

# **Welfare State Reform and the Logic of Rational Action**

**Draft: not for quotation**

## **Abstract**

Welfare states face substantial pressures from demographic shifts, economic globalisation, labour market changes, migration, the declining authority of national governments and other factors. New policy directions, designed to meet these challenges, often seek to change behaviour and enhance individual responsibility. Those directly involved (as claimants, service users, professionals and managers) are increasingly treated as self-regarding rational actors. Systems of positive and negative incentives are established in 'make work pay', 'welfare to work', target-setting and quasi-market programmes. Evidence from recent work in economic psychology, evolutionary biology and economic and social psychology suggests that people have access to other-regarding reciprocal motivations alongside the self-regarding individualism appropriate to markets. Social context leads a particular approach to predominate. Attitude survey evidence confirms that both patterns of ideas are currently available. This suggests that a shift towards the individualisation of responsibility in market systems is not the only way forward for welfare policies. Interventions based on the theme of mutual support can also work with the grain of human nature.

## **Keywords:**

Reciprocity; Rational Actor; Quasi-Market; Welfare State; Reform

## **Acknowledgment**

The author is grateful to NatCen and to the ESRC Data Archive for providing the data discussed here.

## **Individualism and welfare reform**

An important new direction in welfare policy is the shaping of citizen behaviour. One approach, prominent across much of economic theory, suggests that self-regarding motivations are the most significant factor in determining how people behave. As Adam Smith pointed out: ‘it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard for their own interest’ (1991, 1776). In arguing for the primacy of market liberalism over two centuries later, Mrs Thatcher claimed in her 1987 Conservative party conference speech (and elsewhere) to be ‘working with the grain of human nature’ in rolling back the state. These arguments suggest that welfare interventions in market systems to achieve welfare (or other ends) ends should be regarded with misgiving and restricted as far as possible.

If self-regarding individualism is seen as playing the leading role in directing people’s behaviour, it is easy to argue that interventionist and redistributive welfare states may distract effort from production to activities intended to advantage individuals in distribution, so that the pie fails to grow, to everyone’s detriment, while social groups fight over the size of the slices (March and Olson, 1995). Interventionism may also be seen as undermining the structure of motivations necessary for success in the labour market and creating a ‘dependency culture’ that damages individual and economic progress, and (possibly) undermines the family ethic (for example Murray, 1984, Field, 1989, Auletta, 1982). Public administration experts, influenced by the arguments about the primacy of self-regarding motivations, have claimed that public officials and professionals will seek to improve their own conditions of work, reward and status by ‘cherry-picking’ easy or prestigious cases (Le Grand and Bartlett, 1993; Popper et al 2006, 553), inflating the size of their bureaux and budgets (Niskanen 1971), manipulating the flow of information to those who fund them (Pratt and Zeckhauser, 1985) or controlling entry to helping professions (Klein 2000), rather than serve the public interest. Correspondingly, individual service-users will employ social skills, social and political contacts and capacity to control information about their own need in making claims, so that welfare resources are inefficiently distributed towards those of higher status (Le Grand 1982).

A related issue concerns innovation and growth. Markets are seen as better than state-directed systems at selecting and applying the most useful innovations because they reward entrepreneurs efficiently without requiring public officials to plan the appropriate distribution of resources (von Hayek 1973, Knight, 1921; Schumpeter, 1942; and Riker, 1986). Corresponding arguments are increasingly applied within social policy, for example, to pensions (see DWP, 2006, paras 41, 42, which describe choice as central to the ‘first test’ for acceptable reform), and to health care (see DH, 2006, 1, which describes patient choice as ‘driving up standards across the NHS’). For a valuable review of the issues see Barr (1998, 68-83). Again it is the free play of the incentive and motivational system that is seen as achieving the most socially valuable outcome.

Following these arguments, the redesign of public services in countries like the UK has tended to be directed at the restriction of budgets and at the transfer of responsibility (and often risk) from state to individual. Where state services are highly valued (for example, in health care) reforms follow a logic that reflects Hume’s

point (made some years before Smith published): ‘in contriving any system of government...every man ought to be supposed to be a knave and to have no other end, in all his actions, than his private interest’ (1898, 1754 – see Le Grand 2003, vii). Managers are regulated according to stringent targets. Quasi-markets promote stringent competition between providers in the public and private sector. Smith’s assumption of self-regarding individualism appears dominant in thinking about citizen motives in the new welfare state.

