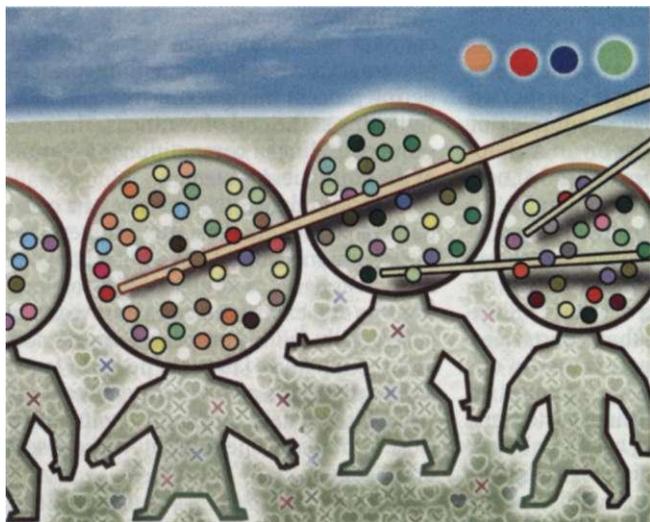


Free exchange Nudge nudge, think think

The use of behavioural economics in public policy shows promise



“FREAKONOMICS” was the book that made the public believe the dismal science has something interesting to say about how people act in the real world. But *“Nudge”* was the one that got policy wonks excited. The book, first published in 2008, is about the potential for behavioural economics to improve the effectiveness of government. Behavioural economists have found that all sorts of psychological or neurological biases cause people to make choices that seem contrary to their best interests. The idea of nudging is based on research that shows it is possible to steer people towards better decisions by presenting choices in different ways.

That theory is now being put to the test. One of the book's co-authors, Cass Sunstein, has been recruited by Barack Obama to the White House. Richard Thaler, the other co-author, has been advising policymakers in several countries including Denmark, France and, above all, Britain, where David Cameron has established a Behavioural Insights Team, nicknamed the Nudge Unit.

The Nudge Unit has been running dozens of experiments and the early results have been promising*. In one trial, a letter sent to non-payers of vehicle taxes was changed to use plainer English, along the line of "pay your tax or lose your car". In some cases the letter was further personalised by including a photo of the car in question. The rewritten letter alone doubled the number of people paying the tax; the rewrite with the photo tripled it.

Changes to language have had marked effects elsewhere, too. A study into the teaching of technical drawing in French schools found that if the subject was called "geometry" boys did better, but if it was called "drawing" girls did equally well or better. Teachers are now being trained to use the appropriate term.

Another set of trials in Britain focused on energy efficiency. Research into why people did not take up financial incentives to reduce energy consumption by insulating their homes found one possibility was the hassle of clearing out the attic. A nudge was designed whereby insulation firms would offer to clear the loft, dispose of unwanted items and return the rest after insulating it. This example of what behavioural economists call "goal substitution"-replacing lower energy use with cleaning out the attic led to a threefold increase in take-up of an insulation grant.

All this experimentation is yielding insights into which

nudges give the biggest shove. One question is whether nudges can be designed to harness existing social norms. In Copenhagen Pelle Guldberg Hansen, founder of the Danish Nudging Network, a non-profit organisation, tested two potential "social nudges" in partnership with the local government, both using symbols to try to influence choices. In one trial, green arrows pointing to stairs were put next to railway-station escalators, in the hope of encouraging people to take the healthier option. This had almost no effect. The other experiment had a series of green footprints leading to rubbish bins. These signs reduced littering by 46% during a controlled experiment in which wrapped sweets were handed out. "There are no social norms about taking the stairs but there are about littering," says Mr Hansen.

Differences in culture can have a big impact, too. "Nudge" described an example in America, where telling high users of energy how their consumption compared with that of their neighbours prompted them to use less. This approach is now being tested in Britain. But hopes are low that it will work in France. "The French have a tendency not to comply as easily with perceived social norms the way Anglo-Saxons would," says Olivier Oullier, a behavioural and brain scientist who advises the French government. "Telling someone in France that their neighbour is using less electricity or saving more water is not sufficient."

Bigger tests of nudge theory are in the works. Organ donation is one area. In Denmark nudgers reckon that requiring members of the public to make a decision on whether to donate-when applying for a driving licence, say-will forcibly overcome an inclination to procrastinate over unpleasant choices. That, they hope, would lead to many more people becoming organ donors. A bill to require this is now before the Danish parliament.

Checking the box

Others focus on the role that inertia plays in decision-making, and the tendency that people have to pick the default option in a range of choices. In October new British legislation will change the default option for corporate pension plans, so that employees are automatically enrolled unless they actively choose to opt out. The hope is that this will significantly increase retirement saving. Mr Obama has proposed something similar for America's 401(k) retirement schemes, although this idea has gained little traction.

It remains to be seen how the most promising trials of nudge theory can be scaled up. Critics of big government remain suspicious of nudging: Mr Sunstein used a recent essay in the *University of Chicago Law Review* to endorse its less inflammatory virtues of reducing the regulatory burden and increasing government transparency. And not every policy works as planned: Mr Oullier wants the European Union to test the anti-smoking warnings it puts on cigarette packets, for instance, after research found that those who say they are most shocked by the more graphic images were also those who most craved a smoke after seeing them. But the initial signs are promising. If nothing else, the nudge revolution encourages the use by government of plain language; favours the design of policies that actually take account of real-world behaviour; and allows the testing of ideas on a small scale before wider implementation. It deserves to be pushed.

* Details of many of the experiments cited in this article can be found at economist.com/nudge12