Chapter 1
The Importance of Mental Capacities for Self-reliance

1.1 A Realistic Perspective on Self-reliance

A focus on self-reliance …
For many people, it’s an annual ritual. They receive their pension fund’s end-of-year statement, they open it, it lies on their desk or table for a while, and then it disappears unread into their ‘pension’ folder. The changing labour market means that there are growing risks associated with this behaviour. A job for life is increasingly being superseded by flexible contracts and self-employment. People need to take action and make choices long before they start approaching retirement age. Filing away information unread can lead to major financial difficulties in the long term.

In the Netherlands, it is compulsory for employees to participate in a pension scheme. Even so, the Netherlands’ financial supervisory authority has concluded that at their current rate of pension accrual, a third of the public will be unable to meet their projected spending requirements. It is often thought that these are problems that only people with low incomes face. That is not the case. “Awareness is particularly weak among high-income individuals. Almost 70% do not anticipate their pension shortfall”.¹

People must also be on constant high alert in other crucial areas of their lives. Fewer and fewer remain with one employer for years on end. Permanent contracts are giving way to flexible work. Employees and self-employed persons are expected to keep their own employability up to standard and to identify new opportunities and threats themselves. Health care policy has also made freedom of choice and taking responsibility for oneself a priority. People are increasingly expected to take charge of their own care.² Self-reliant patients are well informed, choose their own care providers, and actively take decisions about their own treatment in consultation with medical professionals.
But not everyone is capable of such vigilance. There is a very big difference between what people are supposed to do (expectations) and what they are actually capable of doing (capacities). For example, half of all Dutch people (48%) have difficulty taking charge of their own health, illness and care. They lack the necessary knowledge, motivation and self-confidence. One in three Dutch households does not have enough of a financial buffer to absorb a normal setback, for example a broken washing machine. Approximately 650,000 households have problem debt, while another 735,000 households are at risk of accumulating problem debt.

When problems arise, the difference between expectations and capacities becomes even greater. Problems complicate the situation; on top of that, stress impairs people’s ability to take informed decisions. It is not unusual for them to take ill-advised financial decisions or become generally passive.

We will see that it is not just a small group of ‘vulnerable’ individuals, for example those with a low IQ, who have trouble living up to expectations. Even people with a good education and a favourable position in society can end up feeling overwhelmed, certainly when they are going through a difficult patch. That is not because they are not intelligent or knowledgeable enough, but because demands are being made on all sorts of other mental capacities, such as the capacity to take action, to remain calm, and to stick to their resolutions. We will also see that those capacities are difficult to train.

In this book, we argue that part of the solution lies in rethinking rules and institutions so that they are based less on how people should behave and more on how they actually do behave. Many of the current rules seem to assume, implicitly, that everyone always reads and understands correspondence, responds to reminders, continually educates themselves, organises their pensions in good time, actively chooses between healthcare options and, should something go wrong, knows which channels to go through to correct errors. In reality, however, that is far from being true for everyone.

While it may be true in some cases that people do not do their best and refuse to take responsibility for themselves, in many other cases they struggle because things have simply become too complex for them, in part because government policy itself complicates things. Even people who are obliging and responsible can get into serious trouble if they are momentarily inattentive, put matters off, make a mistake, or succumb to short-term temptations. Smart rules and institutions take this into account. A smart system does not absolve people of their responsibility or take over the wheel, but it does provide a strong enough crumple zone and sufficient crash barriers to prevent fatal errors.

... from a behavioural science perspective
In this book, we look at self-reliance from a behavioural science perspective. The focus is on the mental attributes of individual people. This is certainly not to suggest that self-reliance is only the result of individual traits and choices. Social circumstances obviously play a major role. As we will see in the next chapter, for example, problem debt occurs at all levels of society but is relatively common among low-
income households. After all, they have fewer reserves to draw upon. And in the labour market, the ratio of job openings to unemployed naturally affects people’s chances of finding a job. In short, without prior information, it would be wrong to blame financial and physical hardship entirely on mental traits and capacities.

Having said that, in this book we focus on individual factors. Even in comparable social and economic circumstances, one person will display more self-reliance than the other. The question is: what is the role of mental capacities in that context?

