



IS A

{ DOES ACCOUNTING FOR HUMAN BEHAVIOUR LEAD TO BETTER POLICY? }

NUDGE

British political culture is wary of intellectualism — not for nothing is “muddle through” a British aphorism — and its governments are usually wary of big ideas. Yet Prime Minister David Cameron has placed intellectuals at the policy heart of 10 Downing Street, allowing a group of social scientists to apply behavioural insights to the design of public policy. The UK’s Behavioural Insights Team, or “nudge unit,” is just one example of the inroads behavioural sciences are making in governments everywhere. In the following pages, we ask how they are doing. ➡

Tout intellectualisme est objet de méfiance dans la culture politique britannique, et ses gouvernements se montrent généralement prudents face aux grandes idées. Le premier ministre David Cameron a pourtant placé au cœur de son dispositif politique un groupe de spécialistes des sciences sociales chargés d’appliquer les principes de l’économie comportementale à l’élaboration des politiques publiques. Cette équipe (souvent appelée « *nudge unit* ») n’est qu’un exemple de l’incursion des sciences comportementales dans l’action des gouvernements de nombreux pays. Nous examinons dans les pages suivantes quelle est leur efficacité.

ENOUGH?



MAKING POLICY THROUGH A BEHAVIOURAL LENS

DILIP SOMAN

Nudging in action has given us more insight into the way people make decisions. The key now is to use that knowledge to design more realistic policies.

La théorie du *nudge*, la « méthode d'incitation douce », nous renseigne sur la façon dont les gens prennent des décisions. Un savoir qui doit maintenant servir à élaborer des politiques plus réalistes.



NUDGE

Five years ago, Richard Thaler and Cass Sunstein published *Nudge: Improving Decisions about Health, Wealth and Happiness*, a book that asked us to fundamentally change the way we think about how policy is made. *Nudge* challenged the prevailing approaches to policy-making and governance that were grounded in the appealing idea that human beings are rational decision-makers, cognitively sophisticated enough to process all relevant information and unswayed by emotion. It presented several years' worth of research to demonstrate that, by contrast, our decision-making is surprisingly malleable and therefore dramatically influenced by context. And if that is the case, Thaler and Sunstein asked, is it not possible to create the context that steers people toward the right choice (or at least the one we believe brings about the greatest common good)?

The authors believed it was, and they used the term "choice architecture" to refer to the act of creating en-

vironments that would nudge citizens toward preferred choices. The book went on to be a *New York Times* best-seller and was cited as the book of the year by the *Economist* and the *Financial Times*. But it was also the target of debate and controversy. Naysayers ranged from those who took issue with the structure of the book ("What the book needs is not more examples but more elaboration of the central idea" — the *Sunday Times*) to those with concerns about the thesis itself ("If the 'nudgee' can't be depended on to recognize his own best interests, why stop at a nudge?" — the *New Yorker*). So while the nudge theory caught the imagination of policy thinkers, its applicability to the real world was questioned from the start.

Since then, we have seen some governments begin to embrace this behavioural approach to policy. In Britain, the cabinet office has set up the Behavioural Insights Team, which is charged with identifying traits that can be embedded into policy and governance initiatives. Various divisions and agencies of governments in the United States and Singapore have developed behaviourally informed policies and programs (a follow-up book by Sunstein, entitled *Simpler: The Future of Government*, provides an account of some of the work done in the United States in this regard).

The list of behaviourally driven initiatives is growing. In the US, Save More Tomorrow, a behaviourally designed retirement savings program, has been shown to outperform other savings programs. Enhanced Active Choice prompts people to make choices like renewing medication, which

they otherwise would have ignored. And in Canada, Quick Enrollment makes enrolment in retirement plans easy. Furthermore, partnerships between academic centres and industry have resulted in the creation of consulting groups like ideas42, whose tagline "Using behavioural economics to do good" sums up its work well.

In short, five years after it came to prominence as theory, nudge is gaining a toehold in making real policy changes.

In *Nudge*, Thaler and Sunstein contrasted their nudging approach to two instruments that have often been used by policy-makers: economic incentives, such as rewards and taxes, and restrictions, such as bans on behaviour. Consider, for example, two school cafeterias that want to help students consume less junk food. One cafeteria places a "tax" on junk foods or bans the sale of junk foods altogether. The other cafeteria decides to change its food display so that it is inconvenient to reach out and choose the junk food.

Both cafeterias are trying to influence behaviour, but they are using two entirely different methods. The first cafeteria is influencing behaviour either by financially incentivizing students to choose healthier options or by restricting their options and thus their freedom of choice. The second cafeteria does neither, but uses a nudging strategy. Elements of this approach are evident in New York City Mayor Michael Bloomberg's attempt this year (now held up in the courts) to get New Yorkers to consume less sugary soda. Bloomberg sought not to ban the drinks but rather to influence consumption habits by limiting the size of drinks to 16 ounces.

Policy-makers and welfare architects often have to deal with subsets of choices: the "should" versus "want" choices. People should work hard, be honest in paying taxes and eat healthy foods — but they often want to do the opposite. But if the right context can be constructed, the proponents of nudging argue, discrepancies between the should and want options can be dimin-

ished by using a gentle form of policy intervention.

One example is organ donation rates. Many people support the idea of organ donations but fail to follow through on their intentions. In many countries, potential donors need to sign up at the department of vehicles and licensing, and the burden of asking for the forms that will indicate that choice rests with the potential donors. In a "prompted choice" system, however, applicants for licences are actively asked whether they would like to donate organs. In Illinois, this simple nudge has increased organ donation rates from 38 percent to 60 percent.

Examples like this show how changes in the environment or context can influence behaviour without requiring significant changes to financial incentives or restricting freedom of choice. Indeed, recent research by Raj Chetty and colleagues in the domain of retirement savings compares a nudging strategy (automatic contributions) with a more active incentive (tax subsidies) and concludes that the former is significantly more effective than the latter.

Decades of research in the behavioural sciences has shown that people make decisions — even consequential ones — that are emotional, distracted, impulsive and inconsistent. We now know that humans suffer from option overload — an inability to make well-reasoned decisions in the presence of large assortments — and that their attention is a relatively scarce (and getting even more scarce) resource.

In the domain of economic behaviour, there is further bad news for the proponents of rational man. Research in the area of mental accounting shows that the standard principle of fungibility — the assumption that any dollar is perfectly substitutable for any other dollar — is routinely violated, and that people have trouble making choices where the consequences are spread out over time. Furthermore, a host of social, noneconomic factors have a large ef-

Research shows that people make decisions that are emotional, distracted, impulsive and inconsistent.

fect on our economic behaviour. An overwhelming, growing and fairly conclusive body of evidence suggests it is past time to move away from a rational view of the decision-maker.

