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# ‘Nudge’ and beyond: behavioural science and public policy

ON 14 JUNE 2012 the British Academy Policy Centre hosted a conference on ‘Nudge and beyond: Behavioural science, public policy and knowing what works’. The event was organised in partnership with the Cabinet Office’s Behavioural Insights Team. That Team was set up in July 2010, and its work draws on insights from the growing body of academic research in the fields of behavioural economics and psychology which show how often subtle changes to the way in which decisions are framed can have big impacts on how people respond to them.

The conference featured speakers chosen for their excellence in research and experience in applying behavioural insights to such varied areas as crime, energy use and public health. The keynote speech was delivered by Professor Richard Thaler, co-author of the enormously influential book *Nudge*.<sup>1</sup> He discussed some ways in which the ‘nudge’ agenda has been developing.

## *Make it easy*

The first of Professor Thaler’s ‘nudge mantras’ is ‘Make it easy’. ‘If you want somebody to do something, remove the obstacles that prevent them from doing it. The Families’ Tax Credit was the opposite of “make it easy” – any time your income changes, be sure immediately to fill in six

forms and send them to the right place. That is not “make it easy”. This sounds banal, but when we start with “make it easy” it is amazing how many good ideas come from that phrase.’ For example, he discussed how people’s interaction with government can be eased if forms are ‘pre-populated’ with information that government already holds about them.

## *Smart disclosure*

Indeed, the focus of Professor Thaler’s speech was on the benefits of making information more freely available – ‘smart disclosure’. It was the release of data originally assembled as a US Department of Defense initiative that enabled the commercial development of GPS (Global Positioning System) – now perhaps a \$100-billion-a-year business in the US alone. Using the underlying data made publicly available in the National Digital Forecast Database, private-sector companies can provide US farmers with highly specific weather forecasts. And in San Francisco, where city authorities have put up in the Cloud Wi-Fi network the GPS-generated data on where all their buses and trains are, a smart phone app called Routesy tells you when the next bus is coming. Both the Obama Administration and the UK’s Coalition Government have embraced the notion of opening up publicly held data.<sup>2</sup>



Figure 1. *Nudge, nudge*. Rohan Silva (Senior Policy Adviser to the Prime Minister at No. 10 Downing Street), Professor Richard Thaler, and Lord Gus O’Donnell (former Cabinet Secretary) share a joke at the British Academy Policy Centre conference on 14 June 2012.

<sup>1</sup> Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions About Health, Wealth, and Happiness* (2008). Richard Thaler is Ralph and Dorothy Keller Distinguished Service Professor of Behavioral Science and Economics at the University of Chicago Booth School of Business.

<sup>2</sup> From a Memorandum on ‘Transparency and Open Government’ issued on 21 January 2009 (the day after President Obama’s Inauguration): ‘Information maintained by the Federal Government is a national asset.

My Administration will take appropriate action, consistent with law and policy, to disclose information rapidly in forms that the public can readily find and use.’ From the Coalition’s ‘Programme for Government’ (May 2010): ‘We will create a new “right to data” so that government-held datasets can be requested and used by the public, and then published on a regular basis.’

### *Choice engines*

But smart disclosure can also aid consumer interaction with the private sector. In their book *Nudge*, Thaler and Sunstein talked about 'Humans' and 'Econs' – 'Humans being us, and Econs being the imaginary creatures in economics textbooks.' For Econs, choice is a good thing. But Humans have to deal with the real world, and the world is getting complicated. There is now enormous proliferation of choice in areas such as telephone calling plans or mortgages or credit cards – and the details of those schemes are so complicated that they can no longer be explained clearly in plain English – so that customers cannot work out whether they have the best deal. Professor Thaler argued: 'Since we cannot do plain English disclosure with complicated products, let us use electronic disclosure. In my ideal world, consumers should be able to know how much they are going to pay, and they should have machine-readable access to their own usage data.' Consumers could then upload a file of their own data to a third-party website which would act as a 'choice engine'. Consumers already make wide use of travel websites: 'I would like to make choosing calling plans, mortgages and credit cards at least as good as buying airline tickets and hotel rooms. This turns consumers into Econs: we are almost like Econs when we find a ticket from London to Chicago.' Firms would no longer be able to get market share through obfuscation.