All these arguments, which caution against intervention and advance the value of market freedom, rest on the idea that material incentives are more effective than other considerations in shaping behaviour. They have been of signal importance in welfare state reform during the past two decades in the UK and elsewhere (Brewer and Gregg, 2001, 3; Blair 2003; Taylor-Gooby et al, 2004a, 589; Hall, 1993; Pusey, 1991). The Treasury remit, once concerned primarily to set and monitor departmental budgets now micro-manages an extensive range of outputs against targets via Comprehensive Spending Review (Baldock, Gray and Jenkins 2003, 262-7). The rational actor logic prominent in economic approaches plays a larger role in policy design (Parry and Deakin, 2003).

This paper discusses theoretical and analytic work in evolutionary biology, game theory, economic psychology and economic sociology which suggests that self-regarding rationality is not always dominant in motivation. It presents an analysis of recent UK attitude survey data which reinforces the view that reciprocity and mutuality are also important forces shaping people’s motives, and that social context makes a difference to which predominates. If this is the case, the argument that rational individualist systems are the best way to promote engagement and cost-efficiency in the welfare state becomes less convincing. Two things follow:

- The case for a shift to systems based on the self-regarding rational actor model is weakened.
- The use of such systems puts people in an institutional context which fosters individualised self-regarding rational action. In the longer term, social cohesion may decline and the more fortunate groups in the market be less willing to provide political support or taxes to sustain welfare for less fortunate groups (unless they judge they themselves vulnerable to misfortune). The new welfare state policies may thus eroded the longer term sustainability of state welfare.

## **Self-regarding rational action and reciprocity**

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. This work shows that, while the self-regarding rational actor model describes an important stream of motivations, people have access to other strands in motivation, and that the social circumstances in which people decide on their courses of action appear to influence frameworks of choice. The argument here draws particularly on the work of Gintis et al (2005) and of Rothstein (2005).

The notion that people's behaviour as individuals and as social animals can be explained most successfully in terms of self-regarding motivation has been dominant in much of economics and has influenced important streams of work in evolutionary biology (developed through the notions 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 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 design of the institutions within which people live their lives, that is influential in promoting a particular pattern of motivation.

It is easy to imagine circumstances in which reciprocating or mutually-inspired behaviour will fail to advance social ends (for example, if an individual chooses to work hard within a generous welfare state while others relax on benefits, 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, see Rothstein, 2006, 133). The risk for an altruist is that others will defect from virtuous behaviour for self-regarding reasons, and it is often impossible to prevent this. 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, indicate that strong reciprocity as defined above is viable (Boyd et al, 2003). 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 human 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 self-regarding motivation. Axelrod's influential work (1981) demonstrated that play in repeated prisoner's 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). One meta-study 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 a 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 that co-operative play declines as a series of games approaches the end (Sally, 1995; see Rothstein, 2005, 96). These findings imply that self-regarding rationality is not the automatic and basic driver in people's interactions.

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 the fear of rejection, indicating that assumptions about social norms from the world outside the game influence the rationalities dictating play within it (Gintis et al, 13). Repeated play, alternation of roles and communication reinforce reciprocity, as in Sally's study.

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 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 mutuality where appropriate.

Further support for the possibility of strong reciprocity is found in work by Fehr and colleagues, in repeated public goods games. These games endow players with a set equal 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, allowing 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 (Gintis et al, 2005, 16). Fehr and colleagues introduce possibilities for punishment for non-reciprocators and demonstrated that, even when fining others implies real costs for the individual who punishes, the use of fines achieved high levels of co-operation especially in repeated play within partner groups (Fehr, Fischbacher and Gächter, 2002). People act altruistically to reinforce the norms that lead to mutual advantage.

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, insofar 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 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 has developed an account which treads a middle path between simply seeing people as purely individualised or as entirely subordinate in their behaviour to social norms (1985). 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 emphasizes the role played by social norms in setting limits to the scope of rational action and in directing behaviour.

