

Green energy nudges come with a hidden cost

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All across the United States, many households receive energy bills comparing their use to that of similar neighbors to remind them to use less energy. At most companies, employees are automatically enrolled in 401(k) plans unless they choose to opt-out, helping employees easily save for retirement. Such policies aim to "nudge" people toward making

better choices, both for their future selves and for others.

Nudges like these have become popular among policymakers, because they are virtually costless to implement. However, a new study from researchers at Carnegie Mellon, Fordham and Harvard universities finds that these nudges have an unexplored cost: they can decrease support for policies with far greater impact.

"Although nudges can effectively change behavior, most have too small an impact to address societal problems on their own," said David Hagmann, a recent graduate of CMU's Department of Social and Decision Sciences, and now a postdoctoral fellow at Harvard University's Kennedy School of Government. "It appears that many people view them as substitutes for [economic policies](#) like a [carbon tax](#) or cap-and-trade scheme, instead of the complements they were always intended to be."

Across a series of six studies, the researchers found that support for a carbon tax declines when the potential for a green energy nudge is introduced. In the first experiment, more than 70 percent of participants supported implementation of a carbon tax when it was the only option available. However, when they could also enroll residential energy consumers into "green energy" plans by default, only 55 percent of participants favored implementing the tax.

The researchers extended their experiments to alumni of a public policy school, to generalize their findings to a sample of experts. Not only did they replicate their previous findings, but a majority of those with public [policy](#) expertise and experience believed, incorrectly, that a green [energy](#) nudge would actually be more effective at reducing [carbon emissions](#) than a carbon tax.

"In an ideal world, we would have a place for both nudges and heavy-

handed interventions to combat climate change," said George Loewenstein, the Herbert A. Simon University Professor of Economics and Psychology at CMU. "However, our results indicate that an effort to deploy nudges can backfire by reducing the likelihood that the most effective policies will be supported and implemented."

However, there may be a remedy: In the final experiment presented in the paper, the researchers found there may be a way to gain support for both a nudge and a carbon tax by correcting perceptions at the time of decision-making. When the researchers presented respondents with information about the small effect of a nudge or with information about how revenue from a carbon tax could be used to reduce other taxes, the nudge no longer displaced support for the carbon tax. Notably, respondents were no less likely to support the nudge after learning about its impact.

"We should use all the tools at our disposal to combat the threat of climate change," said Emily Ho, a doctoral student at Fordham University's Department of Psychology. "If we can set realistic expectations about the impact of nudges, we can deploy them without undermining the policies that are going to address [climate change](#) most effectively—whether it's a carbon tax or a cap-and-trade system."

"Nudging out support for a [carbon](#) tax" has been published in *Nature Climate Change*.

More information: Nudging out support for a carbon tax, *Nature Climate Change* (2019). [DOI: 10.1038/s41558-019-0474-0](https://doi.org/10.1038/s41558-019-0474-0), www.nature.com/articles/s41558-019-0474-0

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