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# Do Unto Others: On the Importance of Reciprocity in Public Administration

## **Abstract**

There is an extensive literature across the humanities and social sciences on reciprocity as a fundamental driver of human behaviour, and yet attempts to bring the main arguments from the diverse literatures together in a single interdisciplinary space remain scarce. This article aims to collate many of the main arguments from these literatures with the intention of speculating how reciprocity might be used to inform institutional structures, management practices and public policy. This is significant, because the recent literature on public sector policy design tends to attach import to entirely self-regarding and/or altruistic motivations as fundamental drivers of human action, but, with some notable exceptions, says little directly on the role that reciprocity might have to play in motivating performance improvements. The lack of attention paid to reciprocity in the literature on human motivation and public policy design is problematic if one concludes that reciprocating behaviours are a major determinant of group cooperation and success.

## Introduction

Deliberations on the importance of reciprocity as an ethical imperative are as old as the history of recorded thought and are central to many of the world's major religions. In Luke 6.31 of the New Testament, for instance, Jesus exhorts us to do unto others as we would have them do unto us and negative reciprocity, in the form of punishing harmful acts is embedded in the Old Testament, the Torah and the Qur'an. In his classic book, *The Gift*, the social anthropologist, Marcel Mauss, noted that the Latin *do ut des* and the Sanskrit *dadami se, dehi me*, which both can be translated to 'I give in order that you may give', are found in Western and Eastern religious texts, and in the quasi-religious Analects of Confucius we are told that what we do not wish for ourselves we should not wish for others. The so-called golden rule – treat others how you wish to be treated – is everywhere.

Some may contend that the golden rule is too idealistic to be taken seriously in practice, but the notion that underlies the rule – i.e. reciprocity, which the evolutionary biologist, Robert Trivers (1971), claimed is observed in all known cultures – is not only a normative proposition. Most people, much of the time, unconsciously and consciously reciprocate. Reciprocal acts are often attitudinal; simple acts of cooperation with immediate rewards that are common in the animal kingdom. Attitudinal reciprocity is akin to direct reciprocity – i.e. if you help me, I will help you, and if you stop helping me, I will stop helping you, or in other words, tit for tat. Tit for tat was modelled famously as the optimum strategy of human cooperation by Axelrod (1984), although others have argued that this is a poor strategy when the information about the payoffs or behaviour of one's partner is less than perfect, or when the cooperating group is large (Henrich and Henrich, 2007). Nonetheless, attitudinal reciprocity appears to have arisen earlier in the evolutionary chain than a more deliberative form of reciprocity, and may have served as the kernel for cooperation.

Some animals, most notably humans, also store favours in their long term memories and repay kind actions at some future date, in which trust, gratitude, guilt and felt obligations all play a role. This reflective cooperative behaviour is usually referred to as reciprocal altruism, and involves a willingness to incur a cost in the expectation that it will be repaid in kind. It is assumed throughout this article that an unkind response to an unkind action is an act of negative reciprocity, or what Trivers (1971) called moralistic aggression. Gintis *et al.* (2005) define as a strong reciprocator any individual who is both a conditional co-operator in the positive sense and an altruistic punisher – i.e. a person willing to punish others at a personal cost to themselves. Although incurring an immediate cost, the possibility that an altruistic punisher expects their actions to reap for themselves longer term gains cannot be discounted (Trivers, 1971), and, even in the short term, a willingness to punish

may enhance a person's reputation. The importance of reputation to reciprocity is an issue to which we will later return. If the number of altruistic punishers in a population is too small, selfish actions become more profitable and may drive out reciprocal altruism. Gintis *et al.* (2005) argue that a high level of cooperation in groups can only be attained when there is a sufficient proportion of strong reciprocators – i.e. people who are both reciprocal altruists *and* altruistic punishers – in the population, although work by Yamagishi (1986) lends itself to the intriguing possibility that different people adopt different roles in attempting to sustain cooperative endeavours, where it was observed that less trusting individuals are less likely to be reciprocal altruists than their more trusting counterparts, but are more likely to be altruistic punishers.

In the literature on how to motivate public sector performance improvements, direct discussion of reciprocity has been strangely lacking. Rather, the debate, particularly over the last twenty years, has tended to focus on whether public sector workers are pure altruists or entirely self-regarding utility maximisers. Le Grand (1997), for instance, argued that the post-war consensus that those who work within the British welfare state are public spirited altruists ought no longer to hold, to be replaced by the assumption that they are also often motivated by their own avaricious tendencies. It is difficult to contend that there is not an important role for motivational considerations in the design of public sector institutions (or indeed, all institutions), but when humans are taken as the relevant actors then assuming entirely altruistic or self-regarding behaviours reduces us to caricature rather than reality, and in terms of institutional design may lead us from one damaging organisational structure to another.

There is a rich multidisciplinary literature on the concept of reciprocity, some of which I will attempt to summarise in this article, first because a multidisciplinary summary has only occasionally been attempted, and second because this will emphasise its importance as a basic human, and sometimes non-human, motivation. Some of the literature in the area of motivational theory and policy governance will then be reviewed, if only to highlight the contention that reciprocity has not been given the explicit consideration it merits. The article will also include a consideration of how reciprocity might inform public policy design.

## **Reciprocity and human motivation**

It is plausible that the importance of reciprocity to religious doctrine arose from it being fundamental to human nature. That is, the normative may have been driven by the descriptive, a

proposition supported by Charles Darwin (1879). Religions may therefore have been designed, in part, to reinforce the importance of a behavioural motivation that most humans intrinsically accept and which strengthens the group collective. In making the case that reciprocity is intrinsic to human nature, it may be worth considering this phenomenon in relation to some of our closest relatives.

