually do have much say. The other columns show the relevant statistics for professional and managerial and routine working-class subgroups in the sample. These indicate that enthusiasm for a greater say is not primarily a middle-class luxury but is

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

TABLE 1. Voice and consultation: BSA 2004/5 (%)

How much say should NHS patients have ..	Should have			Do have		
	Whole sample	Prof and manag	Routine working class	Whole sample	Prof and manag	Routine working class
..over which hospital they go to if they need treatment?	63	59	67	9	8	11
..over the time of their out-patient appointments?	53	51	56	14	15	13
..over the kind of treatment?	65	64	65	17	17	16
N	3,199	1,069	907	3,199	1,069	907

Note: Statistics are those responding 'a great deal' plus those responding 'quite a lot'.

felt more strongly by working-class respondents. This and similar material is often used to indicate a suppressed desire for choice in the NHS (for example, Le Grand, 2006a, 2006b).

Two points arise: further analysis shows that choice is less important in determining satisfaction than measures of perceived quality of service, indicating that popular desire for greater choice may be real but weak. Appleby and Alvarez-Rossette conclude from a detailed multivariate analysis:

> satisfaction with the NHS overall suggests that improving patient choice may have little impact . . . improving GP appointment systems, the time GPs give patients in their consultations and the waiting times in accident and emergency, as well as reducing waiting times for an outpatient appointment may well have a significant impact (2005: 129).

Similarly, analysis of the Healthcare Commission's annual patient survey for 2006 shows that 'patients are not interested in choosing the hospital where they will be treated' (*The Guardian*, 2007).

Secondly, examination of wording reveals that the question does not directly address consumer choice as operationalised via a market. The statement with which people are invited to agree or disagree refers to 'how much say' people should have in the various areas of health provision. Greater 'say' can be achieved by a number of methods, including consultation and participation exercises, engagement through citizens' juries, opinion survey and user panels, all methods which stress 'voice' rather than 'choice' (Hirschman, 1970). All of these methods have gained in importance in recent years and all are compatible with both non-market and market systems (IPPR, 2005; Smith and Wales, 2000). The claim that the shift to greater consumer choice through quasi-market systems is strongly endorsed by the public opinion evidence quoted may be misleading.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

It is uncertain whether the attitude research shows that substantial majorities believe that people 'should have a great deal or quite a lot of choice of hospital' (Le Grand, 2006b).

Choice, incentives and values

In this article, we focus on a further point. The approach that foregrounds incentive-driven choice typically regards the new policies as simply mechanisms for directing behaviour to desired pro-welfare ends, which are entirely neutral as to values. Values are a private matter and are not influenced by the framework of welfare state institutions. We know that there is considerable pluralism between individuals in the values relevant to welfare in our society. Individuals with similar incomes donate very different amounts to charities (NCVO, 2003); opinion surveys indicate a wide range of views on support for different aspects of welfare provision and of willingness to pay taxes to finance them (for a brief review see Sefton, 2005: 4–6); those working in relevant fields make very different choices in their careers; political parties offering different programmes attract support and newspaper coverage expresses a wide range of positions.

An important contribution to the debate points out that well-designed institutions should be able to harness this plurality in appropriate directions (Le Grand, 2003). The incentives individuals face from markets and from the strict assessment of their success in relation to targets will incline providers to perform in appropriate ways, whether because they (selfishly) wish for personal rewards, or (altruistically) wish to offer the highest standard of provision. Similarly, service users may pursue their own advantage as they see it, or communal benefits as they see them, when making choices: for example, school choice may be influenced by judgement about access to privilege, or to sustain local provision. Benefit claimers may act on incentives to seek jobs because that increases their living standards under 'welfare to work' or because they want to help Britain PLC. The point is that all these incentives apply at the level of the individual. Benefits are as perceived by individuals, and choice is made by individuals according to their values, but, providing the choice system is well designed, the market argument claims that the overall outcome is pro-welfare.

Analysis of responses to incentives in markets points out that individuals do not necessarily seek to maximise one particular value but may trade off multiple objectives. Some commentators argue that, for a number of reasons (uncertainty, the need to economise on the use of scarce cognitive resources, competing calls on attention, multiple goals), people are typically not in a position to pursue a particular value exclusively (Simon, 1978). Rather than maximising, they 'satisfice', aiming at a 'good enough' level of achievement. Market incentives do not necessarily entirely displace other motives. Nonetheless, they make an important contribution to the balance of motives which people face, and one that is powerful enough to produce a real impact on behaviour.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

The assertion that social values can be separated from institutions is crucial to the argument that the individualised rational actor approach is a neutral mechanism rather than a driver of social change, which may lead in unexpected directions. If participation in particular institutional forms shapes values, then the transition to new arrangements may well shift the balance of values held by different individuals in society and affect the future development of welfare. Welfare states redistribute incomes, mainly horizontally, over the life-course, but to some extent vertically between rich and poor (Hills, 2005: ch. 1). They will find it difficult to survive in democracies unless distribution, both horizontal and vertical, is to some extent endorsed in the values held by substantial groups in the population. The former requires a willingness to defer immediate advantage for longer-term benefit (for example, compulsory saving for pensions), the latter for the benefit of other more vulnerable groups. The risks of being in need are unevenly distributed and are generally higher among lower social groups (Mythen, 2005). Indeed, the limited evidence available indicates that social mobility is in decline, so the uneven incidence of social risks is, if anything, enhanced (Breen, 2004; Blanden *et al.*, 2005). The increased social distance between the advantaged and disadvantaged puts further pressure on the values sanctioning vertical redistribution.