A related tradition of work concerns the management of public goods. Hardin’s analysis 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 (1968). 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 behavioural principles.

A further stream of work, developed by the social psychologist, Bruno Frey, investigates the relation between ‘intrinsic’ and ‘extrinsic’ rational motivations, relevant, for example, in voluntary and paid effort. He hypothesizes that the substitution of payment for voluntary commitment will involve an inefficient use of resources, even if more output is achieved. He reasons 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 1997). A much-used example concerns a survey about the acceptability of a nuclear waste dump among citizens of different Swiss cantons. This showed that individuals in fact were less likely to accept waste when offered a relatively low payment than when doing so voluntarily and required a high payment to achieve the same strength of acceptance. 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 inadequate to generate the same level of willingness to store potentially polluting material.

Contrary evidence shows that voluntary workers who provide social care (typically women acting informally to meet the needs of frail family members, see for example 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 relatively low income people (Le Grand, 2003, 43-4). Interestingly, it is not so much the market value of the cash payment to the individual, but the fact that it represents mutual acknowledgement of a social contribution that is important.

Other examples indicate the importance of voluntary as opposed to paid motives: blood donorship (Titmuss 1971); 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, 118-9). Paid community care experiments have been highly successful (Davies, 1986). Rather than strengthening the case for a particular view the diverse findings may be taken to reinforce the position that people have access to a range of motivational structures and that social context and institutional structure are important in influencing which predominates.

This section has reviewed a number of strands of work that indicate that people act in self-regarding and in reciprocal ways in different settings. The evidence is not conclusive, but suggests that individualised interactions with anonymous strangers where there are limited opportunities for communication or for repetition of the interaction are more likely to lead to self-regarding motives, while mutual reciprocity is more likely where there are opportunities for communication and for repeated iteration and where sanctions can be applied. There is also more limited evidence from games and evolutionary biology which indicates that sanctions are in fact applied even when this is at a personal cost to individuals, and that this reinforces mutual behaviour.

## **Reciprocity and individualism in practice: evidence from attitude surveys**

In this section we bring the argument closer to people's experience of specific institutions in everyday life, and use attitude survey data to examine ideas about reciprocity. There is substantial agreement among 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](http://www.isp.org)) and the British Social Attitudes survey (see Park, 2005) and in a number of US and EU surveys – Gallup, 1998; Eurobarometer, for example, no. 5, 1976 and no. 40, 1993). In general, people are more likely to understand poverty in terms of effort and laziness in more market-oriented societies such as the US or the UK, and more likely to understand it in terms of luck or matters beyond individual control in social-democratic countries such as Sweden (Hills 2001, Table 1.6; Taylor-Gooby, 2004b, 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 context has an influence on the extent to which people’s views on concrete issues like poverty are consistent with the experience of a welfare framework which attributes responsibility for problems primarily to the individuals who experience them, and that which sees social factors as playing a more important role.

Recent work on attitudes to the welfare state in the UK takes the argument further. A detailed qualitative study by Hedges demonstrates widespread ignorance of the workings of the tax and benefit system, but an underlying ‘belief in a system in which everyone can get help when they need it, and everyone contributes according to their means’ (Hedges, 2005, iv). This idea, which Hedges terms ‘mutuality’, is close to a weak version of reciprocity and is developed in further work on the British Social Attitudes survey and MORI survey data. Extensive data is available on the extent to which people believe that individuals in different circumstances (seen to result from their own actions or from bad luck or social forces beyond their control) merit benefits or should be sanctioned when they fail to make every effort to find paid work. An earlier review concluded: ‘the link between welfare payments and some form of valued social participation or reciprocity appears to act as a source of legitimacy for welfare spending’ (Taylor-Gooby 2005, 9).

A related theme concerns people’s views on redistribution and the willingness of members of various income groups to pay taxes to meet the needs of claimants in different circumstances. The most recent study shows: ‘there is general support for the principle of the welfare state as a system that supports people when they need help, and spreads the cost of doing so according to people’s ability to pay’ (Sefton, 2005, 27). For a theoretical treatment in the context of New Labour *Third Way* social policies, see Dwyer (2004), and for further cross-national comparisons leading to similar conclusions, see Mau, (2004).