In primatology research, the evidence on reciprocity appears to be mixed, depending partly on the species studied but also on the interpretation given to an action by the researcher. Silk (2005) notes that mutual grooming is common among primates, but the extent to which it is more than attitudinal reciprocity is not known definitively. Nonetheless, Silk maintains that it may be done to afford protection, to build coalitions, to receive food and access to newborns over which many female monkeys take a strong interest. De Waal (2010) is adamant that apes and monkeys display behaviour that suggests something stronger than attitudinal reciprocity. He reports an experiment in which two capuchin monkeys are separated by wire mesh. If both monkeys are required to pull on a counterweighted tray in order for only one of the two monkeys to reach a cup of apple slices, the monkey in receipt of the apple will push more of it through the wire mesh to the assistant capuchin than when he secures the apple entirely by his own efforts. If the assistant is not rewarded as such, he is less likely to help out if the task is repeated, which again hints at an attitude that is memory-based.

De Waal (2010) further notes that in wild chimpanzees a male's chance of receiving a share of captured prey appears to depend on his role in the hunt rather than his dominance within the group, perhaps to serve to incentivise full cooperation in hunting expeditions. De Waal goes on to note observations of memory-based reciprocity in captive chimpanzees, amongst whom the chances of other chimps receiving a share of food that has been handed to any one particular chimp will depend on whether the other chimps have administered a favour, such as grooming, to the food-laden chimp within the previous half an hour to two hours. Interestingly, this tendency is lessened within close kin, where prior favours may be expected, weakening a kin-based explanation for the observed reciprocity.

Tomasello (2009) is less convinced than de Waal that ape behaviour is demonstrably reciprocal and takes the view that they are invariably selfish. Although a sceptic of memory-based reciprocity among other primates, arguing that what seem to be organised hunts by chimps are really just chimps acting individually according to what seems the best action in the moment (Tomasello *et al.*, 2005), Tomasello (2009) concurs that humans possess the mental apparatus that enables reciprocity. He believes that humans developed shared intentions first among two or three people when

foraging, then eventually scaled up these actions in hunter gatherer societies, where the promise of capturing large game on any single day was far from secure, and in response to threats from others. Victory went to the most cohesive groups, and shared intentionality predated language. According to Tomasello, from a very young age, children start to care about their reputations. That is, they want to give the impression that they are a good member of the group to show that they are worthy of cooperation. As mooted earlier, a concern for reputation and acts of reciprocity go hand in hand in that information about reputation is probably a key factor in initiating and sustaining cooperation between non-kin. Elinor Ostrom (1998) wrote that people have an incentive to acquire a good reputation for keeping promises and performing acts that appear immediately selfless because this makes them appear trustworthy, and trustworthy people will engage with other trustworthy people in mutually beneficial social exchanges. Similarly, Leimar and Hammerstein (2001), borrowing from Sugden (1986), refer to the importance of good standing, and note that this is particularly relevant for initiating and sustaining indirect reciprocity, where the members of a group are willing contribute to the collective good outside of more direct one-to-one dyadic exchanges (i.e. Tom is willing to undertake an act that benefits Harry outside of any direct reciprocal relationship that they may have, so long as Harry is in good standing). Acts of indirect reciprocity are important in large, complex institutions. A partial explanation for the tendency for people to comply with social norms – including the norm of reciprocity – is that this strengthens a person’s reputation, which is key when reciprocity is indirect, or at most, sporadic rather than daily.

There is an extensive anthropological literature on reciprocity and this discipline offers further insight on the origin of the concept as a social norm. Mauss (1954), mentioned earlier, wrote that although gift giving in primitive cultures often appears voluntary, gifts are not pure acts of altruism. Rather, they are given and repaid under obligation and therefore foster reciprocity. According to Mauss, gifts based on obligation arose out of total prestation, in which clans, and individuals and groups within clans, exchange everything. There is an urge in some groups to return a gift of at least equal value so as to not allow the other giver a feeling of superiority or dominance. A person cannot easily refuse a gift, because to do so means losing dignity due to showing a fear of having to repay.

Gift giving in primitive societies was clearly underpinned by something more than attitudinal reciprocity. It was deliberative and relied on memory and, according to Mauss, barter arose from this system. Heath (1976, p.55) wrote that Mauss saw the gift exchange as intermediate between total prestation and the modern economic transaction. Mauss also noted that the Greeks and Romans drew the distinction between the earlier ritual nature of gifts, and exchange driven by the law and economic interest. They thus developed beyond what may have been perceived as an

antiquated gift society, which was encumbered by personal considerations and may have been incompatible with the development of the market, trade and productivity. Mauss argued that as societies became larger and more atomised, and as people moved from clans to communities, they became more egoistic.

Whether or not Mauss was right, many hold the view that the human tendency to reciprocate, both positively and negatively, remains central to the proper functioning of more contemporary social and economic systems, implying that it is difficult for us to escape entirely from this fundamental aspect of human motivation – even if we should want to – irrespective of the institutional structure of society. Indeed, the importance of reciprocity implicitly appears often in the writings of Adam Smith, widely considered to be the father of much of modern economic theory and almost as widely used in support of arguments for selfish motivations. Smith (1759, p.95) defined what are now known as positive and negative reciprocity when he wrote that “Actions of a beneficent tendency, which proceed from proper motives, seem alone to require reward; because such alone are the approved objects of gratitude, or excite the sympathetic gratitude of the spectator. Actions of a hurtful tendency, which proceed from improper motives, seem alone to deserve punishment; because such alone are the approved objects of resentment, or excite the sympathetic resentment of the spectator.”

