

Networks and Public Policy: Beyond Nudging in the Big Society

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What do we mean by 'social networks'?

- *Can* mean on-line networks
- But is much more general
- 'Real world' networks of friends, families, colleagues, interest groups

Economic and social policy since 1945

- Essentially based on a view that decisions are made rationally by people, firms, planners etc . ['agents']
- Agents respond to incentives, and incentives are in turn mainly based on price

Examples:

- benefits
- energy consumption
- corporation tax
- interest rates

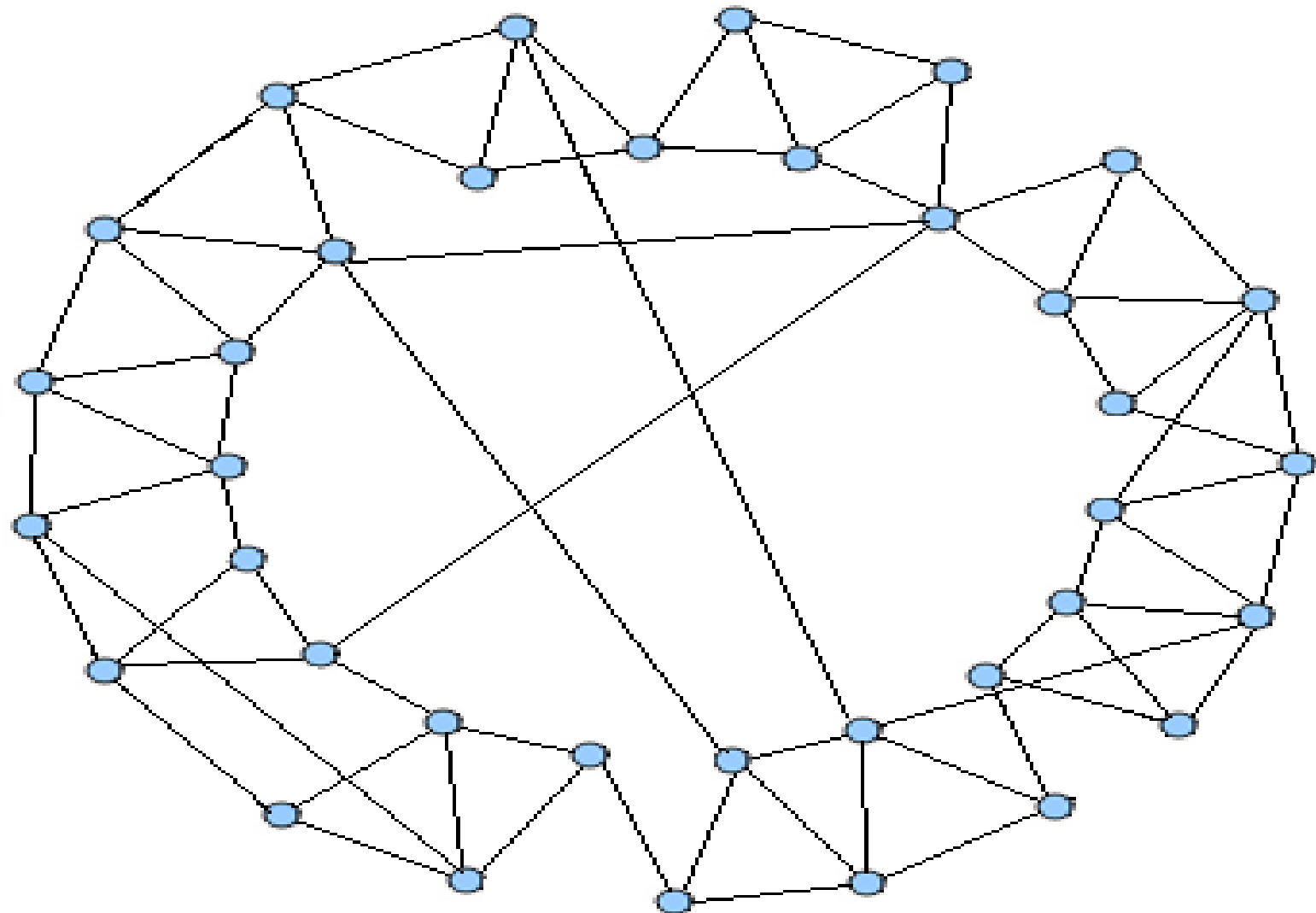
- A mechanistic view of the world
- Not without some success, but limited in what it can actually achieve