This account provides an indication that the theme of reciprocity is a significant factor in everyday life ideas about welfare interventions in the market in a particular national context, borne out by cross-national comparisons. How does this accord with the idea of ‘strong reciprocity’ which includes punishment of those who violate group norms? A strong and established tradition of work on the welfare state indicates the prevalence of punitive attitudes against those seen to claim welfare illegitimately (Golding and Middleton, 1982; Dean and Taylor-Gooby, 1992) and more recently against migrant groups who are seen to draw benefits to which they have not contributed in tax (Sefton, 2005). Data from the 2004 British Social Attitudes survey (the most recent dataset available) permits the link with reciprocity to be examined. This survey is the leading survey of social attitudes in the UK. It uses a multi-stage design to generate a random representative sample of the national population aged 18 or over, using the postcode address file as a sampling frame. The sample for 2004 was 3,199 achieved interviews with a response rate of 57 per cent. The questionnaire uses a complex modular design. 1,627 cases were asked relevant questions and are included in Tables 1,2 and 3. For further details, see Park et al (2005, Appendix 1).

Drawing on and developing Sefton's methodology, the following analysis explores patterns of attitudes to the role of government in welfare. It distinguishes attitudes consonant with a self-regarding actor model from those appropriate to a more mutually supportive reciprocal approach. It demonstrates that both exist in the population, with the latter being more widely held and the former stronger among those less reliant on state provision. This parallels Rothstein's finding that those involved in universal structures of social provision are more likely to be trusting of fellow citizens (2005, 125-6). It then goes on to examine citizens' views on the limitation of benefits for particular groups as a measure of strong reciprocity, although the questions asked do not reflect the altruistic element in punishment of defaulters, involving real costs to the punisher.

Table 1 lists 11 attitude statements used in the 2004 British Social Attitudes survey to explore general attitudes to state welfare. The second column gives net agreement with the statement among the general population sample (percentage agreeing minus percentage disagreeing). The third and fourth columns list the factor loadings generated by a Varimax rotated factor analysis. Two factors were identified. The first and most important factor, accounting for a third of total variance, characterizes a particular cluster of attitudes loading heavily on the last seven statements, and reflects a self-regarding individualism. The constituent variables cover the ideas that redistribution through welfare services is wrong and that the welfare state undermines the work ethic and individual responsibility.

The second factor (loading on the first four statements and accounting for about a sixth of variance in attitudes) reflects values of reciprocal support. This corresponds to an other-regarding world view that interprets welfare state morality in terms of mutual support and implies that welfare interventions will advance social cohesion. The high level of net agreement with the statements making up the second factor (with the exception of the fourth statement) and the lower level of agreement with those making up the first factor (with the exception of the eighth statement) are striking. This indicates that the other-regarding principle is shared by most people in the UK when they think about the welfare state. Variables were created from the factor loadings to represent the separate underlying themes in attitudes to state welfare embodied in the factors.

In Table 2 a similar analysis is carried out on a series of statements which describe circumstances in which entitlement to unemployment benefit might be limited. Three factors are distinguished, accounting for between a fifth and a seventh respectively of total variance. The first loads heavily on statements corresponding to failure to contribute to the UK system for a range of reasons. The second (which finds the highest level of assent among the sample) combines economic migration with evasion of the obligation to find work, possibly reflecting the view that such groups are defectors from the norms governing the national benefit system. The third factor simply measures degree of independence. Agreement in column 2 shows much stronger assent to the second than the first factor across the sample, with the third in between.

The three factor variables correspond to the willingness of respondents to limit benefit rights. They appear to distinguish two categories of defectors from the basic logic of a tax and benefit system – those who fail to contribute and those who simply try to

benefit from the payments rather than working (migrants or work-shy). Refugees fleeing persecution (Table 2, sixth row) may be seen as relevant to both factors, with weaker loadings. Those who simply don't need state welfare (the third factor variable) fall into a separate category.