Smith was particularly convinced that the tendency towards negative reciprocity was a crucial feature of the natural human motivation to cooperate. He wrote (p.104-105), for instance, that “Nature has implanted in the human breast that consciousness of ill desert, those terrors of merited punishment which attend upon its violation, as the great safeguards of the association of mankind.” He appeared to take the view that feelings of love and gratitude are optimal in binding the members of society together. He maintained (p.103-104), for instance, that “All the members of human society stand in need of each others assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy.” However, he took the view that not all relations – and perhaps most economic transactions – were driven by love and affection: that “Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation, or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices, according to an agreed valuation” (p.104). His imagination of the market exchange between the butcher, the baker and the brewer in *The Wealth of Nations* (Smith, 1776) – local artisans producing relatively simple, easily understood goods with limited opportunities to exploit informational asymmetries and with a bond



of trust – was driven as such. Some have interpreted *The Wealth of Nations* as an argument in favour of self-love, mutual indifference and moral neutrality between trading partners in a market exchange, at least in perfect markets where trading partners are equally free to act on their own interests (Bruni and Sugden, 2008), circumstances that are perhaps better characterised by beer and bread than health and education. One could contend that Smith overlooked to some extent the trade in complex goods, or in areas riven by informational asymmetries, and that if he had not then he may have included explicitly in his writings on market exchange the reciprocity arguments that are so central to social relationships in *The Theory of Moral Sentiments*. Alternatively, it is at least plausible that *The Wealth of Nations* has been widely misinterpreted, and that Smith, who believed reciprocity to be such a fundamental part of human social relationships, never meant for people to believe that he thought that this motivating force is absent from the market exchange. However, even if he did see social and market relationships as necessarily fundamentally different from each other, the important point to note here is that he considered reciprocity to be a basic human motivation.

Others draw a distinction between economic and social policy. Titmuss (1970), for instance, claims that social policy differs from economic policy in that social policy centres more on institutions that create integration and discourage alienation. Blau (1964) maintains that the difference between a social exchange and an economic exchange is that in a social exchange, although a return is expected, it is usually a future obligation that is not precisely specified, and the nature of the exchange should not be bargained but should be left to the discretion of the giver, although Heath (1976) counters by contending that a social exchange is much more formalised than Blau suggests – for example, the division of labour in the family is often proscribed rather than left to discretion – and thus the distinction between economic and social exchange may be on a continuum rather than a dichotomy. Moreover, it is worth noting that Bruni and Sugden (2008; 2013) see the possibility of a reciprocal orientation in market transactions that is compatible with market efficiency, and draw on Smith's contemporary, the economist Antonio Genovesi (1765-67), to support their argument. According to Bruni and Sugden (2008), Genovesi did not believe that there is a difference between market relationships and those governed by civil society. He maintained that markets are based on the human tendency towards mutual assistance, that reciprocity is central to economic exchange, and that each party to a market exchange needs to understand and respect what the other party wants.

Modern behavioural economists have also contributed to the study of reciprocity in human motivation, perhaps most robustly with use of the ultimatum game, in which respondents are paired,

with each pair comprised of a donor and a recipient. Donors are given a money amount and are asked to allocate a share of that amount to their recipient (the recipient is generally anonymous to the donor). If the recipient accepts the share, then both donor and recipient receive these respective allocations, but if the recipient declines then both parties receive nothing. According to standard economic theory, the donor should offer a very small share because he ought to want to retain as much of the money as possible and, for the recipient, anything ought to be considered better than nothing. However, it is not untypical for mean offers to exceed 40%, with the modal offer generally at 50%, and offers of less than 30% frequently rejected by recipients (Gintis *et al.*, 2005; Kahneman *et al.*, 1986).

In some primitive cultures it has been observed that offers of more than 50% of the donor's holdings are rejected not infrequently, indicating again that accepting a large gift in certain contexts renders a person subordinate, and that at least some people resist this circumstance (Gintis *et al.*, 2005). This implies that donors in these contexts would be wise to refrain from being too generous. Indeed, lower than typical offers have been observed in other primitive groups, with donors among Machiguenga horticulturists offering on average 26% of the total pot, with a modal offer of 15% (Henrich, 2000), although Henrich also cites many studies where responses to the ultimatum game are similar across cultures. Some may contend that recipients are less likely to reject small proportions when the stakes are substantial, but research in developing country contexts has demonstrated that strong reciprocity continues to be observed when the initial money allocation is as high as three months income (Cameron, 1999). However, it is noteworthy that a substantial proportion of ultimatum game respondents – generally about a quarter – tend to behave in an entirely self-regarding manner. This indicates again that there is a mix of motivations behind human behaviour, as reflected in the need theory of motivation, where it is postulated that the human need for affiliation drives cooperative and social desires, with the needs for achievement and power perhaps being more closely associated with selfish egoism (McClelland, 1961). Nonetheless, the ultimatum game supports the conjecture that humans are often motivated by strong reciprocity. According to Gintis *et al.* (2005), this is further backed up by qualitative evidence showing that, when asked why they offer more than the lowest amount, donors commonly say that they are afraid that respondents will consider low offers unfair and reject them, and when recipients reject offers, they frequently state that they want to punish unfair behaviour.

In the so-called dictator game, donors simply allocate a share of their endowment to the recipients and both parties leave with those allocations. The threat of negative reciprocity is therefore absent, and yet even here donors offer positive amounts that typically range from 20-60% of the total

(Forsythe *et al.*, 1994). Although the share offered is normally somewhat lower than that observed in the ultimatum game, the fact that donor offerings remain substantial may suggest that a hard-wired concern about the threat of negative reciprocity plays an important role. It may also indicate that the tendency towards positive reciprocity is not merely an instrumental behaviour intended to secure personal gain, but is often consequent on an intrinsic concern for some concept of fairness. Although one might conclude that these donors are more concerned with distributional fairness in final outcomes than reciprocal altruism, Fong *et al.* (2005) report an experiment that paired several dictator donors with real life welfare recipients and found that significantly more money was allocated to recipients who expressed strong work preferences than those who expressed weak work preferences, indicating that the donors preferred giving to those who were more willing to offer something back.

