

Reciprocity and the Art of Behavioural Public Policy

What motivates human behaviour? Drawing on literatures from anthropology to zoology, Oliver examines how we are motivated to give and take, rather than give or take. This book reviews the evolution of reciprocity as a motivator of behaviour, in terms of its observation in non-human species, in very young humans, and in societies that we can reasonably expect are similar to those in which our distant ancestors lived. The behavioural economic and social psychology literature that aims to discern when and in what circumstances reciprocity is likely to be observed and sustained is also reviewed, followed by a discussion on whether reciprocity is relevant to both the economic and the social domains. The dark sides of reciprocity are considered, before turning again to the light, and how the potentially beneficial effects of reciprocity might best be realised. This culminates in the presentation of a new political economy of behavioural public policy, with reciprocity playing a prominent role.

ADAM OLIVER is a behavioural economist and behavioural public policy analyst at the London School of Economics and Political Science. He is a founding Editor-in-Chief of the journals, *Health Economics, Policy and Law* and *Behavioural Public Policy*. He edited the book, also titled *Behavioural Public Policy* (Cambridge University Press, 2013), and authored *The Origins of Behavioural Public Policy* (Cambridge University Press, 2017).

Cambridge University Press
978-1-108-48020-8 — Reciprocity and the Art of Behavioural Public Policy
Adam Oliver
Frontmatter
[More Information](#)

Reciprocity and the Art of Behavioural Public Policy

ADAM OLIVER

London School of Economics and Political Science



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press
978-1-108-48020-8 — Reciprocity and the Art of Behavioural Public Policy
Adam Oliver
Frontmatter
[More Information](#)

CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

One Liberty Plaza, 20th Floor, New York, NY 10006, USA

477 Williamstown Road, Port Melbourne, VIC 3207, Australia

314–321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre,
New Delhi – 110025, India

79 Anson Road, #06–04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9781108480208

DOI: 10.1017/9781108647755

© Adam Oliver 2019

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2019

Printed in the United Kingdom by TJ International Ltd. Padstow Cornwall

A catalogue record for this publication is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Names: Oliver, Adam J., author.

Title: Reciprocity and the art of behavioural public policy / Adam Oliver, London School of Economics and Political Science.

Description: Cambridge, United Kingdom ; New York, NY : Cambridge University Press, 2018. | Includes bibliographical references and index.

Identifiers: LCCN 2019008396 | ISBN 9781108480208 (hardback : alk. paper)

Subjects: LCSH: Policy sciences – Psychological aspects. | Economics – Psychological aspects. | Reciprocity (Psychology)

Classification: LCC H97 .O453 2018 | DDC 320.6–dc23

LC record available at <https://lcn.loc.gov/2019008396>

ISBN 978-1-108-48020-8 Hardback

ISBN 978-1-108-72714-3 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

About the author

Adam Oliver is a behavioural economist and behavioural public policy analyst at the London School of Economics and Political Science. He has published and taught widely in the areas of health economics and policy, behavioural economics and behavioural public policy over the past twenty years. He is a founding Editor-in-Chief of the journals, *Health Economics, Policy and Law* and *Behavioural Public Policy*. He edited the book, also titled *Behavioural Public Policy* (Cambridge University Press, 2013), and authored *The Origins of Behavioural Public Policy* (Cambridge University Press, 2017).

