



BOOK REVIEW

‘HOW CHANGE HAPPENS’: A POLICYMAKER’S GUIDEBOOK

by Ian McAuley

To what extent do subtle policy ‘nudges’ impinge on people’s freedom of choice? How do social movements such as #MeToo suddenly gain momentum? Policy commentator Ian McAuley reflects on the insights and arguments offered in Cass Sunstein’s most recent book.

Most systems analysts would be familiar with the way in which systems or sub-systems can rapidly flip from one state to another. Sales of electric cars, for example may spend years in a pattern of slow growth, but at some stage there will almost certainly be a rapid market uptake, before they achieve a degree of saturation. Similarly, in the opposite direction, facsimile machines suddenly went out of fashion.

In the physical world of interacting technical and economic systems such phenomena are explained by externalities: my ownership of an electric car is likely to support industries providing charging stations and services, making it more attractive for you to have an electric car. The switching from one state to another will generally be consistent with the mathematical model embodied in the familiar ‘S’ shaped logistic curve. It’s difficult for the analyst to predict when a system will flip, but he or she can have a reasonably robust model of how the flip will occur.



Social systems are more difficult to analyse. Why do certain patterns of social behaviour suddenly change? Why do phenomena such as the #MeToo movement suddenly arise? Why was it that Rosa Parks' act of defiance in December 1955, when she refused to move her seat in a bus to make way for 'white' passengers, set off a massive civil rights movement in the USA?

Such phenomena are often simply described as 'emergent', as if the systems in which they are manifest are black boxes with too much interactive complexity to allow for explanation or analysis. But systems scholars have looked inside the black box and have developed explanatory models, most notably Thomas Schelling's 'tipping' model, which helps explain how the racial composition of residential neighbourhoods could rapidly switch: a harmonious multiracial neighbourhood could become mono-racial in a short time, with the change triggered by the decisions of just a few individuals.¹ Schelling pioneered agent-based modelling, showing how the dynamics of complex systems may be explained by seeing how individual cells (households, individuals) interact with their 'neighbours', and through repeated iterations how the decisions by a few individuals can lead to system-wide effects if the system is near its tipping point.

The behavioural economist Cass Sunstein, co-author of *Nudge*,² in his most recent work *How Change Happens*, takes us into the black box from another perspective. He analyses 'social cascades' – small perturbations that can produce huge shifts. His approach is from the perspective of social norms. Some cascades can be triggered by people who feel

free to break from assumed norms. His proposition is that:

... when norms start to collapse people are unleashed, in the sense that they feel free to reveal what they believe and prefer, to disclose their experiences, and talk and act as they wish. (emphasis Sunstein's)

The #MeToo movement is one such phenomenon he analyses. It is aptly named, for the unleashing is, indeed, a 'me too' phenomenon. It suddenly becomes permissible for others to follow the example of those who break the taboo, and as Sunstein explains, new norms become established in a short time.

An illustration Sunstein might have chosen is Hannah Arendt's description of the short-lived 1956 Hungarian uprising, when a small student demonstration grew into a major social movement that, within a few days, managed to form an entirely new government, with very little violence.³ Arendt's account of the uprising is that the students realised that the Hungarian people were 'living amid lies' of the authoritarian communist regime. They were unleashed from having to pretend that the Soviet model of communism, which guided their puppet government, actually embodied the values Marx had championed. Although the new Hungarian order lasted less than three weeks before it was suppressed by a Soviet invasion, Arendt's point was that the revolution clearly illustrated the fragility of norms that have been waiting for someone to question them. Had she lived to 1989 she would have observed the collapse of the Soviet Union, a collapse which was triggered by some minor

1. Thomas Schelling, 'Dynamic Models of Segregation', *The Journal of Mathematical Sociology*, 1:2, 1971, 143-186.

2. Richard Thaler and Cass Sunstein, *Nudge: Improving decisions about health, wealth and happiness*, Yale University Press, New Haven, 2008

3. Hannah Arendt, 'The Hungarian Revolution and Totalitarian Imperialism', in Hannah Arendt, *Thinking without a banister: Essays in understanding 1953-1975*, edited by Jerome Kohn, Schocken Books, New York, 2018



developments in the Soviet empire periphery, and which caught most observers by surprise.

Sunstein points out that it's hard or perhaps impossible to predict when such shifts will occur, because, as in Hungary before the unleashing, people don't know what others are thinking, and hide or falsify their own preferences. As the old army joke goes, the officers have not given their underlings 'permission to think', and even when they do another level of permission is needed to allow them to express their thoughts.

He points to a survey that reveals that most young men in Saudi Arabia believe that women should be given more freedom from the harsh guardianship laws, but because they falsely believe that most others support the guardianship laws, they don't feel they have permission to speak their own views.