These considerations raise the question of whether current reforms, because they shift the focus from general social needs to individual choices, will erode support for redistribution. The relationship between the institutional frameworks within which people make choices and the values they display has been discussed from a number of directions. We wish to introduce two streams of work that tend to attract less attention among social policy academics. The first derives from analyses by economic psychologists, evolutionary biologists and game theorists. It indicates that individual rational choices can be directed at short-term or longer-term outcomes, and selection of goals seems to be influenced by the context in which the choice is made. There is no reason to believe that people are hard-wired by their evolutionary heritage to favour a particular individualist approach to self-interest. The second – developed by economic sociologists, social psychologists and a small number of economists – suggests that the institutional framing of choices may also influence the normative framework in which people assess options. This raises the question of whether market systems undermine the values appropriate to redistribution to distant others.

Context and individualised rational behaviour

In this section, we discuss recent work on motivation and rational actor models derived mainly from research in economics and psychology using games, experiments and social surveys. The argument here draws particularly on the work of Gintis *et al.* (2005) and of Rothstein (2005).

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

Self-regarding individualism has been important in economics and has influenced important streams of work in evolutionary biology (developed through the notion of the selfish gene, Dawkins, 1976; socio-biology, Wilson, 1975; and moral biology, Alexander, 1987). Gintis and his colleagues offer the alternative view that people 'are often neither self-regarding nor altruistic'. They are what is termed 'strong reciprocators: conditional co-operators (who behave altruistically as long as others are doing so as well) and altruistic punishers (who apply sanctions to those who behave unfairly according to the prevalent norms of co-operation)' (Gintis *et al.*, 2005: 8). Punishment is understood as altruistic because (it is claimed) people will make sacrifices to punish someone who transgresses group norms. The implication is that it is social context and thus, in relation to modern welfare state societies, the way in which the design of social institutions frames choices, that is influential in promoting a particular pattern of motivation.

It is easy to imagine circumstances in which other-regarding behaviour will fail to advance social ends (for example, if an individual chooses to work hard within a generous welfare state while others batten on hand-outs, the outcome will not be a mutually beneficial highly productive society; if one official is honest and others accept bribes, they grow richer and the upright bureaucrat achieves little; Rothstein, 2005: 133). The risk for an altruist is that others will defect from virtuous behaviour for self-regarding reasons. Evolutionary biologists typically argue that such processes will 'breed out' altruism. An organism that seeks to advance the interests of others who do not carry the same genetic material will simply be exploited and its genetic heritage expire. However, multi-level models that take into account the possibility that strong reciprocity, which includes the use of within-group sanctions against defectors, may increase the survival capacity of the group suggest that strong reciprocity as defined above is viable in the long term (Boyd, 2002). Observation ranging from colonies of vampire bats to primates provides empirical support (Trivers, 1971; Sober and Wilson, 1998).

To take the argument beyond the possible evolution of the range of motivational patterns to which humans as animals have access, one technique for investigating how people interact is through the study of games. The tradition of work in this field calls into question the importance of immediate self-regarding motivation. Axelrod's influential work (1981) demonstrated that play in repeated prisoners' dilemma games, after an initial period in which players defected from co-operation, tended to converge on a simple and reciprocal tit-for-tat strategy (see Poundstone, 1992). Meta-studies of a large number of experiments shows that, even in one-shot games with strangers, a substantial minority (about a third) do not interact in an immediately self-interested way; that cooperation to reciprocal advantage is sharply increased by opportunities for communication; that it is easy to engender 'tribalism' (conflicts between groups of subjects in games), by permitting in-group and preventing out-group communication; and

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

that co-operative play declines as a series of games approaches the end (Sally, 1995; Camerer and Thaler, 1995; Camerer, 2003; see Rothstein, 2005: 96). Ostrom's work also demonstrates that those who are more experienced at the games tend to co-operate more, while face-to-face communication strongly supports co-operative behaviour (Ostrom, 2000; Ostrom and Walker, 1997). These findings imply that short-term self-regarding rationality is not the automatic and basic driver in people's interactions. People can take a longer view of what best serves the advantages of self and others, but the extent to which this happens is influenced by context.

