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ABSTRACT

This essay argues that in order to understand how institutions shape political choices and history we should go further toward understanding the interactive relationships between institutions and the cognitive mind. The article explores the significant body of research and literature developing in social and evolutionary psychology, cognitive science and decision theory. This literature has gone beyond the observation humans are not the individual utility maximizers stylized in early institutionalist theorizing. A massive body of experimental and empirical research clearly demonstrates, for example, that a) individuals only rarely have stable and hierarchical preferences, b) are generally quite unlikely to go through the cognitive effort implied in a 'rational' choice decision matrix, c) humans are efficient decision makers, but we have remarkable capacities to post-hoc justify choices and restructure our memories so that we can view our decisions as coherent. In the end the paper argues that public administration scholars need to adopt a non-reductionist approach to studying human motivation.

KEYWORDS

Cognitive mind; cooperation; institutionalism; pluralistic methods; rational choice

One of the most contentious methodological issues both facing political science and public administration has been the question of the extent to which agents, or actors, fit the “rational choice” model. Rational choice and its simplification of human motivations have contributed significantly to social science and public administration theorizing. By simplifying human motivation, it has enabled quantification of general phenomenon and thereby significant scientific advances in our fields. However, this simplification has come at significant costs. I present here a less reductionist perspective which challenges the “*homo economicus*” model of human behavior.

I present here what I call a “Reasonable Choice” approach which grows out of Historical Institutional analysis. I believe the *Reasonable Choice* perspective can help explain some of the most fundamental questions

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underlying human behavioral sciences. Instead of assuming that humans are at their core autonomous actors who rationally calculate their self-interest, I will argue that humans are first and foremost social creatures who have the ability to rationalize their actions and behaviors.

Per the themes of this issue of *Public Performance and Management Review* in favor of a pluralistic methods, I do not suggest that humans are “irrational.” Nor do I argue that they are not interested in their self-interest. Instead, I argue that human beings have a profound desire for sociology, logical consistency, and self-interest. A pluralist perspective in public administration and political science could and should assume that there are multiple motivations for human behavior and action. Historical institutionalism has often been held up as the counter to a strict rationalist perspective on politics (Steinmo & Thelen, 1992; Walt 1999; Yee, 1997).

I begin the essay with a brief discussion of the evolution of Historical Institutionalism showing how and why it has eschewed extreme reductionism and then move to an analysis of the cognitive foundations of human behavior. I sum up the essay with a discussion of the implications for public administration research. In this essay, I explore one of the questions underlying Public Administration, and ultimately, political science itself - Why do people follow rules?

The evolution of historical institutionalism

Historical institutionalists’ emphasis on long-term trends and the use of concepts such as “feedback” and “punctuated equilibrium” has allowed them to explore some of the mechanisms of political change better.¹ However, they, too, have adopted a relatively reductionist perspective to institutions that views them as consistent and stable constraints on behavior. As James Mahoney and Kathleen Thelen observe in their recent volume, *Explaining Institutional Change*, “While institutional analysis has earned a prominent place in contemporary social science, the vast literature that has accumulated provides us with precious little guidance in making sense of processes of institutional change” (Mahoney & Thelen, 2010: 2). While it is true that institutions are often “sticky,” viewing institutions as rigid and stable constraints reduces a framework’s ability to explain endogenous change, relegating explanations of change to the product of “punctuated” exogenous shocks (see, for example, Baumgartner & Jones, 2002; Krasner et al., 1984; Steinmo, Thelen, & Longstreth, 1992).²

Recently, however, institutionalists have developed a less reductionist perspective that views institutions as “complexes” of rules rather than unified, seamless, and consistent constraints. Secondly, instead of focusing

exclusively on either structure or agency, scholars increasingly recognize that interactions between the structure and agency drive change.

Institutionalists have gradually revised their conception of institutions from one that viewed institutions as independent, self-reinforcing and stable constraints on behavior - to one that sees institutions as sets of rules embedded within the broader institutional milieu of a polity. As Streeck and Thelen pointed out, “a general problem in contemporary institutional analysis” was that it “always emphasized structural constraints and continuity.” Viewing institutions as “frozen residues, or ‘crystallizations,’ of previous political conflict” (Streeck & Thelen, 2005b: 6) proved theoretically inadequate and did not match empirical reality. To better explain change, institutionalists have also embraced their complexity. For example, Grief and Laitin argue, “Within any organization, or around any set of rules, there are subsets of coordinated elements that are themselves institutions. Institutions can be identified, therefore at different levels of aggregation” (Greif & Laitin, 2004: 640).

