

Book review

Adam Oliver, *The Origins of Behavioural Public Policy* (Cambridge: Cambridge University Press, 2017), 195 pages. ISBN: 9781108225120. Hardback \$74.99.

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The Origins of Behavioural Public Policy by Adam Oliver is a well-timed contribution to debates surrounding an increasingly influential approach to policy analysis. In the last decade, theoretical and empirical insights from the behavioral sciences have had a transformative impact on issues of public policy and governance. Several major governments, including the United States, the United Kingdom, and Germany, as well as global institutions such as the World Bank, have assembled behavioral insights teams — popularly known as “Nudge Units” — to systematically integrate lessons from behavioral research into their policy agendas. The awarding of the 2017 Nobel Prize in Economic Sciences to Richard Thaler, a pioneering voice in behavioral economics, is further testament to the growing resonance of behavioral ideas. It is against this backdrop that Oliver, a behavioral economist himself, provides a compact and informed account of the intellectual development, theoretical foundations, and practical application of behavioral public policy (BPP).

Oliver’s text encompasses 10 self-contained chapters that reflect four themes. First, the book traces the development of behavioral economics, the discipline identified by the author as the cornerstone of BPP, within a broader discussion of human rationality. Contrary to the received wisdom of many economists, people do not always act as if they wish to maximize their expected utility — that is, the individual value obtained through consumption of a good or service — and their decisions often contradict the axioms of rational choice theory (p. 15). These deviations “have tended to be systematic, and therefore cannot easily be attributed to random error in people’s choices” (p. 34). This basic but important insight provides the empirical basis of behavioral economics. To support his case, Oliver cites diverse work on choice behavior, notably, prospect theory and research on heuristic-led judgment, which challenges the validity of rationalist axioms (pp. 25–36).

Second, the author develops this line of thinking further by highlighting three areas of inquiry — time,

utility, and money — in which studies have returned findings that contravene conventional economic assumptions. For example, present bias — that is, the tendency for preference formation to be weighted heavily toward considerations of the current moment — is puzzling from a rationalist perspective because it can result in “systematic preference reversal across time” as preferences stabilize (p. 60). Similarly, while the capacity of financial rewards and penalties to positively influence human behavior is a key precept of mainstream economics, this relationship may be overstated. Through a process of “motivational crowding,” those individuals who are motivated to engage in certain prosocial behaviors — donating blood, for instance — may react negatively to financial incentives and choose to satisfy their altruistic inclinations through alternative avenues (p. 89).

Third, having established the theoretical and empirical bases of BPP, Oliver elucidates its core conceptual frameworks: *nudges*, *budges*, and *shoves*. He distinguishes among these concepts along two dimensions: (1) how much they emphasize personal liberty over regulatory measures and (2) their respective focus on internalities or externalities, that is, whether the policy framework concerns itself with improving outcomes for the individual decision maker directly or those “external to the individual who is acting” (p. 111). Nudges, for instance, are policies that attempt to preserve the decision maker’s freedom of choice (liberty) while working toward the betterment of that same individual (internality). An example would be asking smokers to voluntarily commit a small financial deposit as part of a program to stop smoking, which would then be returned if they abstain from cigarettes over a given period. Budges, on the other hand, are both regulatory and focused on externalities. A regulatory intervention intended to alleviate societal harm, such as ensuring that cigarette packets are labeled to discourage use, is one form of budge (p. 138). The third conceptual framework, shoves, are also regulatory in nature but geared toward reducing harm to individual actors. A coercively paternal measure such as an outright ban on smoking is a classic illustration of this framework (p. 132).