One of the simplest and most widely studied games is the 'Ultimatum Game'. *A* proposes an allocation of resources held by the umpire to *B*; if *B* accepts, the allocation takes place; if not, no-one gets anything. Given pure self-regarding motivation, *A* should offer the lowest possible amount and *B* accept, since the alternative for *B* is nothing. In practice, only a minority of players seem to behave in this manner. 50:50 is the modal offer by *A*, and *B* typically rejects offers below 30 per cent (see the review by Camerer and Thaler, 1995). Proposers typically say that they offer more than the minimum because they are concerned about rejection, indicating that assumptions about social norms from the world outside the game influence the rationalities dictating play within it (Gintis *et al.*, 2005: 13). Repeated play, alternation of roles and, most notably, opportunities for communication, reinforce reciprocity, as in Sally's study (1995).

Perhaps the most celebrated study of the ultimatum game is that by Henrich and colleagues, which researched 15 small-scale societies in 12 countries on four continents, covering a wide range of economic and cultural conditions (nomads, slash-and-burn agriculturalists, settled agriculturalists, foragers). The key findings are:

> the selfishness axiom is not supported in *any* society studied, and the canonical model [lowest possible offer accepted] fails in a variety of new ways ... group-level differences in economic organization and the degree of Market Integration explain a substantial portion of the behavioural variation across societies: the higher the degree of Market Integration and the higher the Payoffs to Cooperation, the greater the level of pro-sociality found in experimental games ... behaviour in the experiments is generally consistent with economic patterns of everyday life in these societies. (Henrich *et al.*, 2004: 49–50)

Other findings concern behavioural variability between groups, which is not explained by economic and demographic variables. This work supports the ideas that behaviour is not dominated by immediately self-regarding motives, that reciprocity is entirely possible (interestingly, in contexts of greater market integration and when more is at stake) and that context shapes behaviour. The finding about the role of market integration suggests that the predominance of a market framework does not drive out possible use of policy interventions based on collective social benefit. Indeed societies that rely more on the market may

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

be more likely to evolve norms of mutual fairness in interactions than those at a stage of development where markets are less common.

Further support for the possibility of strong reciprocity is found in work by Fehr and colleagues (2002) on repeated public goods games. These games endow players with a set quantity of resources and allow them to contribute to a common account. All players gain rewards proportional to the size of the common account, whether they have contributed or not, permitting substantial 'free-rider' effects. A reciprocal investment solution will yield the highest return to everyone, provided all contribute. However, self-regarding rationality suggests a zero or low contribution so that the individual reaps the benefits from others' investments while retaining all her own endowment. In fact, players typically contribute about half their endowments according to Gintis *et al.* (2005: 16) or between 40 and 60 per cent (Ostrom, 2000). This may fall in subsequent rounds (possibly as players realise the potential short-term reward for non-participation), but the introduction of opportunities to punish non-reciprocators sharply reduces the incidence of such behaviour (Fehr and Gächter, 2000; Gintis *et al.*, 2005). Even when fining others implies real costs for the individual who punishes, the use of fines achieves high levels of co-operation, especially in repeated play within partner groups (Fehr *et al.*, 2002; Ostrom, 2000; Gintis *et al.*, 2005). People act altruistically (in the sense that it costs them, for no immediate personal benefit) to reinforce the norms that lead to long-term group advantage. This suggests that it is possible to sustain a system of values beyond either short-term or long-term enlightened self-interest.

A practical example concerns the management of public goods. Hardin's analysis (1968) of the 'tragedy of the commons' points out that resources such as common land or fish stocks risk depletion through over-use, because self-regarding individuals will pursue their own advantage in the expectation that others will do so. Ostrom (1990) investigates the role of community-regulated systems of restraints in relation to water usage in California, and shows that participation in decisions about the rules of usage together with the monitoring of users by other users leads to a mutually sustainable solution:

> based solely on personal short-term interests, people have reason to act in a non-solidaristic manner, but when put in a situation where they must argue publicly and be held morally accountable for their actions, the significance of common norms becomes crucial to finding a solution to the tragedy of the commons (Rothstein, 2005: 50).

Institutional context again influences behaviour, and communication plays an important role.

This brief review draws together some of the evidence indicating that the context in which people make choices influences their behaviour and the values that underlie it. It affects the extent to which they pursue an immediately self-regarding approach, simply maximising their own short-term interest regardless

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

of that of others or of the community, or conversely adopt a more pro-social approach. Of course, the latter may include the enlightened longer-term self-interest of those who invest in the group to achieve greater eventual rewards, just as it may be interpreted in terms of respect for the needs of those who are more vulnerable. From the viewpoint of the proponent of the reforms, it seems that individualised choice does not inevitably drive people towards the kind of immediately self-interested action that damages welfare states, providing that the institutions are appropriately designed. From the viewpoint of a critic, individuals appear to have access to a range of values and the context in which they find themselves does appear to influence which predominates.

Opportunities for communication across the group and repeated interactions are important in this. One implication is that individualised choice in response to personal judgements about alternatives and the social and communicative development of ideas are not necessarily alternatives in producing the best outcomes from a welfare perspective. Simple market systems, where it is assumed that individuals communicate their preferences just through market choices, and where consultation, participation and engagement play a minor role, are not likely to achieve these outcomes. Such institutions seem likely to channel behaviour towards the pursuit of immediate short-term self-interest, making longer-term commitments and support for horizontal redistribution or collective provision more difficult. These points have implications for reform.