Cambridge University Press
978-1-108-48020-8 — Reciprocity and the Art of Behavioural Public Policy
Adam Oliver
Frontmatter
[More Information](#)

*For two Charlies: Darwin and Oliver.
The latter, named after the former, was worth the wait.*

Contents

List of Figures and Tables	page xi
Preface	xiii
Acknowledgements	xvii
1 Setting the Scene	1
Types of Reciprocity	3
A Simple Experiment	7
To What End?	12
2 Animals and Infants	19
Non-Primates	20
Non-Human Primates	26
Infants	33
3 A Pinch of Anthropology	38
Kin or the Group	40
Reciprocity in Tribal Communities	45
The Undernourishment of Reciprocity	52
4 A Dash of Behavioural Economics	57
A Little Theory	59
Prisoners, Ultimatums and Dictators	62
The Other Games People Play	66
Beyond Abstraction	72
5 The Domain of Reciprocity	76
A Fair Exchange?	77
Fostering a Fair Exchange	82
A False Dichotomy	87

X CONTENTS

6	The Dark Side of Reciprocity	93
	Resentment	95
	Retaliation and Retribution	99
	Cronyism, Fundamentalism, Nationalism and Other	
	Isms	105
	Ten Lessons	109
7	Nurturing Reciprocity in Public Policy	111
	The Importance of Emphasis	112
	The Case for Decentralising	115
	The Case for Reducing Inequality	123
8	Reciprocity-Informed Policy Design	128
	Fair Effort for Fair Pay, and Trust Between Buyers and	
	Sellers	130
	Non-Competitive Trade	134
	Reputation Once More	137
	Messaging Reciprocity	143
9	Towards a Political Economy of Behavioural Public	
	Policy	147
	Addressing Internalities	148
	The View from Nowhere	151
	Reciprocity and Flourishing	158
	Budging Phishing	161
10	Summing Up	166
	Principal Arguments	167
	Encore	174
	References	178
	Index	191

Figures and Tables

FIGURES

1.1	Practical priming with the all-seeing eye	<i>page</i> 16
6.1	A consequence of cronyism	106
8.1	The Careggi performance target	141
9.1	The requirements of libertarian paternalism	150
9.2	The requirements of behavioural regulation	163

TABLES

2.1	Matching pennies	30
4.1	Behavioural economic theories of reciprocity	61
4.2	The prisoner’s dilemma	62
4.3	The centipede game	67
4.4	The trust game	68

Preface

Towards the front of *East of Eden*, in a note – almost a love letter – to his publisher, Pascal Covici, John Steinbeck (1963) wrote:

Dear Pat,

You came upon me carving some kind of little figure out of wood and you said, ‘Why don’t you do something for me?’

I asked you what you wanted and you said, ‘A box’.

‘What for?’

‘To put things in’.

‘What things?’

‘Whatever you have’, you said.

Well here’s your box. Nearly everything I have is in it, and it is not full.

Pain and excitement are in it, and feeling good or bad and evil thoughts and good thoughts – the pleasure of design and some despair and the indescribable joy of creation.

And on top of these are all the gratitude and love I have for you.

And still the box is not full.

I have been working on the ideas presented in this book for seven or eight years, and have had the opportunity to study many areas that I am genuinely interested in (and wish I had more expertise), from anthropology to zoology, lexicographically speaking. I published some of my initial thoughts on the topic of reciprocity in an article that appeared eventually in the *American Review of Public Administration* (Oliver, 2018), but I felt that the themes that I raised merited a book-length treatment. No author can genuinely call their own book a must-read, but for me this book became almost a must-write. I cannot say that the book that I hope you are about to read is an *East of Eden*, but I can relate to Steinbeck’s note: it may not be perfect, but I have put a lot of what I have into it.

xiv PREFACE

MOTIVATION AND CONTENTS

The literature on reciprocity is immense, rich and multidisciplinary. Indeed, in that reciprocity is perhaps humanity's most fundamental and widespread social norm, it sometimes seems, to me at least, that almost all readings relate to it in some way. Given that I cannot read everything, the readings that I have referred to in this book are necessarily selective. I can only apologise to those who believe that I have excluded arguments, evidence, information or policy implications that they deem relevant to this book, and I urge them to take up the mantle of reciprocity in their own writings.