Similarly, Streeck and Thelen define institutions as a “social regime,” which is constituted by a set of rules that clarify desired behavior and that which is unacceptable (2005 b: 12). Institutions as “regimes” evokes the fact that institutions are multi-layered, sometimes overlap, can be ambiguous and contain contradictory logics (Lieberman, 2002; Streeck & Thelen, 2005a). Ugo Pagano (2003) has highlighted the “complimentary” of institutions that describes the fact that numerous institutional structures must often work together to perform particular governance functions.

Institutionalist scholars are thus giving increased attention to the interaction between institutional structures and agents. For example, North (1990) argues that institutional change is driven by the interactions between organizations and the choices offered to them by institutions. Henry Farrell (2009) also focuses on the interaction of agent strategies with institutional rules by looking at the conditions under which agents take actions promoting institutional change. To be sure, rational-choice scholars have also recently developed a more nuanced bottom-up view of agent preferences and the complexities of decision making. This evolution is in part because they too have become more attuned to the ways that agents interact with and respond to institutional stimuli (Katznelson & Weingast, 2005; McDermott, Fowler, & Smirnov, 2008). A similar shift towards analyzing interactive processes is underway in the historical strain of the literature, with concepts such as “positive and negative feedback” (Pierson, 2000), “friction” (Lieberman, 2002), “layering and conversion” (Thelen, 2004), and “informal adaptive institutions” (Tsai, 2006) becoming commonly understood mechanisms of change. Each of these concepts highlights the interactions among sets of rules, as well interactions between rule-makers and

rule-takers. In their explanation of gradual change, Streeck and Thelen argue that institutions are determined by the continuous interaction between rule-makers and rule-takers during which new interpretations of the rule will be discovered, invented, rejected and maybe adopted (Streeck & Thelen, 2005b: 16).

If we are going to move towards a better understanding of the relationship between agents and institutions, we must have a much more realistic understanding of the “micro-foundations” of human behavior. If we misunderstand what motivates people to participate in social interaction and to follow the rules of a given society, we cannot hope to understand how institutions work, no less how and why they may change. In this essay I take on this issue through an examination of one particularly relevant issue for any institutionalist scholar: Why do people follow rules?

The micro-foundations of cooperation

The classical economic and/or Rational Choice explanation for human cooperation is rather simple: We cooperate to maximize our individual utilities. This hypothesis leads to a very narrow view of institutions and, indeed, of how and why they work. Drawing from utilitarian theory, Rational Choice suggests that cooperation is a product of self-interest. Interestingly, small-scale societies can monitor the behavior of group members and observe and punish transgressions against the group’s rules and therefore, do not need as many formal rules and laws. Large-scale societies, however, are far more anonymous. In large complex communities it is virtually impossible to consistently monitor all of its members to ensure that they behave according to the rules and norms they are assigned. Rationalists’ (following Hobbes) assume that the state is a predator (or dictator). They assume that the true ‘nature of man’ will lead individuals to defect whenever they had the opportunity and thus make complex and efficient societies impossible absent strong authority that could impose order on society (Hobbes, 1651).

This argument certainly makes a great deal of sense if we accept the autonomous self-interested utility maximizing model of mankind. People only cooperate and behave in accordance with public rules if and when this behavior is in their self-interest. People will cheat on their taxes, for example, when they believe they are unlikely to be caught and/or they will suffer minimal penalties if they are apprehended. In this model the role of the state is to insure that citizens believe that the price of defection exceeds the benefits gained through defection (Allingham & Sandmo, 1972).