Finally, the author considers the future prospects of BPP and, in doing so, consciously assumes a more polemical style. Oliver advances the argument that reciprocity — conceived of as a more realistic center point in human motivation between exclusively altruistic

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or self-interested behavior — has received inadequate attention in public policy discussions. To support his position, the author points to evidence for reciprocal behavior identified by economists in controlled experimental settings, from work in evolutionary psychology, and observations made in animal behavior (pp. 149–161). Oliver further notes how engagement with the behavioral sciences more broadly, such as work by evolutionary theorists, can enrich BPP by providing a causal underpinning for the operation of behavioral economic phenomena (p. 166). The author also urges caution in relation to overly paternalistic measures, with his personal preference being policy strategies that “seek to educate, rather than indoctrinate, manipulate, or legislate” (p. 170). Moreover, he sees the future of behavioral public policy in forgoing minor interventions for more ambitious projects, with substantive policy change being key to retaining credibility and public interest (p. 174).

The main contribution of *The Origins of Behavioural Public Policy* lies in its combination of academic rigor, impressive breadth of content, and accessible style. In recent years, a number of popular science texts, such as *Misbehaving: The Making of Behavioral Economics* (2015) by Richard Thaler¹ and *Nudge: Improving Decisions about Health, Wealth and Happiness* (2008) by Thaler and Cass Sunstein,² have provided readers with user-friendly guides to behavioral insights and their implications for addressing policy problems. While these texts have done immense good in stimulating the interest of new audiences, their treatment of the theoretical and empirical foundations of BPP is typically cursory.

Within this body of work, Oliver’s book occupies unique territory, providing a much more thorough and scholarly overview of the core precepts of the approach. The text successfully elucidates complex concepts across a diverse set of topics while retaining a level of accessibility that will appeal to a large public audience, a laudable achievement by the author. For instance, in the opening three chapters, Oliver situates a very detailed overview of rational choice theory within a broader discussion of key sites of historical contestation to this framework and the development of empirical challenges to its descriptive accuracy. The result is an entertaining and comprehensive introduction, ensuring the reader is well placed to make sense of debates in later chapters concerning the policy implications of this body of work. In addition, the added scholarly precision that

characterizes Oliver’s writing brings important nuance to debates in this area of research. For instance, the author is careful to recognize the mixed and at times counterintuitive results of behavioral interventions to date, and he emphasizes how such interventions must be carefully calibrated and cognizant of the context specificity of policy outcomes.

A number of shortcomings of the book also require noting. First, while the book provides an in-depth account of the experimental work in behavioral economics that informs BPP, Oliver could do more to explore issues of external validity — the populations and settings to which results from these experiments can be generalized — and associated implications for real-world policy design. Transferability of findings from largely abstract and artificial experimental environments to real-world scenarios poses a significant challenge to the fruitful implementation of this policy agenda. Second, although Oliver acknowledges the potential of interdisciplinary research to better inform public policy, such as utilizing insights from evolutionary theory, his rigid concentration on behavioral economics may constitute a missed opportunity (p. 166). Explicit integration of advances in evolutionary theory would have contributed additional context to the origins of this policy approach and helped readers better understand the scope conditions for its successful application.

Further, the text lacks a sophisticated discussion of the ethics of BPP. Much has now been written concerning the manner in which BPP, and various gradations of libertarian or coercive measures therein, may improve or harm the well-being of people in terms of their welfare, freedom, and dignity. While Oliver alludes to these debates at various junctures, a dedicated chapter that systematically maps out the ethical dilemmas that are raised by various approaches to BPP would have been welcome. How these ethical questions are resolved will have a major influence on the future of behavioral policy work.

Despite these shortcomings, Adam Oliver’s *The Origins of Behavioural Public Policy* is an impressive and rigorous introduction to an increasingly influential approach to policy design. The book is ideally suited to informed readers who wish to gain a more scholarly understanding of BPP, beyond the level of popular science. It will prove especially valuable to both undergraduate and graduate students aiming to gain knowledge of

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the central theoretical and empirical building blocks of BPP. It will also be of benefit to policymakers who are interested in a concise but detailed overview of the emergence of the approach, as well as an insightful resource on the potential future development of BPP as a productive form of policy intervention.

References

1. R. H. Thaler, *Misbehaving: The Making of Behavioral Economics* (New York: W. W. Norton, 2015).
2. R. H. Thaler and C. R. Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness* (New Haven, CT: Yale University Press, 2008).