8 November 2016, Journées de l'Economie

Nudges: a tool of public policy?

Paul Seabright

Toulouse School of Economics & Institute for Advanced Study in Toulouse

When are nudges mainly proposed?

- **Original idea (Thaler & Sunstein):**

  - Offer "nudges most likely to help and least likely to harm"

  - In practice: for decisions that are

    - Difficult
    - Rare
    - Lacking prompt feedback
    - Create difficulty in translating aspects of situation into understandable terms

Examples from Thaler and Sunstein

- Give more tomorrow; charity debit card

- Stickk.com; stop-smoking programs; Destiny Health Plan; Disulfiram

- Automatic tax return

- Motorcycle helmets; dollar-a-day teenage pregnancy plan; gambling self-bans

- Civility check! Air conditioner filter warnings

Things to note about these examples

- They're all pretty soft..

- They veer from self-help advice (eg on dealing with addiction) to cool entrepreneurial ideas to marketing/ergonomics tips for existing products to actual public policy proposals

- It's not always really clear who they're addressed to….

Several things are changing this...

- The ageing population and the growing incidence of Alzheimers and other dementias

- The obesity epidemic

- Big Data and the ability of insurers and service providers to classify us into behavioral types

- The Internet of Things and the connected home

- The irresistible temptation of policymakers to disapprove of the way other people behave

- The behavioral limitations of politicians and the allure of gesture politics

The connected home…
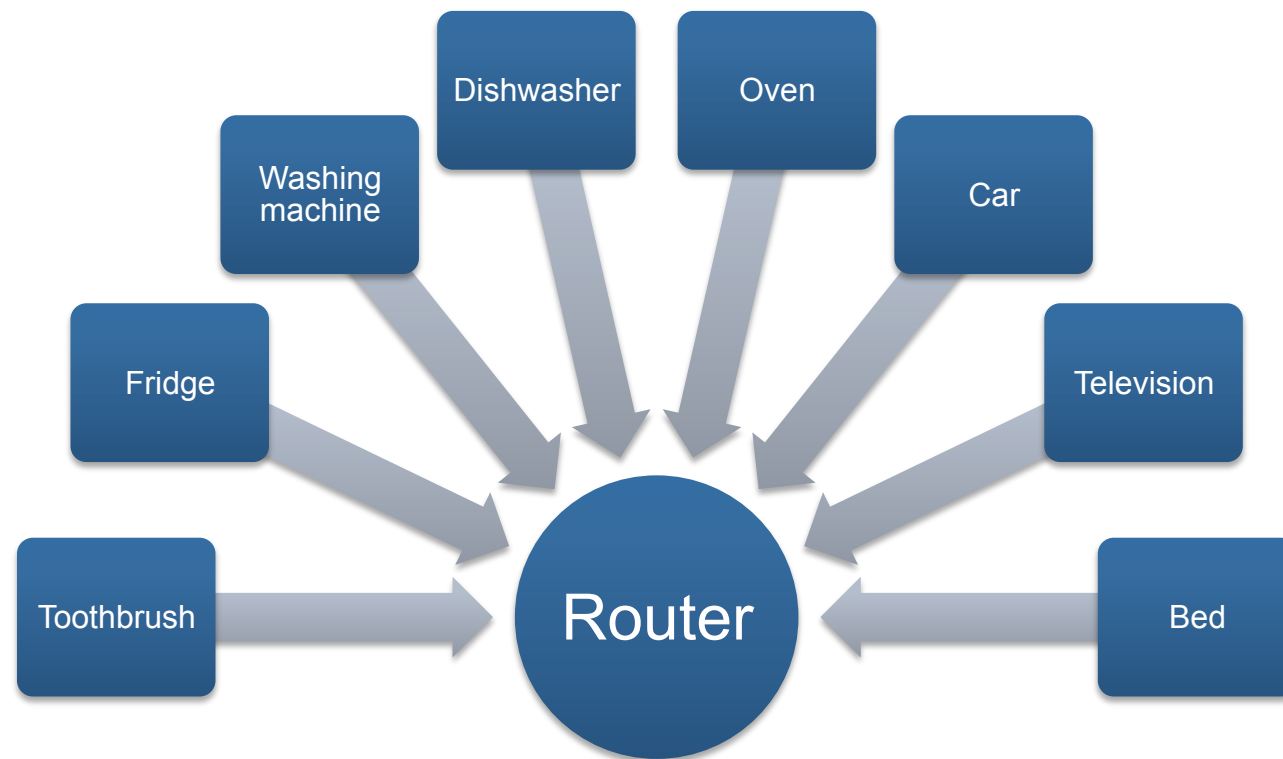
The connected home…

- Barely have you closed the fridge door than a message to your smartphone reminds you to brush your teeth

- It may also propose the number of extra minutes on the treadmill required to offset the dessert you just ate

- For the elderly it offers the chance to build "typical behavior profiles" designed to alert someone if you start behaving strangely

- For people with dementia this may make for a less intrusive surveillance regime than would otherwise be required

- But a spontaneous lie-in on a Saturday morning might result in someone breaking down the door…..

