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"Ideas" Specific programme

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Annex 1 – "Description of Work"

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PART B: The Research Project

I. State-of-the-art and objectives

Introduction

All modern welfare states face a set of very difficult challenges as they adapt to the demographic, economic and fiscal pressures of the early 21st century. These include: a) fiscal pressures of an aging 'core' population; b) political challenges of maintaining public support for adequate social welfare and education in the context of growing ethnic diversity; c) growing public frustration with and even distrust of bureaucratic state institutions and political authority; d) intense pressures to reduce (or at least not increase) taxes for politically powerful constituencies; and e) the continuing pressures to move from manufacturing-based economies towards service-based economies. These competing pressures deeply constrain the political choices available to policy makers in all advanced democratic nations. It is simply not true, however, that these forces push all democratic states in the same direction. Quite the contrary: the empirical evidence suggests that modern democracies are maintaining quite different policy trajectories - even in the face of broadly similar political, economic and fiscal pressures.[1] This fact fascinates me and motivates my research agenda.

I believe that to understand the actual policy choices made in different countries, we must examine the *interaction* between political institutions, public policies, and citizen's preferences. In my past work I have largely focused on two sides of these complex relationships – public policies and political institutions. I have been cognizant of the fact that both what the state actually does, and how it does it, must affect citizens' attitudes and perceptions of what their state *ought to do*. The truth, however, is that political scientists have never really been able to test this assumption. Understanding how institutions shape and frame people's preferences and consequently their choices is pivotal to a full comprehension of societal regulatory mechanisms. Moreover, developing a better understanding of how and to what extent specific institutions shape and modify people's decisions may allow us to reform and adapt institutional system in a more effective and measured way.

My research will now focus more directly on precisely the ways in which the political and institutional context shapes or affects citizens' preferences. I believe that only when we better understand both what citizens in different polities actually believe about their state, *and why,* can we build realistic models to understand how their policy systems can be reformed or adapted in the context of the enormous pressures they face today. This research will thus combine the strengths of classical historical institutionalist analysis with recent developments in cognitive and evolutionary science and decision theory.

State of the Art and Objectives

The project will combine experimental techniques and methodologies with historically informed institutionalist analysis in order to more fully test and explore the relationships between institutions, policy regimes and citizens' policy choices in different welfare states. The research will extend the current work in experimental economics and cognitive science by designing experiments that are modelled on real world institutions and policy choices in several different countries. Working together with country experts we will explicitly embed the choices facing our subjects in the historical and institutional context in which real choices are actually made.[2] At the same time we will extend and

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[1] For example, despite intense 'tax competition' in Europe, tax burdens have not fallen in recent years: Indeed, the average tax burden in the OECD grew from 33.5% in 1990 to 38.5% in 2007. Even in the heavily taxed EU-15 countries tax burdens have remained quite stable, growing from 38.2% in 1990 to 38.7% in 2007. Similarly, there is great pressure on health spending in the OECD, and while we have seen the introduction of some privatization in several countries there is no evidence to suggest that the various systems are 'converging' on a common policy.

[2] Experiments vary between degrees of "natural settings". Experimental designs vary, broadly speaking, between (1) field experiments and (2) lab experiments. There are plusses and minuses to each of these approaches. In field experiments we are in the subjects' natural environment (+), but we cannot control for intervening variables that may affect the outcome of the experiment (-). Thus, the findings may be

deepen historical institutionalist analysis by explicitly testing our theories and assumptions about how citizens in different polities respond to policy choices in different institutional settings.

Let me try to clarify what I am after through a simple example: We know that citizens in different countries respond differently to the question: "Are you willing to pay higher taxes in order to provide better health or education services to those who need them?" (Svallfors, 2011; Taylor-Gooby, 1995). But the fact is that we do not truly know why citizens in different societies respond differently to this question. It is reasonable to *assume* that they answer differently because they have different expectations of how their tax money will be spent. It is also possible that they have different perceptions of the fairness of the tax system, beliefs about how consistently it is enforced, and/or there are different social norms with respect to tax compliance. These all seem like reasonable assumptions. But the fact is we do not know which of these explanations are correct because while we can make correlations between attitudes and policy outcomes and/or we can rely on anecdotal evidence in support of our claims, no one has actually been able to test the ways citizens in different countries *think about* policy choices, and how different institutions shape these choices.