Nudge and Networks

- ‘Nudge’ is essentially a smarter and broader way of thinking about incentives
- But it is still based on the idea of ‘agents’ deciding *in isolation*
- Networks recognise that agents can be influenced *directly* by what others do
- A wide variety of behavioural motives for this, but for shorthand description, call this ‘copying’
- Network effects alter the tastes/preferences/values of agents

Impact of networks

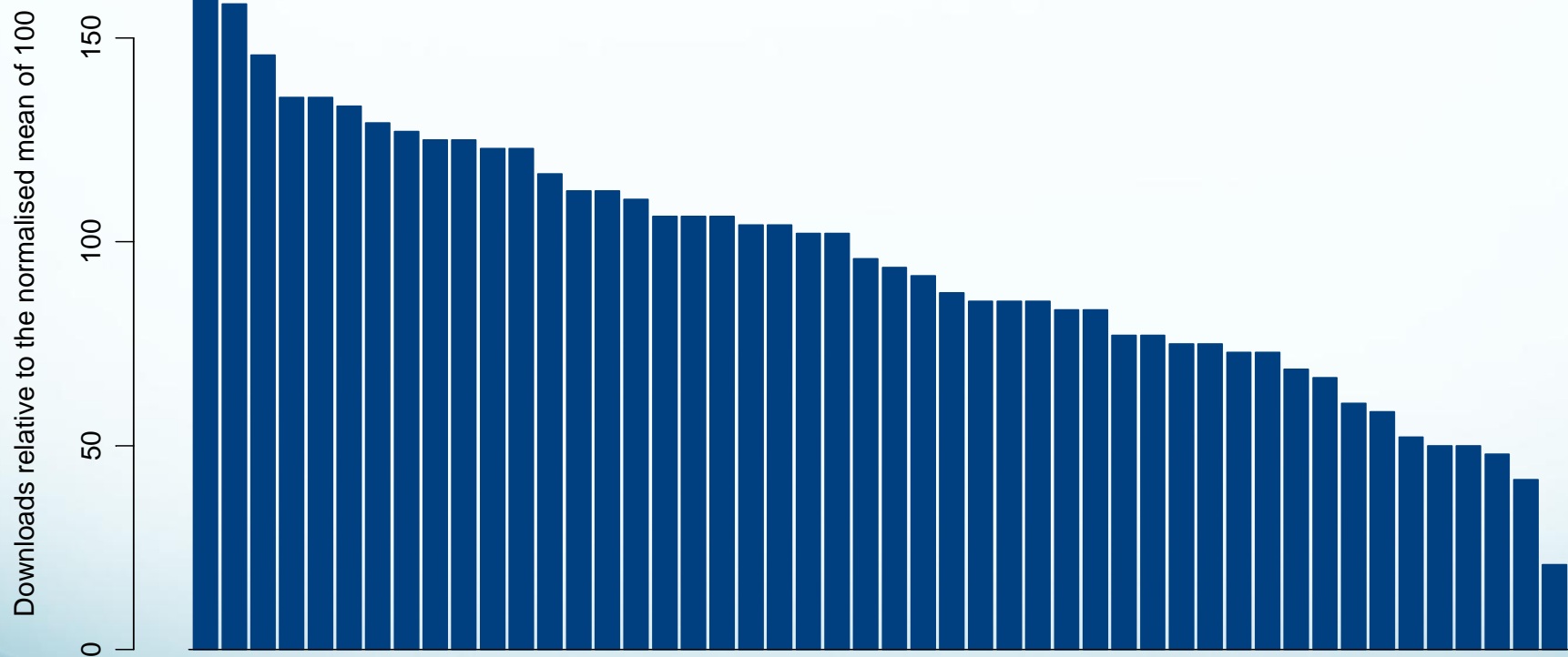
- Can *magnify* the effect of any initial change caused by incentives/nudge
- *Network structure* becomes an additional policy instrument; different types of structure are more/less resistant to ‘cascades’ of value change
- But can also *offset* the effect of any initial change caused by incentives/nudge
- And may increase the *uncertainty* of any change in policy