Today, however, there is a massive body of literature demonstrating that people will cooperate with others, sacrifice their individual self-interest at

times, and follow social rules even when there are no direct incentives for them to do so (Andrighetto, Szekely, Ottone, Zhang, & Steinmo, 2017; Boyd & Richerson, 2005; Cook & Levi, 1990; Fehr & Gächter, 2000; Fischbacher, Gächter, & Fehr, 2001; Henrich et al., 2001; Levi, 1997; Monroe, 2001; Ostrom, 1998; Torgler 2002; Tversky & Kahneman, 1974; Weingast 2005; Yee, 1997; Zhang, Andrighetto, Ottone, Ponzano, & Steinmo, 2016). Indeed, for a complex society to succeed and prosper, norms of trust and cooperation must be internalized by the members of that society (Elster, 1989).

There are several (not many, too be sure) large complex societies in the world today that do not depend on the imposition of strong authoritarian rule in order to function. Instead, social life and organization is built—at least to some large extent—on the fact that people willfully follow the rules of society.

But, how and why does this happen? Why do individuals *choose* to follow the rules – even when they are not being monitored and even when so doing gives them no personal advantage? Or even more remarkably, why would people follow rules – even when it costs them personally to do so? From a purely Instrumentalist account, such behavior makes no sense. People should only follow rules when it is in their self-interest. Of course, what is in a person’s self-interest can be quite complicated and is obviously not simply a cost/benefit calculation about whether they ‘earn’ more or less by following the rules. People have long-term and short-term interests, are embedded in many different social/political/economic networks, have reputations for integrity and honesty to protect, etc. But, a very large body of experimental evidence has been produced in recent years demonstrating that most people follow legal rules and social norms even when they have nothing to gain (Alm & Torgler, 2011; Cook & Levi, 1990; Elster, 1998, 2009; Fischbacher et al., 2001; Gintis, Bowles, Boyd, & Fehr, 2006; Green & Shapiro, 1994; Milgram, 1974; North, 1992; Radnitzky, Bartley, & Popper 1987; Smith, 2008; Tversky & Kahneman, 1974).

I suggest that the puzzle of cooperation is only a puzzle if we accept the classical economic view of human behavior and motivation. I propose here an alternative theory of human behavior which I call a “Reasonable Choice” approach. This approach builds on a more complete understanding of the human mind as suggested by much recent cognitive theory. This approach is distinguished from a classical rationalist perspective in two ways: First, instead of assuming people are individually rational. We begin from the basic fact that human beings are “*social animals*.” It has been analytically quite useful for scholars to attempt to understand human action when reduced to the individual. But one need not take the intellectual leap to assume that the individual is singularly motivated by their *individual*

self-interest. Indeed, the very identity of an individual – that is to say the definition of self – cannot be separated from the social context in which this self is defined. In other words, even self-interest is a social construct.

Secondly, in addition to a preference for sociality, homo sapiens have developed strong preferences for “cognitive consistency.” Our evolutionary past has given us advanced cognitive capacities, which allow us to build and communicate theories that help us understand (and transform) the world around us. We often attempt to “rationalize” both what we see and how we behave, but our desire to rationalize does not mean that we are in fact, entirely “rational.” As several psychological studies have shown, the human mind is a “sense-making machine” that tries to build explanations, or theories, for the world around us (Kahneman, 2011). We reason, and we rationalize. It is precisely our commitment to these (sometimes irrational) theories that introduce a variety of commonly known biases in human decision-making.

Norms

One of the most robust findings observed in both social psychology and behavioral economics is that most people are highly sensitive to the behavior of others. Of course, psychologists have long understood the essential point that humans are social and profoundly attentive to the expectations and norms of others.³ People pay taxes and engage in all kinds of collective behaviors, at least in part because we believe that this is what others around us will do. A considerable body of behavioral work by now convincingly demonstrates that people are more willing to contribute to a public good (by paying taxes, for example) if they believe that nearly everyone else is paying as well. Conversely, people will cheat (or refuse to contribute) when they believe that others are not⁴ In short, most human beings frame their actions in the context of others’ behavior. Why? Because as social creatures, we *desire* to do what is expected of us and act according to the norms of the society/group in which we find ourselves.