Experiments and Institutions – New Methods, New Answers

In recent years significant advances have been made using experimental methods in social sciences that have helped researchers better understand the cognitive processes that individual use when making choices. Early work using these experimental technologies was developed by psychologists, but economists were quick to realize that these techniques could be used to test many of their assumptions about human decision making (Smith, 2008). The bulk of research has not supported the simple notions of man as a rational self-interested decision maker (Gintis et al., 2006; Kahneman, Slovic, and Tversky, 1982) and has instead led to a far more nuanced and complex understanding of how and why individuals come to their decisions. The evidence points quite clearly to the claim that most humans are motivated by several forces including self-interest, the desire for social acclaim, and respect for hierarchy, for example. The empirical evidence also demonstrates that there are different distributions of these basic patterns both within populations and between different populations.

Early experimental research by economists tried to explore the base preferences of individuals across time and space. Recently, however, there has been growing interest in the ways in which different cultural national 'contexts' affect the decision processes of individuals, but this research is very much in its infancy, (see, for example Cummings et al., 2004). The most interesting work in this area is currently being done by those who have accepted the overwhelming empirical evidence showing that human rationality is not only bounded (Simon) but also framed by a complex set of other considerations and/or limitations. Vernon Smith, one of the founders of this field (and Nobel Laureate for his work here) has argued that rationality is "ecologically bounded." In other words, even what is 'rational' is framed cognitively by the ecology in which we make decisions. James Alm, one of the leaders in the field of empirical research on taxation policy, puts the matter rather bluntly: "These are all issues for which the standard neoclassical paradigm gives clear-cut theoretical answers. However, these 'answers' are often misleading or wrong. Testing behavioral public economics notions in the laboratory presents the possibility of demonstrating behavioral responses that are more accurate and realistic, that show the relevance of social context and social process in decisions, and that have the "external validity" necessary for policy formulation." (Alm, 2010: : 648).

It is precisely 'context' which political science (and especially Historical Institutionalism) can bring to the table. Historical Institutionalism, specifically, is the study of the "ecology" of political decisions. Economists and psychologists have become skilled in design and have developed these experimental methods to a greater extent than we have done in political science. Political scientists, however, have paid much closer attention to examining and understanding the specific institutional structures, decision-making processes and historical contexts that frame these choices. In my view, both our understanding of how institutions frame and/or structure individual choices, and our understanding of

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invalidated. A greater number of intervening variables can be held constant in the laboratory (+), but here you remove subjects from their natural habitat, which can be problematic for questions of external validity (-).

the real institutional choices available in different polities will be greatly enhanced if we can bring these different kinds of expertise together.

Thus, what I hope to accomplish with this project is to bring together the basic insights and methods of comparative historical and institutional analysis with the insights and methods of experimental research design. I am precisely interested in how political institutions and public policy regimes, as well as citizens' experiences, *shape the ways they think about political choices.*

Comparative historical analysis has furnished us great insights into the relationship between political institutions and public policies in different countries. Furthermore, work in comparative historical tax policy and fiscal sociology has provided significant insight into how and why different political systems have developed different tax systems (Prasad, 2006) (Peters, 1991; Peters, 1979). (Steinmo, 1993, 2002). However, there still remain a number of important questions regarding the relationship between citizens' attitudes towards taxation and the state which comparative historical analysis simply cannot answer. To take a specific example: we know that Swedes have a higher rate of tax compliance than Italians. We can speculate as to why this is, but comparative historical analysis cannot disentangle the multiple plausible explanations or variables. For example, it is plausible that different compliance rates are related to any or all of the following factors:

- Italians may have less fear of being caught for tax evasion than Swedes.
- Italians may believe that no one else pays their taxes and therefore they do not develop the social norm saying that they ought to pay.
- Italians, even more than Swedes, may believe that they do not receive adequate benefits for the taxes they pay and therefore are more hostile to paying their taxes.
- Italians may believe that their politicians are corrupt, or more corrupt than the Swedish believe theirs to be, and therefore are not willing to pay their taxes.
- Italians may have more negative experiences from their interactions with the state than Swedes do.
- Italians may believe that the rich get away without paying their taxes and therefore feel that the tax burden is unfair and are hence unwilling to pay their taxes. Swedes, in contrast, may have greater confidence that taxes are collected efficiently and allocated fairly.

Indeed, it may be some combination of all of these variables that explains Italy's low tax compliance rate. But only by controlling for specific variables and testing them in a laboratory setting can we know which of these variables is the most salient and under which conditions. [3]

These experiments will build on the ongoing work on tax compliance and tax 'morale' done by several cognitive economists and develop this analysis further in order to better understand the relationships between "willingness to pay taxes" and the structure of both the tax system and the social welfare system more broadly.

