Can a nudge change the world?

One box on a form can change what most people do: defaults, opt-in and opt-out, what a nudge is, the organ-donor and pension evidence, and how to read a default before you click.

1 Self-tests

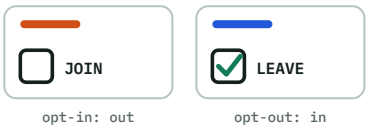
same plan, two forms

- New job · pension plan (part of each paycheck saved for old age) · **signed up for you** → stay in or leave?
- Same plan, same money · **not** signed up · 1-minute form → fill it in now or later?
- Only the form changed → many who stay in the first time do not join the second · no right answer · nothing stored or sent

2 The default

what happens if you do nothing

- **Default**: "what happens if you do nothing" · every form has one
- **Opt-in** → out unless you act · box starts **empty** | **Opt-out** → in unless you act · box starts **ticked** ("yes" = default)
- Why strong: **effort** (doing nothing is free) · **advice** (looks recommended) · **loss** (leaving = giving up, Lesson 3)
- **Inertia**: "doing nothing because acting takes effort, even when you would gain" · e.g. phone alerts left on, printer left on two-sided



3 Nudge

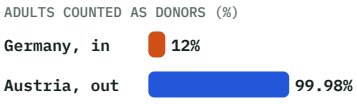
Thaler · Sunstein, 2008

- **Richard Thaler** (US economist, Lesson 1) + **Cass Sunstein** (US legal scholar) · book *Nudge*, 2008
- **Nudge**: "a change in how a choice is presented that steers people, without a ban and without a big change in prices"
- Examples: default · smaller plate · reminder text · fly printed in the urinal · fruit at eye level, sweets still on sale
- Not a nudge: **ban** → removes the choice (phones forbidden in class) · **tax / charge** → changes the price ($5 a day to drive downtown)

4 Evidence: donors

Johnson · Goldstein, 2003

- US psychologists · European countries · **organ donor** = organs go to sick people after death · Germany: donor **only if you register** · Austria: donor **unless you register to say no**
- Donors: Germany **12%** registered (≈ 1 in 8) · Austria **99.98%** (never registered a no) · lowest opt-out country ≈ 86% vs highest opt-in ≈ 28% → ≈ **60 percentage points** (gap between two %), no overlap
- Online test, same question: opt-in **42%** · opt-out **82%** → `82 − 42 = 40` points · only the starting box changed ⇒ the form is the cause
- Careful: register ≠ donation (families, hospitals) · toy case, green power at the same price: opt-in 8 of 100 · opt-out 15 untick → `100 − 15 = 85` (+77)



5 Evidence: savers

Madrian · Shea, 2001

- US economists · large US company · **automatic enrollment**: new hires in unless they say no · nobody forced
- Saving in the plan: **37%** (sign up yourself) → **86%** (signed up for you) ⇒ many wanted to save but never filled in the form
- Catch: many stay at the **low default rate** → a default helps people start, but can become where they stop
- Rational benchmark: company adds `$50 × 12 = $600` a year · 10-minute form → `$600 ÷ 10 = $60` a minute · in with **either** form



6 Policy · defense

read the default

- Nudge = **policy tool**: donor registers, pensions, reminders · whoever writes the form chooses the default
- **Positive** (Policy Lesson 1): "auto-enrollment raised saving 37% → 86%" → data can check it · **normative**: "governments should set defaults" → a value (Lesson 10)
- Phone updates on by default → leaving them on takes nothing → inertia → safety fix reaches most phones → fewer hacked, nobody forced
- Food-scrap bins, 20 of 100 ask → bring one to every home (opt-out) → expect **tens of points** more · but having a bin ≠ using it
- Defense: **what happens if I do nothing?** · **is that what I would have chosen?** · pre-ticked "renew for $20 a month" → read it, untick it

Watch out: a default is **not** what people want · 12% registered in Germany ≠ 88% against donating: most never acted · and opt-out ≠ forced: anyone can leave