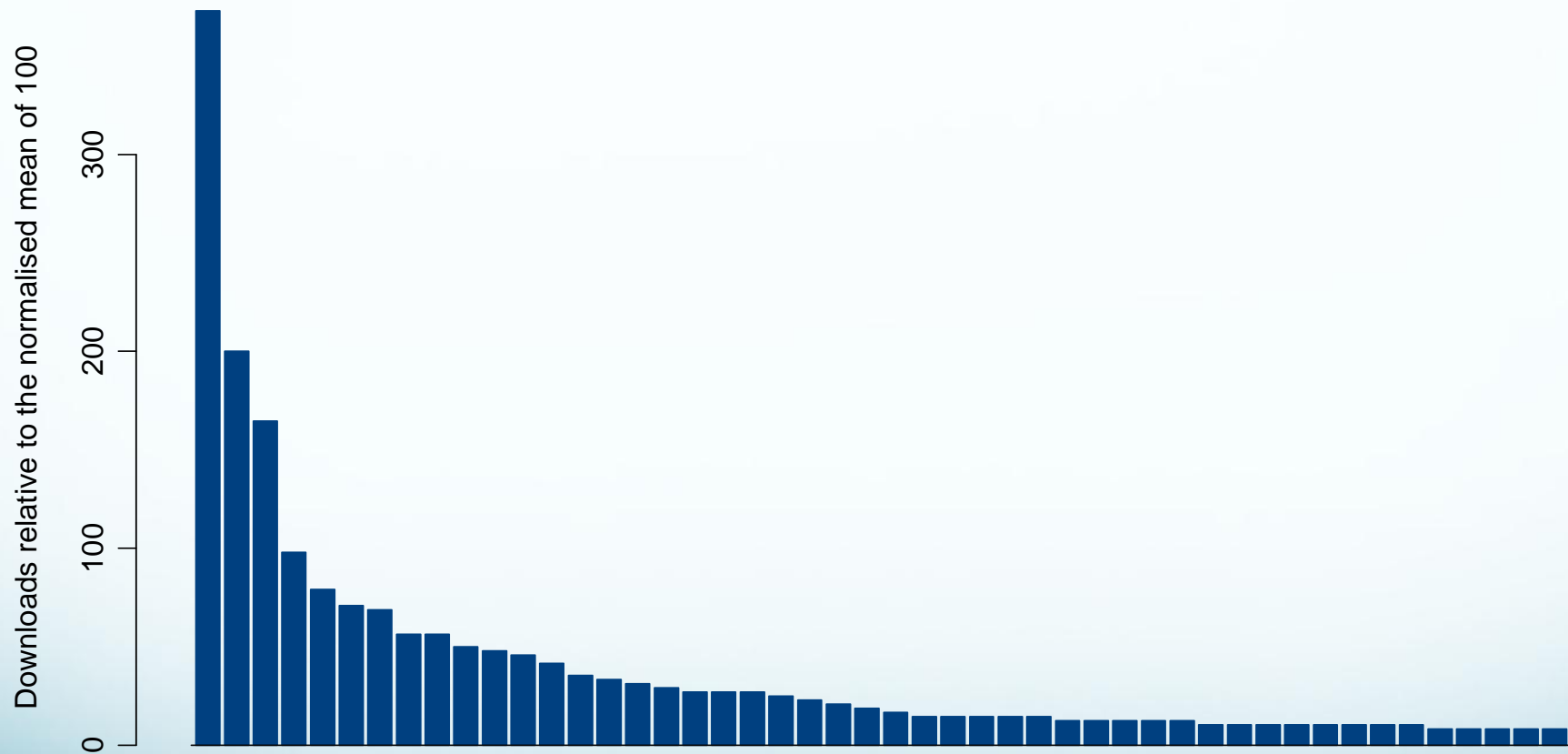
The music download experiment

- Salganik, Dodds, Watts, 'Experimental study of inequality and unpredictability in an artificial cultural market', *Science*, 2006
- Students downloaded previously unknown songs either with or without knowledge of previous participants' choices

Number of downloads of each of the 48 songs
No social influence



Number of downloads of each of the 48 songs
Strong social influence



Networks, Policy and Values

- Examples:
 - worklessness
 - executive pay
 - environment
- Successful policy making is very difficult
- The first step to better policy making is better understanding
- A key reason for many failures is the failure to recognise that networks, values, are a key driving factor
- The Big Society requires values to change
- To change values, we need networks