The few cross-country studies done by cognitive economists to date have shown that differences in tax compliance are related to differences in social and institutional factors. Experimental studies have shown that the willingness to contribute in public good scenarios increases when individuals believe that they will receive a 'fair' return. (What is 'fair,' of course, can vary across cultural contexts as well as according to the rules through with the redistribution is made.) Interestingly, analysis of horizontal equity has produced mixed results in different national contexts. We know that part of the explanation for this variance has to do with variation in sanctions (the risk of being caught), perceptions of others' behavior, social norms, and tax rates,, (Torgler, 2002) (Gerxhani and Schram, 2006). There is also evidence to suggest that high trust societies are more likely to be high tax-compliant societies. "More experiments should be done to get better insights," Torgler concludes. "It would be interesting to expand the cross-country studies to analyze equity considerations" (Torgler, 2002). Indeed, as Feld and Frey point out, "most studies treat 'tax morale' as a black box without discussing or even

[3] Note: I have specifically chosen a rather obvious example of Swedish vs. Italian tax compliance to illustrate the kinds of questions that we will be able to pursue in greater depth in this proposed study. Certainly, the actual experiments will be more nuanced and more specific. As we note below, we are specifically interested in the relationship between political institutions, tax structures and intergenerational transfer. These issues are indeed very well suited to exploration through experimental methodology.

considering how it might arise or how it might be maintained. It is usually perceived as being part of the meta-preferences of taxpayers and used as the residuum in the analysis capturing unknown influences to tax evasion. The more interesting question then is which factors shape the emergence and maintenance of tax morale" (Feld and Frey, 2002: :88-89).

James Alm, perhaps the world's leading scholar using experimental economics to explore tax policy issues, summarizes the major findings in the tax compliance literature as follows: a) Perceptions of audit rates affect compliance; b) tax rates affect compliance (e.g., perceptions of fiscal inequity); c) simplicity versus complexity affects compliance, and finally; d) process (versus outcomes) affects compliance — in other words, the decision making institutions used to build or design the tax system in the first place seem to also affect citizen's willingness to comply. "Compliance is driven by far more than the purely financial considerations of detection and punishment, but in ways that are not yet fully understood." (Alm, 2010: : 647) Equally importantly for our purposes here, Alm's survey of this literature indicates that citizens' perception of the benefits side of the state may also affect compliance rates: "[e]ven though individual behavior in uncertain environments has been extensively studied in the laboratory, the broader behavioral implications of government-provided social insurance have been almost completely neglected. Linking the public good aspects of social insurance programs with their uncertainty effects seems an especially promising area of research (p.649)… In short, I believe that the future prospects for the application of experimental methods to behavioral public economics are exciting and unlimited. The challenge here is to design precise experiments that parallel the essential elements of the naturally occurring world that are of interest, so that the experiments can demonstrate the external validity necessary to inform policy" (2010, p. 651).

Pommerehne and Weck-Hannemann (1996) use cross-section/time series regressions with Swiss data, and discover that tax evasion is lower in cantons with a higher degree of direct political control. Torgler (2003) also finds with Swiss survey data that higher direct democracy leads to higher levels of what he calls "tax morale." Feld and Frey (2002) study how the "treatment" of taxpayers by Swiss tax authorities in different cantons is correlated with variations in direct participation rights. Cantons with less direct democracy treat taxpayers more respectfully and are less suspicious towards them. Alm, McClelland, and Schulze (1999) and Feld and Tyran (2002) have also used experimental methods to conclude that citizens who are able to vote on tax issues are more likely to comply with the tax authorities.

> In summary, our results indicate that tax morale differs significantly and systematically across countries…. Improving the ability of individuals to participate in the political arena might be another fruitful strategy to improve tax morale. Citizen involvement in the political process helps to build a closer relationship between citizens and the state. Thus, a sustainable tax system is based on a fair tax system and responsive government, achieved with a strong connection between tax payments and the supply of public goods. If taxpayers perceive that their preferences are adequately represented and they are supplied with public goods, their identification with the state increases, and thus the willingness to pay taxes rises. (Alm and Torgler, 2006, p. 243).