In response, the fledgling field of "judgment and decision-making," or behavioural economics, provides a richer, more descriptive narrative for how decisions are made. Doing away with the focus on rationality produces models of economic behaviour that are more realistic. The models are also relatively inelegant.

Consider this simple question: "How much should a given person save for retirement?" Traditional economics has an elegant mathematical equation to capture the response. The behavioural approach, by comparison, is intuitively more appealing, yet more complex. It can take several pages of prose to describe, instead of a simple formula. And whereas the behavioural

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PROCRASTINATION

approach to policy can lead to a number of guiding principles, a “grand unified theory” of decision-making has yet to be uncovered.

One key principle in behavioural economics is the idea that people are not very adept at valuing objects, products, services or ideas. Instead, the context of the decision leads them to infer their own preferences. For instance, Mr. A might have little insight into which fuel — 87, 89 or 91 octane — he should purchase for his car but might end up choosing the 89 because it is not an extreme option. Ms. B is not quite sure what RAM and screen size are best suited to her needs as she is shopping for a laptop online, so she simply chooses the default option when asked to make a choice. And Mr. C is confused poring over the multitude of options on the menu of his local Chinese takeout restaurant and is relieved to find (and choose) the “featured item” recommendation.

In each of these cases, the context — the manner in which choices have

been presented and information has been structured — has influenced the choice that was made.

Given that government budgets are shrinking and public opposition to taxes and bans is growing, nudging offers a good way to accomplish social good without the associated inefficiencies of traditional policy instruments. But while the deluge of recent evidence in favour of nudging has assuaged some of the criticisms, some concerns still make the rounds.

The first of these concerns is that nudging is manipulative: the citizen is being tricked by the technocrat into choosing a certain path. Yet one of the most fundamental goals of human enterprise is to influence and persuade others to follow a path — we are always being nudged. If nudging is manipulative, then so too are many interactions that we routinely accept as fair, from advertising to parenting and teaching, from selling

to the cornerstone activity of democracy: asking for a vote.

Some of these practices are perhaps even viciously manipulative. On the other hand, a behavioural approach to policy is conducted with the goal of being beneficial to the decision-maker. Furthermore, the instruments of nudging are harmless. Every choice always has a default option, and there is always a conventional, transparent approach to presenting information. If one can meaningfully use these defaults to increase the public welfare, that can only be beneficial rather than manipulative.

A second criticism is that we should be using education and not nudging to achieve our policy goals, reflected in the idea that education is empowering, nudging is demeaning. This argument would have merit if the proponents of nudging wanted to convert all policy and welfare interventions into nudges. They do not. Nudging is most effective in initiating actions, such as getting someone to open a bank account or

visit a doctor, whereas education is paramount in nurturing activities, like managing a portfolio or leading a healthy lifestyle. The educating versus nudging debate is a false choice. The appropriate question is how to use these two approaches in tandem.

What can be done, then, to spread the word of behavioural insights and embed them more often in our policy choices? One of the key differences between the traditional and the behavioural approaches to economics is the nature of the science. The traditional approach is theoretical: it makes certain assumptions about the decision-makers and proceeds to make specific predictions about their choices. The behavioural approach is empirical. It essentially points to the data as the primary source of insights. It is imperative to build a widely shared, open-source database that measures the outcomes of various behavioural interventions

and guides policy-makers on the suitability of nudges.

We now have some experience with nudges in action and its implications. We know, for example, that people are paralyzed when faced with too much information. The behavioural approach leads us to advocate for providing people with relevant and meaningful — but not copious — information, in conjunction with decision-making tools that organize information in meaningful ways. These “choice engines” could take the form of online Web-based tools or mobile smart-phone apps, what Richard Thaler and Will Tucker recently referred to as “smart disclosure.”

We have also learned that given the gap between people’s intentions and their actions, it is vital to get them to precommit to their choices, and to develop commitment mechanisms to help them follow through on these choices. Examples of commitment mechanisms are contracts that could

include penalties on withdrawing from participation in a plan, or rewards for following through on commitments. And we know that social pressure can induce people to behave in ways that lead to a desired outcome. Making it clear that your neighbours have paid their taxes has been shown to be an effective way to encourage laggards to pay their tax bills.

Nudge is not a panacea for all the problems that confront us. But it is showing itself to be an effective way to encourage socially beneficial behaviour. Most importantly, by getting our policy leaders to focus on how people actually behave rather than on unproven assumptions of economic rationality, the nudge approach kindles a fresh way of looking at problems, offering hope where we now see only obstacles. ■

MAKING INROADS

MARK EGAN

There is evidence that social and psychological nudges can work for policy-makers.

Plusieurs expériences montrent que des mesures d'incitation psychologique ou sociale, selon la théorie du *nudge*, permettent aux décideurs d'obtenir les résultats escomptés.



NUDGE

Is it better to tell taxpayers that they are late paying their taxes and face fines? Or are they more likely to comply when told that 9 out of 10 people in the country have paid their taxes on time? Better yet, does it help to tell them that 9 of 10 people in their hometown have already paid (figure 1)?

David Cameron's government in Britain decided to find out. In 2011, a select group of laggard British taxpayers were sent a reminder-to-pay letter from Her Majesty's Revenue and Customs office that referred to the fact that 90 percent of their fellow citizens paid their taxes on time. The results were significant. Those who received letters that included a reference to compliance rates in their hometown were 15 percentage points more likely to then pay their tax than those who received the customary form letter (figure 1). Had this touch of social pressure been applied across the board, the government estimated, it could have collected more than \$250 million in outstanding tax, and freed another \$45 million in money spent collecting it.

The trial was a brainchild of the Behavioural Insights Team, established by Cameron in 2010, which operates from inside his 10 Downing Street office. Popularly known as the nudge unit, it was an application of a theory that rose to prominence on the back of Richard Thaler and Cass Sunstein's 2008 book *Nudge*, which speculated on the potential contribution behavioural ideas could have to better policy-making. Since then, the unit has run experiments ranging from ways to get more people to insulate their attics to improving traditional government forms and the ways people interact with bureaucracy. The results have been seen as promising enough that in May, Cameron's government

decided it would spin off the nudge unit into a public-private partnership.

Cameron is one of the strongest proponents of putting behavioural theory into public policy practice. One year he put Thaler and Sunstein's book on a summer reading list for his Conservative members of Parliament, and he set up the nudge unit with a mandate to see if a tiny band of academics could improve government performance. The team of 10 is headed not by an economist but by David Halpern, whose training is in psychology.