Despite the rich literature on reciprocity, efforts to collate the principal arguments from across the different relevant disciplines into a single space are relatively scarce. Moreover, and somewhat bizarrely, efforts to inform the design of public policy with this fundamental motivator of human behaviour have, until recently, been lacking. Rather, over the past several decades, the literature on motivation in public policy has tended to focus on whether people are pure altruists or selfish egoists (with the latter assumption generally triumphing), and yet that we take from *and* give to others is a more realistic generalisation of human behaviour than arguments that we unremittingly take from *or* give to others. In recent years, however, with the rise of behavioural public policy, there has been increasing recognition in the policy discourse that the standard model of rational behaviour, underpinned by the assumption of egoism, is not fully reflective of actual human behaviour, and a closer consideration of reciprocal motivations is coming to the fore.¹ In short, a paradigm shift is perhaps occurring in this field of analysis, and the book before you is intended as a contribution to that effort.

¹ At a teachers meeting at the London School of Economics and Political Science in 2007, Julian Le Grand proposed that he would teach a new postgraduate course that combined behavioural insights with public policy, and requested suggestions for a title for the course (a course that I now direct). Mara Airolidi suggested the title, Behavioural Public Policy, which Julian embraced. I cannot dismiss the possibility that someone else had previously used this term, but it was in that meeting that I first heard it.

The main motivations for writing this book are thus twofold: to outline the role of reciprocity from a multidisciplinary perspective, and to add to the efforts of making this concept more central in considerations of public policy design. The structure of the book is as follows. First, the various definitions of reciprocity will be summarised, and then the evolution of the phenomenon will be considered, in terms of its observation in non-human species, in very young humans, and in societies that we can reasonably expect are similar to those in which our distant ancestors lived. Some of the behavioural economic and social psychology literature that aims to discern when and in what circumstances reciprocity is likely to be observed and sustained will then be reviewed, before a discussion of the relevant domain(s) of reciprocity – i.e. economic and/or social – is offered. Reciprocity has a dark side – indeed many darks sides – and these will be considered, before focusing again on its potential benefits, and how these may best be realised. Some ways in which reciprocity might more specifically inform the design of public policy interventions will be presented, before a new political economy of behavioural public policy – of which reciprocity is a fundamental part – falling within, or at least alongside, the liberal economic tradition, is proffered. The book ends with some concluding thoughts.

NOTES ON STYLE

I have tried to write this book in a style that will be accessible and interesting to a multidisciplinary audience, and to experts, policy makers, students and interested laypersons. I have pitched it somewhere between popular science and a technical academic text, in the spirit of Daniel Kahneman's (2011) *Thinking Fast and Slow*.

When the occasion calls for it, I have used the terms 'she' and 'her' rather than 'he' and 'him'. Following a coin toss, I used the masculine terms in my previous book, and it was thus the turn of the feminine. British English is used throughout.

Footnotes are used in all of the chapters. The reader will be able to understand my arguments from the main text, but I like to think

xvi PREFACE

that the footnotes provide digressions and a little more nuance, and, indeed, that they enrich the narrative, and thus some readers may find them useful.

At the end of each chapter, in the form of a few questions, I have provided some *Food for Thought*. This again mirrors Kahneman's *Thinking Fast and Slow*; clearly, I think that he sets a good example. If I have provided at least a few people with some food for thought in the pages that follow, then I feel I will I have done my job.

Acknowledgements

The following people have in various ways served as sources of personal inspiration and kindness to me in the period over which I worked on this book, and I hope they feel that I have, in some form or other, reciprocated: George Akerlof, Tim Besley, Gwyn Bevan, Steve Birch, Larry Brown, Richard Cookson, Joan Costa-Font, Michael Gusmano, Mike Jones-Lee, Rudolf Klein, Julian Le Grand, Graham Loomes, Ted Marmor, Bob Sugden, Cass Sunstein, Albert Weale and Joe White. I owe thanks also to Phil Good at Cambridge University Press, and of course to Ketii who, to me at least, is an unconditional altruist.