The desire for sociality is one of the most inwell documented theories in modern social psychology. “The motivation to form and sustain at least a minimum amount of social connections is one of the most powerful, universal and influential human drives” (Baumeister, 2011, 121, Baumeister & Leary, 1995). In other words, we don’t join groups in order to get more for ourselves. We participate in groups, instead, because it is fundamental to our human nature. We *want* to be part of something. This “need to belong” is why rejection and social exclusion have such profound effects on us and can even trigger aggressive behavior, emotional numbness and strong hormonal responses (Baumeister, 2011).⁵

Even our identity is built in the context of social groups. We are not autonomous actors abstracted outside of our social context. We *desire* to fit into the group and we *prefer* to associate with others whom we share some common attributes, behaviors, attitudes or values. In order to "fit in" we have powerful incentives to conform to that group's rules and norms. Again, the psychological research on this point is overwhelming. We adapt to and abide by the rules governing our society in part due to the incentives and constraints that confront us, but also because of this deep-seated preference for conformity itself (Janes & Olson, 2000; Mead, Baumeister, Stillman, Rawn, & Vohs, 2011). Indeed, violations of conformity can cause physical pain (Kross, Berman, Mischel, Smith, & Wager, 2011). This is what psychologists call, *Social Identity Theory* (Tajfel, 1982; Turner, 1982). This group related self-definition, in turn, prompts us to behave according to the norms of the respective groups.⁶

Though more complex than a simple theory which claims that everyone pursues their self-interest, an approach that acknowledges that we are *also* motivated by a desire to be part of a group is more in line with the empirical facts. It is also common sense. Ask yourself – are you really a purely autonomous actor who only does what is in your individual self-interest, or do also you like being part of something? Do you calculate your actions according to maximizing what is good for you alone, or do you sometimes also follow along with the group norms? Most of us (at least if we are not on the autism spectrum) enjoy being part of a group, doing things with the group and even behaving and dressing like other members of the group. Whether we are Americans, French, or Swedish; Chelsea fans or Manchester United supporters, Democrats or Republicans, we often adapt our behaviors and even attitudes in the direction of others in that group. We *want* to 'fit in.' In short, our decisions are often led by the desire to conform to the tastes and beliefs of others (Cialdini & Goldstein, 2004; Elster, 1993).

This fundamental need to be part of a group has significant implications for our understanding of the role institutions play in rule compliance (including tax compliance). In some countries paying your taxes is considered a moral responsibility; in others, it is normal and expected to avoid as much as you can. The differences in behavior, in these cases, is *not* due to differences in citizens' desire to follow the rules or be part of a community - they are instead due to differences in the particular social rules and norms that govern the society at hand. It may be easy to believe that norms or social rules are stronger in some societies than they are in others. But there is no evidence for this. We should instead see that *different* rules and norms are enforced in different societies. When a tourist or a visitor comes to a foreign land they often immediately notice that the norms of behavior

they expect are not enforced. This can then lead them to interpret this to mean that there “are no rules.” Indeed, what could appear to be anti-social behavior (like ignoring stop signs, throwing trash out the window, or not paying your taxes) then, should instead be understood as examples of rule following behavior and, ironically, a product of the ‘desire to belong.’

Cognitive consistency – the mind as a theory-building Machine

Acknowledging that humans are social creatures and that they tend to follow and adapt to group norms is insufficient for helping understand why so many people actually pay their taxes, however. After all, for the most part we pay our taxes privately. It would be perfectly possible to be part of a community that pays its taxes diligently, but still cheat when you are filling out your tax form all by yourself. So, why do we (or most of us) do it? Why do we pay our taxes if we feel we can get away with hiding part of our income? For that matter, why do we not throw garbage out the car window, even when we know no one is looking?

In order to understand why we behave according to social norms and/or follow rules even when no one is looking, we need to appreciate one of the most unique features about the species *Homo sapiens*: our desire for *cognitive consistency*.

Instead of reducing our motivations to simple cost-benefit calculations (however bounded or limited they may be) recent research in the behavioral sciences has come to see the human mind as a “sense making” machine instead of a rational cost/benefit calculator (Kahneman, 2011; Torgler, 2002; Tversky & Kahneman, 1975, 1992). In this view, humans have evolved quite sophisticated logical/cognitive capacities that have co-evolved with our abilities to communicate increasingly sophisticated symbols and theories. These features of the human mind have allowed humans to grow increasingly complex rule systems and increasingly larger and more complex societies.