There has been some criticism of a government initiative whose mandate has the paternalistic-sounding goal of "encouraging and supporting people to make better choices for themselves" (from its Web site). But Britain is not alone in trying to tinker with people's behaviour. In Ireland, the government revenue commissioners have been employing a range of treatment tools to address the failure of many pub owners to pay their taxes.

Starting with letters sent to pub owners asking them to renew their pub licenses, the Irish government has seen an increase of 6 percentage points in compliance by simplifying the letter's wording and by informing the recipients of the their fellow pub owners' compliance rates. According to Keith Walsh, an economist with Ireland's revenue department, "Insights from behavioural research offer new ways to tailor their approach to improve efficiency."

It is not just governments that are using behavioural insights. The American electricity company Opower is appending smiley or frowning faces to monthly electricity bills for its customers, the message dictated by how much electricity customers consume relative to their neighbours. The 600,000 Opower customers who receive these messages use 2 percent less electricity than those who don't, and these savings have been shown to persist over time and across regions.

Facebook has investigated whether its users' voting behaviour is affected by their friends. On November 2, 2010,

more than 60 million Facebook users were sent a standard message encouraging them to get out to vote. But two other groups of 600,000 each were established to test the impact of suggestion on voting behaviour. One group — the control group — received no message about election day; the other was told which of their friends had voted.

A postelection analysis published in the journal *Nature* found that the message group that was told of their friends' voting behaviour resulted in an additional 60,000 votes being cast nationwide, and another 240,000 voters were indirectly spurred to go to the polling station by friends of friends. This is what psychologist Robert Cialdini calls in his book *Influence* "social proof," the urge to act as we see others acting.

Health care has become another promising area for nudges. In 2008, Kevin Volpp, founding director of the Center for Health Incentives and Behavioral Economics at the University of Pennsylvania, ran a three-month ran-

domized trial to test whether daily lotteries could encourage older patients to take their Warfarin pills. Warfarin is an anti-coagulant prescribed to stroke victims, and failure to take it correctly can be fatal. Nonetheless, the trial indicated that the threat of dying is evidently not quite as effective a motivator as the excitement of a lottery. This daily lottery offered a 1-in-5 chance of winning \$10 and a 1-in-100 chance of winning \$100, and entry to the lottery was conditional upon the participants taking their medicine correctly. Patients in the control group, which was not offered the lottery option, failed to take their medicine correctly 20 percent of the time. But among those who were offered a shot at lottery winnings, just 2 percent took their medicine incorrectly.

Massachusetts Institute of Technology economist Esther Duflo has examined the use of behavioural nudges in her pioneering work on addressing policies and programs aimed at alleviating poverty in the developing world. In one case, she found that while 98 percent of Kenyan farmers questioned

in 2009 said they intended to use fertilizer the following season, only 37 percent ended up doing so. The farmers displayed what economists call "present bias," which we all recognize as procrastination. In the Kenyan case, the gap between intention and action was addressed by offering vouchers to buy fertilizer in the future, with free delivery included.

That move resembled a nudge in which mothers in rural India were encouraged to attend free immunization camps for their children with the offer of a bag of lentils. The results: 39 percent took up the offer of immunization when it was accompanied by a bag of lentils; just 18 percent took it up when there were no lentils on offer.

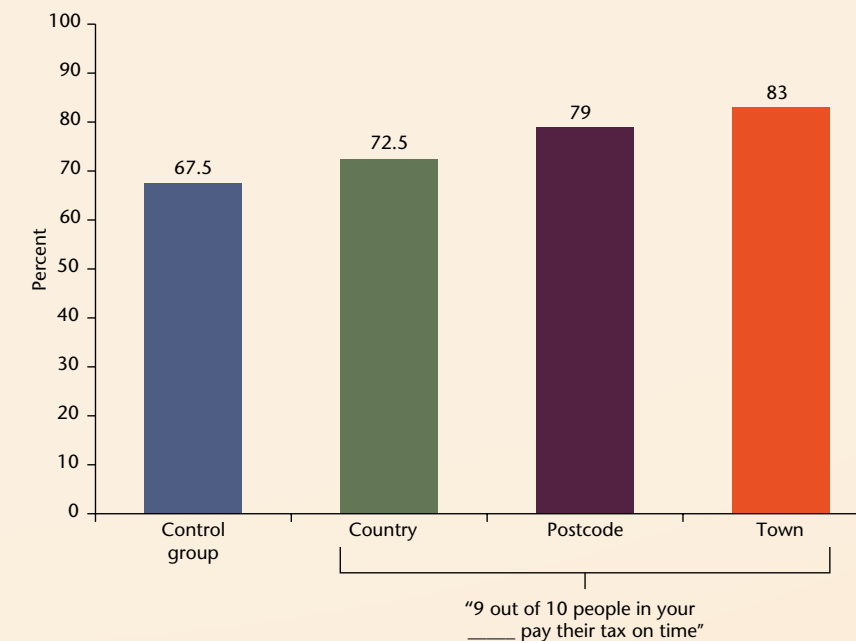
Both these cases are examples of small nudges succeeding in altering personal behaviour to achieve a broader social policy good. They encourage us to ask whether a policy is failing, or if it is simply being implemented poorly. Is it designed to be as easy as possible to adhere to? Does it take advantage of the academic literature on what motivates human behaviour? If it does not, then there is a case for using behavioural insights to make or modify policy.

As we collect increasing amounts of data, it is reasonable to imagine behavioural interventions becoming ever more effectively tailored. If stores such as Target can tap their customers with specific advertising based on their shopping history, it is not unreasonable to expect that policy-makers will start tailoring tax messages, health care advice or the encouragement to save more, smuggling social and cognitive psychology into the halls of government.

As we collect increasing amounts of data, it is reasonable to imagine behavioural interventions becoming ever more effectively tailored. As stores such as Target tap their customers with specific advertising based on their shopping history, we can expect in coming years to see policy-makers start to consistently apply social and cognitive psychology research to tailor tax messages, health care advice and encouragements to save more. ■

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FIGURE 1. Proportion of people paying their taxes on time



Source: "Applying Behavioural Insights to Reduce Fraud, Error and Debt," 23. Behavioural Insights Team, UK Cabinet Office (2012). <http://servicedelivery.fahcsia.gov.au/2012/02/13/uk-cabinet-office-publishes-report-on-applying-behavioural-insights-to-reduce-fraud-error-and-debt/>

LISTEN TO YOUR HEART

RORY SUTHERLAND

To create public policies that work, we must take into account the way people really are, not what we assume them to be.

Pour élaborer des politiques publiques efficaces, nous devons tenir compte des gens tels qu'ils sont et non tels qu'on voudrait qu'ils soient.