1.2 Knowledge Alone Is Not Sufficient

Marshmallows and self-reliance
What sort of mental capacities are we talking about here? A brief example will help to make this clear. The Marshmallow Test is one of the most famous experiments in developmental psychology. A video made of the experiment has been viewed more than three million times on YouTube. The setting is an office furnished only with a small table and chair. On the table is a plate containing a single marshmallow. A young child is seated on the chair. The researcher says: ‘Here’s the deal: you can either wait—and I’ll give you another one if you wait—or you can eat it now.’ The researcher then leaves the room. The film shows a hilarious compilation of children struggling with temptation. Most of them shift around uncomfortably on their chairs, try to look elsewhere, cover their eyes with their hands, but briefly pick up the marshmallow anyway. They smell it and then put it back. Others lick it briefly or bite off a tiny piece. One little girl eats hers up even before the researcher has left the room.

The Marshmallow Test was designed in around 1970 by Stanford psychologist Walter Mischel. He developed a series of experiments testing children’s ability to delay gratification. The temptation varied—sometimes it was cookies, sometimes pretzels or crackers—but the point was always to see if and in which circumstances children were capable of controlling their behaviour in order to receive a bigger reward later. Of the hundreds of pre-schoolers that took part, about a third were able to wait long enough to receive the second marshmallow. Mischel continued tracking the children for several decades after 1970. The pre-schoolers who were able to
control their behaviour turned out to be better at exercising self-control later in life, and did better at school. Brain scans carried out in middle age also revealed clear differences between those who had exhibited self-control as pre-schoolers and those who had more trouble doing so.

The Marshmallow Test is only one example in a long research tradition. In the decades following the first Marshmallow Test, psychologists conducted a wide variety of studies into what came to be known in the field as ‘non-cognitive mental capacities’. These are mental attributes other than intelligence or the ability to absorb knowledge. They refer to such personality traits as self-control, conscientiousness, self-awareness, capacity for self-reflection, and ability to think ahead. They involve organising emotions (self-control, regulation, self-efficacy), organising one’s own ‘life’ (thinking ahead, planning, adjusting if necessary, maintaining an overview), and organising the environment (calling in help on time).

Chapters 3–5 examine in detail the outcomes of this very extensive and fertile area of research. One of the main findings is that these capacities offer an important key to explaining differences in school performance, health, and success in society. Whether people finish a study programme, remain fit, and have their finances and lives in order is only partly a question of intelligence or knowledge. The ability to exercise self-control, plan and seek timely assistance is just as important. Research also shows that, just like Mischel’s pre-schoolers, these capacities are not equally distributed across the population. It turns out that such capacities also become weaker in stress situations and that they are only trainable to a limited extent.

Self-reliance and mental capacities …
Before we go on, we would like to address the terms that we use in this study. The first is the term self-reliance. By this we mean the total capacity of individuals to achieve their goals and to get along in life (Fig. 1.1).

Fig. 1.1 Sources of individual capital
Mental capacities are not the only sources of self-reliance, of course. Surviving in modern life also requires social skills, a financial buffer, physical abilities and cultural baggage. This study deals specifically with the mental capacities that play a role in self-reliance. We distinguish between two types of mental capacities. Researchers have traditionally looked at people’s cognitive capacity, in particular intelligence, knowledge and such basic skills as reading, writing and maths (i.e. literacy and numeracy). It is clear that differences in people’s cognitive capacities play a major role in their ability to manage their lives. Much has already been said and written about this topic. In recent years, researchers and policymakers have also turned their attention to the limitations of human cognitive capacity and judgement. The behavioural sciences have shown that there are limits to people’s ability to assess information and make rational decisions (see e.g. Daniel Kahneman).

This book takes the next step. It focuses on people’s ‘capacity to act’—something we often refer to in everyday life as ‘personality’ or ‘character’. Here, we refer to such capacities as: taking stock of a situation; identifying goals and making a plan; taking action and carrying out that plan; persevering; and coping with emotions and setbacks. We explain this in greater detail in Chap. 2. Figure 1.2 is an initial attempt to sketch the relationship between the terms that we use here.