It is important to note that as societies became larger and more complex we did not lose our desire to be part of a group, instead we gained the ability to see our “individual” roles as distinct from one another. We developed a “theory of mind.” In short, humans evolved the ability to see ourselves and our roles as separate and distinct from the group, but we did not, therefore, lose our need to be part of that group.⁷

The act of following rules – or even being able to know how general rules apply to a particular situation is in fact an act of theory building. The human brain has a remarkable ability to build such theories, or what Walter Lippmann called “pictures in our heads” (Lippmann, 1922). Indeed, perhaps the most unique feature of human cognition is this ability to apply

the general to the specific and to be able to see how a specific case fits into a pattern that can be generalized. The point here is that not only *can* human beings build theories that help them make sense of the world around them, they also *want* to make sense of the world around them. Our mental models, or theories, are not simply efficiency devices that help make decisions easier. They become preferences. We become committed to these theories – (even when they are wrong).

Once again, we find that another large body of psychological and cognitive research demonstrates that humans have strong preferences for cognitive consistency. Indeed, acting in ways that violate these models creates a phenomenon called “cognitive dissonance” and can create a host of emotional, hormonal and even physical maladies (Abelson & Bernstein, 1963; Festinger, 1957). Why? Because acting in ways that conflict with our models about how we should act undermines our “strong need to enhance their self-concepts by behaving consistently with their actions, statements, commitments, beliefs, and self-ascribed traits” (Cialdini & Goldstein, 2004; Cialdini & Trost, 1998).

This basic drive for consistency has several implications for why we pay taxes, why we follow rules generally, and ultimately how and why complex societies are even possible. First, because of our need for accuracy and consistency we adapt our behavior as well as our attitudes towards the institutions surrounding us. As we saw above, most human beings want to be part of a group. Indeed, their very definition of self, their identity, is built in the context of their group (or groups). Quite logically, then, if I am part of a group, I will want to behave, look and even act like members of that group. When we consider choices such as whether we should drive above the speed limit, throw garbage out the window or declare all our income to the taxman, we naturally look around us for references to what we are “supposed to do.” Even when we are outside that social context, perhaps we are alone, (or on vacation outside away from home), we will still behave according to the rules/norms of the group with which we identify. This is because acting differently would be inconsistent with our understandings of who we are, and this behavior is consistent with this identity.

Consider the curious act of tipping in a restaurant. Most people tip according to the norms and customs of their local community – even when they are away from home. This is completely “irrational” of course. Surely it may be self-interestedly rational to tip at local restaurants since you may return there and hope for good service and/or you want to demonstrate your generosity to others who may observe your behavior. But why should we tip if we are at a café to which you will never return and where no one who is there will ever see us again? The answer is simply that to not tip at this random café would be inconsistent with what you normally do and

what you normally expected of yourself. To act one way while traveling across country and another way while at home would create *cognitive dissonance* (Festinger, 1957).

James March and Johan Olsen's term "Logic of Appropriateness" (March & Olsen, 1989) captures many of these insights. March and Olsen argue that in addition to the "Logic of Consequences" humans operate according to what they feel appropriate. But how does one know what "appropriate" behavior is? Certainly, we can and do observe others' behavior. But if all we did was follow the crowd, we would not know how to behave in novel situations. Due to our developed cognitive capacities and our desire for accuracy and consistency, even when we are totally alone and unobserved, most of us will abide by certain norms and rules. Why? Because to behave differently would violate our need for accuracy and consistency. While there are exceptions to every rule, almost no one wants to think of themselves as acting randomly or behaving inconsistently. Even when we do so, we invent narratives through which we can 'make sense' of our behaviors.

Implications for administration and governance

So far, I have argued that humans have a fundamental need to associate. This 'need to belong' incentivises us to abide by the norms and behaviors of that community. Secondly, we are motivated to be consistent. Consistency may be "the hobgoblin of dull minds" as Emerson famously noted, but it is also profoundly human.

In the final section of this paper I will try to draw the link between our motivations for rule following behavior, and building successful public administration and political institutions. The key to my argument is that while people might prefer to behave according to their group norms, they are also self-interested and rational. Thus, if they believe that everyone, or nearly everyone, is behaving according to a particular social norm, they are likely to do so as well – even if this may mean some personal sacrifice (Conte & Andrighetto, 2013; Andrighetto et al., 2017). But if the individual believes that others are not behaving according to that norm or rule, then neither their social preferences, nor their preference for cognitive consistency will encourage pro-social behavior.