Political scientists have also generated substantial evidence indicating that there is a substantial variation in the willingness to pay taxes (and also the proclivity to avoid taxes) across countries (Edlund, 1999; Svallfors, 1997; Taylor-Gooby, 1995). These differences are correlated with levels of social trust (PIPA, 2006; Rothstein, 2005) as well as with perceptions of the benefit side of the budget (Coughlin, 1980; Svallfors, 1997; Taylor-Gooby, 1995). Svallfors and Edlund for example, have argued variously that Swedes' willingness to pay high taxes is a result of the fact that they believe that they get more out of the taxes they pay than, for example, Americans or Italians (Scholz and Lubell, 1998) (Edlund, 1999; Svallfors, 1997; Taylor-Gooby, 1985). It is also reasonable to expect, as some scholars have argued, that citizens are willing to pay taxes if they believe that public spending is allocated fairly and efficiently (Rothstein, 1998). But the truth is we do not know if this is correct or not.

The key problem for political science is that institutions are endogenous to a political system. What is new in this project is that we may be able to isolate specific institutional variables and thereby unravel the endogeneity problem. In order to test these assumptions we need to conduct experiments that can, as Ostrom suggests, control for the multiple intersecting variables that contribute to citizens' willingness to pay taxes. In so doing we will learn much more than the general perceptions or attitudes towards government and taxation. We will also learn what kinds of tax systems citizens have the greatest hostility to, and why. Moreover, by conducting these experiments as trade-offs, especially intergenerational and inter-temporal trade-offs, we will learn which kinds of trade-offs (taxes and benefits) are more or less acceptable or preferable, in different national welfare state context, and why.

History, Institutions and Cognitive Frames

Institutional theory has advanced significantly over the past several years. The argument that institutions structure interests and shape strategic choices is by now well accepted in political science. We understand the dynamics of path dependence, the role of critical junctures, and the importance of timing. But it is widely recognized that we still lack a clear and coherent understanding of the relationship between actors, "ideas" (eg. beliefs, values and norms) and the institutions in which they work and live. Indeed, to date the institutionalist literature has been somewhat split between institutionalist scholars who emphasize the role of ideas (or more specifically policy ideas (Blyth, 2002; Lieberman, 2002) and those who have emphasized the role of interests (cf. Levi, 2006; Weingast, 1996) even while virtually all scholars believe we need to understand the relationships between ideas, institutions and interests (Katzenstein, 1996; Katznelson and Weingast, 2005; North, 2006; Weingast, 2005).

While it is widely acknowledged that 'ideas' are important, the relation between institutions and people's understanding or 'cognitive mind' is far less well known (Conte and Castelfranchi, 2006; D'Andrade, 1993; Jacobsen, 1995). Institutions are rules allowing people to solve collective problems (North, 1990; Thelen, 2003). In order to grasp how these informal rules can change and evolve, the cognitive properties and patterns behind individuals' (inter)-actions must be taken into account (Bowles, Choic, and Hopfensitzd, 2003; Hall, 1997; Lieberman, 2002). The mind is not a blank slate on which cultural, normative and social information is simply recorded: different individuals have different beliefs, values and preferences and these internal representations affect the way in which information is stored and organized (Checkel, 1999; Young, 1998). This social information is not simply copied and passively stored in people's minds: when information is transmitted from an individual to another, several – even though slight – modifications take place and these differences allow institutions to change and evolve.

The evolution of a sub-set of complex social phenomena, such as institutions and social norms, occurs not only as an effect of processes at the individual level, but also through a complex loop including "upward" and "downward" processes affecting each other.

Curiously, however, no one to date - from either 'side' of the institutionalist camp - has specifically been able to empirically test the relationship between institutional rules, historical/cultural context and policy choices as is being proposed here. Doing so will allow us to move beyond the sterile debates pitting these interests vs ideational explanations against one another and towards a better and more nuanced understanding of the ways in which institutional rules structure policy choices, and the ways in which cognitive frames shape how institutions are perceived, manipulated and interpreted. Finally, moving in this direction and looking at the interactive relationship between ideas, interests and institutions will enable us to develop a better understanding of institutional change generally and why welfare states appear to maintain their distinctiveness despite pressures for convergence,

Why Experimental Methods?

Whereas laboratory experiments have been frequently used in behavioral microeconomics, they are only now, slowly, gaining entrance into social and political sciences – especially in Europe. Laboratory experiments are a data generating process where we manipulate different environments and situations (the so-called "experimental treatment") in order to test the treatments' influence on the outcome. These methods allow the researcher to test relationships experimentally, whereas other more conventional research methods have shown significant problems isolating and identifying causality. Where for example survey research, which is extensively used in European political science, provides us with an insight into covariance, it does not provide us with causality. In experiments we can intervene in the actual data generating process, thereby enabling ourselves to identify and hold causal links constant. This is not possible with regular, already generated observational data (Gerber & Green, 2002) (Morton et al., 2010) .