![Fig. 1.2 Mental capacities](image)

The distinction between the capacity to think and the capacity to act is not always well-defined; there is a certain amount of overlap. For example, making and executing a plan to achieve a future goal requires not only self-control, but also knowledge. Even so, the distinction is a real one. There are people who are very smart and very knowledgeable but who nevertheless have great difficulty sorting themselves out; conversely, there are people who are not cognitively gifted but who are firmly in control of their lives.
Box 1.1 Terminology: capacity to act as overarching concept
Both the academic literature and popular publications use many different terms to refer to the mental capacities that are the focus of this study, for example grit, self-control, self-regulation, executive functions and executive control. These terms are related and refer to similar mental phenomena. The behavioural sciences use ‘non-cognitive capacities’ as an overarching term, to distinguish them from cognitive capacities. This is, however, a negative label that merely describes what it does not refer to. That is why we have chosen to use the term ‘capacity to act’ as an overarching term for the non-cognitive capacities that are the subject of this study. In Chaps. 3–5 we look in detail at what the behavioural sciences teach us; there, we use the more common term in that discipline, i.e. ‘non-cognitive capacities’.

... are not the same as ‘21st-century skills’
We are not the only ones to argue that other mental capacities are important above and beyond knowledge, intelligence, numeracy and literacy. In the worlds of the labour market and economics, there is currently a lively debate about what are called ‘soft skills’ or ‘21st-century skills’. For example, they feature in the debate about what knowledge and skills children need to learn at school to prepare for the future8, 9, for example the ability to work effectively with IT, creativity and curiosity, critical thinking, and the ability to work with others. The main argument is that such skills are crucial to our country’s revenue potential and to children’s personal development.

This book does not focus on these skills. It is not about what the economy requires from knowledge workers in the 21st century, nor what it takes to develop into a fully realised, whole person. Our question is more basic: what capacities do people need to hold their own in a society in which they are expected to display considerable self-reliance? This question brings other and more general abilities into focus than the aforementioned skills. They include being able to look ahead, coping with delayed gratification and setbacks, optimism and self-control. Such self-organising capacities are important in every aspect of life, and not only with regard to employment in the knowledge-based economy.

We also deliberately refer to capacities and not skills or competences. As Chaps. 3–5 reveal, disposition and social environment are the main factors determining whether or not a person possesses these capacities. It is unclear whether they can be learned or improved through education or training.
1.3 The Growing Importance of Mental Capacities

**Mental capacities and meritocracy**
Success depends on having access to various resources, such as physical strength, a social network and financial means. The importance of such resources is variable, however. A hundred years ago, physical strength was a more valuable asset in the labour market than it is today. The same was true of one’s background: someone from the upper classes could compensate for a lack of talent by having good connections and financial assets.

Mental capacities have become more important in the past century. Nowadays, anyone who does not have the right education and the necessary mindset will not get far in the labour market. Personal merit has become more important than background in many areas. British sociologist Michael Young\(^ {10} \) wrote a satirical essay in which he coined the term ‘meritocracy’ to refer to this phenomenon. His definition boiled down to a simple equation: ‘I.Q. + effort = MERIT’. Merit is the sum of intelligence and perseverance. Today, we would say: the sum of the capacity to think and the capacity to act.

Other sociologists point to trends that undermine people’s mental capacities. For example, Zygmunt Bauman\(^ {11} \) refers in somewhat apodictic terms to ‘liquid times’ in which thinking, planning and acting deteriorate over the long term. Collective institutions are ‘liquid’, i.e. subject to permanent change and without fixed, solidified patterns. We must therefore learn to ‘walk on quicksand’. People need to be flexible and adapt constantly to rapid change. Bauman talks about “…a splicing of individual lives into a series of short-term projects and episodes which are in principle infinite… Each next step needs to be a response to a different set of opportunities and a different distribution of odds, and so it calls for a different set of skills and a different arrangement of assets”.\(^ {11} \) This life of uncertainty is not a temporary stage, but an inevitability. And the expectation is that people will have even more to worry about in the coming decades.\(^ {12} \) That is why it is important for them to have the skills to cope with uncertainty. German sociologist Hartmut Rosa\(^ {13} \) refers to ‘social acceleration’, or ‘the shrinking of the present’, making reliable expectations of the future increasingly problematic and fluid. This means that it is also becoming increasingly difficult to set goals for the future and to work towards them in a purposeful and disciplined manner. Self-reliance is thus becoming increasingly important but more difficult at the same time.

**Increased choice overload and temptation**
In an earlier publication, the WRR pointed out that people have had more choice and have been exposed to more temptations in recent decades.\(^ {14} \) Liberalisation and privatisation have increased the variety of products and services on offer in finance, health care, insurance, pensions, energy supply and telecommunications. Every person is expected to make informed choices out of a wide range of complex products and services. For example, the ‘active’ patient, who accesses and uses information
to choose a healthcare practitioner or institution, is a necessary part of the healthcare quality assurance system introduced by the Dutch government.\textsuperscript{15} The same applies to critical energy consumers, who are necessary to keep energy prices as low as possible.