This is why context and rules matter so much. If you are motivated both by a desire to cooperate *and* by a desire to get the most for yourself, what you actually do in any particular situation depends a great deal on the situation. If the incentives are extremely clear in favor of cooperation, even those who are more self-oriented are likely to cooperate. If the incentives for maximizing your individual self-interest by defecting or cheating on others are very strong, even those who have a preference for cooperation

may well 'defect.' If, on the other hand, it is not clear whether you are personally advantaged by cooperation - or behaving in a more self-interested way - then some people are likely to cooperate and others to defect.

It is precisely for these reasons that political institutions play such a powerful role in shaping both our collective identities and individual behaviors. Rules set by our governments tell us what to do. They tell us both what is expected and what is likely to happen if we do not follow the rules. *Efficient institutions* are ones that apply rules fairly, consistently and transparently. When tax rules, for example, are applied fairly and equally across society, citizens and taxpayers are more likely to comply with these rules - even if they have the opportunity to evade the rules.

In short, effective institutions establish and reinforce social norms. Ineffective and/or inefficient institutions, in contrast, apply rules haphazardly and or allow some members of the community to be exempted from or disobey the rules. In other words, they do not establish or maintain consistent norms. When people observe (or believe) that others are not behaving according to the social norm they are inclined to defect as well. In some ways you can say that the norm itself becomes 'it's okay' to cheat or free ride.

Recent research has shown that there is a very strong correlation between "The Quality of Government" and Trust (Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1999; Rothstein & Teorell, 2012; Rothstein & Uslaner, 2005). Why? As Rothstein and Teorell argue, corruption, responsiveness and policy outputs certainly matter, but, it is "impartiality" that is really key. "Our definition of impartiality in the exercise of public power is the following: When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law." Quoting Geoffrey Culpit's definition: "To act impartially, is to be unmoved by certain sorts of considerations—such as special relationships and personal preferences. It is to treat people alike irrespective of personal relationships and personal likes and dislikes" (Rothstein & Teorell, 2012).

The more important effect of impartiality is "psychological" (Feld & Frey, 2002), because impartial institutions can reinforce positive social norms. They do this because they treat their citizens equally *and consistently* regardless of their status, wealth, political position or group. In short, they enforce rules equally across their constituencies and this in turn reinforces the norm of contribution because subjects are more likely to believe that everyone (or nearly everyone) is following the norm. Once again, because we are social creatures, when we see people following the rules, we are more likely to follow the rules ourselves - even when our behavior is done in private. On the other hand, if we witness significant defection

around us, then we are more likely to defect ourselves. It seems reasonable, that where people feel that no one else, or very few others, will pay to the public good they are very likely to think that it is “okay” to cheat as well.⁸

For the norm of tax compliance to become embedded or generalized in society, it must become salient across that society. In other words, the expectation must be that *most* people abide by the community’s norms – even if there is some evidence that not everyone does.⁹

A growing body of literature on the relationship between institutions and trust supports this view. For example, Tom Tyler in his important study, “Why People Obey the Law,” supports the view that the evaluation of authorities and institutions is shaped by concerns about procedural justice (Tyler, 2006). “When people generalize about the legal authority based on their personal experiences, they focus most strongly on questions of procedural justice. Similar findings are obtained when one explores the effects of experience on the relationship of legitimacy to compliance. If people have an experience not characterized by fair procedures, their later compliance with the law will be based less strongly on legitimacy of legal authorities. Therefore, not experiencing fair procedures undermines the legitimacy.” p. 172.

Similarly, Stefan Kumlin’s fascinating work on the relationship between public institution and trust in Sweden draws very similar conclusions arguing that the design of experienced welfare state institutions affects political orientations. His evidence demonstrates that personal experiences with the welfare state are more important than economic experiences (e.g., receiving benefits). In short, people care more about how they are treated and whether they are treated fairly than the ultimate outcome (Kumlin, 2002).¹⁰

Schneider and Ingram analysis of attitudes towards the welfare state in America also points in this direction - but makes a broader point. “The theory of design presented here contends that attitudes and participation are influenced by public policy [...] Public policy is an important independent variable that shapes citizens’ orientations and perpetuates certain views of citizenship” (1997:200–201).

