In line with Article 23 of the regulation governing the attainment of the doctoral degree at Maastricht University, this section highlights the valorisation opportunities of this doctoral thesis. The goal of this section is to describe how the knowledge resulting from this research project can be valuable for society and particularly for policy makers and academics.

Over the last 50 years, academics and policy makers have focused a great deal of their attention to how to promote sustainable development and more specifically alleviate poverty and improve financial productive decisions. Building upon the growing empirical evidence provided by the academic literature, policy makers escaped the lure of top-down approaches and came to realise that local institutions play a crucial role in this. They represent one of the key predictors of development. In fact, whereas positive and effective institutions lead to societal wealth and prosperity, ineffective and negative ones have proven to curtail growth and development. As a consequence, a consensus has been reached: the bottom-up creation of a strong and conducive institutional environment is to be considered a priority for developing nations.

In 2016, such stance has been explicitly translated into the formulation of one of the UN Sustainable Development Goal (SDG). More specifically, the UN-SDG number 16 highlights that countries should develop effective, accountable and transparent institutions able to protect fundamental freedoms and build capacity at all levels.

This thesis embraces such priority. It studies the importance of institutions and specifically claims that understanding under which conditions institutions persist or may be amenable is imperative to effective development policy. The dissertation shows that institutional change is connected to individual behaviour, and an important aspect of this connection runs through peoples’ self-efficacy, i.e. the belief that they can improve their situations through their own actions. Self-views represent the missing link between the institutional change and ultimately development outcomes.

When taking decisions including those concerning institutional change, individuals rely on a set of beliefs that they have regarding themselves and the environment they live in. These beliefs evolve through learning and experience and they affect one’s motivation and perseverance. If an individual is convinced that he has little, if any, ability to improve his
current wellbeing, i.e. he holds low self-efficacy beliefs, then he will have little incentive
to gather information and evaluate the available options to ameliorate his condition.
Additionally, the agent will have no reason to actively revise his self-view. As a result,
his belief about his inability to bring about positive change in his life crystallises and
self-perpetuates. This concretely implies that the agent will not explore the available
opportunities as he is convinced that his action will not make a difference.

Due to low self-efficacy individuals may mindlessly follow the action taken by others,
this in turn may lower the likelihood of exploring new and possibly valuable avenues
for institutional change. Additionally, an unequal distribution of self-efficacy might lock
societies in to sub-optimal institutional frameworks and consequently social change fails
to diffuse. Moreover, the vertical transmission of “sticky” mental models might hold up
the quest for high rule of law.

This is particularly important in poor contexts wherein people might to construct their
set of beliefs prioritising some features of the environment rather than others. As a conse-
quence, highly biased self-views might emerge and these might perpetuate poverty. Thus,
given the above described dynamics, in order to meet the targets set by the UN-SDG
16, promote the endogenous creation of effective, strong and inclusive institutions and
ultimately reduce poverty and foster growth, policy makers should acknowledge the im-
portance of beliefs particularly about one’s own capacity to enact change. Accordingly, for
the sake of devising and implementing development policies a richer diagnosis of people’s
self-efficacy should be carried out.

This approach to institutional change has high potential. Its application might enhance
the effectiveness of development policies and interventions. Gaining insights into people’s
self-efficacy is to be considered the initial step prior to the implementation of develop-
ment programmes. A sound diagnosis should then be followed by actions meant to raise
self-efficacy and reduce aspiration failures in ways that then allow individuals to take
advantages of the available opportunities as well as to create new ones. This might in-
crease the effectiveness of interventions which are, for instance, meant to help households
to get credit or insurance, to engage in productive activities, to adopt new technological
artefacts or to increase educational attainment. Improved self-efficacy might ultimately
break the vicious cycle stemming from low aspiration.

The findings presented in this thesis do not apply to poor contexts only. They might
also be relevant to analyse contemporary consumer decision-making in developed societies.
Consider, for instance, the case in which individuals choose amongst mobile phone tariffs
or pension savings schemes. In each of these cases, there exist many potential options.
Some of these alternatives might not be easy to discover or even understand. This is
due to the fact that at times their costs and benefits are uncertain and hard to compare.
In these situations, consumers might be led to believe that, given the complexity of the decisional environment, they have no ability to make the right choice and fulfil their needs. As a consequence individuals’ sense of efficacy reduces and likelihood of simply imitating the choices made by others or of sticking to previously made decisions increases. This can result in significant economic detriment to consumers.

Additionally, the concepts and results presented in the thesis relate to voting behaviour. In political science, political efficacy identifies citizens’ faith and trust in their governments and their belief that they can understand and influence political affairs. A low sense of political efficacy entails that citizens do not believe that they can affect the actions taken by their leaders. Conversely, high political efficacy implies that citizens feel they can express their opinions and effectively shape the government course of action and possibly its re-election. The results presented in this thesis, and especially those concerned with the relation between self-efficacy and imitation as well as those related to the fact that an unequal distribution of self-efficacy might lock society into sub-optimal equilibria, could be used to explain elections’ outcomes. According to these findings, low political efficacy might trigger imitation, possibly scarce deviance from the majority voting and low political turnover. Additionally, when the majority of the population has low political self-efficacy, citizens might reduce their political participation and as a consequence few vocal individuals or groups endowed with higher political efficacy might be unable to take the lead towards a shift of political preferences.

Beyond the above mentioned societal relevance, in terms of innovativeness the thesis provides a novel perspective into the academic debate on institutions. As discussed in the introduction to the book, despite a 60-years long academic debate, scarce attention had been devoted to self-views as possible impediments to change. This thesis tried to fill the gap. Concretely, this was achieved combining insights from psychology and economics. By now, the relation between economics and psychology is quite strong as testified by the work of Kahneman and Thaler who were both awarded a Nobel Prize in 2002 and 2017 respectively. However, a lot remains to be done to fully uncover the implications of individual beliefs and self-views for economic decision-making. This thesis moves in this direction. It in fact shows that the fruitful integration of solid psychology findings with robust economic models not only leads to a more comprehensive understanding of economic phenomena such as institutional change or lack thereof, but also provides scope for exploring exciting new research questions at the intersection of both disciplines.

Finally, the dissemination of the outcome of this research project is ongoing. The results have been presented to international audiences in seminars and conferences. The three main chapters of this thesis will be submitted to international peer-reviewed journals soon.