Nudge theory. Neuroeconomics. Reputational game theory. Psychophysics. Behavioural economics. I love them all.

Why? Well, self-interest plays a part.

I work in advertising. And after a few years working in advertising, many people become just as frustrated with the neoclassical model of human behaviour as you probably are. And for a surprisingly similar reason.

Advertising, as the behavioural economist Daniel Kahneman himself has said, is a “System One” business — built on intuition and quick impressions. Like you, I suspect, people in advertising and marketing think that intangible, seemingly irrational things — instincts, feelings, perceptions — actually matter. And, also like you, we believe that it makes no sense to base all decisions on models of the world that are altogether blind to those very emotional or psychological considerations that drive the greater part of human behaviour.

In short, we are just as irritated as you are by the strange and unhealthy monopoly that neoclassical economic theory seems to enjoy among the social sciences when influencing business decisions and social policy.

Ironically, the reason for the near-unbridled power of economic thinking may itself arise from what you might call a cognitive bias. First of all, in decision-making, there is a known bias whereby any argument that contains mathematics is assumed to be more scientific, rational and credible than any argument that uses merely words (see Carl Bialik, “Don’t Let Math Pull the Wool over Your Eyes,” in the *Wall Street Journal*, for details). Second, executives or policy-makers making decisions may be far more eager to have seemingly rational bases for their decisions than to actually make effective decisions, since the semblance of

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rationality behind their recommendations protects them from being punished or fired.

Relying on mathematical models, however poor they may be, to lend a semblance of logic to a decision may thus be the product of a kind of loss aversion. Any decision influenced by nonmathematical, subjective or emotional factors comes with no such insurance.

Yet important emotions and desires — regret, uncertainty, trust, affection, identity, purpose and meaning — all play a huge part in our lives, for no less a reason than that it is to our evolutionary advantage as a social species to feel them. Some of these emotions and desires may be evolutionary hangovers we no longer need; many, however, continue to be essential in the functioning of real-world markets or societies. A species whose members casually returned to buy from shops that had short-changed them in the past, and who did not bother to share their sense of outrage with friends and neighbours, would not produce a healthy retail economy.

And so it doesn’t seem a good idea for government to proceed as though such emotions and desires don’t matter simply because they are unquantifiable and hence don’t fit neatly into a preconceived mathematical model. Because the price we pay for this methodological neatness is that we repeatedly introduce into the world government programs (and consumer products) designed for a kind of human being that doesn’t exist.

E.O. Wilson, the evolutionary theorist and the world’s leading expert on ants, once reacted to Karl Marx’s ideas with the comment “Beautiful theory. Wrong species.” If so, perhaps Marx can be forgiven for proposing a theory for an inappropriate species, since modern economists, it seems, have devised a model of economic activity for a species that does not exist at all.

In the imaginary world inhabited by *Homo economicus*, trust is universal, knowledge is perfect and the value

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of everything is already established in actors’ minds. There is no need for marketing, and no need for relationships, reputation, commitment devices or trusted intermediaries. The single goal of this system is efficiency.

We know the real world doesn’t work that way.

So enormous potential gains are there for the taking once the policy process can consider designing policies based on how people really are, and not on some strange, autistic assumption about human behaviour that is rigged to fit a preexisting economic model.

Doing this is easier than it first seems. It’s not necessary for policy to be perfectly right (in a complex world, perfectly correct answers rarely exist). All you have to aim to do is simply be less wrong than you were before.

The Save More Tomorrow pension, conceived by Richard Thaler and Shlomo Benartzi, which allows employees to allocate a portion of future salary increases to their retirement savings, is not a perfect pension. I am sure there are better designs for pension schemes yet to be discovered. But this idea for a pension is better by a factor of two or three at getting people to save for retirement than any other pension yet devised, despite the hours of work previously invested by thousands of well-paid people working for government departments and pension companies.

How did it achieve this spectacular uplift? Quite simply, it was brave enough to challenge one of the fundamental assumptions about human “rationality,” which is a product not of empirical observation but of a contrived economic model.

My contention is simple. When we challenge the assumptions I will list here, the results may not always be spectacular. But they might be. Sometimes we may fail. But, in any case, the cost of experimentation is relatively low, and the potential gains near lim-

itless. And because these assumptions are so pervasive, you will find an amazingly large number of them have gone unchallenged for years.

So my approach to deploying the new insights from behavioural science, game theory, neuroscience, evolutionary psychology and so forth to the world of business or government is very simple: Look for areas where these new findings conflict with conventional economic assumptions. Then test what happens if you assume that the new science is right and the old science is wrong.

Sometimes we might fail. But the cost of experimentation is low and the potential gains nearly limitless.

Neoclassical economics assumes that people have consistent time preferences. All available evidence shows they don’t. All right, let’s assume that conventional theory is wrong and empirical evidence is right — what does a pension look like now? Well, it looks a lot more like the Save More Tomorrow pension than like a conventional pension, that’s for sure.

This isn’t rocket science. It doesn’t need to be.

So what are some more of these common assumptions? The first, a legacy of the neo-classical model, is the assumption that human actors are rampant individualists, making decisions based on their individual utility. We don’t. We are a herd species who have intelligently evolved the instinctive heuristic “When in doubt, I’ll feel safer doing what everyone else does.”

This is one of the reasons why I suspect the British government’s new

opt-out occupational pension will work so well. Once most of your workmates have a pension, you feel less lonely and paranoid about having the selfsame pension.

A second assumption is that attitudinal change is a necessary and sufficient precursor to behavioural change. Actually it isn’t. In fact the process often works the other way round.

We recently deployed this insight in a major (currently confidential) water-saving program for the developing world. “Don’t even bother for a second to mention the water savings, except in passing,” we said. “Instead, simply make the environmentally friendly behaviour easier to adopt than the old behaviour. Let them think about the water savings for themselves.”

Often the language of environmental sustainability arouses an automatic feeling of “making compromises” and tends to frame the new behaviour as a task, not a pleasure. One of the great lessons of behavioural science is

learning what not to say.

Another assumption is the idea that human beings act according to some fabulous sense of proportion — that in order to make them change their behaviour significantly, you need correspondingly massive interventions. In the policy world, that means grand schemes and usually millions if not billions of dollars.

Not necessary. If high spending equalled success, then we would not have health systems that strain to meet the demands upon them. Instead, we can move the behavioural needle by taking human nature into account. That’s already proven in the well-known example of how to encourage more people to agree to be organ donors. A simple behavioural cue, costing almost nothing, can move behaviour more than millions spent on advertising.