Elinor Ostrom recently argued in favor of using experiments as one of the methods in the political science toolkit in the following way: "When conducting field research, one of the frustrating aspects is that so many variables are involved that one is never certain that one has isolated the specific variable—or limited set of variables—that causes an outcome. A good way to understand which components of a common-pool resource situation affect behavior and outcomes, and how, is to study a simplified version in an experimental laboratory. In the laboratory, the researcher carefully establishes the specific components of the theoretical situation to be studied and controls other variables so they do not confound the analysis… To test theory adequately, we need to use methods that together combine external and internal validity."[4]

She concludes, "we always learn more from multiple research modes than we learn by relying on one method alone. Further, experimental research enables us to test the impact of specific variables in repeated controlled settings—something that is not available to scholars studying only field settings" (Ostrom, 2007: 1).

One gains **external validity** in doing field research, but **internal validity** in the laboratory. When political scientists use both methods related to one set of theoretical questions, advances in our understanding are multiplied"(Ostrom, 2007: 1). In a recent paper by Falk and Heckman (2009), titled, "Lab Experiments Are a Major Source of Knowledge in the Social Sciences," they argue similarly that:

> Causal knowledge requires controlled variation. In recent years, social scientists have hotly debated which form of controlled variation is most informative. This discussion is fruitful and will continue. In this context it is important to acknowledge that empirical methods and data sources are complements, not substitutes. Field data, survey data, and experiments, both lab and field, as well as standard econometric methods can all improve the state of knowledge in the social sciences. There is no hierarchy among these methods and the issue of generalizability of results is universal to all of them (cited in Roth, 2010: 22).

Like Ostrom, my interest is not in replacing classical methods in political science with experimental work. Quite the contrary, I believe that we can and should augment our work with these techniques because these methods can help us gain purchase on several kinds of questions that more traditional methods (eg. the ones I have used in my career) cannot.

The current state of traditional welfare state research, (within which we find taxation policy) focuses on a) public policy comparisons of tax regimes (eg. how taxes are structured in different countries) and their evolutionary histories, and, b) citizens' attitudes towards taxation.

What we do not know is how to link these two related issues, as surveys cannot give us a fine enough measure to understand perceptions of taxes or the real trade-off citizens are willing to make. Equally important, while we have made assumptions that try to draw linkages between the structure of a given nation's tax systems and citizens' willingness to pay taxes in different national contexts, we have not been able to test these assumptions. In short, we do not really understand even if we are right about these assumptions – no less *why* citizens' willingness to pay taxes varies in different countries. We have even less purchase on the questions of what types of taxes citizens might be willing to pay in different countries, nor on what kinds of trade-offs they are willing to make to help fund social security.

[4] One criticism of experiments is that they can suffer from reduced external validity (for example in lab experiments people are removed from their national environment, and may behave differently in the real world).

These are very basic questions which, in my view at least, have hugely important implications for all advanced democracies as we enter an era of increased competition, ever tighter budgetary constraint and, finally, aging demographics.

Why These Countries?

Tax systems are hugely complex affairs that cannot be easily summarized in this short space. But I have chosen these four countries because they differ on a variety of indicators that should be interesting to investigate. First, as is well known, Sweden has the world's heaviest tax burden while the United States has the lowest taxes of any rich democratic nation. The other countries all range within the OECD norm on this dimension. Britain represents a rather standard tax system falling at the OECD mean in virtually every level of revenue take, tax rates, and compliance records. It makes for an interesting comparison with the United States, I believe, because this country shares the liberal traditions and market model of its younger sibling. Italy offers the opportunity for us to test responses in different parts of the country (North South). The main research site within Italy will be in the center of the country (Florence and Bologna), but we will also repeat experiments in both Nothern and Southern Italy. The Swedish system is also especially noteworthy for the remarkable simplicity of the tax system – despite the heavy overall burden. The current system is so straightforward and simple the approximately 80 percent of taxpayers are able to fill out their annual tax forms and finalize their tax statement by simply responding to a text message on their mobile phone. Really.

II. Methodology

In order to test the relationships between institutions, choices and preferences, I propose to conduct a series of experiments in different countries in which we examine the different trade-offs individuals in different societies make under different conditions. Specifically, we will focus on two sets of redistributive policy issues: Taxation and public pensions. Space does not permit a full elaboration of the precise questions to be asked in each experiment, but the chief purpose will be to build a series of scenarios that will allow us to test how different institutional contexts frame or shape citizens' decisions and thereby better understand how they perceive and process different policy choices and trade-offs.