Social values and institutional frameworks

The above discussion raises the question of how values relate to institutional framework and this is the theme of the second literature to be considered, which shifts the emphasis to the norms implicit in the institutions of developed societies. The social psychologist, Bruno Frey, adopts an individualist rational actor approach to agency, but distinguishes different kinds of rationality guiding behaviour. He investigates the relationship between what he terms 'intrinsic' and 'extrinsic' rational motivations, relevant, for example, to voluntary and paid effort. The former derive from the value of the activity in itself; the latter through its value as a means to some good such as an income. He hypothesises that the substitution of payment for voluntary commitment (as may take place when cash payments are introduced in community care) will involve an inefficient use of resources, even if more output is achieved. The reason is that a particular level of effort was previously available free, and that the translation of the activity into the cash nexus requires that this proportion of output now has to be paid for (Frey, 2000). People appear to be able to operate in terms of both altruistic voluntary and self-interested financial motives. Appeal to the latter 'crowds out' the former.

A much-quoted example concerns a survey about the acceptability of a nuclear waste dump to citizens of different Swiss cantons. This showed that

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

individuals in fact were less likely to accept waste when offered a relatively low payment than when doing so voluntarily. A substantially higher payment was required to achieve the same strength of acceptance as no payment. This is explained in terms of an intrinsic motivation (service to the energy needs of the community) that is undermined by a low payment, which is itself insufficient to generate the same level of willingness to store potentially polluting material (Frey, 1997).

Contrary evidence shows that voluntary workers who provide social care (typically women acting informally to meet the needs of frail family members: Ungerson, 2000: 630) often welcome payments. These do not erode effort since they are seen as recognition for useful work previously unacknowledged by the community, and are valuable to those on relatively low incomes (Le Grand, 2003: 43–4). Interestingly, it is not so much the market value of the cash payment to the individual but the symbolic value – the fact that it represents acknowledgement of a social contribution – that is important. In this case, the intrinsic motivation is reinforced, not crowded out.

Other examples are often taken to indicate that motives are influenced by the framing of an action as voluntary as opposed to self-interested: blood donorship (Titmuss, 1971), or the fact that tax compliance is much higher than is justified by rational fear of typical penalties for evasion (Frey and Torgler, 2006). Conversely, small rewards appear to have a considerable impact on mutually beneficial good tenanting behaviour (Le Grand, 2003: 118–19). Paid community care experiments have been highly successful (Davies and Challis, 1986). These examples all raise the question of whether a transition from state or voluntary provision to the market nexus introduces a different frame of reference for making choices. The values associated with the market are concerned with individualised reward. This is the basis of a logic of incentives. Outside the market, values may derive from a range of sources. Such values are experienced by individuals and contribute to individual reflection and choice, but do not originate with the individual. They are part of the broader social structure in which the individual participates, which informs many aspects of social life and in which values are sanctioned as social norms.

Economic sociology takes the argument further in more wide-ranging examinations of the role of social values in economic life. Smelser and Swedberg's useful review (1994: 3–26) distinguishes between mainstream economics and economic sociology on a number of grounds. These include the idea that economics tends towards a methodological individualism, whereas economic sociology is interested in actions as social actions, in so far as 'they take account of the behaviour of other institutions and thereby are oriented in their course' (Weber, 1978: 4). In addition, economics tends to rely on a formal rationality, concerned with the maximisation of individual utility. Economic sociologists also refer to substantive rationality, 'referring to allocation within the guidelines

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

of other principles, such as communal loyalties or sacred values' (Smelser and Swedberg, 1994: 5). A third point refers to the concept of 'embeddedness', widely used in economic sociology and developed by Polanyi: 'the human economy is embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital' (Polanyi *et al.*, 1971: 250).

Much recent work in economic sociology is programmatic and only weakly developed in empirical testing. However, Granovetter (1985) has developed an account that treads a middle path between simply seeing people as purely individualised or as entirely subordinate to social norms in their behaviour. This is applied to a wide-ranging set of issues, including work effort, the behaviour of unemployed people and also inter-firm communication and market trust (Granovetter and Swedberg, 1992). The relevance of this work is that it emphasises the role played by social norms in setting limits to the scope of rational action and in directing behaviour that bears on the kind of choices that face people in the context of social policy.

Social policy researchers have discussed how service users interpret and respond to the new opportunities for choice as policies are developed on the assumption of individualised rational action. Many of these studies use qualitative methods to explore the role of social values in influencing the choices people make. They cover health care (Taylor-Gooby, 2008; Baldock and Ungerson, 1994), social care (Hoggett *et al.*, 2006; Smith, 2001), cash benefits (Morris, 1994; Dean, 2000) and welfare-to-work programmes for mothers (Duncan and Irwin, 2004). They produce evidence of problems and unexpected outcomes resulting from inconsistencies between the assumptions of policy-makers about the individualised values that will guide choice and the social values held by different groups of service users.