The slogan of OgilvyChange, the behavioural change arm of Ogilvy & Mather in the United Kingdom, is “Dare

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I routinely choose a medium coffee because I want one “kind of in the middle.”

to be trivial.” Self-aggrandizement often leads policy-makers to seek solutions in proportion to the size of their available budgets. This may be a terrible mistake.

An important assumption is that people know why they act as they do, can predict their choices and have introspective access to all areas of their brains.

They don’t. Many of our instincts affect our behaviour in ways we don’t notice, don’t understand and can’t verbalize. Hence an excessive reliance on market research to design interventions can be dangerous. Remember that “Most people recycle their towels” message in hotel rooms, now famous as an early nudge experiment? That was the message people claimed would be the least motivating; in reality, it was the one that worked best.

Similarly, if you take the example of the “\$300-million button” (http://www.uie.com/articles/three_hund_million_button/) — the case of how changing a single clickable link on an online shopping site led to dramatic sales increases — you will see a psychological effect that is hard for anyone to explain. In this case, the practice of demanding that people register *before* they buy online violated some deep-seated human instinct around exchange, but one we don’t even have

a name for yet. You can’t expect consumers or citizens to tell you of these instincts if social scientists haven’t even got a name for it yet.

Another assumption? That people choose using absolute rather than relative measures. I routinely choose a medium coffee without knowing how big “medium” is. I just want one that’s “kind of in the middle.” Starbucks sells a “short” version of its coffees, but it craftily does not display this option on its menus for fear (or knowledge) that the visible availability of this option will drag consumers towards smaller sizes. Perhaps New York Mayor Michael Bloomberg did not need to attempt to ban the sale of outsize sodas — he could have simply demanded that they not appear on menus and are available only on request. Sold under the counter, like dodgy porn.

Then there’s the assumption that people act purely in response to incentives or disincentives, rather than in response to cues and signals they find in their environment. In fact, people’s behaviour is far more driven by context than we can imagine. Lufthansa recently asked why people in airport lounges and in the air drink far more tomato juice than they do on the ground. We

don’t know. But something in the environment is driving this.

Environmental design can be an inexpensive — and attractively libertarian — alternative to legislation or law enforcement. As a recent experiment involving OgilvyChange has shown, making a small aesthetic change to shutters in high-crime areas of a British city centre may have helped reduce crime in the surrounding area by almost 20 percent.

The area in southeast London had been badly hit by looters during the 2011 riots. In an attempt to discourage antisocial behaviour, a group of artists were enlisted to paint babies’ faces on the shutters of shops. Called Babies of the Borough, the experiment drew on research aimed at promoting more caring behaviour, with the facial images drawn from photographs supplied by local families. The numbers showing a subsequent drop in crime were supplied by the local police and may not be statistically significant (although as more evidence comes in, it seems the effect is enduring).

But let’s just imagine that this experiment had failed.

What’s the worst that could happen? You spent very little money. It is

highly unlikely that there are adverse unintended consequences, but if there are, they will soon be evident. And even if the area is no safer than before, it at least has become more pleasant for passers by to look at. Graffiti, which had been a persistent problem when the shutters were plain grey, has not been scrawled on these pictures. The shopkeepers say they are more proud of their shops. Unlike crime statistics, these effects are unquantifiable. There is no government metric for retailer pride.

Now contrast that with traditional, more complex interventions: a heavy police presence, stiffer sentences. These are costlier, may have adverse consequences and may serve to make the area more dangerous once the police presence disappears. The shutters don’t demand overtime.

I am not disputing the value of larger interventions. But a general principle of all such actions should be to insist on trying simpler, cheaper, less authoritarian, more enduring interventions first. If these fail, then try something else.

But even though this approach seems to reflect common sense, institutions tend by nature to prize the big over the small, the rational over the

emotional, the physical over the psychological and the heavy hand over the light touch.

Let me end by sharing a lesson from the direct-response advertising industry of the 1930s. When writing off-the-page advertisements, selling corn feed, piano lessons or whatever, young copywriters were taught to write and design the coupon first. Start with the behaviour you want, and work outwards. Only when you were happy with the coupon would you start to write the copy, and only at the very end would you write the headline.

This process seems to have much to commend it. Start by looking at the behaviour itself and perfect the design of the choice you want someone to make. Only then move away from the point of decision.

Too much policy is written by people who want to write a single headline, and then ignore the detail. But these old copywriters understood a vital lesson: if the coupon was no good, all your other effort, however commendable, was wasted.

How many noble and well-intentioned government programs fail because no one looked at the coupon? ■



UNCERTAINTY

THE DANGERS OF MANIPULATION

MARK D. WHITE

The evangelists for nudge see only the worst of human nature and have no faith in our ability to learn to be better.

Les prosélytes du *nudge*, cette « méthode douce pour inspirer la bonne décision », voient uniquement le pire de la nature humaine et refusent aux citoyens la capacité d'apprendre et de s'améliorer.



NUDGE

Libertarian paternalism — or the idea of “nudge,” as it is better known — has been embraced by governments on both sides of the Atlantic as a way to increase people’s well-being while preserving their autonomy. It does neither. Nudges steer people into making the choices policy-makers want, with no certain effect on individuals’ welfare and at significant cost to their decision-making autonomy and ability. Nudges are also self-reinforcing. By denying people the chance to learn from their bad decisions, policy-makers will continue to see evidence that problems need to be fixed, justifying even further interventions into the realm of personal choice.

As I argue in *The Manipulation of Choice*, the problem with nudges can be split into three parts: epistemic, ethical and practical. The epistemic aspect stems from policy-makers’ ignorance of what truly matters to those over whom they hold power. People’s concerns are complex. At the most basic level, everyone is concerned with his or her own well-being, which includes short-term and long-term considerations as well as the “higher” pleasures (intellectual and moral) and “lower” pleasures (physical) that animated John Stuart Mill’s philosophy. All of these elements are combined and traded off according to each person’s tastes, values and psychological dispositions in a particular decision-making context.

People also care about the well-being of others, from friends and family to those in their community and even stran-

gers around the world (think of our concern about global warming or distant poverty). Their actions can be driven by support for principles such as fairness and honesty or broader societal ideals such as justice and equality. In pursuing these goals and principles, people often make choices that run counter to their own well-being; many may, for example, spend more of their own money to purchase environmentally safe products.

Policy-makers cannot possibly be aware of and take into account each citizen’s complex web of interests. Instead they select one basic goal, such as improving health or wealth, and use nudges to influence how people choose to pursue it. This approach is followed with no thought of how each person regards the goal or how it fits with his or her plethora of interests. Policy-makers effectively substitute their idea of interests for individuals’ actual ones and then claim to be improving well-being as people judge it for themselves. No matter how well-intentioned the policy-makers may be when they choose these goals, their limited understanding of people’s values and preferences means they cannot possibly be acting in the true interest of every citizen, as they claim.