We now wish to examine the structure of attitudes to welfare state entitlements, paying particular attention to the extent of reciprocity and individualism in the population, to the part played by the institutional framework of benefit entitlement and to the range of social and demographic factors that are known to influence attitudes in an area which is politically contentious and involves the interests of different social groups. Table 3 reports ordinary least squares regression models in which the two factors from Table 1 (reflecting self-regarding individualism and a more reciprocal approach) are the dependent variables, and the three variables constructed from the factors analysed in Table 2 (concerned with the circumstances in which people would be willing to limit benefits) enter as independent variables. A variable measuring dependence on benefits as the main source of household income and demographic and political variables (dichotomised as dummies) are also included.

The r square statistics show that the models explain a moderate amount of variance and that the individualist factor is more closely related to the independent variables, especially the first two limitation factors, than the factor variable measuring reciprocity. Comparison between the two models shows that individualism is associated with enthusiasm to sanction non-contributors in particular, and, to some extent, migrants, but not with perceptions of independence. Those dependent on benefits are rather less likely to hold this view. It is more likely to be shared by Conservative (centre-right) voters and those with relatively low levels of education who fall into older or younger age groups and are not professional or managerial workers.

Commitment to reciprocity is associated with (milder) rejection of sanctioning in these two cases, but with a weak willingness to limit benefits for those able to look after themselves. It is more the preserve of Labour (centre-left) voters, older people and those dependent on benefits.

The models explain a minority of variance and the interpretation must focus on significant relationships. The relationship with demographic and political variables fits with the view that a more generous and inclusive welfare system for those who need it is associated with Labour voting and with the idea that it is the group who are less well-educated and of lower status, but dependent on their own efforts in life, who are most likely to be punitive in relation to benefits. The age variables are interesting. It is possible that the older group (over 55) contains those who are closer to the benefit system and those who are committee through life-time experience to value independence, but this requires further investigation.

The analysis of attitude data shows that the structure of people's ideas is complex. However three points emerge:

- Overall, the attitude survey analysis reinforces the evidence of qualitative work and other studies that reciprocity is a significant factor in the welfare

values of citizens of the UK alongside market individualism, and that it is shared by a very wide range of social groups.

- There are also social, political and demographic differences between the groups among which particular approaches are most inclined to predominate.
- Willingness to limit benefits is associated positively with market individualism and negatively and more weakly with reciprocity. The latter indicates a more inclusive form of solidarity than is implied by the strong reciprocity model. It is those more committed to self-regarding market attitudes who are keen to exclude those who defect from welfare state norms.

## **Discussion and Conclusion**

This paper starts out from the position that the self-regarding rational actor model tends to dominate current welfare reform. Enhanced market freedom is seen as the best way to regulate productive and distributive interactions, because it corresponds most closely to a presumed human nature. The central theme is that people are self-regarding rational actors and policies which treat them as such will be most successful.

Alternative approaches, resting on experimental economic psychology, model-building in evolutionary biology, work in economic sociology and social psychology, and social survey evidence, argue that people have access to mutually supportive reciprocal values and motives alongside self-regarding individualism. A particular version of reciprocity that stresses the importance of sanctions at a group level in facilitating sustainable and mutually advantageous reciprocity is developed by a number of writers (for summaries see Gintis et al, 2005, Fehr et al, 2002). Additional evidence from national and cross-national attitude studies indicates that reciprocity plays an important role in the ideas of the mass public about state welfare and is understood as a principle of legitimation (Rothstein, 2005, Mau, 2004, Hedges, 2005, Sefton, 2005). Analysis of the British Social Attitudes Survey in the UK reinforces this position and suggests that in practical policy contexts, reciprocity and mutual support is important, but that the normative structure surrounding welfare services is complex.

This discussion supports the view that there are other legitimacy discourses and hence other routes to social cohesion available alongside the rational actor model that predicates support for state interventionism simply on the arguable success of such policies in advancing opportunities within the market system. The implication is that welfare policies can support social cohesion because they can be understood by citizens as mutually advantageous and that this reflects the theme of reciprocity in the available repertoire of human motivations. The 'strong reciprocity' argument that such an approach also requires sanctions for defaulters needs further exploration. The vigour with which people express concerns about welfare cheats and benefit scroungers and the extent to which use of the national welfare system by migrants and asylum seekers are resisted suggests a determination to punish those who transgress mutual welfare norms. However, such attitudes seem strongest among those most committed to market values rather than to mutuality. The role of welfare

interventions in supporting social cohesion does not seem to depend simply on the availability of sanctions.