A much-quoted study of the impact of mixed economy community care services, in which users make choices between different providers within a cash nexus, concludes:

> The extent to which people developed their own 'mixed economy' of care sources depended less upon their income, needs and the amount of information they received and more on fundamental values and assumptions about what was appropriate 'consumer behaviour' . . . some people easily assembled their own packages while others found it difficult or inappropriate to do so. With few social conventions for buying care, effective participation by needy people in the 'mixed economy' of care requires a quite fundamental change in the values and assumptions on which they have hitherto based their daily lives. (Baldock and Ungerson, 1994, web page)

Research on the motives and values of care workers by Hoggett and colleagues stresses that 'we need a more complex conceptual framework than that provided either by simple public sector ethos/private sector ethos distinctions or by . . . economic individualism' (2006: 770). They argue that workers' discursive practices include concerns for both their own interests and those of the public

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

and service users, so that a stress on individualised interest disrupts the moral framework in which they understand their role.

In a different context, Duncan and Irwin's discussion of a series of studies of how mothers make choices between providing care for young children themselves and pursuing paid work and relying on child care provided by someone else, in the context of 'welfare-to-work' programmes, shows the influence of normative assumptions about the acceptable way to behave:

> mothers take decisions about how parenting might be combined with paid work, how children should be cared for and how tasks should be divided with partners, with reference to moral and socially negotiated norms . . . people do not view care simply as a constraint on paid work . . . How this responsibility is undertaken . . . will vary between particular social groups and geographical areas . . . cost–benefit analyses of childcare and labour market possibilities may be important but they are not separable from moral and normative assessments (2004: 397).

One outcome of the collision between the value assumptions that guide expectations about social provision and those implicit in the new welfare settlement may be a diminution in trust in the services (Taylor-Gooby, 2006, 2007). Schee and colleagues, analysing attitude survey data on responses to NPM in public services in the Netherlands, identify 'a decline in confidence by service users in the relevant institutions' (Schee *et al.*, 2006: 468). As provision is reframed in the context of a competitive quasi-market, a more critical *caveat emptor* consumerism emerges among users.

A further illustration of social embedding is provided by cross-national differences in perceptions and values about welfare issues. There is substantial agreement among attitude survey analysts that popular understanding of why some people are poor varies between societies. These differences appear to correspond to the predominance of market institutions. The most widely used question asks why people experience poverty and allows respondents to distinguish between luck, effort or laziness and circumstances beyond individual control. It is included in the repeated surveys of the International Social Survey Project (see www.isp.org), the British Social Attitudes survey (see Park *et al.*, 2005) and in a number of US and EU surveys such as Gallup (1998) and Eurobarometer (for example, no. 5, 1976; no. 40, 1993). Poverty is more frequently understood in terms of effort and laziness in more market-oriented societies such as the US or the UK, and in terms of luck or matters beyond individual control in social democratic countries such as Sweden (Hills, 2001, Table 1.6; Taylor-Gooby, 2004; Svallfors, 1993; van Oorschott and Halman, 2000).

These perceptions relate to expectations about the proper role of government in redistribution. Linos and West demonstrate 'clear cross-national variation in the determinants of support for government redistribution . . . consistent with the predictions of the comparative literature on the welfare state' (2003: 404). There is thus *prima facie* evidence that social institutional context has an influence on the

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

extent to which people's views on concrete issues such as poverty are consistent with the experience of a welfare framework, which attributes responsibility for problems primarily to the individuals who experience them.

This work illustrates the way in which the values that guide the choices people make are not simply individual characteristics, but are embedded in the contexts that people inhabit in society. Standing behind the rules of the institutional framework, which can be altered by government policy, lie the social structures, which are not so readily amenable to change. These structures provide different ways of understanding behaviour within a market nexus from that in other social interactions, and endorse different normative frameworks as appropriate to them. Shifting an activity from one to the other runs the risk of provoking discordance in values. This leads either to the kind of displacement and substitution pointed to by Frey or to the confusion, frustration and unintended outcomes that emerge in many of the welfare studies.

Emerging issues

The literatures reviewed above point to two main issues: the more rigidly structured and individualised work in evolutionary psychology and in the study of games indicating that people have a range of ways of responding to the incentives available to them and that the behaviour that results is strongly influenced by context. Social actors are able to recognise and pursue immediate self-interest, but can also identify and learn to promote a longer-term and more social interest. The capacity to do this is much advanced by opportunities for communication and interaction. This suggests that, as rational actors, people are not simply prisoners of immediate interest ('rational fools' as Sen puts it, 1977). They can behave in ways that take account of both short-term and longer-term interest and of individualised incentives and collective concerns. Other-regarding motives can be sustained within individualised competitive systems, but it requires attention to the design of the institutional framework to achieve this (Hoggett *et al.*, 2006: 770; Matosevic *et al.*, 2007). The compatibility of such value-systems has been examined in psychology in terms of 'dual-process' theory (Weyman and Kelly, 1999) and in multidisciplinary work that considers the basis of trust in both value commitments and in rational judgement (for a brief review see Poortinga and Pidgeon, 2003).