On disapproving of how other people behave (from a paper on public goods games with punishment, published in *Science* in 2004)
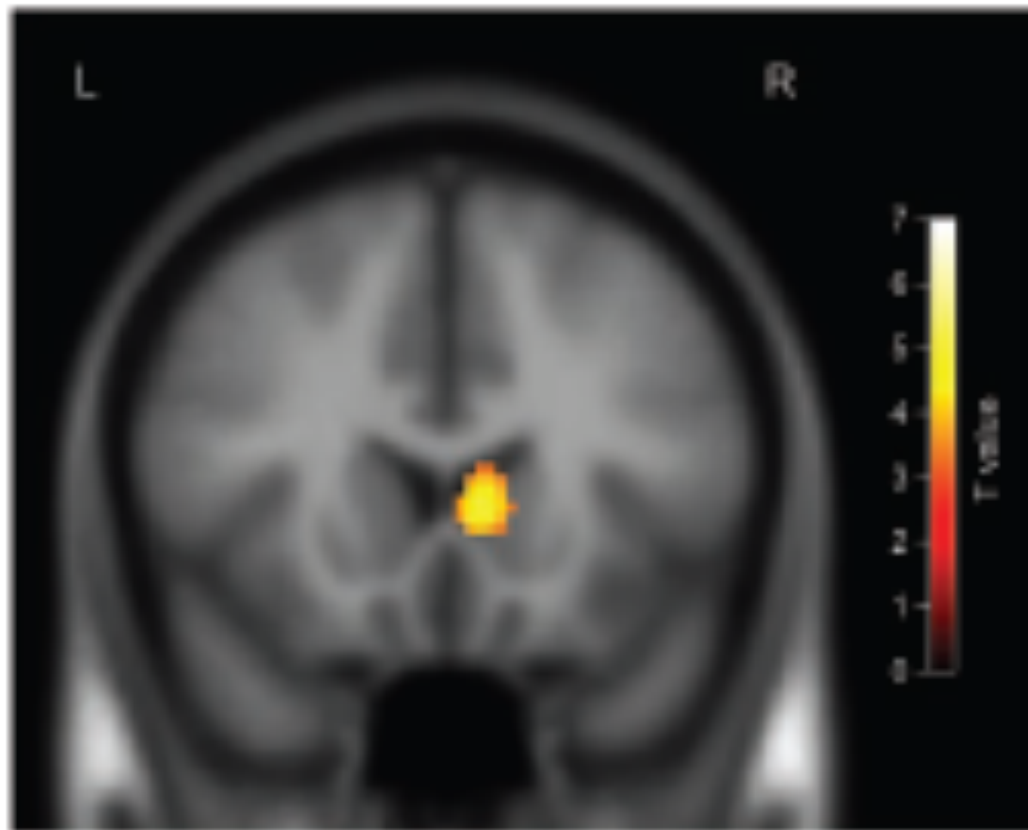
The neural basis of altruistic punishment
(Source: de Quervain et.al., *Science*, August 27 2004)

Activation in the caudate nucleus when subjects feel a strong desire to punish others for unfair behavior (compared to control when no such unfair behavior has taken place):