This leads to judging the success of a nudge by its effectiveness in generating the intended behaviour rather than by its impact on individual welfare. For example, automatic enrolment in government-subsidized retirement plans is the nudge recommended by libertarian paternalists as a way to increase the amount of private retirement savings. Because people are often short-sighted and prone to procrastination, libertarian paternalists feel that too few new employees choose to join retirement programs when nonenrolment is the default choice of the plan presented to them. To correct for these cognitive flaws, they recommend changing the default option for pension plans to automatic enrolment, requiring those who don’t want to

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participate in the plan to opt out. Indeed, research has shown that this nudge does increase the percentage of new employees enrolling in retirement plans, which policy-makers interpret as evidence that employees are better off.

But all this nudge proves is that it steers new employees to the intended choice of the policy-maker. It offers no insight into whether employees see themselves as truly better off. Some new employees may need money in the short run for other purposes, perhaps as a down payment on a home or to cover medical costs for aging relatives — both of which could be considered an improvement in well-being for someone. Yet the nudge makes no distinction between those who need a push to enrol in a pension plan and those who have more appropriate ways to spend that money. The exploitation of our cognitive bias toward choosing a default option works on all new employees. Using this widely shared dysfunctional characteristic of human nature as a policy tool makes no accommodation for the wide range of interests that individuals pursue. Nudges do affect our behaviour, but the lack of detailed knowledge about individual preferences means we cannot make conclusions about whether they are improving people’s well-being.

Substituting a policy-maker’s idea of interests for those of an individual also raises ethical issues. We already saw one: it violates the presumption of liberal neutrality regarding how people choose to live their lives. A more basic ethical problem of nudge is its paternalistic nature. Even if policy-makers had sufficient knowledge about people’s interests, they have no right to influence people’s behaviour for “their own good,” unless there is evidence that the bad choices are involuntary (such as Mill’s example of stopping a man who is unaware that he is stepping onto a decrepit bridge). Policy-makers may suspect that people who they feel are not acting in their best interest — failing to enrol in a retirement program, for example — are doing so involuntarily because of some cognitive failing. But this is an illegitimate inference given the complexity of persons’

interests and the myriad reasons that can explain any choice.

Furthermore, nudges are not only paternalistic but coercive. They may not foreclose choices in the way that outright bans on a certain behaviour do; nor do they have direct cost implications the way taxes or subsidies designed to alter behaviour do. But nudges are coercive in a particularly insidious way by subverting people’s rational decision-making processes rather than engaging them. By taking advantage of subconscious mental processes, nudges do nothing to improve our decision-making abilities. Nudges simply lead people to make the choices policymakers wanted them to make, relying on subtle coercion that engages unconscious psychological processes rather than deliberate rational faculties.

This point leads to the practical difficulties with nudges. These choice interventions have no definite relationship with individual well-being but do have a clear predictable effect on our decision-making capabilities. Because they do nothing to improve decision-making, nudges make no progress toward ameliorating our cognitive errors and biases. Even when nudges take the form of mandating that people are given information, such as nutritional labelling on restaurant menus, the choice of the information provided is made with an eye to a certain goal. For example, food labelling necessarily focuses on a few select measures, such as fat content, which are regarded by government nutritionists as dangerous. But many people follow other scientifically valid dietary philosophies that encourage the consumption of fats and discourage carbohydrates, an approach to eating that labelling requirements do not accommodate. By steering people’s choices toward options that policy-makers determine to be best — even when people might agree with the goal — nudges leave us unable to see the consequences of our bad choices that would help us learn to make better ones on our own. Most parents realize that they have to let their children make mistakes so they will learn from them. Lib-

Advocates of nudge seem more interested in steering people toward certain choices than in helping them learn to make better decisions.

ertarian paternalists do not (though we can hope they will learn from their own mistakes!).

It is a part of human nature that each of us makes bad choices from time to time. But only we know which ones are bad. We know our own interests better than anyone else. Not only do policy-makers not know our interests, but they would have no right to influence our choices for our own good even if they did. And if they want us to make better choices in the future, they should not even want to intervene in our choices with their nudges.

The advocates of nudge seem more interested in steering people toward certain choices than in helping people learn to make better decisions. It is a dismal view of human nature to presume that we must be led toward what is best for us and that we have no capacity for improvement on our own. This attitude lies at the core of nudge and is the true danger of libertarian paternalism. ■

NUDGE

PELLE GULDBORG HANSEN

If they are clear about what they are trying to achieve, nudges can avoid the moral pitfall of paternalism.

En définissant clairement les objectifs visés, les *nudges*, ces manières d'inciter les gens à faire de meilleurs choix, peuvent éviter le piège moral du paternalisme.



The arrival of nudge theory on the policy scene has not been received with universal enthusiasm. Groups of academics and commentators have levelled harsh criticisms — political, practical and ethical — against the use of behavioural insights in public policy. In Britain, the libertarian blog Spiked declared “war on nudge.” And there are stirrings in public policy literature against nudge theory’s promotion of “libertarian paternalism,” the concept that individual liberty is not endangered when people are nudged toward making choices that serve their own best interests. To critics, nudges often do work by manipulating personal choice, thereby putting the public at the mercy of evil-minded technocrats.

Richard Thaler and Cass Sunstein, authors of *Nudge*, the foundation text on nudge theory, were aware of these anti-nudge arguments. But they did not see them as obstacles to using nudges in practice. They contend that subtle features of decision-making contexts will always influence our choices, whether we like it or not, and that manipulating these choices in ways that preserve individual freedom while promoting prosocial behaviour is an admissible option in public policy-making. Yet the authors are aware of the risk that nudge could be used in ways that do not always serve the public interest. In my own autographed copy of *Nudge*, Thaler has signed with the phrase “Keep nudging for good.”

His warning shows that the notion of nudge is not married to his and his co-author’s more positive concept of libertarian paternalism. As the many marketing tricks used to fool us into buying stuff we don’t need show, it is possible to

nudge “for bad” or “for profit” as well. A classic example is the question served to any customer at McDonald’s: “Should that be a large meal?” Adding complexity, even if one “nudges for good,” certain subtypes of nudges influence behaviour without people even noticing it. This enables policy-makers to nudge us toward prosocial behaviour change in ways that may preserve freedom of choice as a matter of principle, but not as a matter of practice.

