

Nudge theory: What 15 years of research tells us about its promises and politics

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It's been 15 years since a particular concept of behavioral science went mainstream. "Nudge theory", the notion that our behavior can be successfully influenced through "soft" interventions, has subsequently appealed to plenty of people seeking to change the way we live.



The 2008 book which set out the idea—Nudge: Improving Decisions about Health, Wealth and Happiness—sold more than 2 million copies. But its influence went way beyond sales figures.

The authors—behavioral economist Richard Thaler and law professor Cass Sunstein—inspired powerful politicians, including former US president <u>Barack Obama</u> and former UK prime minister <u>David Cameron</u> to set up government teams with the specific remit of incorporating <u>nudge</u> theory into <u>public policy</u>.

These "nudge units" became widespread, with recent research suggesting there are now over 200 of them around the world. But while teams of policymakers appear happy to have been taking their "nudge-pills", making small changes to our decision-making processes, the success of those carefully designed nudges is by no means universally agreed.

Back in 2008 though, whether or not nudges actually worked was rarely discussed. The book was packed with peer-reviewed studies, and set out an idea that was broad enough for many readers to relate to. It felt intuitive.

Instead, criticism of nudging at the time typically focused on concerns that government nudges <u>undermined individual freedom</u>. The worry was that if nudges could lead to major changes in personal decision-making and be used to influence citizen behavior, then this created the risk of <u>illegitimate state overreach</u>—maybe even <u>totalitarianism</u>.

These days, while some questions remain about individual freedom, they are not as prominent. One reason appears to be a general acceptance that some government influence on citizens and the decisions they make <u>is surely inevitable</u>. But there is also the fact that <u>a large amount of evidence</u> questions whether nudges actually work at all.



After 15 years, plenty of nudge studies can now be assessed to get a better sense of whether this seemingly revolutionary idea really delivers. Behavioral economists undertake this assessment using an approach called "meta-analysis," which combines multiple studies to get the most reliable data. Last year, one major meta-analysis reported finding no evidence of nudges working.

This was a big deal. And although the study had its own critics, who say it does not properly account for context, the analysis also supported previous evidence of publication bias, suggesting researchers have been cherry picking the "good" nudge studies to publish for years.

Nudge theory has also been undermined elsewhere by doubts raised around the <u>usefulness of findings</u> in behavioral science and psychology, as well as high-profile scandals involving <u>allegations of data fabrication</u>.

Pushing back against nudging

Critics of nudge theory have two key arguments. One is the notion that nudges have small (if any) effects on our behavior, and are therefore ineffective policy tools.

Their second point is that nudge-based acts are open to being used by vested interests to <u>distract policymakers</u> and the public from actually effective solutions—that they put the emphasis on slight changes from individuals instead of more meaningful and effective systemic change.

For instance, nudges that encourage households to <u>reduce their energy</u> <u>consumption</u> may be considered a good idea. But what if this nudge also <u>reduces the political will</u> to pursue more effective (and expensive) policies, such as retrofitting homes or dramatically investing in sources of sustainable energy?



Even supporters of nudge theory have conceded that <u>nudges may have overpromised</u> in the past. A recent <u>behavioral science "manifesto"</u> argues that behavioral economists should "be humble" about limits of nudge theory. And in a 2021 updated edition of their <u>famous book</u>, Thaler and Sunstein—who never anticipated the <u>phenomenal reach they achieved</u>—argue that nudges are always part of the solution, but <u>rarely the solution itself</u>.

In the political sphere though, nudge theory will probably continue to prosper, as a way of gaining political capital from cheap solutions to difficult problems. For instance, the nudge of automatically enrolling UK workers into pension schemes (they have the right to opt out) has substantially increased the number of people saving for retirement, an ambition of both Labor and Conservative governments.

This policy uses a common type of nudge known as a "default option", which relies on people's tendency to accept the status quo. Before automatic enrollment, employers were still obliged to provide a pension scheme, but employees had to request access to it.

But even when nudged in this soft, almost passive way, people probably aren't saving enough—mainly because they can't afford to. Fundamental pension reform or a radical change to wealth distribution is politically challenging and expensive, whereas nudging workers into passive enrollment is not.

Nudges are also less controversial to the electorate than a new ban or mandate. A gentle push towards <u>more environmentally friendly behavior</u> is likely to provoke less backlash among voters than a government ordering people to change the way they do things.

In this sense then, nudges remain useful political tools. They are cheap, and they neither ban nor mandate. And if they don't work, it takes a



while for voters to notice.

So perhaps nudges do not even need to work to continue to have a role in modern society, because politicians will always demand a tool like them for <u>their political ends</u>. It is an argument that could nudge nudging along for at least another 15 years.

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