Activation in the prefrontal cortex when subjects know that punishing others will be personally costly to them (compared to control when desire to punish is present but punishment is not costly):
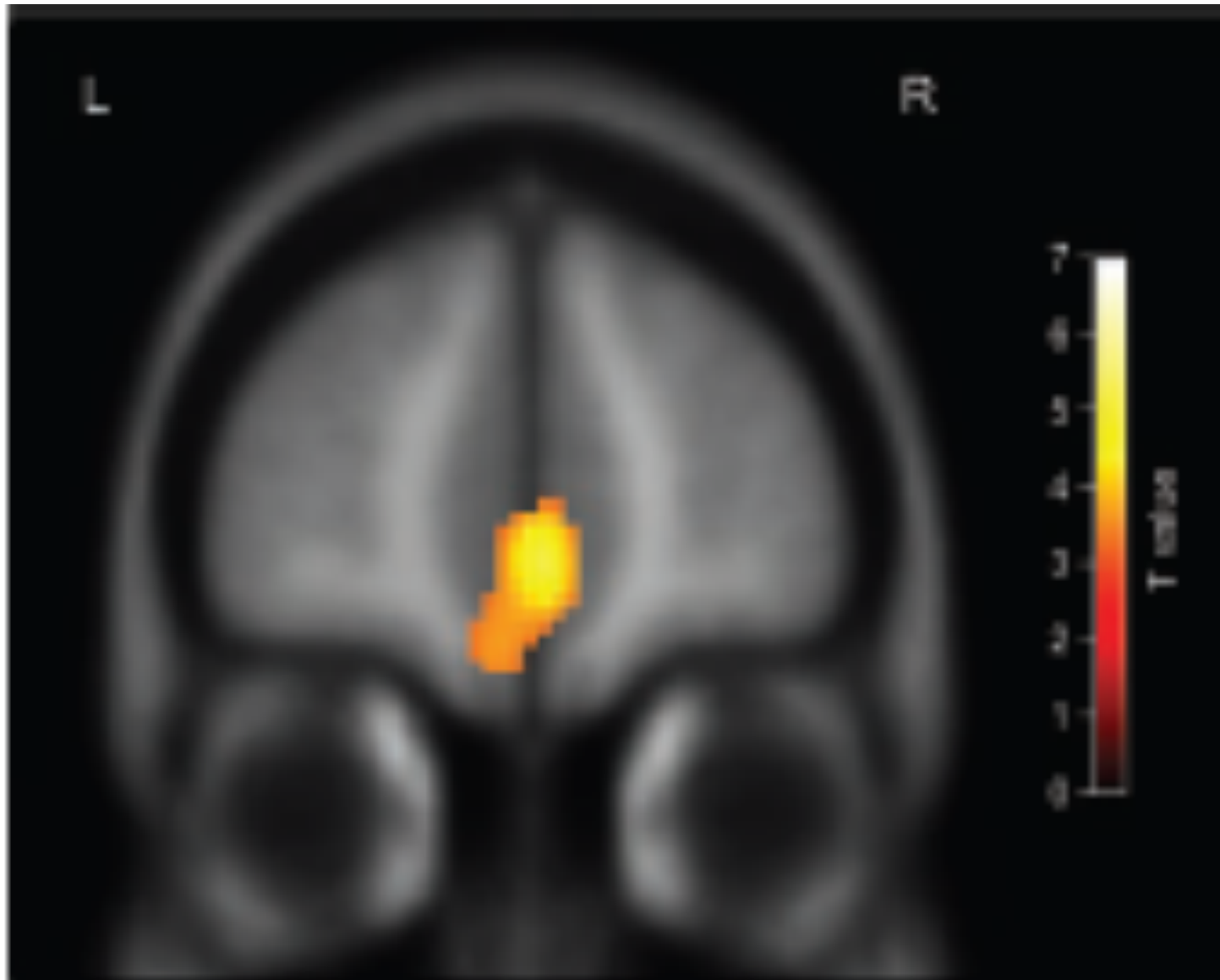
Righteous indignation is a highly addictive recreational drug..

And the allure of gesture politics can be irresistible..

New York Plans to Ban Sale of Big Sizes of Sugary Drinks

By MICHAEL M. GRYNBAUM   MAY 30, 2012

Mayor Michael R. Bloomberg on Wednesday with Linda I. Gibbs, deputy mayor for health, as he discussed a plan to ban large sugary beverages. Next to each soda is the amount of sugar in it.

Chang W. Lee/The New York Times

RELATED COVERAGE

What Else Should the Mayor Ban?

Sweet Limits

RECENT COMMENTS

Dunvegan June 1, 2012
Maybe Mr. Bloomberg can model this law aft
the sale and possession of marijuana. Ever si
were passed,...

icestorm6b June 1, 2012

How should we think about public policy in the light of these changes?

- Distinguish nudges as self-help or marketing tools from policy nudges

- Distinguish externality justifications from those based on

  - Fiduciary duty (to children or the very elderly)

  - Consumer irrationality/myopia/inertia

- Don't confuse routine regulatory decisions with reflective collective decisions

- Remember not all "default" options are nudges - some are public goods (fluoridation?) and need more thorough justification

An example: driving tests for the elderly

- The elderly pose a major risk when driving not only to themselves but to others (it's not just alcohol and testosterone that kill..)

- In principle that looks like a straightforward externalities-based case for limiting driving rights for the elderly

- Problem – people's abilities do not decline at the same rate, and the elderly badly need to stay mobile if they can

- A system based on "opt-out" puts an impossible burden on the elderly and their family and friends

- An opt-in system after (say) 70 years would save many lives and much face