Policies based on the valorisation of market freedom, with attendant risks of damage to social cohesion, are not the 'one best way' in current welfare reform. Reciprocity can also support cohesive interventions without conflicting with basic strands in people's motivations. The institutional setting within which people live their lives appears to play a strong role in influencing patterns of motivation. There are real opportunities to design the kind of society in which we wish to live through our social policy choices, and to build a more cohesive and mutually supportive or, alternatively, a more individualist, divided and inhumane social world.

**Table 1: Value statements about the principles of state welfare: frequencies and factor analysis (BSA 2004)**

Do you agree or disagree with the following statement?	Net agreement (in favour minus against)	Factor 1: self-regarding individualism	Factor 2: other-regarding reciprocity
It's only right that taxes paid by the majority help support those in need	58	-.29	<b>.70</b>
If we want to live in a healthy, well-educated society we have to be willing to pay the taxes to fund it	80	-.11	<b>.75</b>
The best reason for paying taxes now is that you never know when you might need the benefits and services yourself	66	.14	<b>.67</b>
The government should spend more money on welfare benefits for the poor, even if it leads to higher taxes	4	-.32	<b>.55</b>
It's not fair that some people pay a lot of money in tax and hardly use the services their taxes pay for	-1	<b>.54</b>	-.20
It's not right that people benefit from services they haven't helped to pay for	24	<b>.66</b>	-.07
The welfare state encourages people to stop helping each other	-10	<b>.52</b>	-.10
Around here, most unemployed people could find a job if they really wanted one	59	<b>.68</b>	-.10
Many people who get social security don't really deserve any help	14	<b>.77</b>	-.09
Most people on the dole are fiddling one way or another	18	<b>.79</b>	-.06
If welfare benefits weren't so generous, people would learn to stand on their own two feet	23	<b>.81</b>	-.16
% variance explained	-	32.3	17.2
Eigenvalue	-	3.56	1.89
N	1627	1627	1627

**Table 2: Willingness to limit benefits: frequencies and factor analysis (BSA 2004)**

Access to unemployment benefit should be limited for those who fall into these categories:	Agreement (%)	Factor 1: non-contributor	Factor 2: migrant/lazy	Factor 3: independent
Lived in Britain all life, not paid much in taxes because raising kids	9	<b>.75</b>	-.18	.14
Lived in Britain all life, not paid much in taxes because long-term unemployed	25	<b>.65</b>	.09	.06
Not born in GB, settled here more than 2 years ago	22	<b>.54</b>	.35	-.13
Recently come to Britain to find work	59	.17	<b>.74</b>	-.16
Not actively looking for work	78	-.12	<b>.71</b>	.29
Recently come to Britain because in danger at home	22	<b>.47</b>	<b>.44</b>	-.12
Have enough savings or insurance to look after themselves	31	.08	.01	<b>.92</b>
% variance explained	-	22	20	15
Eigenvalue	-	1.54	1.41	1.02
N	1627	1627	1627	1627

**Table 3: Individualism, reciprocity and social circumstances: OLS regressions (BSA 2004)**

	% sample in category	Factor 1: self-regarding (standardised beta weights)	Factor 2: other-regarding (standardised beta weights)
Factor 1: non-contributor (Table 6)	-	.33**	-.10**
Factor 2: migrant/ lazy (Table 6)	-	.15**	-.07**
Factor 3: independent (Table 6)	-	-	.06*
Dependent on state benefits as main source of income	20	-.05*	.11**
Conservative voter	26	.08**	-.12**
Labour voter	32	-.12**	.09**
Degree	28	-.07*	-
Education only to minimum school-leaving level	54	.07*	-
Professional managerial worker	23	-.10**	-
Under 35	27	.07**	-.07*
Over 55	34	.08**	.15**
R squared	-	.23	.11
N	1627	1627	1627

Notes:

\*\* = significant at the 1 per cent level

\* = significant at the 5 per cent level

Coding for dummy variables in the regression: those falling into the category (column 2 above) above) are coded 1, the remainder 0.