Behavioural economists have reported further findings that lend support to the notion of reciprocity being a strong motivator of human behaviour (for further examples, see Ostrom, 1998). For instance, Fehr *et al.* (1997) conducted an experiment where respondents were asked to assume that they were employers or employees. The neoclassical economic assumption that inspired the experiment is that those placing themselves in the position of employees would be entirely self-regarding, and will therefore choose a zero-cost effort level in a hypothetical contract irrespective of the wage offered to them, an assumption that had been challenged earlier by Akerlof (1982), who speculated that a wage higher than the minimum necessary would often be perceived by employees as a gift, who would consequently work harder than self-interest dictates. In the Fehr *et al.* experiment, neoclassical economic postulates infer that those assuming the employer position would anticipate that employees would choose a zero-cost effort level and would thus offer no more than the minimum wage. However, Fehr *et al.* found that the higher the wage offered by employers, the higher the effort level to which employees committed, which resonates with the equity theory of human motivation, where it is advanced that equilibrium between the parties engaged in a transaction is achieved when all parties believe that what they bring to and take from that transaction is fair, and that those who act unfairly are punished (Adams, 1963). Fehr *et al.* attributed their results to employer recognition that employees would be predisposed towards strong reciprocity, and thus made quite generous wage offers. Therefore, the anticipation of strong reciprocity probably made both the employers and the employees better off than they otherwise would have been, although it ought to be noted that a not insubstantial proportion of employees did indeed act in an entirely self-regarding way.

Social psychologists, whose work informs and is informed by behavioural economics, have also written extensively on reciprocity. Haidt (2012), for instance, maintains that most evolutionary theorists still believe that anything that looks superficially like group-related adaptation – i.e. that reciprocity and cooperation within a group have evolved to help that group outcompete other groups (also known as group selection theory) – is really adaptation to help individuals outcompete neighbours within the same group, which resembles Tomasello’s scepticism with respect to chimps cooperating in hunting expeditions, mentioned earlier. According to Haidt, however, intense intergroup competition, with intragroup gratitude and vengeance, will continually strengthen loyalty, sanctity and reciprocity in successive generations. Henrich and Henrich (2007) go as far as to say that these cultural adaptations can influence biological predispositions over relatively short periods of time; for example the mutation towards milk sugar tolerance among human adults following the domestication of cows 6,000 years ago. Human biology can perhaps modify in ways that are beneficial to the survival of the organism following a change in cultural practices, and Henrich and Henrich imply that this has happened with the development of cooperation.

Although most evolutionary theorists might still reject group-related adaptation, there are a seemingly increasing number of exceptions. For instance, in summarising sociobiology, David Sloan Wilson and E. O. Wilson (2007) paraphrase Rabbi Hillel’s pronouncement that “What is hateful to you, do not do to your neighbour; that is the whole of the Tora, while the rest is commentary”, by writing that “Selfishness beats altruism within groups. Altruistic groups beat selfish groups. Everything else is commentary” (by altruism, they appear to be referring to reciprocal altruism rather than pure altruism). Gintis *et al.* (2005, p.30) wrote that “prosocial norms evolve not because they have superior fitness within groups, but because groups with prosocial norms outcompete groups that are deficient in this respect.”, and Silk (2005) commented that while a person individually may benefit from giving less than he receives, too much self-interest is bad for the evolutionary success of the group. Group selection theory has arguably even been observed in action among Japanese macaques, where females seem to try to maximise selfishly their own rank among their kin on the one hand, and yet work towards cooperating with their kin to improve their group’s rank relative to non-kin groups on the other (Chapais, 1995). Group selection theory thus suggests a mix of motives, not only at the interpersonal level but also at the intrapersonal level. Many people are often reciprocators, but not all of the time. For instance, as earlier noted, even in the ultimatum game a substantial number of people tend to behave in an entirely selfish manner, and negative reciprocity can deter other otherwise selfish actors from pursuing their favoured actions. On the basis of evidence from controlled experiments, Fehr and Fischbacher (2005) believe that 40-50% of people are strong reciprocators, implying that 50-60% of people are not, although

the percentage of strong reciprocators may well be much higher if the question is focused on who is a strong reciprocator some, but not all, of the time. Smith and Bird (2005) note that people occasionally undertake generous acts, such as those associated with charity and self-sacrifice, that are not contingent on reciprocity, and thus pure altruism as well as selfishness is sometimes evident, although one may contend that those acts are done to enhance reputation, and to therefore serve to indicate that the actor is a good person with whom to cooperate. Moreover, extreme self-sacrifice often tends to be associated with the belief of being rewarded in the afterlife. To varying degrees, it is likely that most people are selfish, altruistic and – not or – reciprocal, but for the success of a group, our cooperative and reciprocal tendencies – our sense of fairness in exchange relationships – seem key.

Notwithstanding the debate on exactly how reciprocal people generally are, the arguments put forth by many of the great thinkers across a range of disciplines imply that the tendencies to reward the kind and punish the unkind are often powerful motivators of behaviour. Moreover, this motivational force is not merely attitudinal, but is often deliberative. It is certainly a descriptive phenomenon, and to the extent that it is central to fostering cooperation, then, assuming that cooperation is necessarily good – admittedly a strong statement when we consider the collective bad of which man is capable – it is a normative requirement too. Acknowledgement that reciprocity has possible negative consequences should not be diminished. For instance, Ostrom (1998) noted that if punishment – i.e. negative reciprocity – leads to escalating retribution, then people may soon become demotivated and relationships can become hostile and irreconcilable, and that a tendency towards rewarding favours for favours can sometimes result in corruption. The sociologist, Gøsta Esping-Andersen (1990), went as far as to point out that German and Italian fascist parties granted an array of social rights that were conditional on required loyalty and morality, but our focus in this article is on the indubitable good that reciprocity can bring. It is therefore important to incorporate our understanding of this fundamental human motivation into deliberations on organisational structures and behaviours, management practices and the design of public policy, so that interventions are more likely to achieve the ends towards which they are intended.