At the level of service providers, one current direction is the enhancement of competitive pressures through short-term contracting and the development of 'smart contracts' that focus incentives accurately on the particular aspects of service that are of concern (cf Le Grand, 2003: 58–63; Dixit, 2002: 718–22). The point about the duality of motives suggests an additional value in pursuing longer-term relationships and seeking to build trust so that the transaction costs are constrained (Scharpf, 2007: ch. 7), and suggests that this may be possible in a market context, provided the market nexus does not dominate all interactions.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

The second point emerges from the discussion of institutional frameworks and the embedding of social values. This raises the question of whether shifts in the institutional framework erode values supportive of state welfare in the longer term. It is difficult to provide conclusive evidence about such effects. The examples of confused, unexpected and counter-productive outcomes provide grounds for taking the issues seriously. This endorses the case for restraint in the move towards individualised incentive-based systems.

Conclusion

An important response to the pressures welfare states currently face is the introduction of NPM and activation policies. These seek to harness rational individual choice expressed in carefully designed quasi-market and target-driven welfare institutions to achieve cost-efficient and responsive services. At the same time, corresponding policies encourage service users to become more actively engaged as individuals in choices that influence outcomes for them.

The research discussed in this article draws attention to the complexity of people's responses to incentives and particularly to the significance of context in shaping action and of institutional framework in shaping values. The new directions in policy require substantial changes in the way those involved as providers or users approach welfare interactions. The focus on market relations should not preclude opportunities for engagement, consultation and participation, so that forms of communication outside the simple expression of market preference through individual choice can be included. Equally, the widespread substitution of market for citizenship-based interactions may tend to promote a different and incompatible framework of values. The risk is that those who participate in individualising institutional frameworks will become less supportive of collective provision and of redistribution to distant and disadvantaged groups.

References

6, P. (2003), 'Giving consumers of British public services more choice', *Journal of Social Policy*, 32: 2, 239–70.

Alexander, R. (1987), *The Biology of Moral Systems*, New York: Aldine.

Appleby, J. and Alvarez-Rossette, A. (2005), 'Public responses to NHS reform', in A. Park, J. Curtice, K. Thomson, C. Bromley, M. Phillips and M. Johnson (eds), *British Social Attitudes*, 22nd report, London: Sage.

Auletta, K. (1982), *The Underclass*, New York: Random House.

Axelrod, R. (1981), 'The evolution of cooperation', *Science*, 211: 4489, 1390–6.

Baldock, J. and Ungerson, C. (1994), 'User perceptions of a mixed economy of care', JRF Findings, http://www.jrf.org.uk/knowledge/findings/socialcare/SC55.asp, consulted 10.10.07.

Baldwin, P. (1990), *The Politics of Social Solidarity*, Cambridge: Cambridge University Press.

Barker, K. (2004), *Delivering Stability*, London: HM Treasury.

Barr, N. (1998), *The Economics of the Welfare State*, Oxford: Oxford University Press.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

