



## Government's Big Society

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The success of government initiatives – from the Big Society to action on binge drinking – will depend upon policymakers' ability to understand how networks change behaviour, according to the leading UK economist, Paul Ormerod. In an essay published today by the RSA, he argues that failure to understand 'network effects' partly explains the financial crisis and the failure of many policies to deliver the scale of change desired.

***N-squared*** is published following news that the government has set up a new Behavioural Insight Team looking at 'nudge' based policies. Prof Ormerod concludes that much more significant is the need for to understand networks. His essay calls for a fundamental shift in approach to public policy – moving away from large-scale, expensive interventions that often have only marginal effect on outcomes – towards smaller interventions whose impact can be magnified through the contagion of ideas and actions across networks of people or organisations.

The essay draws on a number of studies including Ormerod's own work on binge drinking amongst young people. This suggests that binge drinking spreads rapidly amongst groups of friends and that policies aimed at tackling the problem need to take seriously the role of peer acceptance, not just individual interventions or market solutions.

Using modern network modelling the essay:

- Identifies particular structures of networks that determine how fast and broad behaviour change spreads. This includes 'scale-free' networks where changing the behaviour of thousands requires identifying key 'hubs' of influence.
- Shows how many policy evaluations – because they ignore networks – often deliver misleading results. This can result in public investment in the wrong interventions or to policies being abandoned before contagion effects take place.
- Network effects dwarf nudge policies. However, they make policymaking much more complex and unpredictable but with huge potential gains.

**Commenting on the report Professor Paul Ormerod said:** *"The combination of large-scale state activity and a mechanistic approach to policymaking has not delivered anything like the success that the founding fathers of the welfare state in imagined. The principal cause of the failure of what we might call*

*the social democratic model to achieve its objectives is not the size of the state but the intellectual framework in which it operates.*

*When it comes to contemporary challenges it seems clear that we will often need to induce dramatic mass behaviour change. We are unlikely to do so using simple incentive based approaches and need to get better at harnessing the power of networks. This makes the world more complicated but the potential gains from more effective policies built on a better scientific understanding of how the world operates are enormous.”*

#### **Notes to editors**

1. For more information contact RSA Head of Media Luke Robinson on 020 7451 6893 or 07799 737 970 or [luke.robinson@rsa.org.uk](mailto:luke.robinson@rsa.org.uk)
2. A ‘Behavioural Insights Team’ has been set up at No 10 Downing Street to evaluate the use of ‘Nudge’ like policies – the idea that instead of ordering people around or leaving them to behave in self-defeating ways, the state can nudge them into behaving sensibly.
3. The RSA has a new strapline: 21<sup>st</sup> Century Enlightenment. This pays tribute to the eighteenth century founders of the Society and to the pioneering spirit which inspired them. It makes a statement about the role the RSA can play today, as an organisation established over 250 years ago but which believes its best days may yet be to come.
4. At the heart of the RSA’s contemporary mission and public debates about the future prospects for the human race is the question ‘can we go on like this?’ Will the ideas and values which transformed our world in the last two centuries be sufficient to find solutions to the challenges we now face or do we need new ways of thinking?
5. The society is committed to stimulating thinking, social innovation and – among its 27,000 fellows – a powerful ethos of collaboration. This pamphlet is the third in a series published by the RSA, all of which will contribute towards the thinking behind concept of 21<sup>st</sup> century enlightenment.
6. Paul Ormerod is an economist and the author of three best-selling books, *Butterfly Economics* (1999), *The Death of Economics* (2001) and *Why Most Things Fail* (2005), a *Business Week* US Business Book of the Year. Paul is a fellow of the British Academy of Social Sciences and holds an honorary Doctor of Science from the University of Durham for his original contributions to economics. His main interests are in complex systems and networks, and he publishes in a very wide range of academic journals.