### **Human motivation and institutional structure**

Esping-Andersen (1990) argued convincingly that the ways in which different countries manage and finance their welfare sectors in contemporary capitalist societies is strongly dependent on the historical motivations for establishing those sectors to begin with. He identified three models in this

respect, with the first – the conservative tradition – seen, for example, in Germany, based around guilds and mutualities, which, according to Esping-Andersen, is close to the original reliance on the family being the source of support and care in times of need. The conservative model was often adopted to see off the threat of socialism. The liberal tradition, which the United States exemplifies, espoused freedom from existing conservative and authoritative influences, encouraged competition and promoted public support for groups that were perceived as, in some sense, deserving (e.g. the elderly and veterans of the armed forces). Finally, the socialist or social democratic tradition, followed in, for example, Sweden, aimed to unite the different social classes in the support of public services. Here, government enticed the growing middle classes with generous second tier universally inclusive earnings-related insurance schemes on top of a flat rate egalitarian one, which was done to maintain support for universalism and high taxes from the aspiring classes. Although Esping-Andersen did not acknowledge it explicitly, all three traditions, to a considerable degree, are informed by reciprocity.

In the modern literature on how human motivations should shape institutional design, however, reciprocity attracts little attention, with the focus instead placed upon the tension between selfish egoism and pure altruism. For instance, Le Grand (1997; 2003), inspired by Hume's (1777) probably misinterpreted view that every man ought to be supposed an avaricious knave (see Bowles, 2016), posits that a driving motivation of public sector professionals is pure self-interest. Le Grand argues that men must be governed in the knowledge that they are often knavish so as to steer their ambitions towards the public good. He maintains that democratic socialists, like Titmuss, adopted an altruistic view of human nature with which they heavily influenced the structure of the post-war British welfare state. Thus, Le Grand notes that British public sector services tended to be collectivist and without competitive incentives. Money was allocated to public sector professionals unconditionally, and they were let to get on with their jobs in the faith that they would altruistically deliver the best services that they could.

Le Grand categorises altruistic acts as knightly, and although he believes that the tendency towards knightly motivations has been exaggerated, he recognises that knightly and knavish behaviours coexist. He argues, however, that since knavish behaviour is common then competitive forces ought to be used within the public sector. Unless public sectors workers are incentivised as such, Le Grand posits, they will become lazy; if they have to compete for purchasers or contracts, they will knavishly be concerned with their budgets and will consequently provide a better quality service. Le Grand is clearly alluding to avaricious tendencies in human nature. It is logical that those motivated by greed will attempt to exploit their situation for their own benefit whenever possible, and there is

plausibly much scope for suppliers to do so in a competitive market over complex public goods. One could argue that competition may undermine reciprocity since suppliers may now attempt to use underhand methods to maintain market share. For competitive markets to work in public sector services, we must hope that egoism does not crowd out any natural tendencies towards reciprocity. More fundamentally, we should question whether it is wise to risk weakening those tendencies.

Bevan and Fasolo (2013) summarise what they posit as the four alternative models of governance that can be used to inform institutional structures, two of which they claim are altruism and choice/competition. The other two are: hierarchy and targets (see also Bevan and Hood, 2006), which involves strong performance management; and reputation, which centres on the public reporting of performance, including naming and shaming. While Bevan and Fasolo agree with Le Grand that an altruistic model is inadequately powered to produce performance improvements, they believe that the market mechanism is flawed for many public services, partly because public services tend to be complex and imperfectly marketable. They instead take the view that professionals respond to threats to their reputation, which they say is fundamental to human motivation, and cite evidence in support of their claim that the reputational strategy of public reporting has been the most effective form of public sector governance in the health and education domains in the UK and in some parts of the US. For example, at the turn of the 21<sup>st</sup> Century, a policy mechanism, known as the hospital star rating system, was introduced in the National Health Service (NHS) in England. Through this mechanism, hospitals were assessed annually on a number of indicators, including, most importantly, targets against waiting times, an aspect of performance with respect to which the NHS has traditionally attracted substantial criticism. Following assessment, hospitals were each awarded from zero to three stars, with more stars indicating better performance. For very poor performance, hospital management teams could be dismissed; for very good performance, managers could gain greater freedoms over the ways in which they organised their hospitals. Moreover, the number of stars that each hospital was awarded was publicised widely in the national and local press. That there was a threat of dismissal demonstrates that the star rating system relied on naming and shaming with clear potential consequences in order to motivate performance improvements. In terms of reducing waiting times, it worked: the NHS witnessed substantial reduced waiting times during the period that the star rating system was in operation (Besley *et al.*, 2009).

Bevan and Fasolo maintain that reputation “could work out of fear of having betrayed the public’s trust and provides an urgent reason for acting before the public reacts and ‘punishes’ this betrayal...shocks of this kind are an integral part of generating the high powered incentives

necessary for improvement” (Bevan and Fasolo, 2013, p.56). Putting aside for one moment the potentially damaging problem that public reporting may ultimately demotivate professionals if they do not agree with how their performance is being represented – for instance, poor relative performance may not be bad in an absolute sense, and outcomes may often in any case be beyond the control of the professional – Bevan and Fasolo do not acknowledge that a concern for reputation is intrinsically linked to the notion of reciprocity. The literature on reciprocity would suggest that a cautious implementation of something akin to the reputation model of governance, that threatens to punish genuinely indisputable bad absolute performance after all relevant stakeholders have been involved in defining ‘performance’ and that also possibly rewards examples of innovative good practice, is worthy of serious consideration.