The challenge for those seeking change is to develop a critical mass of people willing to be 'norm entrepreneurs' – the people who are the first to poke their heads above the parapets of self-censorship and to do so with confidence and a feeling of safety. In his emphasis on such small groups his analysis comes close to that of Schelling's, but strangely he does not mention Schelling's work, even though they have both been professors at Harvard's Kennedy School.

Although *How Change Happens* starts with insights about how social change happens, it shifts from a descriptive work to a discussion about how policymakers should promote change, unsurprisingly re-visiting the ground covered in *Nudge*, known by behavioural economists as the design of 'choice architecture'. To what extent do nudges – mechanisms that reduce the search and transaction costs of following a policymaker's preferred decisions – interfere with people's freedom of choice? There

is no clear answer: where there are clear positive externalities such as is the case with vaccinations the ethical case for a nudge to do the right thing is easy (providing free vaccinations is a typical nudge), but at the other extreme, when the policymakers are captured by those seeking privileges for a particular industry, a nudge favouring the industry in question would be unethical by most people's standards.

Sunstein moves on to address some of the most difficult ethical questions in public policy, the conflicting value frameworks of consequentialist and deontologist morality, consequentialists being more concerned with the ethics of ends, while deontologists are concerned also with means. To take a topical Australian issue, the indefinite detention of asylum-seekers arriving by boat, a consequentialist may argue that the policy is justified because the benefits (saving lives of those who might drown on the risky voyage) outweigh the costs (the misery of the detainees), while a deontologist may take the firm moral view that it is never right to use people as exploited objects to achieve other ends, no matter how worthy those ends may be.

He draws on Daniel Kahneman's System 1 (fast) and System 2 (slow) thinking frameworks to distinguish the way ethical choices are made, tentatively suggesting that 'deontological thinking often emerges from automatic processing and that consequential thinking is often more calculative and deliberative', and that deontological thinking may be a 'mere heuristic' to ease System 1 thinking.⁴ But he does not fall into the normative trap of concluding that a deontological moral framework inevitably leads to poorer outcomes. A simple summary of his advice to policymakers is that the deontologist should go through a rigorous System 2 consequentialist examination of any policy proposal, even if he or she is committed to rely on a hard deontological

4. Daniel Kahneman, *Thinking Fast and Slow*, Farrar, Straus and Giroux, 2011.

moral rule as a final decision guide. To illustrate with the asylum-seeker case, application of Sunstein's principle would suggest that the deontologist, even if he or she remains absolutely opposed to detention of asylum-seekers, should think through to the consequences of such a stance.

His arguments for consequentialist thinking are most strongly asserted in a chapter on rights, where he argues for a dispassionate cost-effectiveness approach to rights and to dealing with crime. Consequentialists, he argues 'favor theories of punishment that are based on deterrence, and they firmly reject retributivism'. He draws on behavioural and neuroscientific research which finds that 'deontological judgements are rooted in automatic, emotional processing'. In economic terms it may be a waste of resources to inflict any more punishment on a wrongdoer than is necessary to ensure compliance.

In many cases individuals may incur net personal costs to punish a wrongdoer. Believing that a local garage is overcharging for gasoline, for example, someone who believes in retribution drive a long distance to fill up at a cheaper garage, incurring a net cost when time and vehicle costs are considered. That's the cost of retribution.

As Kahneman and Tversky point out, our tendency to such behaviour is based on our perception of the extent that the merchant is taking advantage of his or her market power, rather than a simple calculation of the cost of time.⁵ By any utilitarian (consequentialist) calculation such behaviour is irrational. But economic philosophers taking a wider systems view, such as Robert Axelrod, argue that from a social perspective such behaviour, although costly to the individual, may be of net benefit to the society: the costly punishment inflicted by the

individual is a positive externality that accrues to the whole society.⁶ Sunstein, like most behavioural economists (his first discipline is actually law) acknowledges that certain firm moral rules may be hard-wired into the way our thinking has evolved, leading to a System 1 way of acting, and while he acknowledges that they may have certain advantages in terms of social evolution, he does not explore these advantages.

Like *Nudge*, this work is really one for the policymaker. *Nudge* itself was a valuable contribution to the art of policymaking, even if many policymakers tended to see 'libertarian paternalism' as the sole contribution of behavioural economics to public policy, while overlooking all the other possible policy-related contributions the discipline can contribute. In *How Change Happens* Sunstein makes another valuable contribution in filling a gap between economics and moral philosophy. It should be a handbook for all those engaged in shaping public policy.

Cass Sunstein **How Change Happens**, MIT Press, New Haven 2019. 344 pages.



5. Amos Tversky and Daniel Kahneman. 'The framing of decisions and the psychology of choice'. *Science*, 211, 1981, 543-463.

6. Robert Axelrod, *The evolution of cooperation*, Basic Books, 1984.