The classic example of nontransparent manipulation is the doctor who uses behavioural insights in presenting medical treatment options to a patient. If the doctor is trying to steer the patient toward choosing a particular treatment, she might describe the procedure as having an 80 percent chance that 90 of 100 patients will survive. If she is trying to discourage the treatment, the doctor could describe it as having 80 percent risk that 10 out of 100 patients will die. While patients are free to choose as they like — in principle — the doctor knows that she can influence the choice by the way the odds of survival are presented. This example shows how nudging behaviour is vulnerable to being used in a paternalistic fashion.

Recognition of this is perhaps what explains Thaler and Sunstein’s struggle at the end of *Nudge* to add some ethical considerations and constraints to align the nudge approach with the gist of libertarian paternalism. The goal of nudges, they argue, should be consistent with the general preferences of citizens, and nudges should be devised in ways that are publicly defensible. “If a government adopts a policy that it could not defend publicly, it stands to face considerable embarrassment, and perhaps much worse, if the policy and its grounds are disclosed,” they write. “The government should respect the people whom it governs, and if it adopts policies that it could not defend in public, it fails to manifest that respect. Instead, it treats its citizens as tools for its own manipulation.”

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LIBERTARIAN PATERNALISM

Still, it is hard to see how this prevents the nudge approach from collapsing into paternalism. After all, if nudges can be employed to influence our choices without us noticing, how can a case be made for anything other than unfettered preservation of choice?

The manipulation of choice has thus been the main critique levelled against adopting the nudge approach in public policy. Opponents argue that the concept of libertarian paternalism is an oxymoron because the nudge doctrine is merely paternalism in disguise. They contend that the psychological mechanisms being exploited work best in the dark, and that the effects of nudges are likely to disappear if nudges become transparent. Furthermore, they argue that nudging can encourage abuse of power by unelected technocrats.

My research has shown that such criticisms systematically ignore the complexity and diversity of the insights from behavioural economics and cognitive psychology that nudges are based on. Take the example of the successful pension plan Save More Tomorrow, which was designed based on the behavioural insights of Thaler and UCLA professor Shlomo Bernatzi. To circumvent the loss-aversion bias that blocks many employees from choosing the optimal pension savings program, Save More Tomorrow allows employees to join a program that allocates a portion of future salary increases to retirement savings. In contrast to the example above, where the doctor’s treatment preferences are a hidden agenda, employees in the original design of the program join the pension scheme voluntarily, well aware of the psychological elements of the program’s design. Such transparency has no effect on the efficacy of the program. Indeed,

an understanding of how it works is part of what creates the willingness to participate.

Criticisms rooted in a general claim that nudges work by the manipulation of choice are based upon a logical fallacy. They extrapolate from a single or limited number of examples of nontransparent nudges — like that of the doctor presenting treatments — to cast all other nudges as being more or less identical in how they work. This cherry-picking argument ignores the significant portion of related cases and data that contradict that position. The criticism has another blind spot in that it fails to notice that the traditional public policy tool of regulation is often nontransparent as well: Who among us is capable of knowing what taxes apply to every good in a supermarket?

Policy-makers should still worry about the misuse of behavioural insights in public policy. But it is important to note that this potential for abuse is not particular to nudges; it applies to any regulation that seeks to achieve a certain kind of behaviour. Nudges, like regulations, are intentionally applied in the knowledge that they will tend to affect behaviour.

Thaler and Sunstein recognize this. If one reads *Nudge* carefully, it is apparent that the authors argue for a principle of transparency, in which citizens are able to recognize the means and intentions with which they are being nudged. And nudges that satisfy this criterion suffer only if citizens do not agree to the ends or means. By maintaining transparency in the goals and the methods of nudges, policy-makers can avoid the moral pitfall of paternalism. In so doing, they can apply nudges without fear of being paternalistic, and live up to Thaler’s admonition to “nudge for good.” ■



NUDGING OUR WAY FORWARD ONE DECISION AT A TIME

MARC-ANDRÉ PIGEON

Our banking habits show how the use of nudges can lead to both good and bad savings habits

Nos habitudes bancaires montrent que les mesures incitatives peuvent à la fois susciter de bonnes et de mauvaises décisions en matière d'épargne.

NUDGE



“BANKER’S HOURS”:
working or being open for the shortest
and most inconvenient amount of time
(10 a.m.- 4 p.m.). Also includes a long
lunch break and every possible holiday off.

– UrbanDictionary.com

There was a time in the 1960s and 1970s when the business of banking was simple and functioned like a utility: bankers funded their loans at 3 percent, lent money at 6 percent and left for the golf course by 3:00 p.m. From the banker’s perspective, there was a lot to be said for the 3-6-3 “business model,” so much so that its essence was encapsulated by the idiom “banker’s hours.”

For a customer, there was of course a downside to this simple but agreeable business model and the implied “value proposition”: inconvenience. Banks were effectively closed 82 percent of the time over the course of a week — closed before 9 a.m., closed after 3 p.m., and closed on weekends. Never mind statutory holidays.

From a nudging perspective, there are two interesting things about this model. First, the saving (3 percent) and borrowing (6 percent) decisions were simple. You didn’t have

to shop around all that much because you couldn’t. Second, it forced people to engage in sensible money management behaviour if they wanted to avoid the hassle of leaving work and standing in line to get at their savings. People had to plan their cash flow depending on how frequently they got paid. If someone came up short, they might turn to friends and relatives for the kinds of short-term loans that, the research tells us, almost always get paid back before other forms of debt.

As a result, a kind of “financially literate” behaviour arose naturally from the “choice architecture” implicit in the banking system: people didn’t take on risky debt because they couldn’t, people paid their debt because they felt they should (i.e., it was owed to family/friends), and people didn’t normally spend beyond their means because it was too inconvenient. From a macroeconomic perspective, the combination of the structure and the resulting behaviour probably helps explain the period’s relatively high saving rates and low household debt, although strong income growth, low unemployment and activist governments also help explain it.

Fast-forward 40 or 50 years and it’s hard to imagine a more different world. Most of us hold one or more credit cards that allow us to spend more than we earn. We use debit cards tied to home-equity lines of credit that allow us to draw down on the accumulated equity in our homes whenever we need or want to. We still don’t like going to the branch, but that’s okay because we have access to online and mobile banking 100 percent of the time. Meanwhile, household savings rates are at historic lows and debt at historic highs.

Under the rubric of “financial literacy,” the policy response to this shift has been mostly to make sure that people have better and more information, the assumption being

that we are generally rational beings. We know what we want. We just lack the full set of necessary information.

In an effort to get people to exercise self-discipline, task forces have been created and reported back. Hundreds of Web sites have popped up, some more reputable than others. Seminars have been launched, curricula developed. Financial fitness gurus emerged, all designed to help us take control of our behaviour much as we might like to take control over our diets, our exercise or our smoking.