Bartlett, W., Roberts, J. and Le Grand, J. (1998), *A Revolution in Social Policy*, Bristol: Policy Press.
Bevan, G. and Hood, C. (2006), 'Have targets improved performance in the English NHS?', *British Medical Journal*, 332: 419–22.
Blanden, J., Gregg, P. and Machin, S. (2005), 'Intergenerational mobility in Europe and America', Centre for Economic Performance, London School of Economics.
Bonoli, G. (2005), 'The politics of the new social policies', *Policy and Politics*, 33: 3, 431–49.
Bowles, S., Fong, C. and Gintis, H. (2001), *Reciprocity and the Welfare State*, Boulder, CO: Westview Press.
Boyd, R. (2002), 'Group beneficial norms can spread rapidly in a cultural population', *Journal of Theoretical Biology*, 287–96.
Breen, R. (2004), *Social Mobility in Europe*, Oxford: Oxford University Press.
Camerer, C. (2003), *Behavioural Game Theory*, Princeton, NJ: Princeton University Press.
Camerer, C. and Thaler, R. (1995), 'Ultimatums, dictators and manners', *Journal of Economic Perspectives*, 9: 2, 209–19.
Davies, B. with Challis, D. (1986), *Matching Resources to Needs in Community Care*, Aldershot: Gower.
Dawkins, R. (1976), *The Selfish Gene*, Oxford: Oxford University Press.
Dean, H. (2000), 'Managing risk by controlling behaviour', in P. Taylor-Gooby (ed.), *Risk, Trust and Welfare*, Basingstoke: Macmillan.
Dixit, A. (2002), 'Incentives and organizations in the public sector: an interpretative review', *Journal of Human Resources*, 37: 4, 696–727.
Duncan, S. and Irwin, S. (2004), 'The social patterning of values and rationalities', *Social Policy and Society*, 3: 4, 391–400.
Esping-Andersen, G. (1999), *Social Foundations of Post-Industrial Economies*, Oxford: Oxford University Press.
EU (2006), *European Employment Guidelines 2006*, Com 31.
Fehr, E., Fischbacher, U. and Gächter, S. (2002), 'Strong reciprocity, human cooperation and the enforcement of social norms', *Human Nature*, 13: 1–25.
Fehr, E. and Gächter, S. (2000), 'Fairness and retaliation: the economics of reciprocity', *Journal of Economic* Perspectives, 14: 3, 159–181.
Field, F. (1989), *Losing Out*, Oxford: Blackwell.
Frey, B. (1997), *Not Just for the Money*, Cheltenham: Edward Elgar.
Frey, B. (2000), 'Motivation and human behaviour', in P. Taylor-Gooby (ed.), *Risk, Trust and Welfare*, Basingstoke: Macmillan.
Frey, B. and Torgler, B. (2006), 'Tax morale and conditional co-operation', IERE, University of Zurich WP 286.
Gallup (1998), *Haves and Have-Nots*, Princeton, NJ: Gallup Organization.
Gershon, P. (2004), *Releasing Resources to the Front Line: Government Efficiency Review*, Norwich: HMSO.
Giddens, A. (1994), *Beyond Left and Right*, Cambridge: Polity Press.
Gintis, H., Bowles, S., Boyd, R. and Fehr, E. (2005), *Moral Sentiments and Material Interests*, Cambridge, MA: MIT Press.
Goodin, R. and Le Grand, J. (1987), *Not Only the Poor*, London: Allen & Unwin.
Granovetter, M. and Swedberg, R. (1992), *The Sociology of Economic Life*, Boulder, CO: Westview Press.
Granovetter, M. (1985), 'Economic action and social structure: the problem of embeddedness', *American Journal of Sociology*, 91: 481–93.
The Guardian (2007), 'Brown must trust the people on the NHS', John Carvell, 19 May.
Hardin, G. (1968), 'The tragedy of the commons', *Science*, 612: 1243–68.
Hedges, A. (2005), 'Perceptions of redistribution', Casepaper no. 96, CASE, London School of Economics.
Heinrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H. and McElreath, R. (eds) (2004), *Foundations of Human Sociality*, Oxford: Oxford University Press.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

Hills, J. (2001), 'Poverty and social security', in A. Park, J. Curtice, K. Thomson, L. Jarvis and C. Bromley (eds), *British Social Attitudes*, 2001/2 edition, London: Sage.
Hills, J. (2005), *Inequality and the State*, Oxford: Oxford University Press.
Hirschman, A. (1970), *Exit, Voice and Loyalty*, Cambridge, MA: Harvard University Press.
Hoggett, P., Mayo, M. and Miller, S. (2006), 'Private passions, the public good and public service reform', *Social Policy and Administration*, 40: 7, 758–3.
Huber, E. and Stephens, J. (2001), *Development and Crisis of the Welfare State*, Chicago: Chicago University Press.
IPPR (2005), *A Mature Policy on Choice*, London: IPPR.
Jessop, B. (2002), *The Future of the Capitalist State*, Cambridge: Polity Press.
King's Fund (2005), *NHS Funding*, London: King's Fund, 1 April.
Klein, R. (2000), *The New Politics of the NHS*, London: Prentice Hall.
Le Grand, J. (2003), *Motivation, Agency and Public Policy*, Oxford: Oxford University Press.
Le Grand, J. (2006a), 'Too little choice', *Prospect*, 118, January.
Le Grand, J. (2006b), 'A better class of choice', *Public Finance Review*, March.
Lijphart, A. (1999), *Patterns of Democracy*, New Haven: Yale University Press.
Linos, K. and West, M. (2003), 'Self-interest, social beliefs and attitudes to redistribution', *European Sociological Review*, 19: 4, 393–409.
Lodemel, I. and Trickey, H. (2000), *An Offer You Can't Refuse*, Bristol: Policy Press.
Matosevic, T., Knapp, M., Kendall, J., Henderson, K. and Fernández, J. L. (2007), 'Care home providers as professionals', *Ageing and Society*, 27: 1, 103–26.
Morris, L. (1994), *Dangerous Classes*, London: Routledge.
Murray, C. (1984), *Losing Ground*, New York: Basic Books.
Mythen, G. (2005), 'Employment, individualisation and insecurity', *Sociological Review*, 53: 1, 129–49.
NCVO (2003), *Charitable Giving in the UK, 1995–2003*, London: NCVO.
Niskanen, W. (1971), *Bureaucracy and Representative Government*, Chicago: Aldine-Atherton.
Olson, C. and March, J. (1995), *Democratic Governance*, New York: Free Press.
Ostrom, E. (1990), *Governing the Commons*, Cambridge: Cambridge University Press.
Ostrom, E. (2000), 'Collective action and the evolution of social norms', *Journal of Economic Perspectives*, 14: 3, 137–58.
Ostrom, E. and Walker, J. (1997), 'Neither markets nor states', in D. Mueller (ed.), *Perspectives on Public Choice*, Cambridge: Cambridge University Press.
Park, A., Curtice, J., Thomson, K., Bromley, C., Phillips, M. and Johnson, M. (eds) (2005), *British Social Attitudes*, 22nd report, London: Sage.
Polanyi, K., Ahrensberg, C. and Pearson, H. (1971), *Trade and Market in the Early Empires*, Chicago: Henry Regnery (original 1957).
Pollock, A., Shaoul, J. and Vickers, N. (2002), 'Private finance and "value for money" in NHS hospitals', *British Medical Journal*, 324: 1205–9.
Poortinga, W. and Pidgeon, N. (2003), 'Exploring the dimensionality of trust in risk regulation', *Risk Analysis*, 23: 5, 961–73.
Poundstone, W. (1992), *Prisoner's Dilemma*, New York: Doubleday.
Powell, M. and Hewitt, M. (2002), *Welfare State and Welfare Change*, Buckingham: Open University Press.
Pratt, J. and Zeckhauser, R. (1985), *Principals and Agents*, Boston: Harvard Business School Press.
Propper, C., Wilson, D. and Burgess, S. (2006), 'Extending choice in English health care', *Journal of Social Policy*, 35: 4, 537–58.
Rothstein, B. (2005), *Social Traps and the Problem of Trust*, Cambridge: Cambridge University Press.
Sally, D. (1995), 'Conversations and co-operation in social dilemmas: a meta-analysis 1958–92', *Rationality and Society*, 7: 58–92.
Scharpf, F. (2007), 'Coordination in hierarchies and networks', in M. Bever (ed.), *Public Governance*, London: Sage.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press