These choices must be made in circumstances that are challenging for many people. In his book \textit{The World Beyond Your Head}\textsuperscript{16}, Matthew Crawford points out the countless distractions—‘the whole world looks like Times Square’—that make it increasingly difficult to concentrate and be a coherent ‘self’. The numerous temptations, available 24 hours a day online, increase choice overload. The importance of a healthy diet and sufficient exercise is well known, for example, but our environment offers us an abundance of unhealthy food and makes it easy to avoid exercise. New train stations are a case in point: escalators and lifts and a wide range of fast food outlets feature prominently. Our genes have not yet adapted to this environment full of ‘obesinudges’.\textsuperscript{17} All these treats and amenities play on reflexes that we acquired by natural selection and that helped humanity survive in the distant past, but now make us unhealthy.

Many businesses use subtle techniques to influence customer choice behaviour. For example, Google takes 57 different ‘indicators’ from user profiles into account, and smartphone apps provide companies with detailed insights into our daily behaviour.\textsuperscript{18} The result is a service that anticipates our wishes (‘if you liked this series, you may also like …’), but also our weaknesses (not only the candy display at the checkout, but also push notifications if your favourite brand of chocolate or that new phone that you viewed in the web shop has been marked down in price).

\textbf{Stringent labour market requirements}

A more flexible labour market and the scaling back of employee and pension schemes are making greater demands on people’s mental capacities. Self-organisation is a core competence for the rapidly growing number of freelancers, almost by definition. As self-employed persons, they are responsible for their own safety nets in the event of illness, incapacity or hard times. They also have to save up for their old age. The life of a freelance worker requires many of the characteristics central to our story: thinking ahead, planning, making adjustments if necessary, and maintaining an overview.

The need to self-organise increasingly pertains to employees too, however. In the Netherlands, one in five working people has a flexible job\textsuperscript{19} and the size of the severance pay package has declined steadily. Employees are expected to operate like entrepreneurs: maintain their networks, keep their expertise up to date, engage in continuing professional development and transition quickly to another field when work in their sector dries up or their position is eliminated. The plans afoot for a more flexible and varied pension system will also require much more planning and self-control of employees in the future.

Nowadays, employers looking to recruit new employees want more than just a certain level of education, relevant knowledge and specific skills. They are also looking for candidates who have certain character traits, such as resilience, perseverance, discipline, a sense of social norms and motivation. Various studies show that these
characteristics are indeed important for a successful career.\textsuperscript{20, 21} Not only does work require individuals to possess a large number of mental capacities but it also causes mental suffering in many people. In 2014, more than 14\% of Dutch employees were suffering symptoms of burnout. “At least a few times a month, for example, they felt empty at the end of a working day, emotionally exhausted by work or tired when they got up in the morning to face another working day”.\textsuperscript{22} One factor here is that mental capacities do not function as well when they are under pressure due to stress.\textsuperscript{23} The labour market therefore requires a whole range of mental capacities, e.g. being resistant to stress and being able to contain impulses, work with others and properly organise personal strengths.\textsuperscript{23}

\textit{Responsibilities shifting between government and citizens}

The Netherlands Institute for Social Research (SCP) has shown that, since 1990, people in the Netherlands have been called upon to take more responsibility for many different aspects of their lives, such as healthcare, work and income, housing and social integration.\textsuperscript{24} The government is asking the public to display much more self-reliance. This is an important factor in what has come to be known as the ‘participation society’. The term was first introduced in the King’s annual speech to Parliament in 2013:

\begin{quote}
It is an undeniable reality that in today’s network and information society people are both more assertive and more independent than in the past. This, combined with the need to reduce the budget deficit, means that the classical welfare state is slowly but surely evolving into a participation society. Everyone who is able will be asked to take responsibility for their own lives and immediate surroundings. When people shape their own futures, they add value not only to their own lives but to society as a whole.\textsuperscript{25}
\end{quote}