## References

- Alexander, R. (1987) *The Biology of Moral Systems*, Aldine, New York.
- Auletta, K. (1982). *The Underclass*, Random House, New York.
- Axelrod, R. (1981) 'The Evolution of Cooperation', *Science*, 211(4489):1390-6
- Baldock, J., Gray, A. and Jenkins, B. (2003) 'Public expenditure decision-making' in Baldock, J., Manning, N. and Vickerstaff, S. (2003) *Social Policy*, Oxford University Press.
- Barr, N. (1998) *The Economics of the Welfare State*, 3<sup>rd</sup> edition, Oxford University Press, Oxford.
- Blair, T. (2003) *Progress and Justice in the 20<sup>th</sup> Century*, Fabian Society Annual Lecture.
- Bowles, S., Fong, C. and Gintis, H (2001) *Reciprocity and the Welfare State*, Boulder Co. The Westview Press
- Boyd, R. (2002) 'Group beneficial norms can spread rapidly in a cultural population' *J. Theoretical Biology*, 287-96.
- Brewer, M. and Gregg, P. (2001) *Eradicating Child Poverty in Britain*, IFS Working Paper 01/08.
- Camerer, C. and Thaler, R. (1995) 'Ultimatums, dictators and manners', *J. Economic Perspectives*, 9.23, 209-19.
- Davies, B. with Challis, D. (1986) *Matching Resources to Needs in Community Care*, Gower, Aldershot.
- Dawkins, R. (1976) *The Selfish Gene*, Oxford University Press, Oxford.
- Dean, H. and Taylor-Gooby, P. (1992) *Dependency Culture*, Harvester, Hemel Hempstead.
- Delhey, J. and Newton, K. (2003) 'Who trusts?', *European Societies*, 5: 93-137.
- DWP (2006) *Patient Choice Becomes a Reality Across the NHS*, press release, 3.1.06.
- DWP (2006) *Security in Retirement cm6841*, HMSO
- Dwyer, P (2004) *Understanding Social Citizenship*, Policy Press
- Fehr, E, Fischbacher, U and Gächter, S. (2002) 'Strong reciprocity, human cooperation and the enforcement of social norms', *Human Nature*, 13, 1-25.
- Field, F. (19889) *Losing Out*, Blackwell, Oxford.
- Frey, B. (1997) *Not Just for the Money*, Edward Elgar, Cheltenham.
- Frey, B. and Torgler, B. (2006) *Tax Morale and Conditional Co-operation*, IERE, University of Zurich wp 286.
- Gallup (1998) *Haves and Have-Nots*, Gallup Organisation
- Gintis, H., Bowles, S., Boyd, R. and Fehr, E. (2005) *Moral Sentiments and Material Interests*, MIT Press, Mass.
- Golding, P. and Middleton, S. (1982) *Images of Welfare*, Martin Robertson, Oxford.
- Granovetter, M. and Swedberg, R. (1992) *The Sociology of Economic Life*,
- Granovetter, M., (1985), 'Economic action and social structure: the problem of embeddedness.', *American Journal of Sociology*, 91 481-93.
- Hall, P (1993) 'Policy paradigm, social learning and the state', *Comparative Politics*, 25, 3, 275-96.
- Hardin, G. (1968) 'The tragedy of the commons', *Science*, 612, 1243-68.
- Hedges, A (2005) *Perceptions of Redistribution*, Caspaper no 96, CASE, LSE.
- Henrich, J., R. Boyd, S. Bowles, C. Camerer, E. Fehr, H. Gintis, R. McElreath. (eds 2004), *Foundations of Human Sociality*, Oxford University Press.
- Hills, J (2001) 'Poverty and Social Security' in Park, A. et al (eds) *British Social Attitudes*, 2001/2 edition, Sage, London.