To be sure, developing nuanced tests of these basic propositions in different national contexts will take time and a rather subtle understanding of the national context itself. In short, to effectively test these ideas we will need to understand the workings of the national political institutions as well as the structure of different tax systems in each of these different countries.

Pensions systems provide an excellent example: All welfare states today feature some mix of various pension systems (often called 'pillars') in which there a basic public pension can be combined with various occupational pension systems and various tax subsidized private savings schemes. We also know that there is very widespread support for social spending on pensions and the aged in all advanced countries. At the same time it is quite clear that the enormous costs of these pension systems demands fiscal restraint. I submit that in order to better understand what I will call "the room for maneuver" available in different polities, we need to better understand the citizen's beliefs and expectations about how collective action problems are best managed, and the extent to which norms of equity and responsibility are assumed and reinforced. In short, some policy choices may be available in Sweden that are not available, politically, in Italy, Britain, or the US *because of the ways citizens think about these public policies and the political institutions which produce them*.

We will conduct several different types of experiments as we progress through the five years of this research project, and adjust the experimental designs as we learn from the interactions between the country specialists and the experimental results. For example, we might conduct experiments similar to Eek and Rothstein's in which they examined the relationships between bribery and social trust in Swedish and Romanian students by exposing the subjects to different scenarios and monitoring their responses as the scenarios were manipulated (Rothstein and Eek, 2009). We will also set up several of the more common 'market scenarios', which are well known to many political scientists. Finally, as the study develops we intend to build a set of so-called 'learning experiments' in which subjects are allowed to run the experiment several times and adapt their strategies (and preferences?) according to the behaviors they witness on the part of other players in the experiment. Each of these experimental methods has advantages and disadvantages. Some of these are preferable if one wants to minimize the impact of the participants' everyday life experience (Hoffman and Hearst 1990). Other experimental tools help to establish a baseline from which one can understand questions like attitudes towards other individuals, trust, perceptions of others, etc. Finally, others can provide insights into the perceptions of subjects within quasi-social situations and/or where communication is allowed and subjects can know how others behave as the experiment is iterated over time.

Throughout the study, historical institutionalist country specialists will work intensively with the experiments in each round, both so that we can refine the experiments in ways that can make them more realistic within different national contexts, but equally importantly so that we can build experiments that will test the specific hypotheses generated by the country specialists. It is my experience that different institutional and policy structures have different implications – or at least salience – in different national contexts. We want to know how these trade-offs are perceived and, perhaps, if they can be manipulated.[5]

[5] An important distinction is "between-subject" and "within-subject"-designs. Between subject design applies one treatment to all subjects and compares them. Within-subject design applies many different treatments to each subject. We will conduct both between *and* within subject design in order to attempt to single out both individual differences and manipulate the data by holding more variables constant.

I am well acquainted with the histories and institutions of several important cases. I have also been quite fortunate to have been able to build strong contacts with several colleagues in Europe and the US who specialize in cognitive science and experimental methods and technologies. For example, I have been working closely for more than two years with Rosaria Conte and Giulia Andrighetto from the *Institute for Cognitive Sciences* in Rome (Andrighetto is currently a Max Weber Post-Doctoral Fellow at the EUI and I am her mentor here). With these scholars I am developing strong relationships with the *Laboratory for Research in Experimental Economics* (LINEX) University of Valencia, Spain, as well as the University of Siena, Laboratory for Experiments. I also had the great honour to give the keynote lecture at the *Italian Association for Cognitive Sciences* in May 2009 and have continued to build on my relationships with this group since then. I also organized two conferences at the Schuman Center for Policy Research on *Evolutionary Approaches to the Social Sciences* in the past two years. These conferences were specifically intended to build networks and bonds between scholars within political and social sciences and those in cognitive science and evolutionary theory. In short, if I am fortunate enough to receive the funding for this major five-year project, I firmly believe the foundation stones are already well laid.

The initial phase of this project we will bring together scientists who have had experience working with and building experimental models and social scientists who are expert in political institutions and tax policy regimes in our four nations (see list of key collaborators below). The general objective will be to build on each others' expertise. The strength of the comparative institutional scholar is that he or she has a much deeper understanding of not only the formal institutions in a given country, but also the informal norms and expectations that are likely present in that country. The strength of the experimental scientist is that he or she is better positioned to design specific experiments that will enable us to test for differences in norms, expectations, perceptions of fairness, attitudes toward redistribution, and willingness to pay. The foundational idea of this project is that by combining these strengths we will be able to build better models to test the arguments and assumptions made by historical institutionist country specialists, and thereby build better and more verifiable theories for explaining cross-national variation.