There is one major drawback to this approach and it’s obvious to anyone who has ever reflected on their own efforts to alter an entrenched behaviour: it often doesn’t work.

In the profit maximizing world of banking, the shift in the underlying choice architecture of banking was greeted mostly as a good thing. Enabling consumers to borrow now and pay later created a shift to on-demand credit that helped fuel record bank profitability and steady increases in dividends.

From a policy-making perspective, it also seemed to vindicate the “more and better information” claim. Many touted the “democratizing” effects of expanded access to credit tailored specifically to different market segments and facilitated by hyperrational and efficient market mechanisms. These allowed financial institutions to slice

and dice their products and sell them to those most willing to bear the risk.

And then came the meltdown of 2008.

Through it all, however, there was a group within the financial services sector called credit unions, which were less enthusiastic about the impact this structural shift was having on people’s saving and borrowing behaviour. In credit unions, customers are members. They own the institution that provides them their financial services. As such, each member is entitled to exactly one vote for the purpose of electing a board of directors, which then guides the credit union’s practices. In Canada, there are 348 credit unions outside of Quebec’s Desjardins system, each one owned by people who use the institution’s services.

From inside the credit union culture, where I now sit after many years of studying financial services, I can see how behavioural issues have made credit unions sensitive to the destabilizing effects of this structural shift in banking. The first credit unions were formed more than 100 years ago as a community response to another kind

of choice architecture problem: there were regions of the country and segments of the population that were exploited, ill-served or not served at all by mainstream financial institutions, all situations that contributed to challenges around money management.

In these early credit unions, member as owners volunteered time as tellers and managers, looked after the credit union’s books, sat on loan committees that decided who got loans and who didn’t, and educated each other about good spending and borrowing habits. When that kind of involvement was layered over a system that worked with the same kind of predictable borrowing and lending costs as the banks, your average credit union member was likely to behave in a fiscally conservative fashion.

Of course, and as noted earlier, credit unions were not immune to the changes that subsequently took place in financial services; competitive pressures sometimes led them to adopt practices similar to those of the profit-maximizing banks, albeit grudgingly and often belatedly. Credit unions also introduced their fair share of innovations. They were the first to lend to women in their own names in the 1960s, and the first to offer personal lines of credit and ATM service in the 1970s, telephone banking and ethical mutual funds in the 1980s, interactive TV-based home banking in the 1990s and mobile cheque scanning in 2013.

NUDGE

CONTRACTS



But their fiscally conservative roots were never far below the surface. Enabled by a cooperative structure that delivered a “profit for service” model (as opposed to a service for profit model at the banks), credit unions have naturally gravitated toward experimenting with behavioural interventions that could benefit their members.

Consider, for example, the case of Mount Lehman Credit Union, a one-branch credit union in the Fraser Valley community of Mount Lehman, British Columbia. In 2009, it created a unique customizable real-time text/email alert system that members can use to detect fraudulent activity on their debit card, remind themselves to make mortgage payments or to notify themselves when their account balance falls below a certain member-specified threshold. This tool, unique among financial institutions in Canada, builds on a well-known behavioural insight: namely, that a well-timed nudge can make all the difference.

Or consider credit unions in Manitoba. Ten years ago, they pioneered the concept of using a “best pricing” model or “no haggle” mortgage that treated all members equally rather than providing better rates to some members who just happened to be better at research and negotiating. This of course greatly simplifies what can otherwise be a complex decision — it’s a classic behavioural intervention that has helped make Manitoba credit unions among the most successful in Canada, holding almost 50 percent of the market.

At the national trade association level, Credit Union Central of Canada has used behavioural economics to help affiliated credit unions sift through more than 60 financial literacy programs by ranking their effectiveness based on the degree to which they employ behavioural insights. Those that use information-only approaches or make heroic assumptions about an individual’s ability to make purely rational decisions get a low grade; those that deliver just-in-time information or use defaults and other interventions get high marks.

Credit Union Central of Canada has also helped to make cutting-edge

behavioural research accessible to affiliated members through a partnership with the Filene Research Institute, a think tank that specializes in credit union research. Through that effort, it has connected credit unions to research by well-known behavioural economists like the University of Michigan’s Michael Barr, whose behavioural economics ideas helped shape some of the Obama administration’s consumer protection legislation, and Princeton University’s Eldar Shafir, whose work on the “packing problem” has opened up new insight into how the stress of making trade-offs, which are numerous

The financial service industry needs to get better at putting nudge insights into practice.

in low-income households, can undermine anyone’s ability to make strategic and rational decisions.

In its work with Dean Karlan, a Yale University behavioural economist, Filene is helping credit unions offer their members a tool called StickK, which helps bind people to their commitments — weight loss, fitness, savings or other — by getting them to agree to a penalty for failure: for example, a donation to a political party or cause that the member might not agree with.

In the past, the structure of banking helped people save and avoid excess debt. Since the late 1980s, the reverse has been mostly true: the safe, sound and boring world of 3-6-3 banking, with its built-in disincentives to reckless financial behaviour, is no more and probably will never be again.

Some, like banking guru Brett King, are even predicting the demise

of traditional branch and ATM-based banking as the demand for physical cash disappears and new entrants — travel agents, telecom companies or hardware stores — begin offering core banking services such as loans and payment services. If this were to transpire, then “banking” may come to resemble a true utility once again, with financial institutions merely acting as intermediaries for other organizations.

Unlike the banking “utilities” of yore, however, banks and credit unions would no longer easily “own” the relationship with the customer or member. This too would represent another major choice architecture shift that could further weaken people’s resolve to save and avoid debt. Will people resist the impulse of taking on more debt when talking to their travel agent, signing up for a deluxe cable package or buying a gold-plated high-efficiency furnace? The research would seem to suggest that unless there’s some sort of circuit breaker — some kind of behavioural intervention that replicates some of the default inconvenience of the early postwar period — we can expect more people to find themselves in more financial trouble.

So the question then becomes, who can or will offer the next generation of financial services behavioural interventions and how will they do it? Will it be financial institutions, regulators, customers or all three? Will it be about more information faster or more structured nuggets of useful information? Will it have opt-in or opt-out approaches? Will it use active choice techniques?

None of these questions has an obvious answer but one thing is clear: the financial service industry needs to get better at consciously putting nudging theory insights into practice. The future will not be kind to those who make it up as they go along, who ignore at their peril the fact that our behaviour is more often than not determined by a set of nested and interacting nudges designed by someone somewhere, knowingly or not, hard to see or plainly obvious. Just ask the modern banker who dares leave work for the golf course at 3 p.m. ■