Others have contended that the governance debate has focused on the relative merits and demerits of markets, hierarchies and networks. The market model is that advocated by Le Grand. The hierarchical model involves the imposition of an authoritative supervisory structure, but, according to some, this can stifle innovation through the tendency towards routinisation and formulisation (Lowndes and Skelcher, 1998). It has been noted that markets and hierarchies are the two opposing extreme types of governance, with networks sitting in between (Treib, Bähr and Falkner, 2007), which resonates if one associates markets with selfish egoism, hierarchies with paternalistic altruism, and networks with reciprocity. In networks, actors identify complementary interests and relationships are built based on trust, loyalty and reciprocity. Networks are based on horizontal patterns of interactions as opposed to power asymmetries, although contracts will be incomplete due to bounded rationality (Héritier and Lehmkuhl, 2008). Conflicts are resolved within networks on the basis of members’ reputational concerns (Lowndes and Skelcher, 1998), and thus the network mode of governance appears to be the most preferable if one accepts that reciprocity is fundamental to human nature.

Some have extended the governance debate beyond markets, hierarchies and networks. Bell *et al.* (2010), for instance, argue that a persuasion mode of governance can be added to this mix; by persuading people to change their behaviours, they maintain that government and non-government bodies influence but do not enforce, and that states can enhance their power by building relationships with non-state actors. Moreover, Lowndes and Skelcher (1998) extoll the benefits of collaborative, inter-agency partnerships as a means of achieving policy goals, and these are emphasised by the authors as an alternative to the market, although they take care to state that the creation of a partnership board does not imply that relations between the relevant actors will be based on mutual benefit, trust and reciprocity, but that partnerships are associations with a variety



of forms of social organisation, including hierarchy, the market and networks. They contend that effective partnerships combine different modes of governance in an environment where power between the relevant actors can shift; in essence, they are arguing that partnerships are able to adapt to different circumstances.

The governance literature on the whole does not appear to consider explicitly the notion of reciprocity as a basic human motivation, and does not offer many lessons on how reciprocity can be used to inform specific macro and micro policy design, and yet it could, and arguably should, be used to inform both. The literature on network governance structures does of course allude heavily to reciprocity, and yet is quite weak on emphasising how this phenomenon is intrinsic to human nature and is vague on policy prescription. The publications that attempt to consider how human motivations ought to inform policy design tend to focus on the dichotomy between selfish egoism and pure altruism, but as the social policy analyst, Robert Pinker (2006, p.19), states, “a model of human motivation based on a sharply drawn distinction between the qualities of egoism and altruism [bears] little or no relationship to what we know about human nature and the realities of the world in which we live.” The work that focusses on the potential import of reputational effects and rewarding and punishing good and bad relative performance perhaps comes closest to being reciprocity-driven, without acknowledging it as such. People do of course have other motivations, but the literature reviewed earlier suggests that the tendency towards reciprocity is crucial to human cooperation. It appears that nourishing reciprocity, and cautiousness against undermining it, ought to be an important consideration in public policy, a view shared by Pinker (2006), although his consequent recommendation for a pluralist mixed economy of welfare with a diversity of service providers so as to reduce the risk of dependency for users, diverges from the conclusions reached in this article. The rest of this paper will focus upon suggesting some ways in which reciprocity might inform macro and micro public sector policy design. The discussion is merely indicative, and is in no way intended to be an exhaustive list of the ways in which reciprocity might inform policy, but is rather meant to serve as food for thought on the import of this apparently core motivational feature in the design of any cooperative endeavour.

### **Reciprocity and public policy design**

In *The Logic of Collective Action*, Mancur Olson (1965) argued that large groups will not be able to organise themselves voluntarily for coordinated and cooperative action, even if they have good reason for doing so. This is sometimes because the more people who have to share a collective

benefit, the less that each individual can singularly gain, making the return on their cooperation less meaningful to them, and also because large groups may have substantial organisation costs, which have to be subtracted from the expected benefits. Most importantly, however, Olson took the view that any rational self-interested person would choose to free ride on large group endeavours, and thus assuming that such behaviour is endemic, there would be insufficient effort within the group to produce the collective good. Smaller groups, on the other hand, are better able to sustain cooperation, according to Olson, because if a person tries to free ride in a small group, it is more noticeable, and it is thus easier to identify and punish the culprit. Olson concluded that the voluntary rational pursuit of individual self-interest is more likely to bring about, if by no means guarantee, group oriented behaviour in relatively small groups.

Although not accepting Olson's assumption that selfish egoism necessarily drives human action, those who hold the view that many people are natural reciprocators nevertheless recognise that selfishness among a few can destroy group cooperation. It is perhaps therefore the case that reciprocity has the best chance of being sustained if a group is not too large and its' membership not too fluid. It is, as Olson wrote, easier for a smaller group than for a larger group to be transparent and to hold its members to account; there is even some controlled experimental evidence that suggests that the impact of strong reciprocity on cooperation is better manifested when groups are coherent and permanent (Fehr and Gächter, 2000) and where mutual commitments are exchanged (Ostrom, 1998), and it is plausible that coherence and the opportunity to engage in personal exchange are inversely correlated with group size. Relatively small groups may be better able to develop innovative cooperative strategies to enhance their efficiency (and may be further motivated to do so if there is inter-group reputational competition). If the collective of groups is organised appropriately such that cross-group learning is encouraged, then this may be optimal for a policy sector as a whole. As Sethi and Somanathan (2005, p.242-243) have noted, members "of groups that exhibit efficient norms will enjoy higher material payoffs than members of groups that do not, and such norms may therefore spread through the population by the imitation of successful practices found in neighbouring groups"... "norms of reciprocity are an important component of social capital."