Recent work by Israel Marques examines social policy preferences in Russia and draws similar conclusions. He points to the fact that states which are more porous to influence of both internal and external actors are not only are less efficient in delivering services, they are also less likely to deliver services equitably. Similarly, they are less likely to distribute the tax burden fairly and equitably. Following Mares, he suggests that this inequality itself can create disaffection with the state. “In other words weak states are less legitimate than strong states in part because they are more likely to be subject to the influence of particular actors” (Marques, 2015).

The key point here, for my purposes at least, is that institutions that do not practice unequal enforcement of the rules undermine the legitimacy of the rules themselves. In this context citizens (and taxpayers) can easily believe that the ‘norm’ is *to evade*. This is clearly a major problem in countries like Italy (D’Attoma, 2018).

Willing to pay?

In a recent major research project funded by the European Research Council “*Willing to Pay?*” we conducted experiments in five countries with over 3,000 subjects to test whether people in different societies have different proclivity to “follow rules.” The *Willing to Pay?* Project was designed to test whether people in different countries/cultures would behave differently if they faced identical institutional incentives. We had noted that tax evasion is much higher in some countries than it is in others. For example, it is estimated that tax evasion in Italy accounts for a 30+% “Tax Gap” (the difference between the amount of revenue collected and amount that would be collected if everyone paid all their taxes honestly). In Sweden, the Tax Gap is around 8%. The most common explanation for this variance is “culture.” As vague as this term is, it is widely assumed that there is something about Italian (vs. Swedish) “culture” that makes Italians more willing to sacrifice the national public good in favor of their own, or local, self-interest.¹¹

An alternative explanation, of course, is that Italians and Swedes (or Brits or Americans, for that matter) face different institutional incentives. One variable is that tax evasion in one country, then, is more likely to be discovered than in another country. Thus, it could simply be “self-interest” that drives variation in behavior. Alternatively, it could be that people in one society feel that they are getting value for their money and therefore are more likely to pay their taxes honestly than in another country. Finally, it could be that where individuals feel that they are members of a society where nearly everyone else pays their taxes, they too feel obligated to report their’s honestly as well.¹²

While we did find cross country variations (see for example, (Andrighetto et al., 2016; Zhang et al., 2016)) and variations between different types of individuals (Bruner, Attoma, & Steinmo, 2017; D’Attoma, Volintiru, & Steinmo, 2017). Our most general findings demonstrate that when the rules of society are clear and (nearly) universally enforced, most people will comply (Pampel, Andrighetto, & Steinmo, 2019; Steinmo 2018). When most people comply, more people comply – no matter which country or culture they come from.

Conclusions

We began this essay with a discussion of the limitations of the reductionist assumptions made by Rational Choice scholarship in political science and, increasingly, public administration. Along the themes of this issue of *Public Performance and Management Review* this essay calls for a more pluralistic understanding of human motivation and social organization. Instead of assuming that people cooperate in order to maximize their individual interests, I argue here that this is *only one* motivation driving behavior.¹³ A more pluralistic and less reductionist perspective, which I call a Reasonable Choice Approach, acknowledges self-interest, but integrates the desire to be part of a group and the need for logical consistency to help us better understand human social behavior. Taken together these motivations can help us explain why people follow rules – even when there is no Leviathan, or Predatory State, imposing itself over citizens and their actions.

This desire to follow rules and extant norms has huge implications for public administration and public policy: Efficient institutions (or what Bo Rothstein calls *Just Institutions*)¹⁴ are efficient because they support social norms of compliance and are consistent in their applications across social groups and even elites. An efficient state does not favor some groups over others and offers few or no opportunities for some (politically powerful or wealthy) individuals to skirt the rules or evade their taxes. If I think everyone is complying, then I am more likely to comply myself. If I think that some are getting away without following social rules, I will more likely try to get around the rules as well.