I will work with researchers and scholars from all four countries as well as the tax specialists and experimental scientists. We will 'kick off' the project with a large multi-day conference/workshop. The objective in this conference will be to learn from one another, share ideas, and lay out a more detailed plan for our research project as it progresses. I am well aware that given the complexity of multiple schedules of different scholars around the world that it would be complicated, to say the least, to arrange our schedule over a multiyear period.

In the first year of the project we will assemble our researchers and begin some initial pilot experiments in two of our four countries (Italy and the United States). There are a variety of types of experiments that have been developed by experimental scientists. In the initial phase of the project we expect to organise pilot experiments regarding public goods and trust. We want to establish what I will call a "baseline" for the different countries in an attempt to understand some basic variations in social norms with respect to willingness to pay taxes. I do not anticipate clear and easily interpretable findings at this stage of our project. It is my hope however that we will be able to learn from our initial experiments and through interactions between the experiment designers and the country experts build more realistic and understandable experimental models which can be then be retested in each of our countries. This will be an iterated process in which we build models, test them in the field, attempt to re-evaluate our findings so that we can then retest our various hypotheses.

We will reassemble my country specialist collaborators as well as the external scientists and tax experts in the first, third and final years of the project. These larger conferences will have slightly different functions as the research has developed and we have become more expert. Throughout the project, however, the principal investigator and the postdoctoral fellows will travel to each of the countries in which particular experiments are being held at the time of the experiments. I believe it will be very important to have a consistent treatment across the countries and across time.

I expect that this study will generate interesting and useful findings with respect to the intersection of institutional structures, tax regimes, and citizens' willingness to pay taxes and/or finance intergenerational redistribution that will be of use to both national scholars and comparative political economists. These findings will be published in both national and international journals throughout the course of the study. We will also write at least one edited volume in which we compare the national findings. I expect at least one major university press monograph to be written on the history, institutions and tax policy choices the countries in the study. Finally, I will write (or co-author) a monograph that attempts to build a bridge between our development of cognitive science and our models of institutional and welfare state change.

Conclusion

It is impossible to live in Italy for four years, as I have now done, and not understand that citizens' perceptions of their society and their government is profoundly negative (especially when compared to a country like Sweden). But it was not simply Mr. Berlusconi who caused these perceptions. Instead, it strikes me that Berlusconi was more an example, or symptom, of the basic perceptions that Italians have about their public institutions and leaders. But, while I think this is a reasonable assumption, no one has actually tested the underlying logic of this explanation. More importantly, no one has attempted to test and compare the underlying understandings of political choices in countries as diverse as Italy, Sweden Britain, and the United States. Once again, we *think* we know what is going on in citizens' minds when they consider policy choices like the willingness to pay taxes, or the choice about which kind of pension reforms they are willing to accept, but we do not know much about their real perceptions. My interest in the interactive relationships between policy choices, institutions and ideas lies at the core of the research I hope to engage over the next several years. Simply put, I am interested in exploring and explaining the *multiple paths* and *different choices* made in different democratic welfare states.

The Principal Investigator

I. Scientific Leadership Profile

Sven Steinmo's work has had a significant impact in at least three fields of Political Science: Institutional theory, comparative public policy, and comparative historical analysis. He is perhaps best known for his work in institutional theory, having been one of the founders of the sub-field of Historical Institutionalism. His book with Kathleen Thelen, *Structuring Politics: Historical Institutionalism and Comparative Analysis*, is widely considered to be one of the defining statements in this area of research (1386 citations, Google scholar). His first monograph, *Taxation and Democracy: Swedish, British, and American Approaches to Financing the Modern State,* (525 Google scholar citations) also contributed to institutionalist theory and was one of the first analyses of taxation policy to be written by a political scientist. This book was awarded the *Riker Prize for the Best Book Published in Political Economy in 1992-3,* by the American Political Science Association.

In addition to his contribution to institutional theory, Steinmo has published in a number of policy fields including fiscal policy, tax policy, health policy, education policy, and pension policy. His work is also unusual in its range of countries. For example, his most recent book, *The Evolution of Modern States: Sweden, Japan and the United States*, (Cambridge, 2010) is the first in-depth comparative historical analysis which examines the evolution of three democratic welfare states in three continents. This book is concurrently being published in Japanese by the highly respected Iwanami Press.