The quote reveals the main drivers behind the pursuit of greater participation. First of all, the Dutch government considers it a matter of principle that people should be able to take care of themselves and their families as much as possible. The government also maintains that the welfare state is expensive and that many services will no longer be tenable if nothing changes. That is another reason why it wants the public to refrain as much as possible from claiming government support. For example, it asks people to take an active interest in their own health, employability and old age provision. In short, the government is making greater demands on people in the participation society. Those demands place a heavy burden on their mental capacities. It is a shift in responsibilities between government and the public that is not unique for the Netherlands.\textsuperscript{26}

\section*{1.4 Structure of This Book}

The starting point for this book is the quest for self-reliant individuals. We concentrate on the mental side of self-reliance and place particular emphasis on the capacity to act. That is not because the capacity to think is not important. Adequate reading,
writing and maths skills are critical to self-reliance. Until now, however, there has been even less emphasis on the capacity to act. In short, our questions are:

- What role does the capacity to act play in an individual’s self-reliance?
- What are the implications of the above for public policy?

Chapter 2 first looks at the extent to which the capacity to act plays a role in three important areas of daily life: health, finances and work. We do so based on discussions with experts and on earlier research. Chapter 3 then surveys what research conducted in the behavioural sciences over the past few decades has revealed about the capacity to act. Chapter 4 looks at the impact of external circumstances, such as stress, on that capacity. In Chap. 5, we explore the extent to which it is possible and desirable to train the capacity to act.

Research in the behavioural sciences reveals that under certain circumstances, many people have trouble being mentally self-reliant. First of all, capacities vary widely; people start out with different amounts of capital. Some are naturally better able to manage than others. Second, mental capacities are affected by stressful conditions, for example by life events that can happen to anyone, such as the loss of a job, a divorce, or the birth of a child.

In this book, we therefore recommend that governments adopt a more differentiated view of the public. It is better to assume that different people have very different mental capacities than to think that the vast majority of people are self-reliant and only a small group of people are vulnerable. It would be unwise to take the first group—whether or not explicitly—as the benchmark for policy and consider the latter an exception needing supplementary policy. Doing so ignores the fact that there are many people who manage well under ‘normal’ circumstances but who may not have the mental capacities that many government policies require when they come up against obstacles. In the final chapter we discuss what a differentiated policy of this kind might entail.

Endnotes

1. AFM. (2015, October).
2. van der Heide, I. (2015).
3. Rademakers (2014).
4. Panteia. (2014).
5. We refer in this book to ‘problem debt’ and not simply to ‘debt’ because debt is not necessarily bad or wrong. Many people face major expenses in the first half of their lives—for example, their education or the purchase of a car or house—that they pay for by borrowing against their future earnings. There is also no good reason not to borrow money to cover expenses that are not strictly necessary but that add to the quality of life, such as certain hobbies or nice home furnishings. As long as people can make their payments, there is nothing
In the literature, the term ‘problem debt’ is often operationalised as arrears that a person cannot reasonably pay within three years, given their debt repayment capacity (Tiemeijer 2016).

6. We are following the suggestion of the Netherlands Institute for Social Research (SCP) (Vrooman et al. 2014), i.e. to divide individual capital into four categories: financial, social, cultural and personal. The SCP regards mental capital as a component of personal capital.

7. This also led national governments to establish special behavioural science units, such as the United Kingdom’s Behavioural Insights Team and the Australian government’s Behavioural Economics Team.

8. OECD. (2011).
9. OECD. (2012).
10. Young, M. (1958/1994).
11. Bauman, Z. (2007, see also p. 3).
12. van den Broek, A., van Campen, C., de Haan, J., Roeters, A., Turkenburg, M., & Vermeij, L. (Eds.) (2016).
13. Rosa, Hartmut. (2013).
14. WRR. (2015).
15. Victoor, A., Friele, R. D., Delnoij, D., & Rademakers, J. (2012).
16. Crawford, M. (2015).
17. Westendorp, R., & van Bodegom, D. (2015).
18. Kaptein, M. (2015).
19. Kremer, M., Went, R., & Knottnerus, A. (Eds.) (2017).
20. Heckman, J. (2013).
21. van den Berge, W., Daas, R., Dijkstra, A. B., Ooms, T., & ter Weel, B. (2014).
22. CBS and TNO. (2015a).
23. Weehuizen, R. (2006).
24. Veldheer, V., Jonker, J. J., van Noije, L., & Vrooman, C. (Eds.) (2012).
25. Speech from the Throne (Troonrede) (2013).
26. Hacker, J. S. (2006).