Indeed, Professor Thaler went on to suggest that similar electronic disclosure should be available for investors in mortgage-backed securities. 'One of the reasons for the financial crisis, of which there are too many to list, is that those mortgage-backed securities were opaque. They were opaque even to professional investors. They were thousands of slices of mortgages, and nobody knew exactly what was in there, except possibly the rating agencies – and we know how well they did at assessing the risks. If we make transparent what is in that security, then

Figure 2. Dr Ben Goldacre (*Guardian*) launches the 'Test, Learn, Adapt' report, which advocates the use of field experiments to make policy better.

any geek with a PC can be a rating agency, and if we have enough geeks, we do not need rating agencies. In a perfect world, rating agencies would be out of business five years from now.'

Professor Thaler summed up his presentation as: 'Smart disclosure is the modern tool for the modern world.'

### *Randomised controlled trials*

One of Professor Thaler's mantras for those investigating the use of 'nudge' principles is 'We cannot do evidence-based policy without evidence.' Other speakers at the British Academy Policy Centre's conference stressed the importance of persuading politicians and officials that they need to conduct randomised controlled trials to test ideas, rather than simply rely on received wisdoms or anecdotal evidence. And several presentations provided examples of such research work. Indeed, the conference was used as the occasion to launch the Behavioural Insights Team's report *Test, Learn, Adapt: Developing Public Policy with Randomised Controlled Trials* (published June 2012).



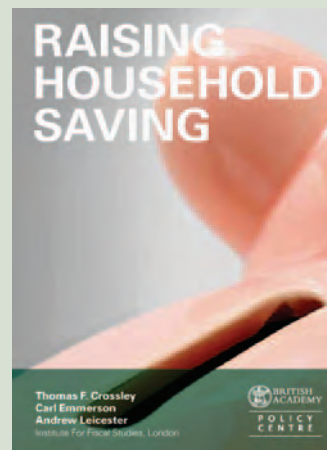
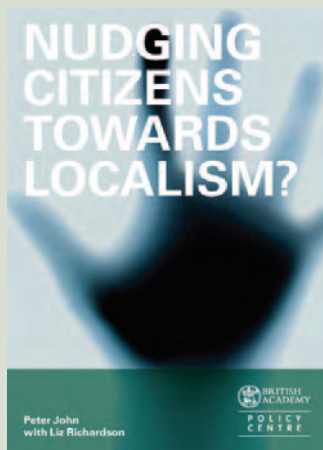
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The British Academy Policy Centre conference on 'Nudge and beyond: Behavioural science, public policy and knowing what works' was held on 14 June 2012. Video recordings of the sessions can be found via [www.britac.ac.uk/policy/Nudge-and-beyond.cfm](http://www.britac.ac.uk/policy/Nudge-and-beyond.cfm)

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## The British Academy Policy Centre and 'nudge'

*The British Academy's Policy Centre was established in September 2009; it is supported by the Arts and Humanities Research Council and the Economic and Social Research Council. It has produced a number of 'nudge'-related reports and submissions.*



*Nudging Citizens Towards Localism?* was published by the Policy Centre in May 2012. The report, written by Peter John and Liz Richardson, examines the tension between the two separate agendas of behaviour change and localism. Is it the case that, by promoting both, the Coalition government runs the risk of only achieving moderate success in both? Is positive behaviour change best achieved through central government action – as the 2011 House of Lords report implied – or at local level? The report concludes that what we lack is enough evidence on what works. There are some great examples of good practice at local level, and a particular effort at national level to understand behavioural insights. But we need to expand the evidence base to pave the way for a more sustainable decentralised government, where nudges to achieve policy ends are applied to both local policymakers and to citizens.

All these reports and submissions can be found via : [www.britac.ac.uk/policy/policy-centre-reports.cfm](http://www.britac.ac.uk/policy/policy-centre-reports.cfm)

The Policy Centre commissioned the Institute for Fiscal Studies to look at what is and is not known about the effectiveness of policies to increase household saving. The resulting Policy Centre report *Raising Household Saving* was launched in February 2012, and offers a critical review of the literature in four main areas: financial incentives; information, education and training; choice architecture or 'nudge'; and social marketing. Although household saving has been on the agenda for policymakers for some years, the evidence base is lacking – and needs to be addressed.

The Policy Centre submitted evidence to the House of Lords Science and Technology Select Committee's inquiry on **Behaviour Change**. The first response (October 2010) looked at psychological evidence on interventions, classification of behaviour change interventions, and the ethics of such policies; the second (January 2011) looked at how to change the way people travel.



Figure 3. Participants at the 'Nudge and beyond' conference in June 2012: Professor Peter John (right; University College London), author of the 'Nudging Citizens Towards Localism?' report; and Professor Nick Chater (left; Warwick Business School) who was on the report's steering group