Steinmo's contribution and work have been recognized in a number of ways. He has received a number of internationally recognized fellowships and awards including: *The Gabriel Almond Award for the Best Dissertation in Comparative Politics*, the *German Marshall Fund Senior Research Fellowship*, the *Abe Fellowship*, and the *STINT Scientist Award*. He has also been granted an *Honorary Professorship in Comparative Politics* at the University of Southern Denmark, and was honored with the *Norwell Visiting Professorship* at the Institute of Future Studies in Stockholm Sweden. He has also been a Visiting Professor at the Institute for Social Sciences at the University of Tokyo, Visiting Lecturer at Sciences Po, University of Bordeaux, a Visiting Scholar at the Max Planck Institute in Cologne Germany, and a Visiting Scientist at the University of Gothenburg. Steinmo's articles and books have been translated and published in a variety of languages including Chinese, Spanish, French, and Japanese.

Steinmo's most recent book, the *Evolution of Modern States*, breaks new ground by bringing evolutionary theories developed in linguistics, anthropology, biology, and economics into the study of social and political institutions. It was honoured with the "Gunnar Myrdal Prize" for the best book published in 2010, by the European Association for Evolutionary Political Economy in October, 2011. His work on evolutionary theory and institutions has also attracted attention from beyond political science. Most recently his essay (with his student, Orion Lewis), "Taking Evolution Seriously in Political Science" was published in *Theory in Biosciences* in 2010. He is the co-editor of a special issue of the *Journal of Institutional Economics*, and co-author of its introductory essay "The Evolution of Institutions." Steinmo was invited to give the Keynote Lecture to the *Italian Association of Cognitive Sciences* annual meeting in Naples, Italy in 2009.

Steinmo actively contributes to his profession. For example, he was elected to the Executive Council of the American Political Science Association. Subsequently he was elected to the executive board of the APSR under the editorship of Lee Sigelman. He also served as Trustee of the Association. In 2010 he served as President of the Politics and History section of the APSA as well as on the Executive Committee of the Council for European Studies. He founded and directed the Tocqueville Institute at the University of Colorado.

Steinmo has organized several international conferences which have subsequently led to co-authored edited volumes including *Structuring Politics* (Cambridge University Press), *Growing Apart: Europe and America in the 21st Century*, with Jeff Kopstein, (Cambridge University Press) and *Restructuring the Welfare State: Political Institutions and Policy Change*, edited with Bo Rothstein (Palgrave/McMillan). Most recently, he organized two international conferences at the Schuman

Center for Advanced Studies which brought together evolutionary and cognitive scientists on the topic of Institutional and Social Evolution. From 1996 to 2000 he was also Director of the internationally recognized "Conference on World Affairs" in Boulder, Colorado. This conference brought over 125 scholars, political leaders, artists and intellectuals together for a week-long set of open panel discussions and events which attracted public audiences of over 70,000 people each year.

Finally, Professor Steinmo has mentored a large number of successful younger scholars, who are now working in various institutions around the globe including, Notre Dame, Brown, Odense, Oxford College, Bremen, the Max Planck Institute, the University of California, Colorado State University, as well as several other organisations including, for example, McKenzie Consulting and the European Union.

II Curriculum Vitae

Education

Ph.D. University of California, Berkeley, 1987 (Political Science)
M.P.H. University of California, Berkeley, 1982 (Health Policy, Planning and Regulation)
M.A. University of California, Berkeley, 1979 (Political Science)
B.A. University of California, Santa Cruz, 1976 (Politics)

Academic Positions

- Professor and Chair in Public Policy and Political Economy, European University Institute, Florence, IT.
- Institute for Future Studies NordWel Visiting Professor, Stockholm, Sweden (2009 -).
- Honorary Professor of Comparative Politics, University of Southern Denmark, Odense (February 2006-).
- Professor, Political Science Department, University of Colorado (May 2002 – on leave).
- Director, Tocqueville Initiative, University of Colorado (2003-2007).
- Visiting Research Professor, Institute of Social Sciences, University of Tokyo (March-June, 2002).
- Visiting Lecturer, Institut d'Etudes Politiques (Sciences Po), University of Bordeaux, FR, Oct/Nov. 2001.
- Visiting Professor, Max-Planck-Institut für Gesellschaftsforschung, Cologne, Germany, May 2001.
- Visiting Scientist, University of Gothenburg, Göteborg, Sweden, (January - July, 2000).
- Director, Conference on World Affairs, University of Colorado, (1996-1999).
- Associate Professor, University of Colorado at Boulder, (June 1993 - 2002).
- Assistant Professor, University of Colorado at Boulder, (1987 - 1993).
- Lecturer to the Swedish Parliament, 1983-84.