The lesson from all this for public policy is that it may serve everyone well if the organisation, management and – to foster responsibility, assuming adequate risk adjustment across groups – financing of services were decentralised, but to have a national (or super-regional) policy to encourage experimentation within and learning across local areas, subject to a nationally-imposed minimum standard of service provision. In some countries, the national level organisation of certain

services, such as health care, is almost sacred to many, and it is likely that such an institutional structure is the most appropriate if one's goal is to secure national standards of equity and quality at any particular moment in time, but over time most people, including relatively deprived populations, might experience greater welfare improvements if local experimentation and cooperation, and cross-regional learning, were allowed and encouraged. If the great scholars of human motivation are right, there is a strong intellectual, and even evolutionary, justification to argue that public sector quality and efficiency would be better secured if any faith in the national state as the sole organising and financing body was weakened.

As well as offering broad guidance on the appropriate size of governance units, the literature on reciprocity can inform performance improving policy interventions. As noted above, many commentators and policy makers have emphasised the market mechanism as a means to motivate public sector employees over the past two decades. There are those who believe that sincere caring for others is eroded by the market, a view challenged by others. Bruni and Sugden (2008, p.63) write, for example, that "the family is not a domain separate from the market, governed by a different set of motivations. The family and the market are both parts of civil society, subject to the same fundamental standards of reciprocity, trust and mutual respect. When these standards are upheld, whether outside the market or within it, genuine caring is possible." Nonetheless, it is plausible that the complex nature of public sector services might give those who are selfishly motivated much scope to act in socially undesirable ways without fear of punishment, and that these tendencies would be encouraged by a mechanism – i.e. a competitive market – that could erode empathy, trust and reciprocity with and towards others because of the focus placed upon beating one's rivals. In short, competition in many of its forms rewards selfish tendencies, which, at least according to the theory of public service motivation and its postulate that public sector employees are intrinsically motivated to do good (Perry and Wise, 1990), seems at odds with an appropriate public sector ethos. Within a group with a shared goal, the more appropriate strategy might be to nurture the basic motivations that feed cooperation (i.e. positive and negative reciprocity), if it is assumed, as seems reasonable, that cooperation is the best way to achieve the goal.

Although Genovesi's (1765-67) belief in fraternity in market relations may withstand trade over relatively simple goods, selfish egoism might therefore be expected to flourish, and flourish with detrimental consequences, over more complex goods unless the competitive market is tightly regulated. However, might reciprocity be reinforced in non-competitive trade, of which pay for performance, internationally an increasingly prevalent public policy tool over the last fifteen years, is an example? On this there has been some debate. With a straightforward payment mechanism –

i.e. a simple reciprocal exchange whereby one party pays to receive a good or service from another party without either party seeking to receive payment or goods from elsewhere but with both parties perhaps keen to trade with each other again in the future (as arguably is the case between Adam Smith's butcher, baker and brewer in *The Wealth of Nations*) – providers' fear that a service rival will unfairly undermine them, and the temptation for them to unfairly undermine a rival, is largely removed. Nonetheless, particularly in relation to complex goods and with substantial information asymmetries, there remains the risk of some payers trying to get more than what they have paid for and for some providers to give less than what is fair. The latter possibility may be exacerbated if pay for performance methods are imposed on public sector providers, in part because they may be seen as controlling rather than supportive, which might undermine morale and the professionals' identity with the sector in which they work (see Akerlof and Kranton, 2010; Deci and Ryan, 1985), but also if they are perceived as offering unfair remuneration. If the remuneration is too generous, then this is clearly problematic for those who ultimately pay for public sector services (e.g. tax payers). Also, if the quality indicators are ill thought out, then the mechanism may distort priorities. If pay for performance is to have a chance of working as intended, then it would appear that all stakeholders have to be involved in determining fair prices and indicators of quality that are broadly perceived as appropriate. These arguments may bring to mind Vroom's (1964) expectancy theory of motivation, in which payers might be said to relate rewards directly to performance and will ensure that the rewards are deserved and wanted by the recipients. Of course, information asymmetries are still likely to be potentially problematic given the complexity of the goods and services under consideration and the propensity for at least some parties to cheat if they think that such activities might go undetected. Thus, any trust that is successfully forged between the relevant parties probably has to be supplemented with input from a knowledgeable arbitrator that all parties accept, who would need to monitor the exchange relationship and the forthcoming provider outcomes. Olson (1965) refers to such an arbitrator as an entrepreneur, who can forge agreements within groups for the good of all concerned. Creating these conditions for reciprocity may optimise the chance that the policy will benefit those it is meant to serve.

Even if the above conditions are met, however, many remain sceptical of the promised benefits of pay for performance mechanisms. For instance, Kahan (2005) has argued that performance incentives may undermine cooperative tendencies by introducing the expectation that one must get paid for everything that one does, and thus might consequently erode any motivation to undertake voluntary beneficial actions. If many professionals are relying on each other to deliver a defined outcome (in health care or education, for example), the near certainty that the performance mechanism will not encapsulate every process that is important to the successful delivery of that

outcome renders it plausible that the overall objective will indeed be undermined by the introduction of pay for performance mechanisms. Perhaps informed by the natural inclination towards negative reciprocity, Kahan intimates that credible penalties are likely to be more beneficial than performance-linked rewards, because people who resent fraud, corruption or cheating, for example, might see penalties against such activities as supportive of their own belief system, which may strengthen their identity with the organisation in which they operate and detract from the temptation to commit an injustice. Ostrom (1990) noted that monitoring and graduated sanctions are typical in common-pool resource institutions.