- Hume, D. (1898 original 1754) *Essays*, Longmans, London.
- Klein, R. (2000) *The New Politics of the NHS*, Prentice Hall, London.
- Knight, F. (1921) *Risk, Uncertainty and Profit*, Houghton Mifflin, Boston.
- Le Grand, J and Bartlett, W (1993) *Quasi-Markets and Social Policy*, Macmillan, Basingstoke.
- Le Grand, J. (1982) *The Strategy of Equality*, Allen and Unwin, London.
- Le Grand, J. (2003) *Motivation, Agency and Public Policy*, Oxford University Press, Oxford.
- Linos, K and West, M (2003) 'Self-interest, social beliefs and attitudes to redistribution', *European Sociological Review*, 19, 4, 393-409.
- Mau, S (2004) 'Welfare Regimes and the Norms of Reciprocal Exchange', *Current Sociology*, 52: 53-74.
- Murray, C. (1984) *Losing Ground*, Basic Books, New York.
- Niskanen, W. (1971) *Bureaucracy and Representative Government*, Aldine-Atherton, Chicago.
- Olson, C. and March, J. (1995) *Democratic Governance*, New York: Free Press.
- Ostrom, E. (1990) *Governing the Commons*: CUP
- Park, A. et al (2005, eds) *British Social Attitudes*, 2005/6 edition, Sage, London.
- Parry, R. and Deakin, N. (2003) 'The changing role of the Treasury' in Wanna, Jensen and de Vries eds, *Controlling Public Expenditure: the Changing Roles of Central Budget Agencies*, Edward Elgar, Cheltenham.
- Polanyi, K, Ahrensberg, C. and Pearson, H. (1971) *Trade and Market in the Early Empires*, Henry Regnery, Chicago (original 1957)
- Poundstone, W. (1992) *Prisoner's Dilemma* Doubleday, New York.
- Pratt, J., and R. Zeckhauser (1985). *Principals and Agents*, Harvard Business School Press, Boston.
- Propper, C, Wilson, D and Burgess, S (2006) 'Extending choice in English health care', *Jnl Soc. Pol.*, 35, 4, 537-558.
- Pusey, M. (1991) *Economic Rationalism in Canberra*, CUP, Cambridge.
- Rico, A., Saltman, R. and Boerma, W. (2003) 'Organisational restructuring in European health care systems', *Social Policy and Administration, special issue P*. Taylor-Gooby (ed.) vol 37, no 6.
- Riker, W. (1986) *The Art of Political Manipulation*, Yale University Press.
- Rothstein, B. (2005) *Social Traps and the Problem of Trust*, CUP, Cambridge.
- Sally, D. (1985) 'Conversations and co-operation in social dilemmas: a meta-analysis 1958-92' *Rationality and Society*, 7: 58-92.
- Schumpeter, J.(1942) *Capitalism, Socialism and Democracy*, Harper, New York.
- Sefton, T (2005) 'Give and take' in Park, A et al (eds) *British Social Attitudes*, 22<sup>nd</sup> Report, Natcen, London.
- Smelser, N. and Swedberg, R. (1994) *Handbook of Economic Sociology*, Princeton University Press.
- Smith, A. (1991, original 1776) *The Wealth of Nations*, Prometheus Books, New York
- Sober, E. and Wilson, D. (1998) *Unto Others*, Harvard University Press, Cambridge MA.
- Svallfors, S. (1993). Dimensions of Inequality: A Comparison of Attitudes in Sweden and Britain, *European Sociological Review*, 9 (3), 267 – 287.
- Taylor-Gooby, P (2005) *Attitudes to Social Justice*, IPPR London.
- Taylor-Gooby, P. (2004b) 'Open markets and welfare values', *European Societies*, 6, 1, 29-48.

- Taylor-Gooby, P., Larsen, T. and Kananen, J, (2004a) 'Market means and welfare ends', *Jnl. Soc Pol.*, 33, 4, 573-92.
- Titmuss, R. (1971) *The Gift Relationship*, Allen and Unwin, London.
- 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', *Jnl Soc. Pol.*, 29, 4, 623-643.
- Van Oorschot, W., Halman, L. (2000) 'Blame or fate, individual or social?', *European Societies*. 2 (1), 1-28.
- Von Hayek, F (1973) *Law Legislation and Liberty vol 1*, Routledge and Kegan Paul, London.
- Weber, M. (1978) *Economy and Society*, University of California Press, Berkeley (original 1922).
- Wilson, E. (1975) *Sociobiology*,, Harvard University Press.