Scharpf, F. and Schmidt, V. (eds) (2000), *Welfare and Work in the Open Economy*, Oxford: Oxford University Press.
Schee, E., Groenewegen, P. and Friele, R. (2006), 'Public trust in health care', *Health Organisation and Management*, 20: 5, 468–76.
Sefton, T. (2005), 'Give and take', in A. Park, J. Curtice, K. Thomson, C. Bromley, M. Phillips and M. Johnson (eds), *British Social Attitudes*, 22nd report, London: Sage.
Sen, A. (1977), 'Rational fools', *Philosophy and Public Affairs*, 6: 4, 317–44.
Simon, H. (1978), 'Rationality as process and as product of thought', *American Economic Review*, 68: 1–16.
Smelser, N. and Swedberg, R. (1994), *Handbook of Economic Sociology*, Princeton, NJ: Princeton University Press.
Smith, C. (2001), 'Trust and confidence', *British Journal of Social Work*, 31: 287–305.
Smith, G. and Wales, C. (2000), 'Citizen juries and deliberative democracy', *Political Studies*, 48: 1, 51–65.
Sober, E. and Wilson, D. (1998), *Unto Others*, Cambridge, MA: Harvard University Press.
Stern, N. (2006), *The Economics of Climate Change*, London: HM Treasury.
Svallfors, S. (1993), 'Dimensions of inequality', *European Sociological Review*, 9: 3, 267–287.
Talbot, C. (2006), 'Public domain – there's no debate?', *Public Finance*, 23 June.
Taylor-Gooby, P. (2004), 'Open markets and welfare values', *European Societies*, 6: 1, 29–48.
Taylor-Gooby, P. (2006), 'Trust, risk and health care reform', *Health, Risk and Society*, 8: 2, 97–103.
Taylor-Gooby, P. (2007), 'The rational actor reform paradigm', *European Journal of Social Quality*, 6: 2.
Taylor-Gooby, P. (2008), 'Trust and welfare state reform', *Social Policy and Administration*, 42: 3, forthcoming.
Titmuss, R. (1971), *The Gift Relationship*, London: Allen & Unwin.
Tomlinson, S. (2001), *Education in a Post-Welfare Society*, Buckingham: Open University.
Travers, T. (2006), 'Busy, busy, busy', *Public Finance*, 15 September.
Trivers, R. (1971), 'The evolution of reciprocal altruism', *Quarterly Review of Biology*, 46: 35–57.
Ungerson, C. (2000), 'Thinking about the production and consumption of long-term care in Britain', *Journal of Social Policy*, 29: 4, 623–43.
Van Oorschott, W. and Halman, L. (2000), 'Blame or fate, individual or social?', *European Societies*, 2: 1, 1–28.
Weber, M. (1978), *Economy and Society*, Berkeley, CA: University of California Press (original 1922).
Weyman, A. and Kelly, C. (1999), 'Risk perception and communication', Health and Safety Executive, research report, 248/99.
Williams, F. (1988), *Social Policy*, Cambridge: Polity Press.
Wilson, E. (1975), *Sociobiology*, Cambridge, MA: Harvard University Press.

https://doi.org/10.1017/S0047279407001699 Published online by Cambridge University Press