The second order effect of this pro-social behavior is that it creates greater social goods: When more people comply, they create more social goods. More social goods lead people to believe, quite reasonably, that society is fair and just. If society is fair and just reasonable people will want to behave appropriately and correspondingly behave in a fair manner. You will be more altruistic. If they are more altruistic the people around you are more likely to behave more altruistic. Also, if you and most of those around you behave more altruistically, you will be more likely to shun those who are selfish.

Institutions are thus important because they help structure the strategic incentives and constraints in which individuals act. But it is equally obvious that institutions do not *determine* outcomes (nor do they determine the path of history). This is not only because humans create and can change the institutions, but also because human beings come to the institutions they inhabit with prior expectations and cognitive biases that affect how they will work within these institutions and adapt them to their local circumstance. We know, for example, that you cannot simply plant a set of institutions on a population (whether mid-twentieth century Japan or early

21st century Afghanistan) and expect to easily predict how these institutions will be interpreted, used and/or manipulated.

Notes

1. Foundational examples include (Pierson, 2000, 2004; Steinmo, Thelen, & Longstreth, 1992; Streeck & Thelen, 2005a; Thelen, 2004).
2. This position mirrors the minority view in evolutionary biology articulated by (Gould, 1989).
3. See, for example, (Dichter, 1971; Sherif, 1936; Sober & Wilson, 1998; Thibaut & Kelley, 1959).
4. Participating. Recently I conducted a large experimental tax compliance study with over 3,000 subjects in five countries. My team and I discovered that one of the best predictors of a subject's willingness to contribute to the public good (called the 'general fund') was their beliefs about how others in their group would behave. See "Willing to Pay: Testing Institutional Theories with Experiments" ERC, "Frontier Grant" www.willingtopay.eu. For more information on the experimental methods and some findings see also: (Andrighetto et al., 2017; Bruner et al., 2017; D'Attoma et al., 2017; Zhang et al., 2016).
5. It is widely recognized that the most effective punishment one can apply in the modern prison is to isolate the prisoner preventing him or her from having contact with other individuals. Some consider this punishment "inhumane."
6. The starting point for social identity research was set by Tajfel, Billig, Bundy, and Flament (1971). Henri Tajfel et al., "Social categorization and intergroup behavior," *European journal of social psychology* 1, no. 2 (1971). Henri Tajfel et al., "Social categorization and intergroup behavior," *European journal of social psychology* 1, no. 2 (1971) 'minimal group paradigm', a series of experiments showing that individuals tend to favor their own 'in-group' at the detriment of an 'out-group' – even if the groups consist of unknown others and membership to groups is randomly assigned.
7. As Darwin himself noted in *The Descent of Man*, (see quote at opening of this chapter), undoubtedly, there were some groups or populations in which members pursue their self-interest beyond and in advance of their societies to the point at which these populations must have been eventually outcompeted by those societies which developed a more stable balance between the individual and the group.
8. Of course, norms are not always generalized throughout a whole society, however, see, for example, Traxler (2010). Indeed, there can be many, even competing norms within a society or social group. For example, there can be strong expectations that an individual should behave one way to some members of the group, and quite differently to other members or the group and/or non-group members. This suggests that the influence of a norm is crucially related to the degree to which individuals' attention is focused on that norm in the particular context (Bicchieri, 2006; Cialdini, Kallgren & Reno, 1991). A strong personal commitment to a general norm does not necessarily predict behavior in a particular case if that norm or expectation is not activated in the situation at hand.
9. Andrighetto et al., (2013) argue that the *salience* of a particular norm is key to understanding behavior in specific cases. Whether a particular norm is salient, though, depends on "several contextual and social factors. For example, the amount of compliance, the intensity and frequency of norm enforcement, the enforcement typology, the credibility and legitimacy of the normative source and of the punishing actor are all acts through which it is possible to infer how salient a norm is in a certain community."

10. See also, (Rothstein, 1998, 2011).
11. See for example, (Pfarr & Putnam, 2000; Putnam, Leonardi, & Nanetti, 1993).
12. For more information about this research and its findings - including a list of publications resulting from the project, see: <http://willingtopay.eu/>
13. In recent years, rational choice scholars have also moved substantially in their attempts to understand the ways in which norms, ideas and “mental maps” affect individual’s choices.
14. (Rothstein, 1998). See also, (Rothstein, 2011).

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