Ostrom (2005) wrote that many policies that have been developed in modern democracies crowd out trust, reciprocity, cooperation, knowledge of local circumstances and experimentation, and the possibility of an insufficiently thought through performance incentive mechanism crowding out those who are intrinsically motivated to provide public sector services (cf. the theory of public service motivation, mentioned earlier), and crowding in those who are not intrinsically motivated, cannot be discounted. This being said (and even putting to one side any concern that some might use the evidence of motivational crowding as a justification for offering low public sector wages), the evidence presented earlier suggests that generosity, at least in terms of basic wage payment, is rewarded with higher employee effort, and thus work that is intrinsically rewarding calls for a delicately balanced remuneration strategy. Informed by the literature on reciprocity, it appears reasonable to conclude that the use of performance incentives at the decentralised local level might be a positive force in improving welfare if certain conditions are met; namely, that salaries are the predominant component of remuneration, that all relevant parties recognise and accept that the chosen indicators of good performance in any pay for performance mechanism are appropriate in moving towards an overall objective (e.g. good health or education outcomes), and that all parties accept the compensation offered for meeting performance targets as fair. Moreover, negative performance incentives, which can be reputational or financial, such as naming and shaming strategies and credible financial penalties, are cautiously recommended for performance that is widely recognised as absolutely unacceptable. A good example of a strategy that was not quite as pejorative as the English NHS star rating system but yet also posed the threat of reputational damage can be found in the Veterans Health Administration (VHA), the health care system that covers honourably discharged veterans of the US armed forces. In the mid-1990s, the VHA introduced a system whereby the performance of its hospitals, in terms of quality indicators such as some cancer screening rates, patient cholesterol levels and the like, was disseminated annually in the form of a league table. The VHA was traditionally widely associated with poor quality care, but within five years of introducing this reputational mechanism, the system demonstrated substantial

improvements in quality. By 2005, it was outperforming all of the other sectors of US health care on almost all of the quality criteria over which a comparison was possible (Oliver, 2007).

Instruments of negative reciprocity, of which the VHA's hospital league table is perhaps one example, can guard against the temptation for people to act in an egoistically self-interested manner which, if prevalent, would otherwise undermine, with detrimental consequences, cohesion and cooperation in most groups.

Reciprocity might therefore be used to inform the most appropriate system-wide incentive mechanism if cooperation is deemed desirable, but the tendency towards reciprocating behaviours may also be of use when considering the design of much more targeted policy interventions. Much policy focuses upon attempts to motivate behaviour change among citizens, or public sector users, on the demand-side rather than the behaviour of public sector professionals on the supply side; indeed, attempting to motivate behaviour change among the citizenry has been a preoccupation within the burgeoning behavioural science-informed policy movement over the last several years. The Behavioural Insights Team in the United Kingdom, which was established by David Cameron in order for it to develop public policy proposals that are informed by behavioural science, has experimented with the differential framing of messages according to a number of human motivations (self-interest, altruism etc.), to encourage people to register as organ donors. That which appeared to emphasise reciprocity, by stating that increasing the number of those on the register would potentially benefit everyone, including those who registered, was the most effective message (Behavioural Insights Team, 2013).

## **Conclusion**

Arguments and evidence from a range of disciplinary perspectives suggest that reciprocity is a basic human motivation that underlies cooperation within groups. The origins of reciprocity are debated, but it is plausible that the capacity for deliberative reciprocity in humans developed from the attitudinal reciprocity that is common in the animal kingdom, and that cooperative tendencies offered evolutionary advantages to groups where a reflective form of reciprocity was, and is, prevalent among its members. In short, this argument, as intimated by Darwin, states that reciprocity developed naturally because it is good for human societies and that the golden rule was ultimately embraced as a normative postulate in most of the world's major religions because this descriptive fact was known implicitly.

Few would deny that other motivations are also common. However, these motivations are individualistic in nature – we take from *or* give to others. Reciprocity is the only motivation that recognises that we are social creatures – we take from *and* give to each other, and of all the motivations is key to solving problems that require collective action (Ostrom, 1998). Moreover, in the negative sense, reciprocity guards against the selfish and protects those who are unusually inclined towards altruism. The embrace of the competitive market in social policy in many countries over the past twenty-five years on the assumption that people are egoists appears to have been a reductionist move that would have been rejected by many of the great figures in intellectual thought, across disciplines, including economics. Many of the goods and services delivered by public sectors are too complex to expect competitive markets to deliver them efficiently or justly. Planned public sector services often arose, after all, because the competitive market was not an efficient or just means by which to deliver these services, and the planning and organisation of those services must encourage, rather than undermine, the obligations that the relevant members of any group ought to feel – and naturally, for the most part, do feel – towards each other.

This is not to conclude that all competition is inconsistent with reciprocity. Reputational competition via the public reporting of quality performance, if administered carefully so as to avoid demotivating poor relative performers, is, for instance, consistent with the notion that people will want to signal that they are good co-operators/reciprocators. Fostering a good reputation and avoiding a bad one is central to cooperation within groups, but it would be wise only to use the motivating force of negative reciprocity if performance is bad in an absolute sense because unwarranted fear may undermine identity with the group. Reputational competition does not, however, necessitate any demand side choice. Allowing public sector organisations to compete for clientele renders it more likely that egoistic self-interest will crowd out a desire to reciprocate, particularly in areas where informational asymmetries are rife.

In this article, the overall conclusion is that public services might in large part best be managed at a decentralised level rather than by the central state, and that provisions should be put in place for region-specific experimentation and cross-regional learning. Moreover, a cautious implementation of performance management may be defensible, but the use of demand-led competitive measures is not. There is nothing startlingly new or expansive in these policy suggestions, but the argument that reciprocity leads us to them is innovative and important. Reciprocity ought to feature in all deliberations on policy design where group cooperation is an essential prerequisite for the policy's success because although most of us are to varying degrees sometimes knights and occasionally

knaves, the success of the groups in which we socialise and work is consequent upon a heavy dose of reciprocation. The golden rule is everywhere, and it is golden for a reason.



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